

2026

Europe

EMERGING TRENDS IN REAL ESTATE®

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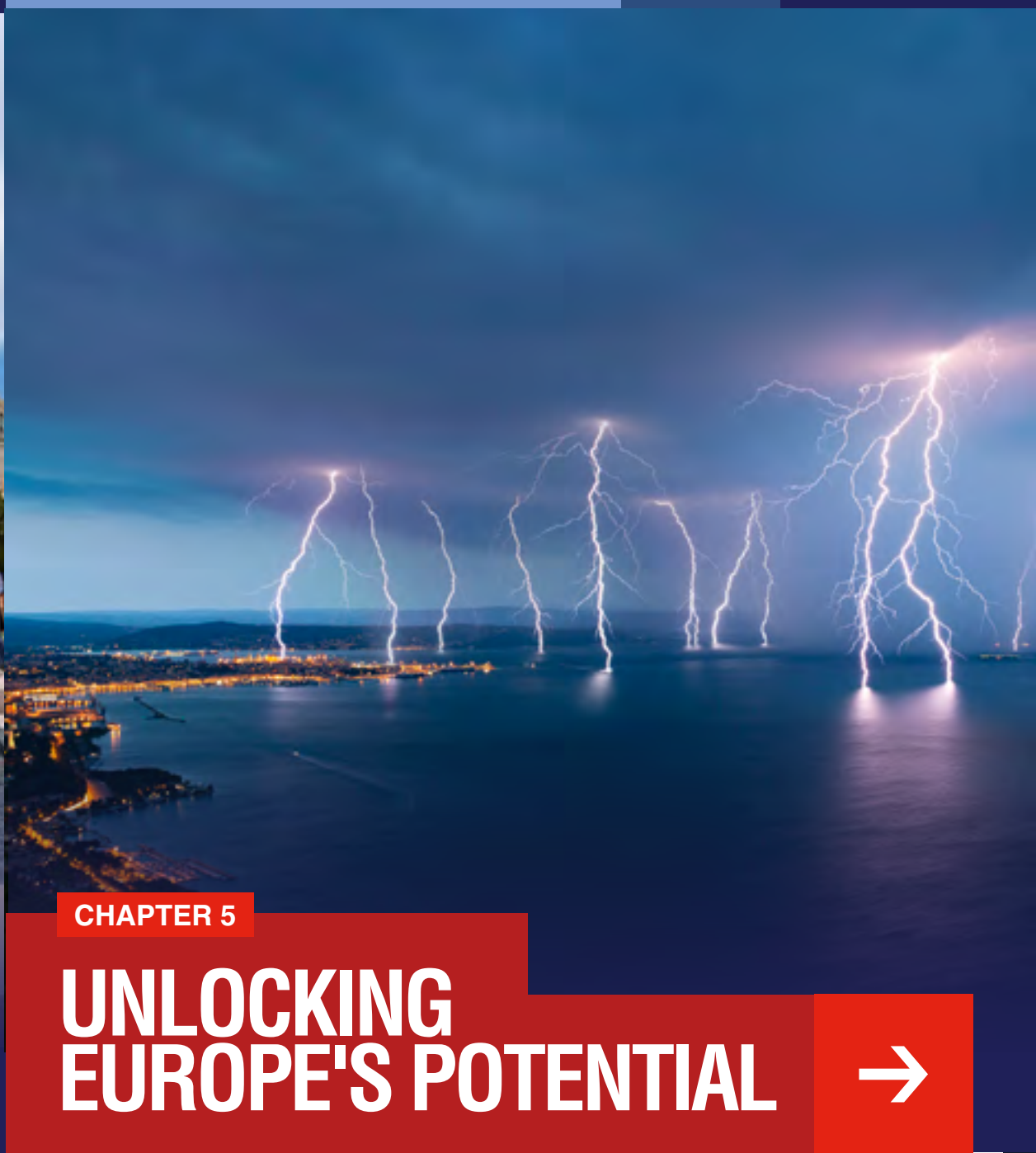
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EXECUTIVE SUMMARY

“In the current environment, we are not sitting on the sidelines waiting for certainty. Our focus is on how to navigate uncertainty.”

Senior partner, global investment firm

LISBON, PORTUGAL



PREVIOUS



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The overriding sentiment for European real estate in 2026 is shifting from last year’s cautious optimism to something more pragmatic, with the likelihood of renewed investment activity once again tempered by geopolitical and economic uncertainty.

The 1,276 senior professionals canvassed for this 2026 edition of *Emerging Trends in Real Estate® Europe* are coming to terms with a prolonged transitional period for real estate following the reversal or moderation of historic tailwinds, including low interest rates and globalisation. All of this is happening while real estate leaders are being forced to redefine the value proposition of the asset class in the face of increasing competition from infrastructure.

At the same time, politics as well as the conflicts in Ukraine and the Middle East continue to cast a long shadow over real estate capital markets. Added to the uncertainty is deglobalisation, which the industry regards as a much more serious issue than in the last survey.

Cutting across the geopolitical conversation is the US, which always makes its presence felt in the survey and interviews but is proving to have an even greater bearing on sentiment this time. The US government’s rapidly evolving tariff policy initially interrupted investment momentum in early 2025, but some interviewees suggest the unpredictability of the US economy will encourage Europe-focused deals in 2026. By contrast, some US-based global interviewees believe the US compares favourably with the limited economic growth in key European markets.

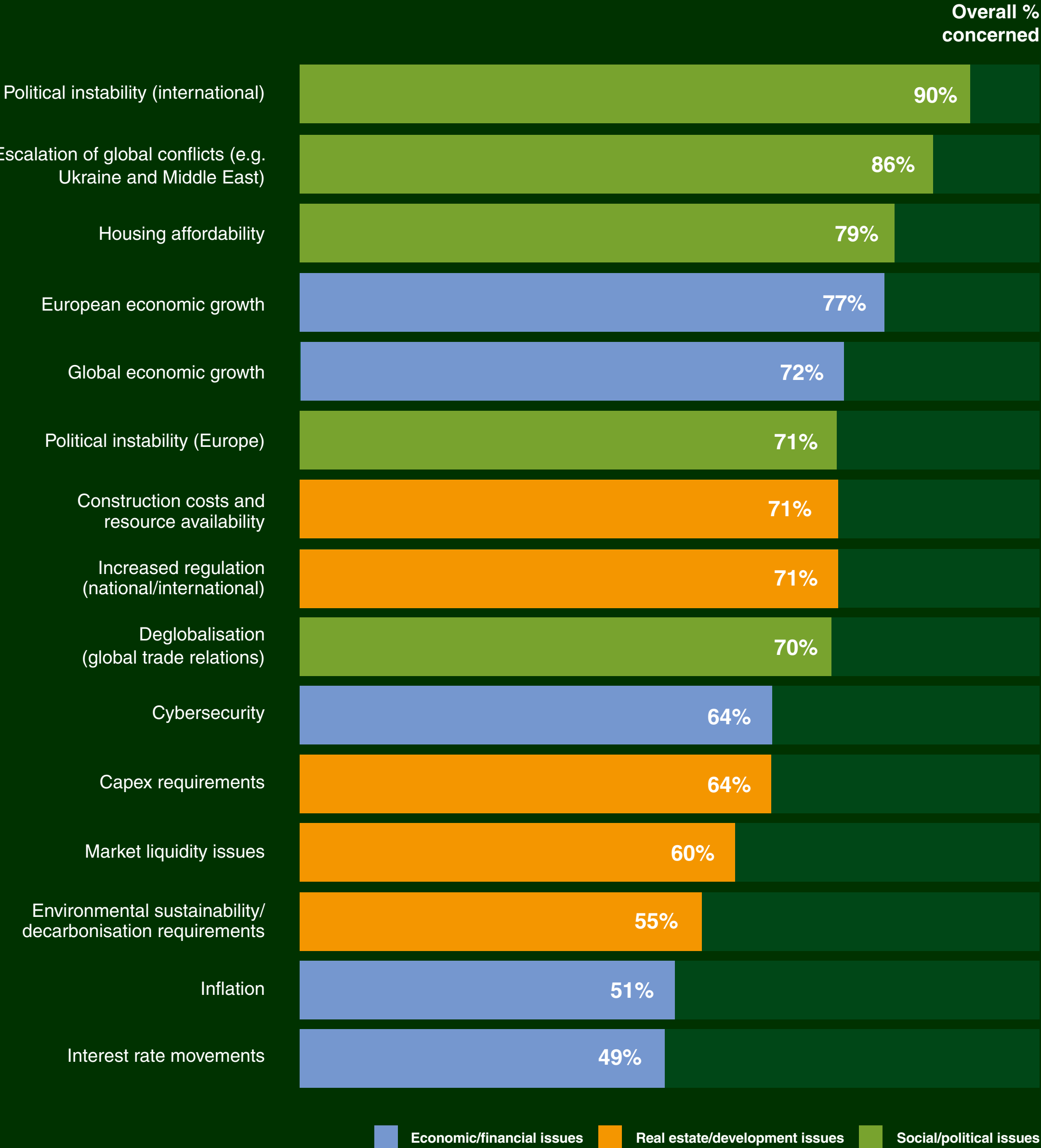
Though inflation is largely seen to be more palatable than in the recent past, the industry also acknowledges the inflationary risk of US tariffs, which is expected to delay further rate cuts and economic stability across Europe.

