

European Investment Nowcast

European Investment – Q1 2026 preliminary results



European investment is slowly edging forward

According to our preliminary figures, European real estate investment volumes are expected to reach approximately €52 billion in Q1 2026, representing a modest 6% year-on-year increase. Although growth remains subdued, this is broadly in line with expectations for a gradual recovery, particularly given that first quarters are typically weaker across the cycle. Finland, Ireland and Poland stand out, each expected to post volume growth of 50% or more compared with Q1 last year. Investment activity across core markets is expected to strengthen this quarter, with volumes returning to positive growth in Germany and recording solid expansion in the UK. In France, activity is likely to ease slightly compared with the first quarter of last year, although this reflects a high comparison base following a particularly strong performance relative to other countries.

In sector terms, multifamily has taken an early lead in investment volumes, largely driven by several portfolio transactions, while hotels have also recorded strong activity. Retail, logistics and offices have seen solid levels of investment, resulting in a relatively balanced sector mix overall, despite multifamily currently standing out. That said, with a number of portfolio deals still pending and the quarter not yet completed at the time of writing, the final distribution across sectors may still shift.

Big-ticket capital is slowly confirming this return, with significantly larger transactions recorded. The largest deal to date is the €2.6 billion acquisition of a European factory outlet portfolio comprising four assets across Italy, the Netherlands and Austria by a consortium including AGP Group, Aware Super and BNP Paribas Cardif. Trophy asset activity has also



€52BN

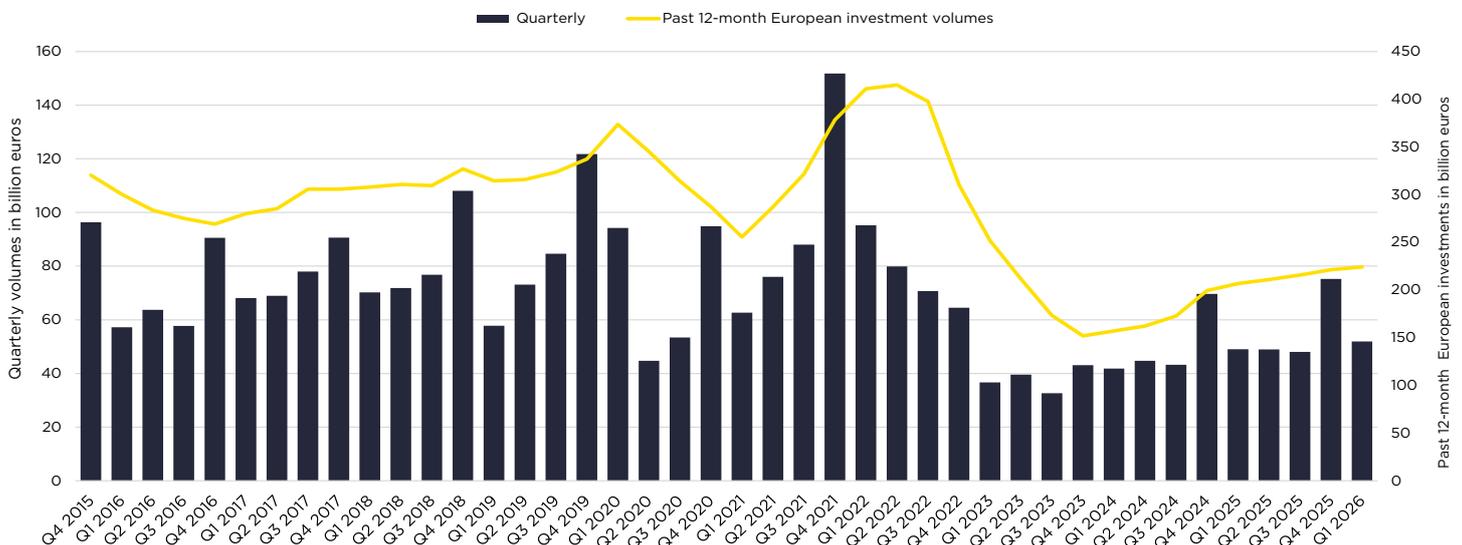
INVESTED IN EUROPE
IN Q1 2026



+6%

YOY COMPARED
TO Q1 LAST YEAR

EUROPEAN INVESTMENT ACTIVITY



Source: Savills Research

resumed, illustrated by transactions such as the €402 million sale of the office building at 33 avenue des Champs Élysées by Icade, the c.€380 million acquisition of the Estel office building in Barcelona by Criteria Caixa, the c.€330 million purchase of the Hotel RIU Plaza London by Riu Hotels & Resorts, and the sale of the BHV Marais department store to Brookfield AM.

