

# European Investment Nowcast

European Investment – Q2 2026 preliminary results



## A confidence shock, a quarter on mute

The escalation of the Middle East conflict interrupted the expected recovery in European commercial real estate investment activity. Higher energy prices, renewed inflation concerns and greater uncertainty surrounding the interest rate outlook prompted investors to adopt a more cautious approach to capital deployment. This shift in sentiment is reflected in the latest INREV Consensus Indicator, which fell sharply from 54.7 in March to 41.0 in June 2026, its lowest reading since the survey began in 2023. While the geopolitical backdrop has delayed investment decisions, it has not fundamentally altered the sector's underlying fundamentals, with investors continuing to target assets offering resilient income and long-term structural growth.

European real estate investment showed little sign of acceleration during the second quarter, with preliminary transaction volumes reaching €53.0bn, 6% above the same period last year. As Q2 is traditionally

the market's most closely watched quarter, setting the tone for the remainder of the year, this modest increase fell short of expectations. Consequently, first-half investment volumes totalled €103bn, up 3% year on year. However, the headline figures largely reflected weakness in a handful of major markets, rather than a broad-based slowdown across Europe.

The modest increase at the European level masks a highly uneven geographic picture. Slightly more than half of the twenty markets monitored recorded year-on-year growth during the first half, highlighting that overall performance was constrained by weakness in a small number of markets rather than reflecting broad-based investor caution across Europe. This divergence reinforces the importance of country-specific fundamentals, with capital continuing to gravitate towards markets where pricing, economic prospects and occupational dynamics remain supportive.

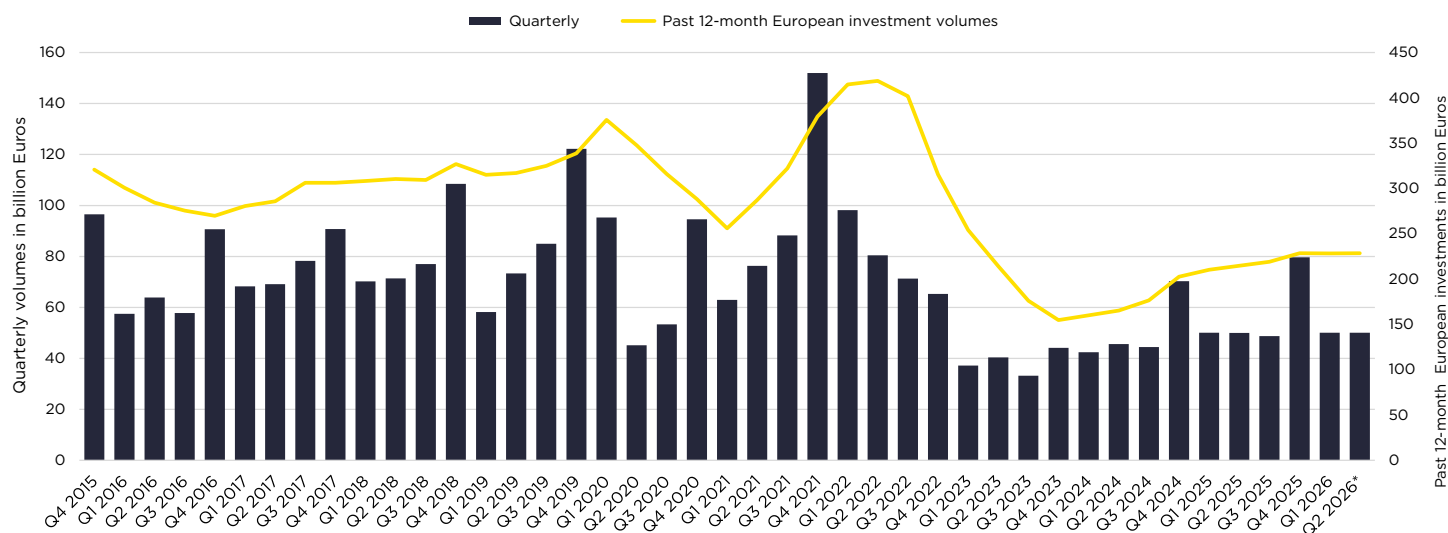


**€53BN**  
INVESTED IN EUROPE  
IN Q2 2026



**3%**  
YOY COMPARED  
TO H1 LAST YEAR

### EUROPEAN INVESTMENT ACTIVITY





The United Kingdom remained the main drag on European activity. Investment volumes are expected to have fallen by 22% year on year to €21.6bn during the first half, reducing overall European turnover by almost €7bn. Germany also weighed on aggregate performance, with volumes declining by a more moderate 8%. Elsewhere, although percentage declines were more pronounced, their impact on the European total remained relatively limited. Belgium (-61%) and the Czech Republic (-45%) both recorded sharp corrections following exceptionally strong first halves in 2025, while investment activity in Romania declined by 21%.

