MSCI

Q2 2026

Capital Trends

Europe

€49.4b Transaction volume

-10% YOY volume change

European property had another slow start to a year. This is a disappointment after momentum had built through the second half of 2025, but conflict between the U.S., Israel and Iran led to concerns over inflation and the trajectory of interest rates, and the recovery has been shelved again.

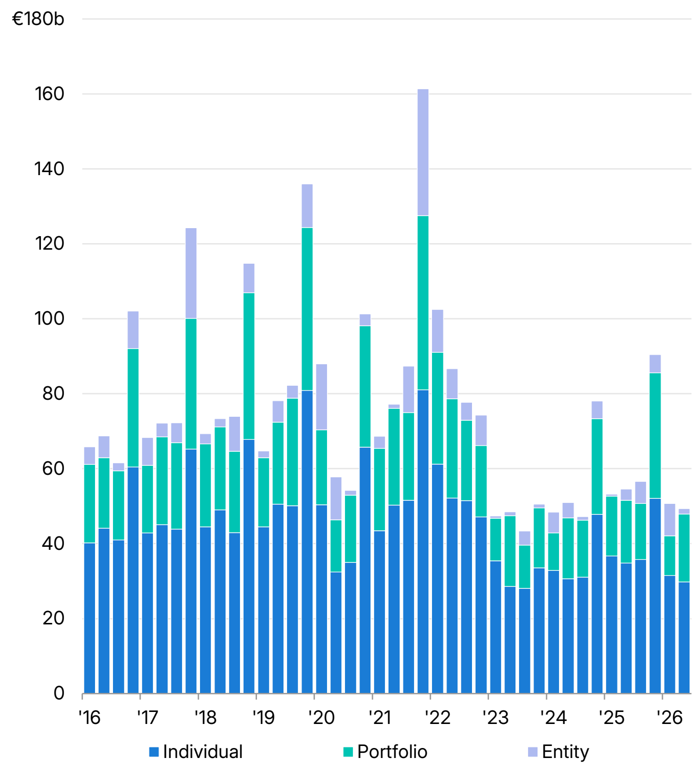
The slowdown was broad-based rather than concentrated in the sectors already under pressure. Industrial investment fell to its lowest H1 level since 2017, while office activity was still around half the levels recorded during the prior cycle. Apartment was the only major sector to record robust growth in H1, driven by consolidation in the U.K. student housing market and strength in the Netherlands and Spain.

Indeed, Spain is the one market bucking the trend. Stronger economic growth and a rising population are factors attracting institutional capital from North America and Northern Europe, pushing Spain past France into third place in the investment rankings. The U.K. and Germany remain in first and second place, respectively, despite a slower period for both markets. In the U.K., the number of completed office and retail deals fell to their weakest H1 levels on record. Meanwhile the structural weaknesses in Germany's property market continue to impact dealmaking. The federal government’s fiscal boost may come to the rescue, but the latest reports suggest that won’t be until 2027, with capacity constraints holding up planned investment.

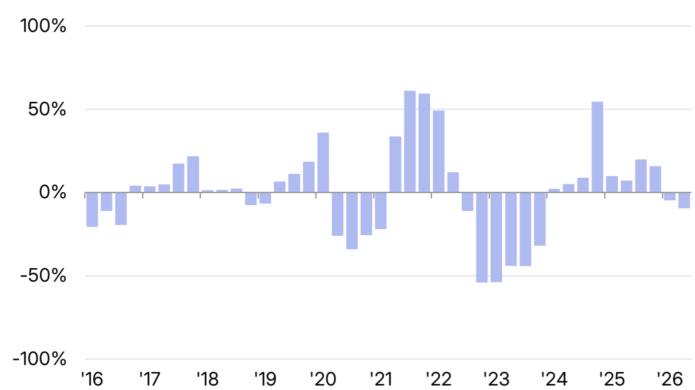
U.S. investors are still the largest source of cross-border capital, yet they're increasingly weighing opportunities in European real estate against those elsewhere, primarily in Asia Pacific or those centered on the AI boom. The boom has led to an enormous wave of capital expenditure across the U.S., home to two-thirds of all global data center construction by capacity. Asian buyers have largely retreated, although 2026 saw the first substantial European acquisition by South Korean buyers since 2022 — this time targeting Polish logistics as opposed to the more traditional focus on CBD offices in gateway cities.