These landmark transactions highlight a clear improvement in market sentiment that has been building over recent months. Investor confidence has strengthened steadily since November last year, and the Euro Sentix Investor Index moved back into positive territory in February 2026, rising to 4.2 from -1.8 in January, signalling improving sentiment after a challenging 2025. This renewed optimism is further supported by more favourable occupier market dynamics. Leasing demand is broadening across most sectors as corporate confidence improves, while development pipelines remain constrained by ongoing viability pressures. Limited new supply, combined with low vacancy levels in prime markets, continues to support rental growth prospects across all sectors.

Institutional allocation trends may further bolster activity. With real estate allocations at 14.1%, slightly above target levels in 2025 (13.9%), the stage is set for renewed fundraising in 2026. Europe

is increasingly perceived as a stable and predictable investment destination and continues to rank among the most attractive global markets, with 11 European countries featuring in the global top 15 preferred destinations for 2026. Debt conditions are becoming more supportive as well. Survey evidence suggests that debt availability should improve over the next 12 months, particularly for core and core plus strategies. Although lending remains selective, markets are functioning more effectively, reinforcing investor preference for high-quality assets in prime locations.

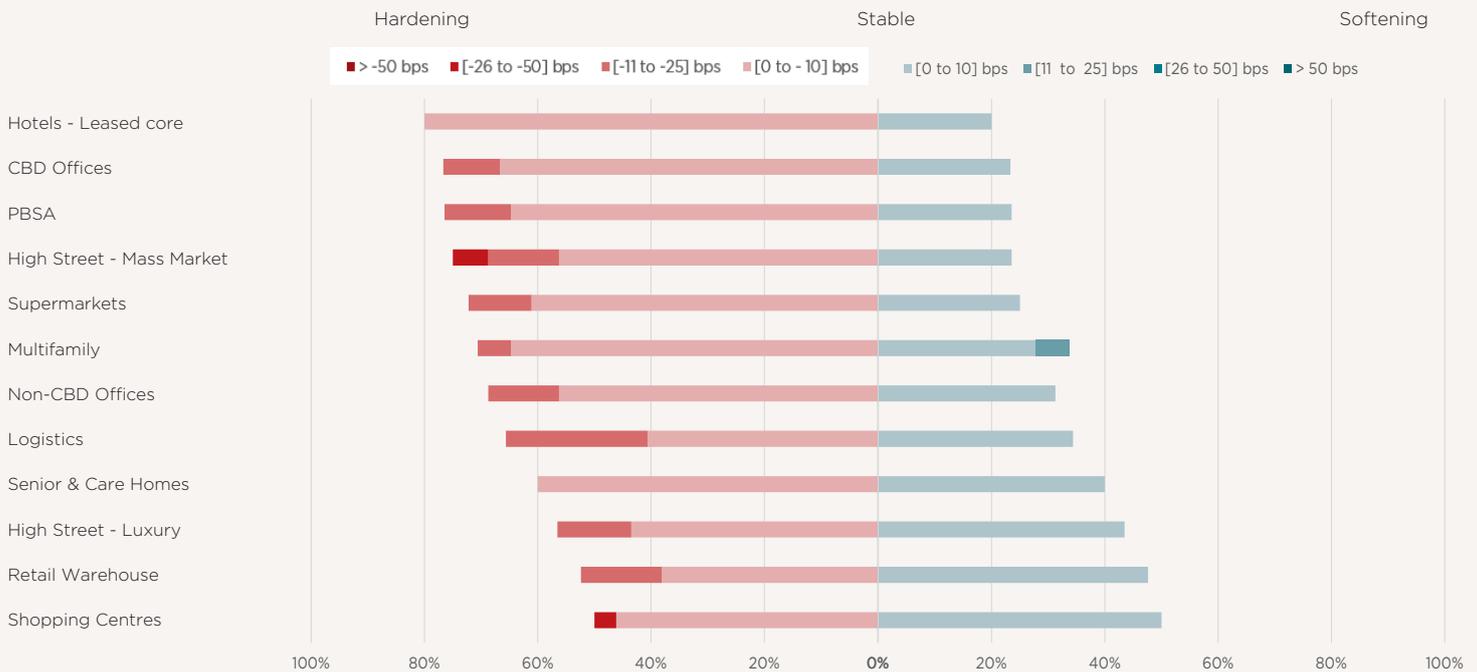
Liquidity is also set to improve as more assets return to the market. Although distressed disposals were limited in 2025, a rising proportion of lenders anticipate an increase in distressed debt transactions over the coming year, according to the REC Europe Lending Market Barometer. At the same time, investors active during the downturn, particularly private equity and closed-end funds, are beginning to rebalance portfolios, which should support higher transaction volumes as confidence strengthens on both the buy and sell sides.