By contrast, several markets delivered robust growth. Poland (+95%) and Finland (+94%) almost doubled investment activity compared with a year earlier. Among Europe's largest markets, Sweden and Spain stood out, with volumes rising by 68% to €12.8bn and 56% to €12.2bn, respectively, combining both scale and strong momentum.

Overall, European investment activity appears to be cooling at the aggregate level, but the underlying market remains considerably more resilient than the headline figures imply. Investors have not withdrawn from the asset class; they are prioritising markets and assets that offer strong income security, favourable pricing dynamics and long-term structural growth prospects. This more disciplined allocation

of capital is consistent with the sharp deterioration in investor sentiment recorded during Q2, with the latest INREV Consensus Indicator falling to its lowest level since the survey began, reflecting heightened geopolitical uncertainty rather than weaker real estate fundamentals.

Asset allocation trends continue to favour defensive sectors with resilient occupational fundamentals. Living sectors, including multifamily, purpose-built student accommodation, care homes and senior living, are estimated to account for almost 30% of total European investment volumes during the first half of 2026. Strong rental fundamentals, constrained supply and the prospect of stable income growth continue to underpin investor demand. In contrast, logistics investment activity has moderated. We estimate the sector's share of total European investment volumes declined by around three percentage points to approximately 16% during H1 2026, despite benefiting from one of the year's largest transactions, the €2.3bn acquisition of Proudreed's French logistics platform. While long-term structural drivers, including supply chain modernisation and e-commerce, remain supportive, the sector is now subject to greater pricing scrutiny after several years of exceptionally strong performance. The share of other asset classes remained unchanged.

Cross-border investment also remains subdued by historical standards. We

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Although debt remains readily available for high-quality assets in Europe, lenders and investors are placing greater emphasis on income security, asset quality and pricing discipline.

JAMES BURKE



≈ 30%

**SHARE OF THE LIVING  
SECTOR IN H1**

\*Source: Savills Research



estimate that international capital accounted for around 45% of total European investment during the first half of 2026. Given the current geopolitical environment, this is perhaps unsurprising. Long-haul investors from the United States, Canada and Singapore have reduced activity as greater uncertainty surrounding inflation, financing costs and global political risks has lengthened investment decision-making. Nevertheless, US investors remain the largest source of cross-border capital into Europe. Within Europe, cross-border investment also softened overall, although Dutch and French investors remained comparatively active, recording transaction levels above their respective five-year averages.

Portfolio transactions continued to feature prominently, although activity

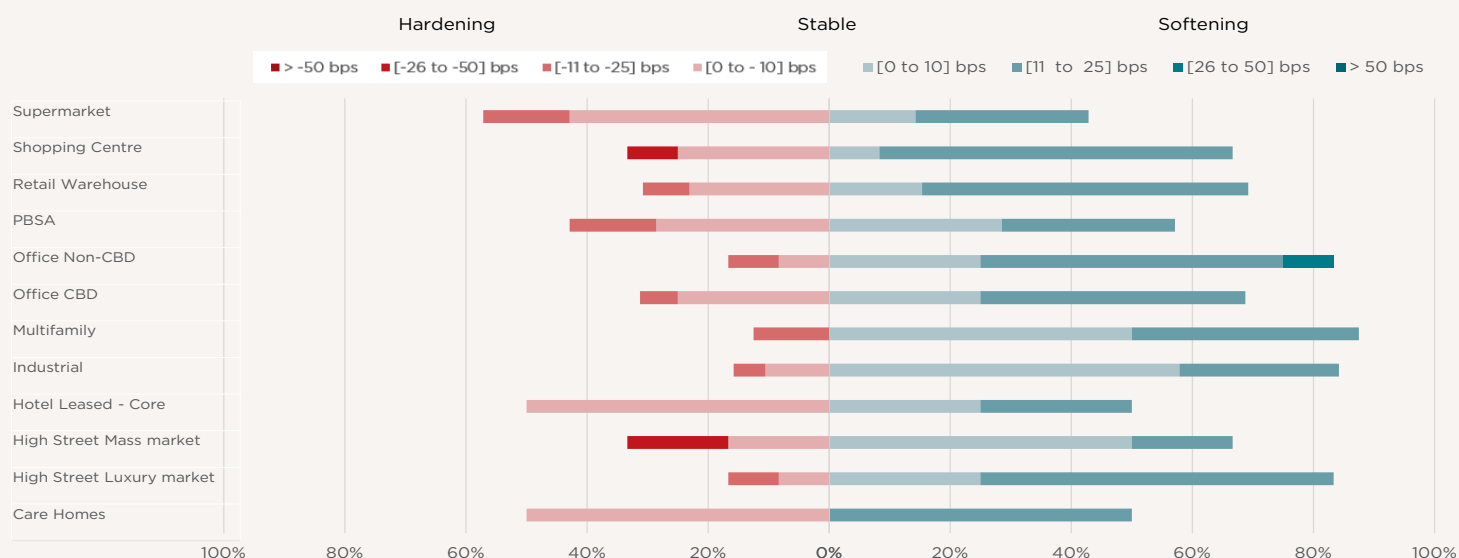
appears to have moderated compared with the previous two quarters. Nevertheless, average deal sizes are expected to have increased during Q2, supported by several landmark acquisitions that demonstrate continued appetite for exceptional assets despite weaker overall market sentiment. Among the most notable transactions were Al Mirqab Group's €1.16bn acquisition of an 80% interest in Palazzo del Monte at Via Monte Napoleone in Milan, Barclays' €866m acquisition of One Churchill Place in London for owner occupation, and the €430m acquisition of the Pullman Paris Tour Eiffel by a joint venture between Batipart, Caisse des Dépôts and Société Générale. These transactions reinforce the continued depth of liquidity for trophy assets where pricing quality and long-term income characteristics remain compelling.