Business confidence is, therefore, much the same as in last year’s survey. Given that external factors, such as interest rates and geopolitics, are unlikely to improve the outlook for real estate materially, industry leaders acknowledge they need to get to grips with the market as it stands if they want to remain in business. And they must deal with an uncertain economic recovery and uneven occupier demand alongside perennial concerns over construction costs and resource availability as well as regulation.

Yet despite the macro headwinds, most survey respondents and interviewees expect debt and equity availability to increase in 2026, though the latter is from a low base among institutional investors, especially for core real estate. One remarkable change here is the emergence of European and US family offices, high-net-worth individuals and private equity funds as significant sources of equity capital.

Not surprisingly, the prevailing geopolitical uncertainty has influenced how and where capital is deployed at a time when institutional investor appetite is only slowly recovering. With many institutions unable or unwilling to resume investment activity, buyer and seller pricing and return expectations for core investments are getting closer but have not yet fully aligned.

Key issues causing concern for the real estate industry in 2026



Source: Emerging Trends Europe survey 2026



SECTORS TO WATCH

Source: Emerging Trends Europe survey 2026

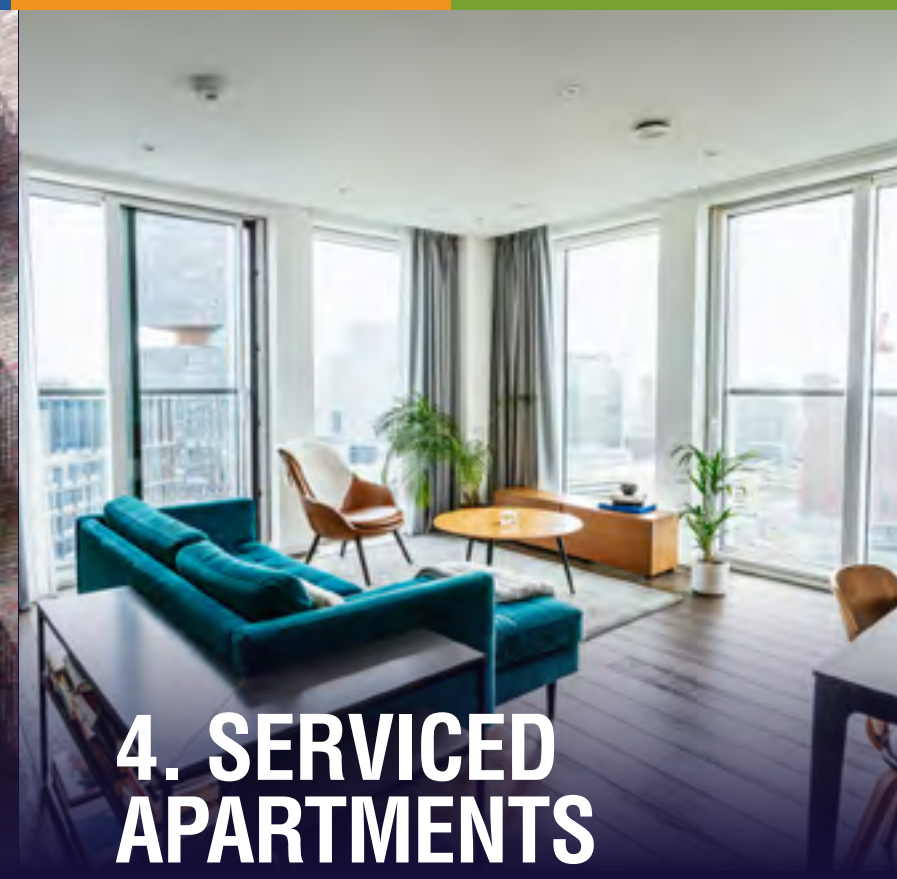


1. DATA CENTRES

2. NEW ENERGY
INFRASTRUCTURE



3. STUDENT
HOUSING



4. SERVICED
APARTMENTS



5. HEALTHCARE



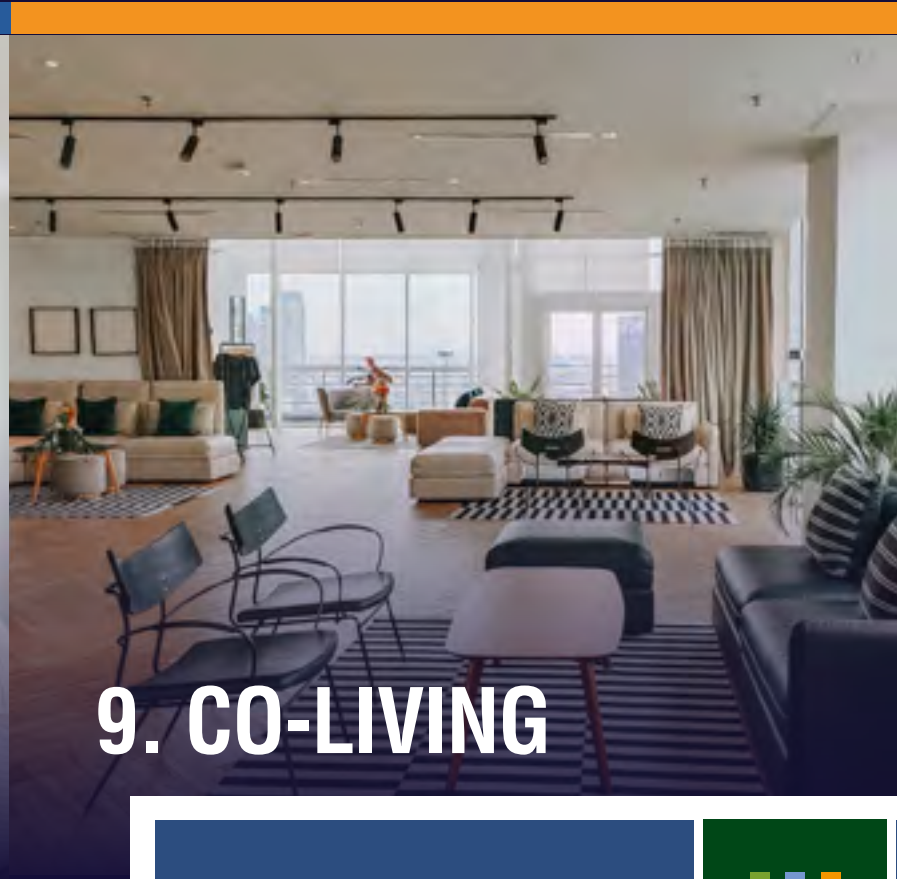
6. STORAGE
FACILITIES



7. EDUCATION-
RELATED REAL
ESTATE



8. RETIREMENT/
ASSISTED LIVING



9. CO-LIVING



10. AFFORDABLE
HOUSING

With Draghi’s landmark report as the starting point, *Emerging Trends Europe* has canvassed the opinions of leaders from across various industries and the message is clear: if Europe is to boost its competitiveness, buildings and cities must form part of the plan.

Europe’s strengths in urban development, not least compact cities and quality of life, already compare favourably with other regions. But high-quality real estate in its broadest sense can go further and serve as the bedrock for vibrant places, where economic growth, prosperity and creativity can flourish while fostering resilience, skills and mobility.

This represents a huge opportunity for an industry that is starting to reframe its unique selling point and transition through tough capital market conditions where core money is lacking conviction on its value proposition.

But the interviews suggest that the industry will need to up its own game if it is to contribute fully to Europe’s transformation. Real estate is under pressure to demonstrate its value as a force for innovation and growth alongside its role as a stable investment that contributes to pensions, housing, social infrastructure and economic stability.

As we conclude in Chapter 5, the industry has a key role to play in enhancing European competitiveness. By reimagining real estate as dynamic infrastructure for technological advancement, sustainability and cohesion, European policymakers can also play their part and encourage greater public-private sector collaboration and help turn Draghi’s report into a blueprint for renewal.

CHAPTER 1

BUSINESS ENVIRONMENT

“We think it is a very good time to be investing capital. We're being cautious about it, but we are in an active deployment phase.”

European investment head, global private equity firm

Dealmaking is on the rise in Europe, as interest rates continue to fall across the bloc and funds seek to deploy significant stores of capital.

For *Emerging Trends in Europe 2026*, the shift is a positive one after several successive years of systemic headwinds depressing transaction volumes.

With inflation largely in more palatable territory, compared with the recent past, there is a measure of confidence across the industry as it looks to fundamentals improving further in 2026. “I see positive signs that growth will accelerate as we move into 2026,” says a global fund manager although the industry has been here before.

Beyond Europe’s borders, messy geopolitics and the tremors caused by the US administration's geoeconomics serve as a reminder that no market operates in a vacuum. Furthermore, with the present administration still in its infancy, there is a sense that the unpredictable could yet trump the expected over the medium term.