The market is in need of good news. European real estate has become very sensitive to interest rate expectations, and the European Central Bank’s decision to raise rates by 25 bps during the second quarter has created some further friction. Moreover, competition for capital has intensified and investors are still looking less favorably at real estate in comparison with some of the opportunities in infrastructure, for example. However, there are pockets of the market that continue to do well in terms of investment liquidity and occupier demand. The long-run data from the MSCI UK Annual Property Index shows that investors who re-enter the market in the early stages of any recovery generally do better than those who wait.

Quarterly Transaction Volume



Year-Over-Year Change



Transactions by Deal Type

	Q2 2026 Volume		H1 2026 Volume	
	€b	YOY	€b	YOY
Single Asset	29.8	-14%	61.3	-14%
Portfolio	18.1	8%	28.7	-12%
Entity	1.5	-51%	10.1	187%
Total	49.4	-10%	100.1	-7%

Review Sectors

The tepid start to 2026 has come as a disappointment after a strong finish to 2025 seemed to presage a broader rebound in the capital markets. However, various headwinds — not least the inflationary impact and interest rate volatility unleashed by ongoing tensions between the U.S., Israel and Iran — put the recovery on pause yet again.

The slowdown has been relatively broad-based, with only apartment and senior housing investment volumes ahead of where they were in the first half of 2025. The strongest growth in the apartment sector was in the U.K., Spain and the Netherlands. Spanish apartment investment was up by 400% in comparison with H1 2025 because of several large deals involving Canadian, U.K. and U.S. institutional capital: Brookfield acquired a €1b portfolio from Fidere, while the Healthcare of Ontario Pension Plan bought a €690m portfolio from Ares. Spain's is one of Europe's fastest growing economies and this is reflected in a strong start to the year across most sectors.

In contrast, it was a particularly slow period for the industrial sector, and first half volume was at the lowest level since 2017. However, at the time of writing, media reports said Segro's board is poised to accept a GBP 14b (EUR 16.4b) takeover offer from U.S. industrial giant Prologis. This would be one of the largest deals in European history were it to proceed. Segro is one of Europe's biggest industrial landlords but also has a large data center development pipeline, which is a further incentive for Prologis to acquire the U.K. landlord as it looks to capitalize on the AI capex boom.

Office transaction volume is around half the level recorded during the last property boom. The yield chart highlights how the ongoing interest rate uncertainty is impacting the sector: Central London offices have lost all the ground made up last year and average transaction yields are above 6% again.

Losers as Well as Winners on the Market

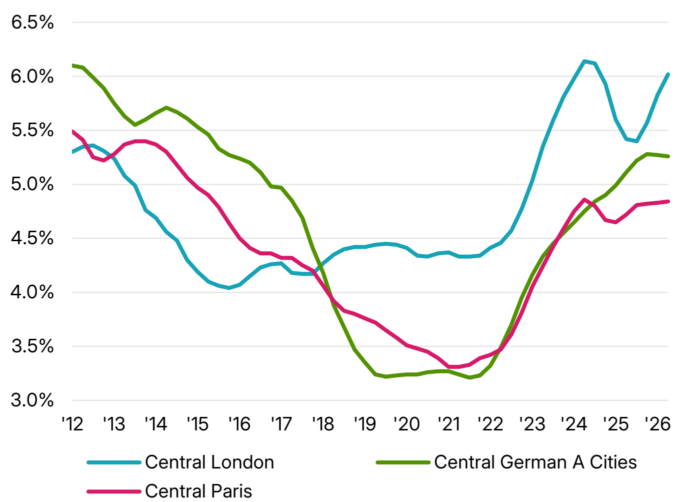
It is a truism that investors of all stripes tend to sell winners and hold losers, i.e., there is a strong disincentive to crystallize a loss. This tendency toward loss aversion has a significant impact on market liquidity. Circumstances dictate, however, that owners cannot sit on assets indefinitely and will sometimes have to sell regardless of an asset's performance during its holding period.

We analyzed European office, retail and industrial assets for which the prior purchase price is known. A significant proportion of office and retail assets are still being traded at a cash loss — more than 50% in the case of retail. Notably, a growing proportion of industrial properties are also being sold for less than they were acquired, illustrating how the market is starting to feel the impact of the correction in valuations following the post-Covid boom.