Yield expectations add another positive layer. Although prime yield compression last year proved more modest than first anticipated, our most recent internal survey signals a clearer shift towards inward movement across the majority of

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We anticipate European investment volumes to continue to pick up as the year progresses and expect to see prime yields starting to move in by 25 bps or more in some jurisdictions, particularly for high street assets, retail warehouses, logistics, supermarkets and CBD offices.”
James BURKE

sectors through 2026. More pronounced compression, exceeding 25 bps, is anticipated in a limited but meaningful share of European markets, with around 6% of jurisdictions expecting this level of tightening for high street mass market assets and about 4% for shopping centres. Alongside this, moderate compression between 10 bps and 25 bps appears far more widespread. Approximately a quarter of European cities expect such inward movement in logistics, while 14% foresee it for retail warehouses, 13% for high street assets, 11% for supermarkets, and roughly 10% for CBD offices.

HOW DO YOU EXPECT THE CURRENT PRIME YIELDS TO TREND IN THE NEXT 12 MONTHS?



Source: Savills Research

Outlook

Geopolitics continues to represent the main downside risk for the investment outlook. The global geopolitical risk index has increased markedly over the past four years and remains elevated compared with long-term historical levels. At the same time, several investor surveys highlight that geopolitical uncertainty is still perceived as one of the most significant challenges facing global capital today. Although investors have gradually adapted to operating within a more volatile environment, this backdrop is likely to keep capital deployment more selective, particularly for cross-border strategies. We expect cross-border activity to strengthen this year, supported by both long-haul flows and intra-regional investment, however the share of foreign capital targeting Europe is likely to remain close to 40% of total volumes, which is relatively low by historical standards.

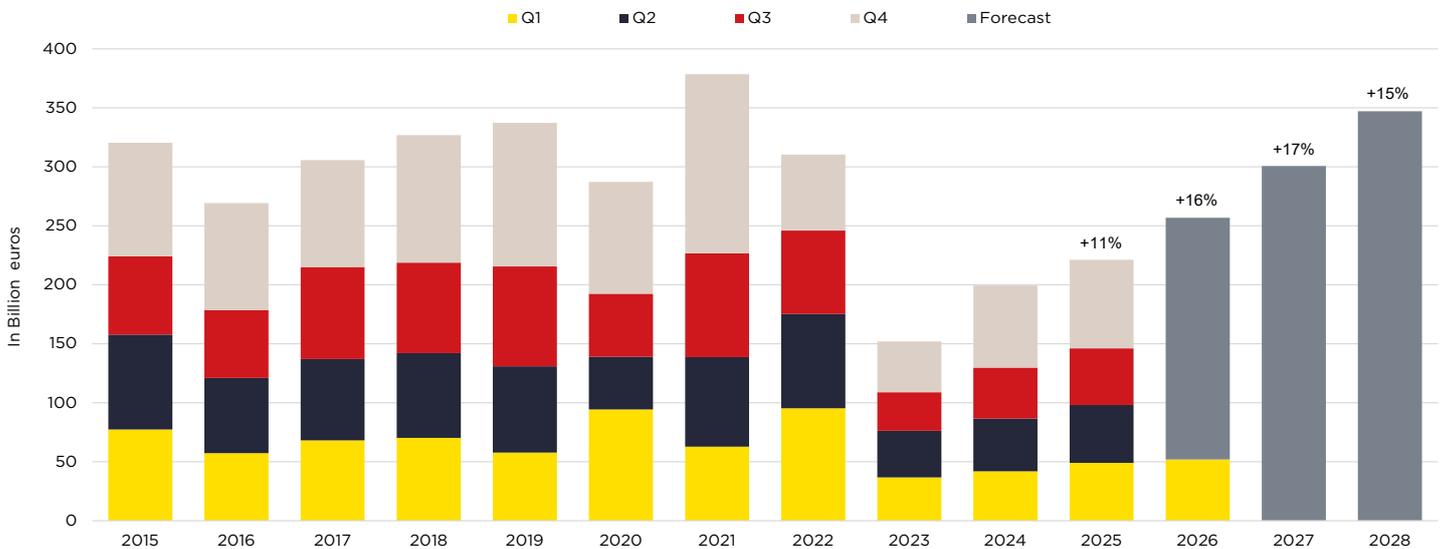
Overall, the recovery in investment activity is expected to be progressive rather than abrupt. Improving sentiment, more favourable debt conditions and a growing supply of investable stock should underpin the rebound, although cross-border capital flows are likely to remain below long-term norms in the near term. With approximately 260 properties currently pending sale, we remain confident in the outlook. Investment volumes are forecast to rise by around 16% in 2026, followed by a further 17% growth in 2027.



Global capital is returning, though not yet at full speed. Confidence is rebuilding across European real estate, with investment volumes expected to recover progressively as market conditions stabilise.

Lydia BRISSY

EUROPEAN INVESTMENT FORECAST



Source: Savills Research



Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market. To view copies of our previous Spotlight publications, go to www.savills.co.uk/insight-and-opinion/



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