One global fund manager argues that the US government's rapidly evolving tariff policy has already interrupted investment momentum in Europe, where more vigorous activity had been anticipated for 2025. “Prior to April’s tariff announcement, we were a lot more upbeat about this year’s prospects,” says the European president of a global asset manager.

“We’re doing deals, but not as many as we would have liked,” another pan-European fund manager adds. Indeed, while dealmaking rebounded in the fourth quarter of 2024, with more active buyers across the globe than for any quarter since 2022, according to MSCI, volumes in 2025 have not entirely lived up to the hype. Shifts in bond rates have increased the cost of capital and made lower-yielding assets look relatively expensive, while global trade disruptions may have dampened sentiment around the industrial sector too, suggests MSCI research.

Some of the industry leaders interviewed for *Emerging Trends in Real Estate Europe 2026* believe the unpredictability of the US economy will turn into a tailwind for Europe-focused deals. “Europe will be the beneficiary of increased capital flows, partly because of some of the other geopolitical tensions and uncertainties around the world,” says the European CEO of a private equity firm.

However, there is a pervading sense that the global dominance of the US economy makes it harder to extricate Europe from its influence in any meaningful way. The US Federal Bank (Fed), the European Central Bank (ECB) and the Bank of England (BoE) are all navigating slight divergences in macroeconomic markers, leading to interest rates being lowered at different intervals. Yet as all three central banks monitor inflation and jobs data, it is the impact of US tariffs globally that is likely to delay further rate cuts and economic stability.



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Prior to April’s tariff announcement, we were a lot more upbeat about this year’s prospects.

WASHINGTON, US



BERLIN, GERMANY

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We are operating in an environment where we regard volatility as a feature, not a bug.

A global real estate investor argues that Europe is caught in a cross-fire between east and west, making it harder to plot a clear course. “The US’ economic and commercial pivot towards Asia is a source of disruption to the status quo,” they say. “[President] Trump is both a symptom and a cause of additional uncertainty and discomfort.”

Add in secular disruptors like artificial intelligence (AI) and this investor calls it “a challenging moment for activities in Europe, including real estate”.

Nonetheless, there is a rising consensus that action is required in spite of all the noise. “We are operating in an environment where we regard volatility as a feature, not a bug,” says a global fund manager. “That means trying to see through cycles and take positions that we feel offer growth and duration.”

A private equity real estate investor believes the recovery cycle is already underway, and that they are investing “to take advantage of what will be an uneven recovery”.

Investors are also making dogged progress in the face of an underwhelming outlook for Europe’s economic health. A real estate executive for a global insurer notes that “the reason interest rates are falling is because the economy needs the support”, adding that “the growth outlook for much of Europe is lacklustre”.

This is reflected in the survey with European economic growth ranking as the biggest business issue for the industry, with 77 percent of respondents very or somewhat concerned.

Elevated government bond yields in the UK, France and Germany have placed further pressure on states already facing considerable economic pressure and fiscal dilemmas.

Demographic decline and the rise of right-wing factions are making it hard for leaders to formulate long-term solutions, as electorates demand quick fixes to issues like the cost of living or immigration.

This in turn continues to influence real estate investment strategies, with one European fund manager seeking to “avoid sectors that are loosely correlated to GDP”, preferring those backed by long-term trends like demographics and digitalisation. This investor also affirms they are looking for “value-add investments” and “real estate with a strong operating platform wrapped around it”.