Transactions by Property Type

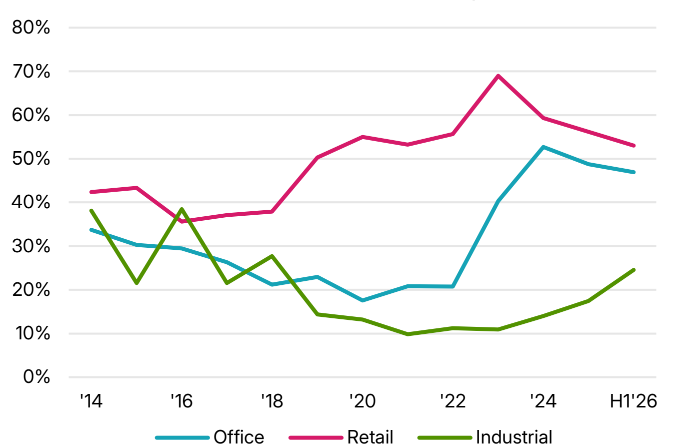
	Q2 2026 Volume		H1 2026 Volume	
	€b	YOY	€b	YOY
Office	10.0	-18%	21.3	-7%
Industrial	6.8	-34%	15.0	-28%
Retail	8.2	8%	15.0	-15%
Data Center	0.4	-57%	2.5	-9%
Apartment	15.2	27%	26.3	15%
Hotel	5.3	-19%	9.2	-20%
Seniors Housing & Care	0.9	-60%	5.9	64%
Dev Site	2.6	-7%	4.8	-17%
Grand Total	49.4	-10%	100.1	-7%

Selected Office Transaction Yields



RCA Hedonic Series.

Share of European Assets Trading at Cash Loss



Analysis includes only assets where prior trading price is known.

Review Countries

The Spanish economy's outperformance relative to its European peers is reflected in the strength of its domestic property market. Spain is the only top five property market where volume is ahead on a quarterly and half-yearly basis, and it has leapfrogged France to rank as Europe's third largest property market.

Spain's economic growth has rested on several pillars: the rebound in post-pandemic tourism, inward migration fueling labor market expansion, and strong productivity growth. All are factors that fuel demand for real estate. As a consequence, Spanish transaction volume is only 10% down on its pre-inflationary peak; in contrast, U.K. deal volume is still 30% off that benchmark and Germany is down by almost 70%.

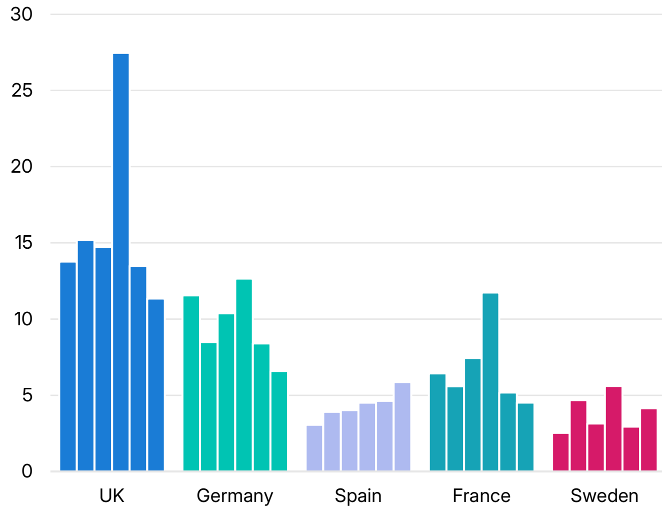
The growth in Spanish activity has been primarily driven by the apartment sector, where first half deal volume was just shy of EUR 4b, making 2026 the best start to a year on record. To boot, hotel investment was also at the highest level for H1 since 2017 and office investment at its highest since 2019. Cross-border players continue to provide the majority of liquidity, accounting for around 60% of deal volumes on the buy and sell side. The buy side is dominated by North American institutions, although capital has also flowed in from the U.K., France and Belgium.

In contrast, transaction volumes fell in both the U.K. and Germany in Q2 and H1. In sterling terms, U.K. deal volume was down 11% versus the first half of 2025, but perhaps more notably, the count of deals was down 21%. It was the worst start to the year on record for U.K. office and retail, with fewer deals completing than even during the depths of the Global Financial Crisis in 2009. The U.K. residential market was the main bright spot in H1 and deal volume was up by 40% in the first half of the year. This was largely due to the merger between listed student housing owners Unite and Empiric.

Germany slowed again in the first half of the year and the market continues to bear the weight of the post-inflationary correction and a stagnant domestic economy. Fiscal support is starting to increase in line with the government's 2025 announcement, but supply constraints are slowing the economic impact, with stronger investment-led growth now expected in 2027. This means that we could reasonably expect a more substantial pick-up in property market activity in 2027 in line with the boost to investment-led growth.