### The compression story is on hold

Long-term government bond yields have risen by around 25 basis points across many European markets since the beginning of Q2, reflecting renewed inflation concerns and uncertainty over the interest rate outlook. As a result, the yield compression anticipated earlier this year is now expected to be postponed.

Although debt remains readily available for high-quality assets, lenders and investors are placing greater emphasis on income security, asset quality and pricing discipline. Consequently, prime yields are expected to remain broadly stable across sectors and jurisdictions during the remainder of 2026, with only isolated compression likely for exceptional assets.

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



# Outlook : A longer road to recovery

Despite the weaker first half, the medium-term outlook remains constructive, notably based on the fact that some deals have been delayed but are still in the pipeline. European investment volumes are forecast to reach €251bn in 2026, increasing to €297bn in 2027. The recent slowdown is therefore expected to delay, rather than derail, the recovery.

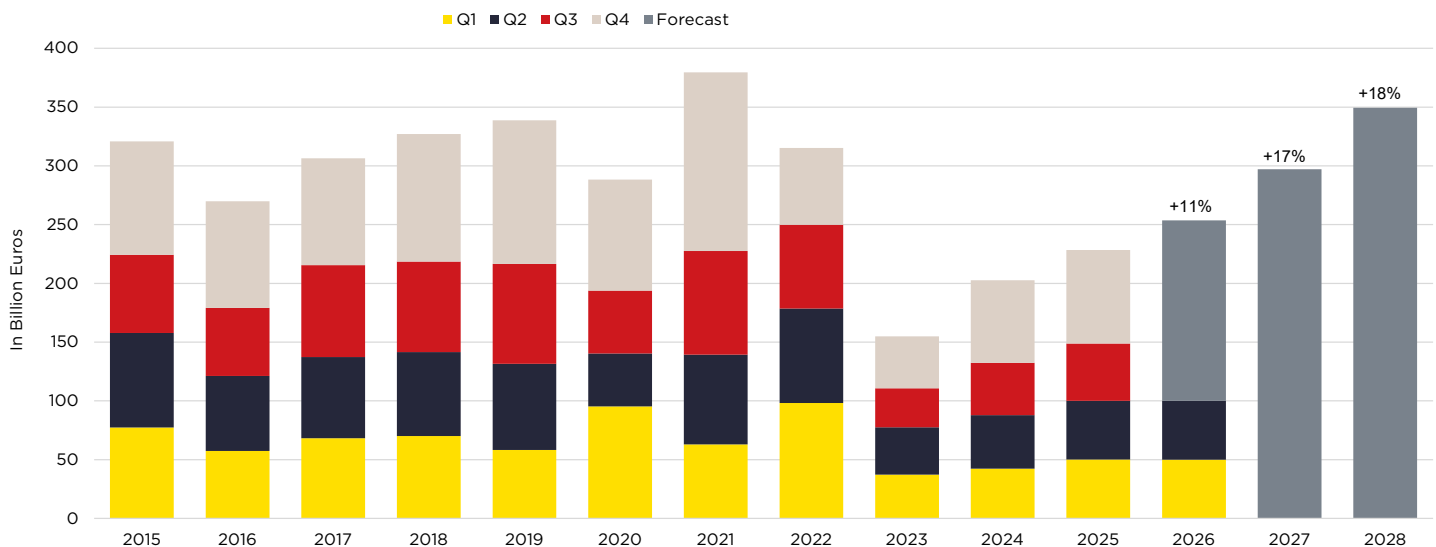
Capital remains available, although deployment is likely to remain more measured while investors await greater geopolitical clarity. Strong occupational fundamentals, constrained supply and resilient income growth continue to support the investment case, particularly across the living sectors and other structurally supported asset classes. Unless geopolitical conditions deteriorate materially, activity is expected to regain momentum in the second half of the year as transactions currently under negotiation complete.



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**LYDIA BRISSY**

## EUROPEAN INVESTMENT FORECAST



Source: Savills Research

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