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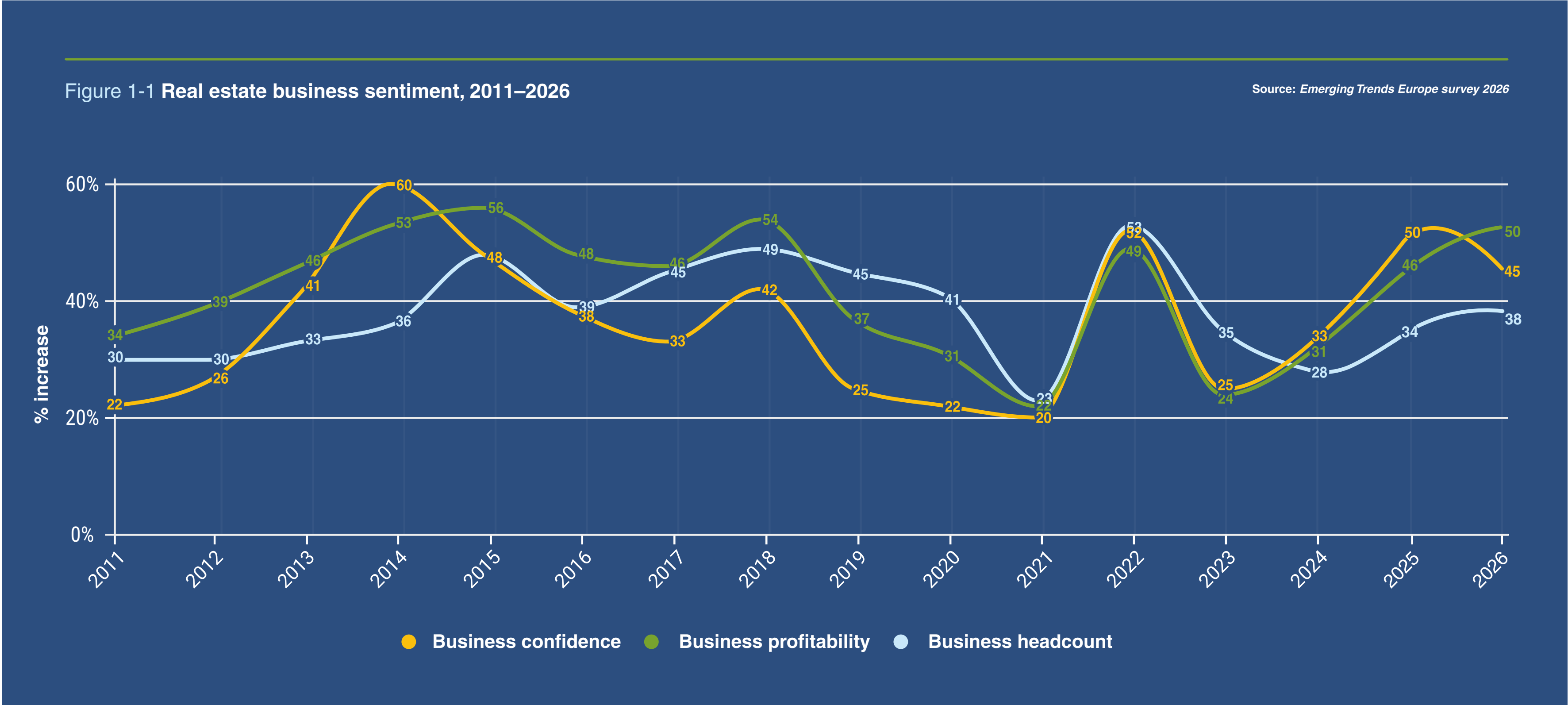
Confident, but with caveats

The *Emerging Trends Europe* survey for 2026 shows that the industry’s level of confidence is largely unchanged from last year, with expectations around profitability and headcount also on a similar footing.

Compared with the 2025 report, business confidence has slipped from 50 percent to 45 percent, while expectations that profitability will improve before the end of 2026 have risen from 46 percent to 50 percent. Expectations that headcounts will pick up over the coming year have climbed from 34 percent to 38 percent (Figure 1-1).

“The market was calling the bottom of the cycle at the end of 2024, with everyone expecting a V-shaped value recovery,” says the European CEO of a global institution. “Then, since [President] Trump’s Liberation Day, the tariff announcements, volatility entered the system, causing the recovery to stall.” But, importantly, deals are “stalling, not reversing”.

Another European CEO laments operating in an environment which seems geared against growth: “Volumes have slowed down and spending commitments have slowed, meaning that 2025 has moved from potentially a very good year into a bit of a lost year.” This reflects the survey responses, which prioritise cost-cutting and adjusting annual business plans as an internal response to uncertainty. If anything, the mood is one of resigned pragmatism than unrealistic optimism. There is some positivity though about the prospects for 2026, according to an EMEA asset manager, who says that “with the right

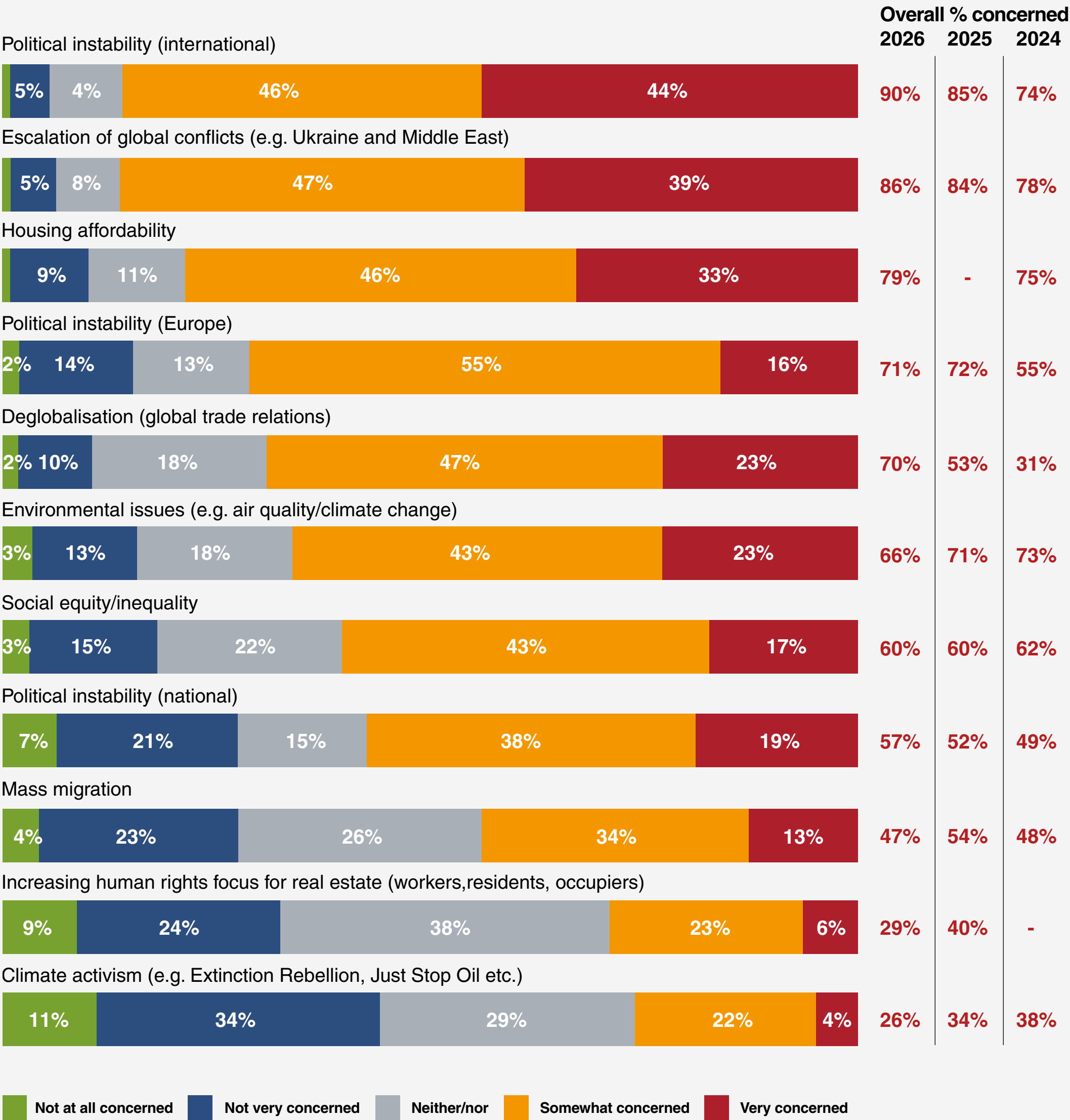


approach in Europe, there is real momentum now to move away from the global average”. Other leaders make sector-specific caveats. “Real estate is increasingly judged by its capacity for income growth, which has become the principal driver of returns,” notes the strategy director of a UK investment firm. Hope extends to the medium-term, with the research head of a global insurer, for example, expressing “more confidence in German valuations in three to five years”, while adding that “it may take that long”.