German office investment is very slow in comparison with the pre-2022 norms and just over EUR 3b of deals completed in H1, compared to a peak of EUR 15b in 2017. A number of major trades terminated in H1, including the sale of the Opernturm building in Frankfurt. The property was reported to be under offer for EUR 850m before the sale collapsed due to reported difficulties in financing the acquisition.

Quarterly Deal Volumes By Country Q1 2025 – Q2 2026



EUR billion.

Most Active Countries

		Q2 2026 Volume		H1 2026 Volume	
		€m	YOY	€m	YOY
1	United Kingdom	11,348	-25%	24,842	-14%
2	Germany	6,593	-22%	14,993	-25%
3	Spain	5,869	50%	10,505	51%
4	France	4,518	-19%	9,698	-19%
5	Sweden	4,148	-12%	7,089	-2%
6	Italy	3,270	26%	4,771	-8%
7	Netherlands	2,845	8%	7,183	44%
8	Poland	1,811	90%	2,919	67%
9	Denmark	1,806	-41%	2,463	-42%
10	Finland	1,664	140%	2,461	94%
11	Norway	1,371	-22%	2,365	-3%
12	Switzerland	1,030	1%	1,714	-30%
13	Austria	677	-33%	1,477	-19%
14	Ireland	623	21%	1,193	-16%
15	Czech Republic	325	-55%	380	-76%
16	Belgium	285	0%	3,322	118%
17	Portugal	200	-62%	892	17%
18	Luxembourg	157	147%	157	-64%
19	Romania	139	-39%	293	-47%
20	Lithuania	137	622%	137	101%
	Other Europe	535	-13%	1,212	-39%
	Grand Total	49,350	-10%	100,067	-7%

Ranked by Q2 2026 volume.

Top Markets

London and Paris are Europe's top property markets so far in 2026, although deal volumes have disappointed, particularly in Paris where activity was down around 20% in comparison with H1 2025. Madrid remained in third position, emphasizing the strength of the Spanish market.

London's bright spots were hotel trades and a small rise in industrial deals. Despite some big deals, including Barclays' purchase of its Canary Wharf office for over EUR 800m, London office investment was slightly slower than H1 2025. Office transaction yields have come under upward pressure from higher borrowing costs: Central London yields are back above 6%, a level last seen in 2024. Despite the yield expansion, there is still only around a 100-bp gap between Central London offices and 10-year gilts, well below the long-term average, implying there may be further pressure on yields in H2.

Similarly, the Paris office market was slow in H1, with demand focused on core CBD markets. Q2 office deal volumes across the Paris Metro/Île-de-France were at their lowest level for two years and there were no reported deals in the La Défense/Western Crescent market. However, it was reported that Pontegadea has just closed the acquisition of the Capital 8 office in Paris's eighth arrondissement for around EUR 830m. This Q3 deal would be the largest Paris office sale in over three years and demonstrates there is appetite for large-scale offices in core markets, but demand appears limited to a relatively small group of buyers.

There was strong investment growth in Amsterdam, driven by demand for apartments, which reached EUR 1b in deal volume in the first half of 2026. Dutch residential is one of Europe's best performing sectors, returning over 10% in the 12 months to Q1 according to the MSCI European Quarterly Property Index. Still, volumes may be flattered by changes to transfer taxes that pushed some 2025 deals into 2026 as buyers waited to take advantage of this change.

In contrast, Berlin has slipped further down the rankings and was Europe's eighth largest property market in H1, as deal volume fell around 50% YOY. Office investment has halved in the last 12 months and it was another slow period for apartments, with H1 volume around half the 10-year average.

Most Active Markets

OFF IND DAT RET APT HTL SHC DEV

2024	2025	H1 2026	Market	Sales Volume (€m)	YOY Change
2	1	1	London	9,919	2%
1	2	2	Paris	5,598	-21%
4	3	3	Madrid	2,888	28%
5	5	4	Stockholm	2,804	8%
6	9	5	Milan	2,496	34%
8	10	6	Amsterdam	2,428	121%
17	14	7	**Barcelona**	1,945	33%
3	4	8	Berlin	1,940	-51%
25	17	9	Brussels	1,541	259%
14	6	10	Munich	1,367	-8%
7	12	11	Manchester	1,127	7%
16	27	12	Copenhagen	1,090	-48%
9	8	13	Vienna	1,052	-25%
20	11	14	Hamburg	1,037	-6%
15	16	15	Birmingham	1,003	30%
13	7	16	Dublin	985	-9%
10	21	17	Zurich	940	7%
32	18	18	Dusseldorf	922	75%
29	31	19	Gothenburg	861	-36%
22	34	20	Rotterdam	850	47%
21	22	21	The Hague	809	29%
11	13	22	Frankfurt	774	-67%
24	15	23	Warsaw	766	37%
37	54	24	Utrecht	711	-22%
18	20	25	Ruhr Valley	657	-45%

Markets in **orange** denote record-high volume for the first half of a year. Year-over-year change truncated at 150%.