On the hiring topic, some industry leaders are cautiously optimistic. The managing director of one consultancy says that “significant growth ambitions” are leading their firm to “take risks”, while remaining prudent on hiring costs and expense increases. Others are slightly more negative. “We’ve had a hiring freeze since 2022 and are about 10 people fewer now than then,” says a European CEO. Meanwhile, outside influences – particularly geopolitical and geoeconomic issues – are clearly top of mind

for the industry as it seeks to find its way back to growth. According to the survey, international political instability and the escalation of global conflicts remain the industry’s top social/political concerns, with respectively 90 percent and 86 percent of respondents very or somewhat concerned about these topics (Figure 1-2). “Geopolitical volatility and the related trade policy shifts are definitely the number one issue since spring of this year,” says the EMEA head of a global investment firm.

Figure 1-2 Social/political issues causing concern in 2026



Source: Emerging Trends Europe survey 2026

“[President] Trump’s retaliation to European commerce and the disruption of AI are challenges to real estate, only compounded by the war in Ukraine,” adds a pan-European manager. Concern remains almost equally elevated over a three-to-five-year horizon, which one manager notes is the duration of Trump’s term in office, and the overall impact at the end “may be less cross-border activity between the US and Europe”.

Tellingly, the number of respondents concerned about deglobalisation has more than doubled over the past three surveys – jumping from a consensus of 31 percent to 70 percent – reflecting the reversal of one of property’s established tailwinds (Figure 1-3). One global player says that while direct action in the face of this trend is not entirely possible, they try to establish “where we think the big trends like deglobalisation and demographics are going to play out, and therefore try and lean against that”.

Where there is division, indeed, there can be opportunity, this interviewee adds: “Our tactical tilts are based on assessing if a bit more volatility in a certain area will lead to a price adjustment, or should we stay away for now?” Others also point out that though deglobalisation is a big concern, it could also lead to new opportunities in response to trends such as nearshoring, friendshoring and friendvesting. In fact, while geopolitical disruption is largely seen as impeding growth, a number of respondents believe Europe will benefit from ongoing volatility in the US. “In a more volatile environment, there are more deals to be done, and more interesting deals to be done, than

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In a more volatile environment, there are more deals to be done, and more interesting deals to be done, than when things are completely stable.

when things are completely stable,” says the European head of a North American fund. While another real estate CEO describes “postponing investments in the US, rather than moving capital elsewhere”, a pension fund manager suggests that “a lot of capital that was meant to be allocated to America in general or the US in particular has been redirected back to Europe as a result of the uncertainty”. Equally, some US-based global interviewees believe the US compares favourably with the limited economic growth in key European markets.

But as an EMEA investment head points out: “This is the first time in several years that Europe is outperforming APAC and the US, total returns-wise, with a five-year total return outlook for all sectors.” A degree of optimism also extends to the outlook for core capital. One asset manager believes 2026 “should be the year where finally we’re going to have a full recovery in place and investors will start unlocking capital, which will then flow into open-ended core funds”. However, another manager warns that a lack of equity may limit core dealmaking, which they believe remains in “wait-and-see” territory.

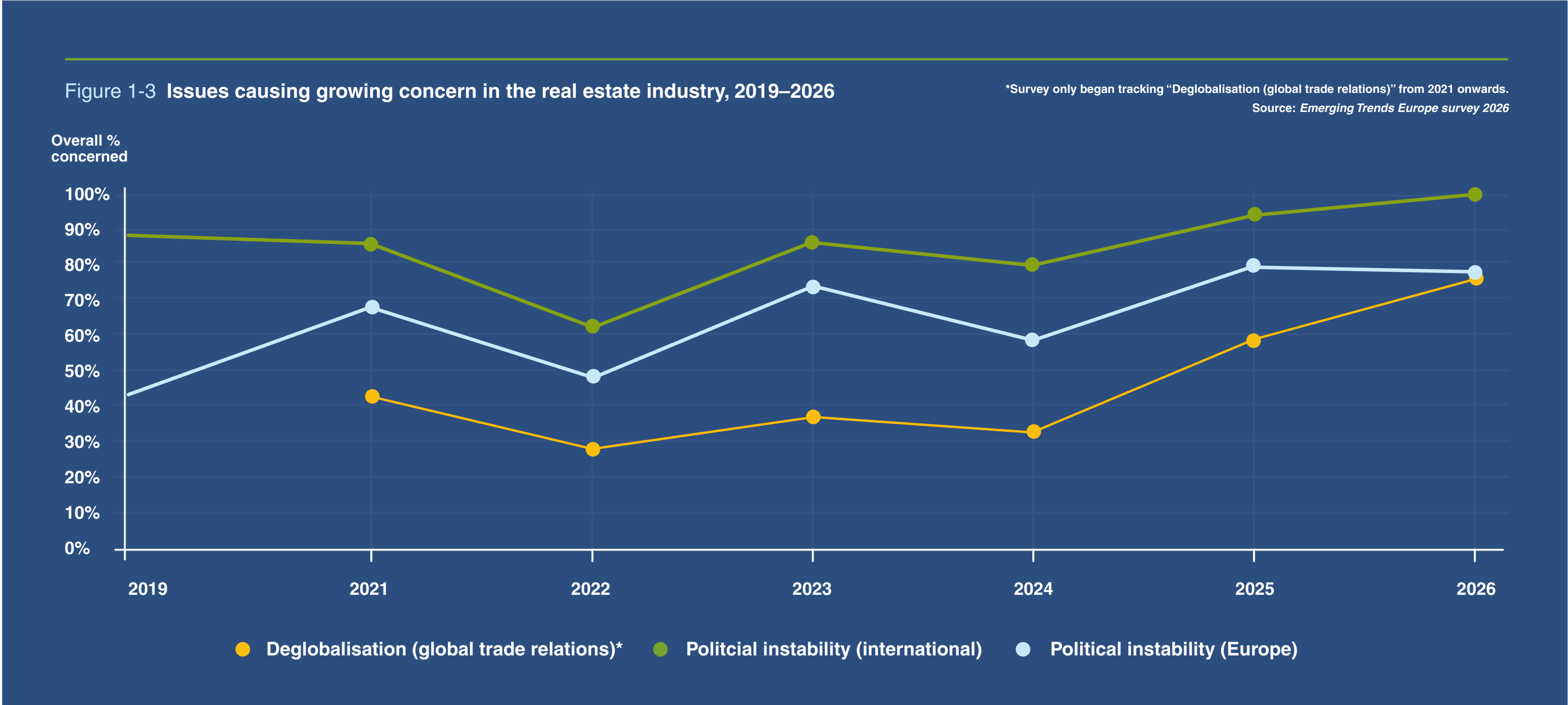


Real estate continues to be seen as a preferred asset class, especially among retail investors and family offices, due to its tangible nature and perceived stability.