Capital Flows

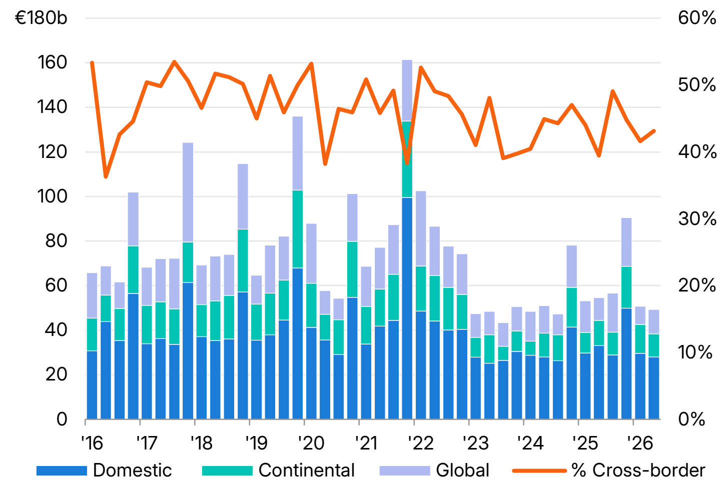
Total cross-border acquisitions of European property reached just over EUR 21b in the second quarter of the year, broadly on par with the same period 12 months ago. The overall shortfall in investment in Q2 was therefore due to a pullback from domestic investors, primarily in Germany and France.

U.S.-headquartered investors are still the largest cross-border capital source in the market; however, first-half volume was at its lowest level since 2013. This pullback may be indicative of a broader trend as U.S. private equity capital is starting to divert toward other property markets in the Asia Pacific region and toward asset classes that will benefit from the growth of AI, particularly data centers and energy infrastructure. The global data center market is highly concentrated in the U.S., and Europe appears to offer relatively few opportunities in comparison.

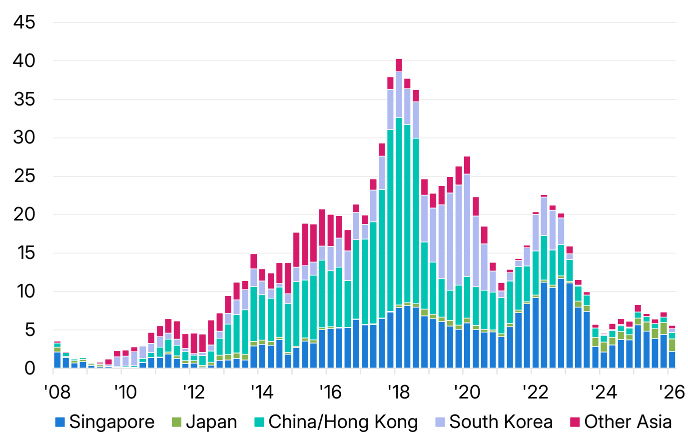
More broadly, investment managers appear to be struggling to make the case for European real estate. Our French market "Baromètre" reported that 48% of investors surveyed planned to reduce allocations to property and only 4% increase allocation. The open-ended fund sector continues to deal with redemption requests and legacy portfolio issues, and most of the major European institutions are still net sellers, as shown in the chart below.

Another headwind for the European property market is the sharp pullback in investment by Asia-headquartered investors. Acquisitions in the first half of 2026 were down by close to 65%. This year is notable, however, for the first major purchase by South Korean investors since 2022. These recent trades involve a consortium of Korean investors, including government agency KIND, acquiring industrial assets in Poland, with two deals having completed and another property under offer.

European Investment by Source of Capital



European Acquisitions by Asia-HQ'd Investors



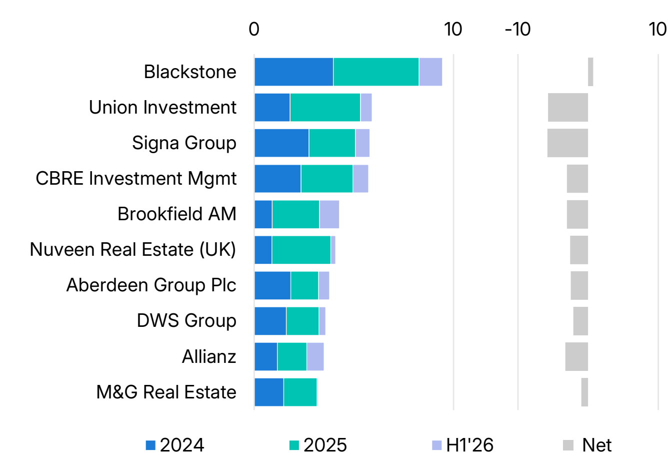
EUR billion. 12-month trailing data.

Europe's Top Sellers Are The Industry's Household Names

Global and European institutions were the buyer group that fueled Europe's zero-rate real estate boom. However, the fallout from the boom period has meant a sharp rise in redemption requests from investors into open-ended funds and the need to reshape portfolios to meet the new challenges in this next cycle. Blackstone tops the seller rankings, with cumulative disposals approaching EUR 10b across 2024, 2025 and H1 2026, ahead of Union Investment, the now-bankrupt Signa Group and CBRE Investment Management.

Net positioning is more nuanced. Blackstone's net figure is close to flat; by contrast, every other investor on the chart has reduced its European property holdings over the last 30 months. Redemptions from the German Immobilien Fonds show some signs of abating, according to Bundesbank data. Requests totaled EUR 2.8b in the first five months of 2026, compared to EUR 3.4b in 2025.

Europe's Top Sellers Since January 2024



EUR billion. Entity-level deals excluded.

I'm Mr Brightside

The near-term picture for European real estate has muddied yet again. After another strong finish to a year, renewed geopolitical tensions have put a stop to some of the investment momentum that had been building.

The market appears trapped in a cycle of recovering confidence repeatedly interrupted by external shocks. But if headline deal volumes have disappointed, the weakness is far from universal. Across Europe, there are examples of segments where deal volumes are above their 10-year average and markets where tight supply and robust demand are pushing up rents. Meanwhile, long-run history shows those buyers who commit to the market in the throes of uncertainty have tended to outperform.

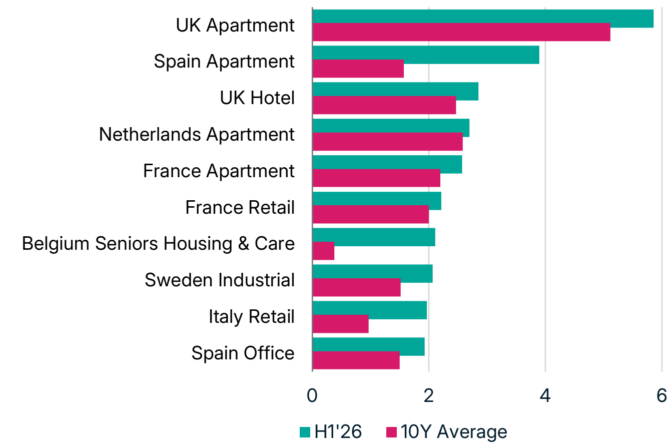
There is a broad spread of markets showing volumes above average, including U.K. apartments, Spanish apartments, Italian retail and even Spanish offices. While none of these segments moves the European total on their own, they do show that capital hasn't gone into hibernation. But with fewer active investors and the market continuing to stratify, it demonstrates how capital is highly selective. The Spanish experience, as discussed on page 3, shows that robust economic growth coupled with a relatively open and dynamic real estate market can attract a diverse array of capital.

Unsurprisingly, there is a correlation between sectors where deal volumes are above average and those which are seeing real rental growth. Dutch residential rents are growing at around 8% p.a. and Spanish residential rents at about 9% p.a. We are even seeing growth come through in some less favored sectors — on average, London office rents are growing at 4.7% p.a. This is comfortably above inflation, and rental growth is approaching double digits for the best quality assets. Similarly, vacancy rates may have gone up in some industrial markets, but rental growth in U.K. regional cities like Glasgow and Manchester remains relatively robust.

The next cycle is likely to be characterized by continued geopolitical volatility and a less supportive interest rate environment; therefore, judging the right price at which to enter a market may be even more crucial as a determinant of future performance than it has proved to be in the past. The chart to the right illustrates this factor for Central London offices, comparing 3-year annualized capital value growth with subsequent 7-year annualized returns. The relationship has remained remarkably consistent since the early 1980s: buying after a correction tends to reward the brave, whereas buying when the market is booming penalizes the latecomer.