They add: “Our recent core fundraising in Europe and the US has resulted in significantly lower volumes than the 10-year average.”

Another pan-European investor suggests that over the next 18 months, “dominant sources of equity are likely to come from European and US family offices, high-net-worth individuals and private equity funds”. Adds a CEO: “Real estate continues to be seen as a preferred asset class, especially among retail investors and family offices, due to its tangible nature and perceived stability.” Indeed while many believe the institutional capital pie is shrinking, at least temporarily, there is an alternate view that the total pie will grow from the influx of private wealth, which globally is about four times the volume of institutional capital.

The global economic picture remains top of mind for real estate leaders’ general business concerns for 2026. European economic growth is the top concern at 77 percent, while global economic growth is again in second place, this time



attracting a consensus of 72 percent compared with last year’s 62 percent – a significant increase. (Figure 1-4).

Perhaps in line with this, currency volatility has also moved up the ranking of concerns, with dollar-weakening tariffs, the government debt crisis in Europe and central bank decisions moving the dial on values either side of the Atlantic. “The US worries me,” says a pension fund investor. “The bond market is signalling concern and it’s also reflected in the currency

as well.” Another institutional investor believes Europe’s “lacklustre” growth might be reflected in disappointing deal volumes by the end of 2025.

“It wouldn’t surprise me if we’re at the same level or even slightly below last year’s level, which is a gloomier picture than we might have expected this time last year.” Concerns about both European and global economic growth remain largely unchanged over five years, garnering a consensus of 76 percent and 68 percent of responses respectively.

Looking at the bigger picture, the real estate head of a global insurer warns that “all of this volatility and pronounced financial market moves” is shifting momentum towards “challenger asset classes”. They add: “The biggest challenge that I have right now is getting allocation and banging the drum for real estate,” while hoping that “a more normal interest rate environment” in the medium term is likely to support the investment case for real estate versus other asset classes. An independent executive adds: “Where investors have multi-asset portfolios, they are not in a rush to increase their real estate allocations.”

Cybersecurity has moved up to become the third general business concern, with 64 percent of respondents highlighting its risks, compared with 55 percent two years ago (Figure 1-4). One asset manager says that “cybersecurity concerns are emerging in occupier due diligence”. It is also linked to broader social/political concerns flagged in the survey such as international political instability with rising incidences of cyber threats and attacks causing disruption to businesses and infrastructure across the continent.

The AI boom and specifically the use of large language models in a business can also create privacy risks, as company data shared with such models can later be regurgitated by the app. Italian regulators even banned the technology briefly in 2023 amid fears over intellectual property breaches. A European real estate CEO affirms: “From 2026,100 percent of employees will be trained in cybersecurity.”

Occupier challenges

Concerns over occupier demand show little change, and indeed a slight improvement compared with last year.

Anecdotally, this could be connected to a more robust office market, particularly in core European locations, which one asset manager describes as “starting to come back”. They add: “Occupiers are realising that just because you’ve got people working from home, you can’t reduce your footprint as much as you thought.”



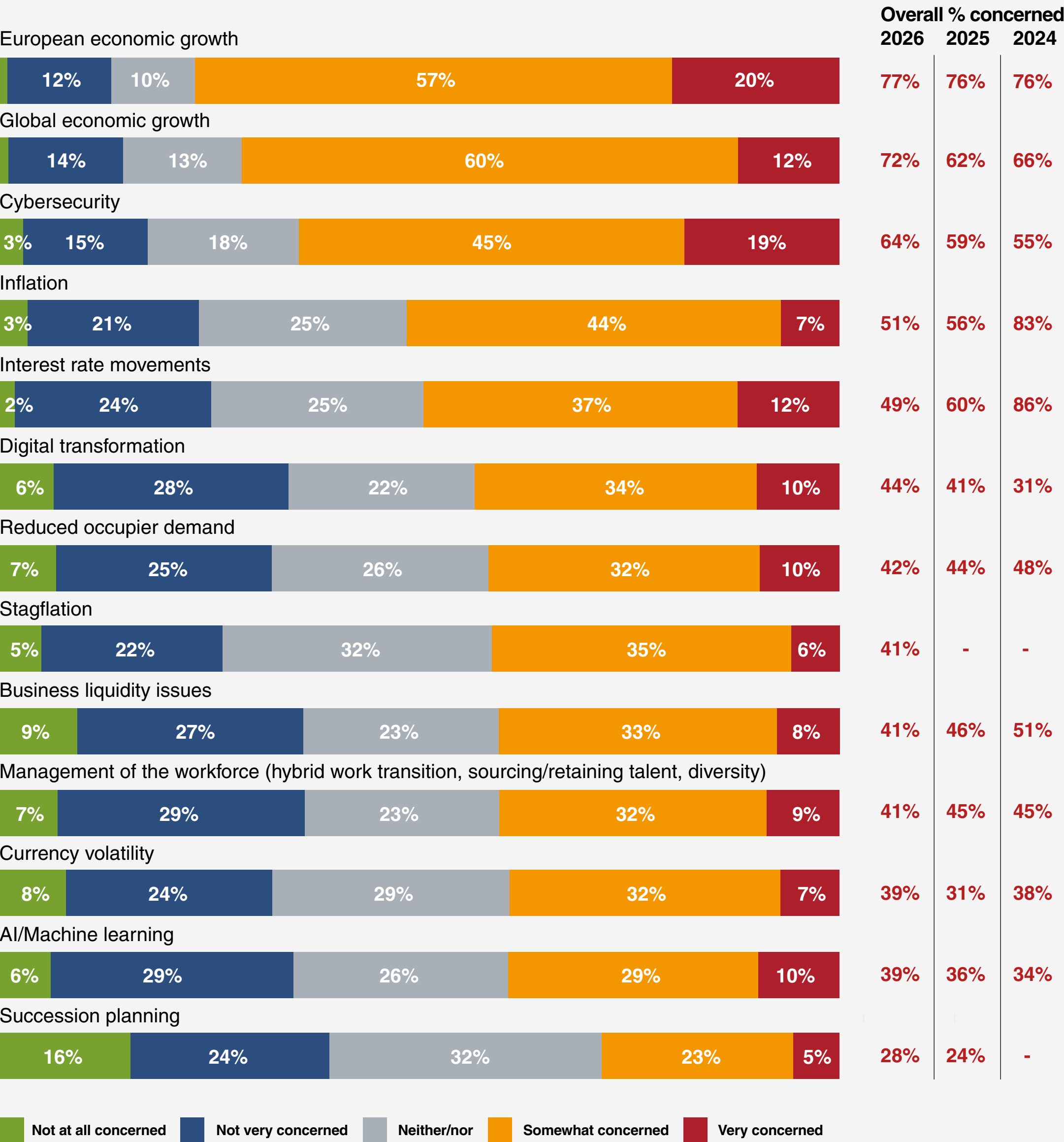
Cybersecurity concerns are emerging in occupier due diligence.