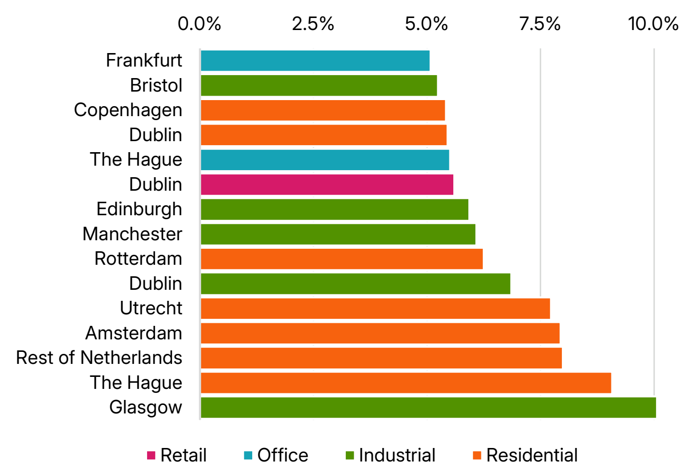
There is no rule that says this relationship will hold for the next 40 years, but waiting for the "all clear" before choosing to invest in an illiquid asset class like real estate has rarely been the most profitable strategy. Meanwhile, continued geopolitical volatility means one of the skills needed in this next cycle will be to invest through not around the uncertainty.

Some Segments Above Long-Run Average Volume



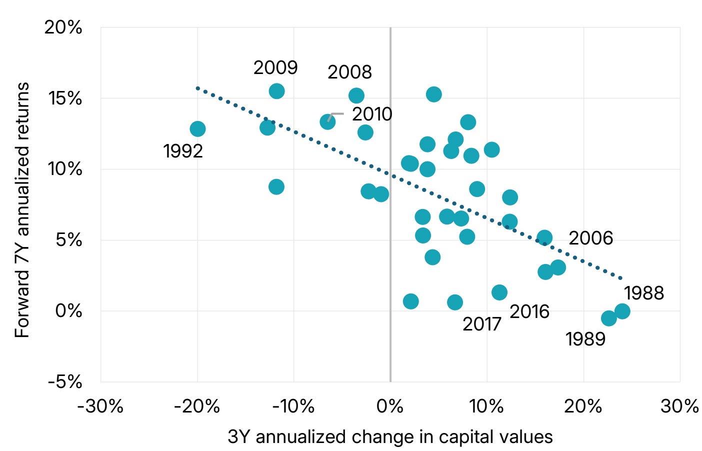
EUR billion.

Still Pockets of Strong Rental Growth



MSCI European Quarterly Property Index. Annual growth to Q1 2026.

Entry Timing Matters



MSCI UK Annual Property Index.

Top Players and Deals H1 2026

Top Buyers and Sellers

Buyers by Market

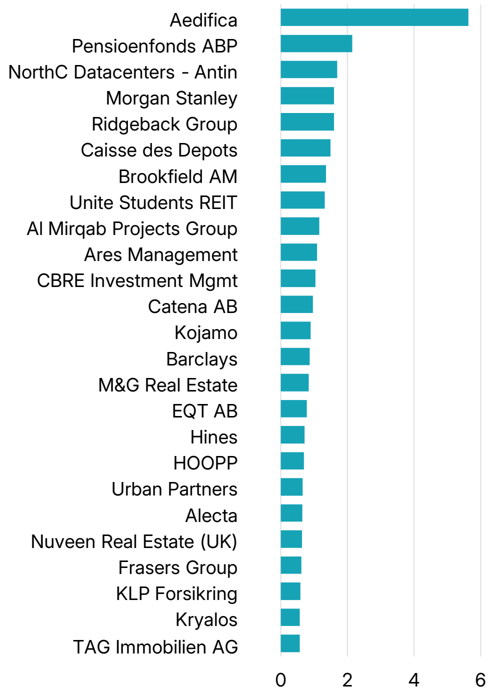
United Kingdom	Nordics
Morgan Stanley	Catena AB
Ridgeback Group	Kojamo
Unite Students REIT	Alecta
Barclays	KLP Forsikring
Frasers Group	Vendus Fastigheter

Germany	Central Europe
Aedifica	TAG Immobilien AG
Luxembourg Fin House	Ares Management
Greykite	KIND
Antin	Trigea Real Estate Fund
NorthC Datacenters Antin	Star Capital Finance