“There have been some big headlines on that about corporates like HSBC, who are signing up for more floorspace again.” Another European investor is more sceptical: “I wish I could tell you that we are seeing some rebound in tenant demand, but I’m not so sure. If we’re talking in big averages, there is still a downsizing trend for offices.”

There are equally mixed responses on the outlook for rents. One CEO suggests that “increases in office rents have been overplayed by agents”. The European acquisitions head of a global firm sees more broadly positive signs, with the falling cost of capital creating deal momentum: “This means continued upward pressure on rents and values, particularly in cities with constrained supply.” Leases, meanwhile, continue to shorten in length. Notes one asset manager: “With real estate leases shortening, investors and sponsors are having to look at infrastructure and alternative sectors for infrastructure-like cashflows.”

At the same time, concerns over inflation and interest rates, though still important, have reduced in significance.

Figure 1-4 Business environment issues causing concern in 2026



Source: Emerging Trends Europe survey 2026



On interest rates, we are definitely hoping that things will moderate, even if it's going to take longer than maybe the market is pricing.

For 2026, inflation is described as very or somewhat concerning by 51 percent of respondents, against 56 percent last year. Interest rate movements are also flagged as concerns by just 49 percent of respondents, compared with 2025's 60 percent. Explains one consultant: "We're seeing a stabilisation of both factors compared to the last two years, which gives us a bit of time to step back and think more long term."

Another executive, however, insists that macroeconomic markers still need to fall further. "If interest rates stay at the level we have

currently, the case for real estate will remain challenging in some instances," they suggest.

A pan-European asset manager adds: "The consensus is saying that there are still a few more reductions to come from the Fed, ECB and Bank of England. And if those happen, I think it would definitely be a more positive kind of momentum. If they stay where they are, more than people expect, that might create a little bit of caution."

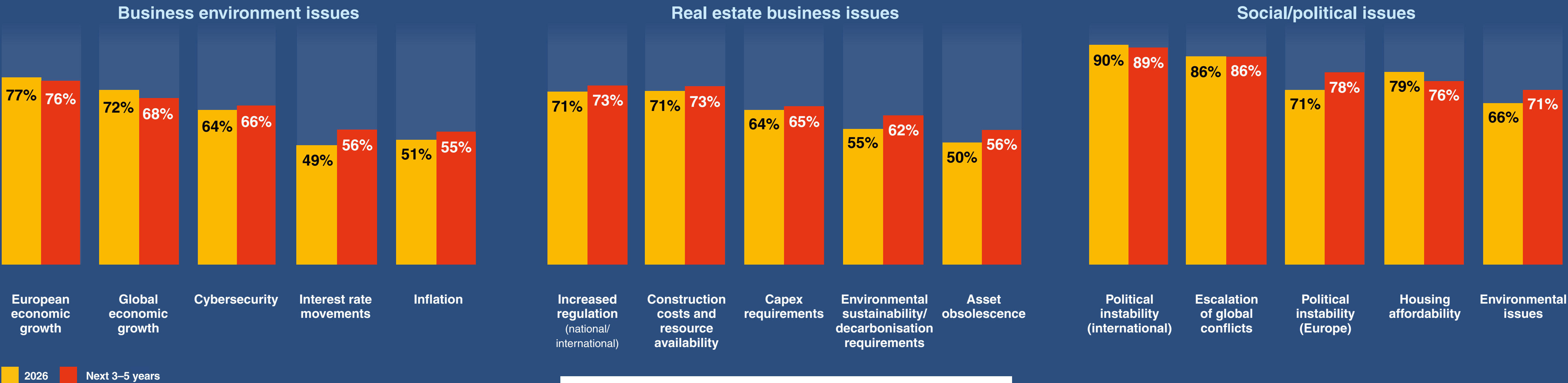
Indeed, over five years, some interviewees predict further volatility on the macroeconomic front. "While I think inflation will moderate over

the medium term, interest rates may remain on a relatively elevated level versus the past decade," another CEO warns. This view is reflected in the survey, where interest rate movements return to being a concern for 56 percent of respondents looking five years ahead (Figure 1-5).

Over the same horizon, an investment manager with debt fund exposure takes a more positive stance. "We have hope that interest rates will adjust downwards and that will make the lending market much more fluid," they say.

Figure 1-5 Key issues causing concern for the real estate industry in 2026 and in the next 5 years

Note: Combined percentage of "concerned" and "very concerned" respondents.



Of note, too, are the responses to a new question on concerns about stagflation, which attracts a consensus of 41 percent, rising to 43 percent over a five-year window. A real estate head of strategy suggests that wages may ultimately need to rise to offset the growing threat of stagflation. A residential investor says that while “stagflation isn’t a major concern, affordability constraints, particularly in the living sector, are considered a headwind”.

Looking at the main real estate business issues, respondents remain most concerned about the impact of construction costs and resource availability. This is in line with last year’s concerns around construction costs impacting development prospects. Industry leaders from Greece and Cyprus, for instance, say that that a “development crunch” is deepening the problem of housing affordability, with high construction costs acting as the primary constraint on feasibility and sales. Meanwhile, Italian business leaders warn that a further increase in construction costs would risk compromising the sustainability of business plans, with significant consequences for the entire economy. The view of leaders in the Netherlands is that the development outlook has been spoiled by “lengthy procedures” following “objection processes, a shortage of judges, and a piling up of issues”, resulting in “buyers withdrawing”. They say the problem is “structural and not easily solvable”.

Germany is also flagged as a somewhat stagnant market on the development front, but for balance sheet reasons. Says the real estate investment head of an insurer: “I’m worried about German valuations, specifically in offices.



A lot of investment management houses are failing to cope with all the regulations.