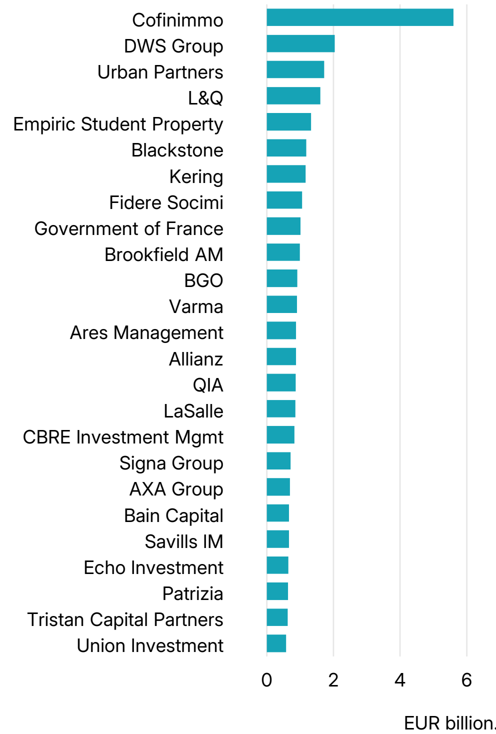
France	Southern Europe
Caisse des Depots	Al Mirqab Projects Group
Batipart	Brookfield AM
Black Swan RE Capital	HOOPP
Societe Generale	Aedifica
Bain Capital	Kryalos

Ranked by investment volume.

Buyers



Sellers



Methodology: Rankings are based on the pro-rated share of the total property or portfolio value. In the case of joint ventures, full credit is assigned to each investor.
For more information please visit the MSCI Real Capital Analytics website.

Top Single Asset Property Sales

	Property	Location	Size	Type	Volume(€m)Δ	€/unit	Buyer	Seller
1	Palazzo del Monte	Milan, Italy	11,800 sqm	RET	1,160.0*	122,881	Al Mirqab Projects Group	Kering
2	One Churchill Place	London, UK	96,477 sqm	OFF	866.3	8,980	Barclays	QIA JV Brookfield AM
3	Pullman Paris Tour Eiffel	Paris, France	430 units	HTL	422.4	982,222	Batipart JV Caisse des Depots	Morgan Stanley JV QuinSpark
4	29-33 Champs-Elysees	Paris, France	12,000 sqm	RET	402.0	33,500	Black Swan RE Cap OBO Bain Cap	Caisse des Depots
5	Estel Building	Barcelona, Spain	52,000 sqm	OFF	380.0	7,308	Criteria Caixa	FREO Group JV Bain Capital
6	Hotel Riu Plaza London	London, UK	464 units	HTL	332.7	717,087	RIU	Westmont JV PPF Real Estate
7	Merry Hill	Birmingham, UK	147,995 sqm	RET	331.1	2,237	Redical Holdings AG	Ellandi LLP OBO Wells Fargo
8	RZF Kaarst	Dusseldorf, Germany	37,000 sqm	OFF	330.0**	8,919	State of North Rhine-Westphalia	Landmarken AG
9	91-93 Champs-Elysees	Paris, France	4,100 sqm	RET	320.0	78,049	Fonciere Renaissance JV MIMCO	Urssaf
10	Islazul	Madrid, Spain	90,000 sqm	RET	318.0	3,533	Vukile Property Fund REIT	Henderson Park JV Eurofund Invmts
11	BHV Marais	Paris, France	38,000 sqm	RET	300.0	7,895	Brookfield AM	Galeries Lafayette
12	Inventory Estate	London, UK	66,888 sqm	OFF	285.4	4,267	KDDI	LaSalle JV Trilogy Property Advisers
13	Marriott Hotel Zurich	Zurich, Switzerland	266 units	HTL	-	-	Pictet Group	Undisclosed seller
14	Frosundavik Business Park	Stockholm, Sweden	42,000 sqm	OFF	281.1	6,694	Fortifikationsverket	Mengus Stockholm AB
15	Park Hyatt Vienna	Vienna, Austria	143 units	HTL	-	-	JR Real Invest	Signa Group

Δ When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although €/unit reflects 100% valuation.
* Partial interest ** Forward sale
The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the MSCI Real Capital Analytics website.

Tom Leahy
Head of EMEA Research

Beatrice Ginieis
Senior Associate

Methodology

Data based on office, retail, industrial, data center, hotel, apartment, senior housing and development site properties and portfolios €5m and greater unless otherwise stated. Data as of July 27, 2026, unless otherwise stated.

The UK Big 6 markets comprise Birmingham, Bristol, Glasgow, Edinburgh, Leeds, Manchester; the German A Cities are Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart.

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market. Europe Capital Trends is a quarterly report.

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