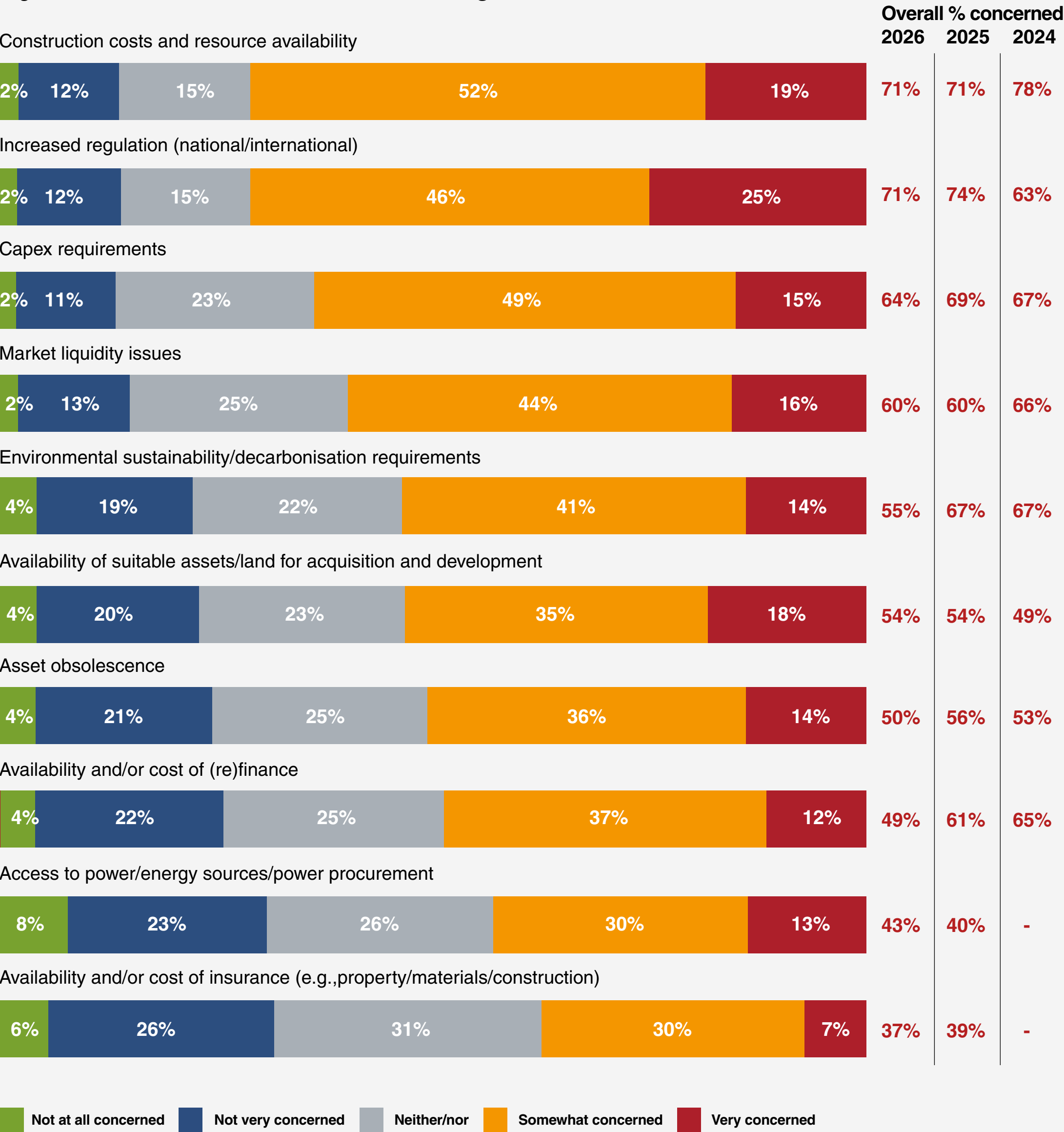
“So many investors have a large position in the sector, it is limiting the capital that can be recycled into new strategies.” A director of a REIT, however, speculates that an end to the Ukraine war could usher in a development boom for Europe, particularly benefitting “neighbouring markets like Poland and Germany”.

Increased regulation, though still ranked second among business concerns, has fallen from attracting a 74 percent consensus to 71 percent (Figure 1-6).

One asset manager observes that “a lot of investment management houses are failing to cope with all the regulations” and suggests that the industry will need to adapt to manage that challenge. A European debt specialist sees more positives, stating that at least in their line of work, “banking regulation is probably overstated” and that lenders “are more up to speed” and swift to process decisions.

A global investor based in the US cites longer-term problems with “Brexit and other regulatory decisions, weak political leadership across most of the EU countries, all of which dampen down feelings of investment appetite and optimism”.

Figure 1-6 Real estate business issues causing concern in 2026



Source: Emerging Trends Europe survey 2026

They also bemoan the region’s direction of travel around sustainability requirements, saying that environmental, social and governance (ESG) legislation has “been much less successful and less productive than I would have hoped and expected. It underlines the fundamental difficulties of doing business in Europe, with so many regulations and regulatory bodies”.

Yet, perhaps surprisingly, concerns around environmental sustainability requirements have fallen off significantly. Only 55 percent of respondents cite sustainability requirements as a chief concern, compared with last year’s 67 percent.

One Europe-focused investment manager says that, in the light of the US backlash against ESG commitments, “one is tempted to sit and potentially rethink one’s commitment to net-zero carbon”, although they then reaffirm their preference for “being an industry leader in the space”. Another manager views action on ESG as an area where “there is a massive divide between Europe and the US”, but sees the issue well embedded into European asset management plans.

However, sustainability remains a concern for 62 percent of respondents over the medium term. “ESG is seen as a crucial element, both for mitigating risk and finding opportunity that aligns with a longer-term investment portfolio,” explains a global investment manager. “If you don’t look after the sustainability aspects, you’re missing out on a very large part of performance that you could achieve within the portfolio.”

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If you don't look after the sustainability aspects, you're missing out on a very large part of performance that you could achieve within the portfolio.

On the topic of access to finance, just 49 percent of respondents see the issue as a concern, far fewer than 2025’s 61 percent. In fact, a number of respondents see available debt sources expanding and a clearer consensus between investors and lenders about which investment strategies will be successful. An asset manager explains: “Debt availability has certainly increased in the last 12 months, partly because banks are writing far fewer loans in the current transactions environment ... so they’re under some commercial pressure to start lending again.”

“In our conversations with lenders I feel their views on sectors and opportunities are very much aligned with our view of the market,” says one pension fund manager. Another investment head, who also sees few problems obtaining debt for the “right strategies”, fears that “there is too much consensus in our industry – everyone wants the same, and lenders are no different”.

Other business issues that have become less significant, according to the survey, include capex requirements and fears over asset obsolescence.



LISBON, PORTUGAL



Environmental improvements are already delivering benefits, such as higher rents and reduced risk of asset obsolescence.



LYON, FRANCE

Capex requirements are this year seen as a problem by 64 percent of respondents, versus 69 percent in 2025. One asset manager sees a clear equation with capex “creating a path to sustainability” for each property. Another worries about “increased capex requirements for assets in secondary locations” and its impact on budgets. Asset obsolescence, however, is flagged by just 50 percent of respondents as an issue, down from 56 percent. “Environmental improvements are already delivering benefits, such as higher rents and reduced risk of asset obsolescence,” says a residential investor.

Issues around asset pricing also seem to be closer to resolution than a year ago, according to some interviewees, who cite evidence of more motivated sellers. A broker says: “A lot of landlords are asking for appraisals not only to gauge the market but to actually put assets up for sale.”

An institutional investor adds: “Bid-ask spreads are narrowing to a certain degree. There's more pressure on the sell side to come to the table and get a transaction done.” A European real estate head counters by saying that there are still valuation issues to work through: “In general, I would say this is a market in which we can transact, although there is still a bid-ask spread.”

Some industry leaders in the UK conclude that while “good and viable deals” are happening, the climate is nonetheless one of “cautious pessimism” compared with “cautious optimism” last year.

Secular trends prevail in period of transition

For decades, real estate was a clear beneficiary of rising cross-border capital mobility, expanding global trade, and growing investor appetite for geographically diversified, tangible assets.

These forces channelled unprecedented international capital into property markets, compressing yields and deepening liquidity. But as the structural tailwinds that defined the globalisation era unwind, the industry faces a prolonged period of transition.

As global integration stalls and capital becomes more locally constrained, real estate's traditional advantages have weakened, exposing an industry built on the assumption of perpetual global capital access. The transition has been compounded by other structural shifts, including higher-for-longer interest rates and a reversal of real estate's historically “easy ride” on resource consumption and carbon intensity – both contributing to an upward adjustment in the cost of owning and operating real estate. As a consequence, industry players are changing their approach to investment and redefining real estate's value proposition.

“Transaction volume is significantly behind other, more robust years, but from our business plan's point of view, we are able to do lots of deals,” says a pan-European asset manager. Their way of achieving that involves “a megatrend framework and a market framework”, which has led them to focus on trend-backed sectors like “student housing and affordable housing to a lesser degree ... logistics has fallen off a little”.

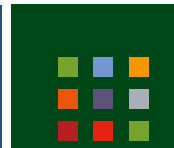
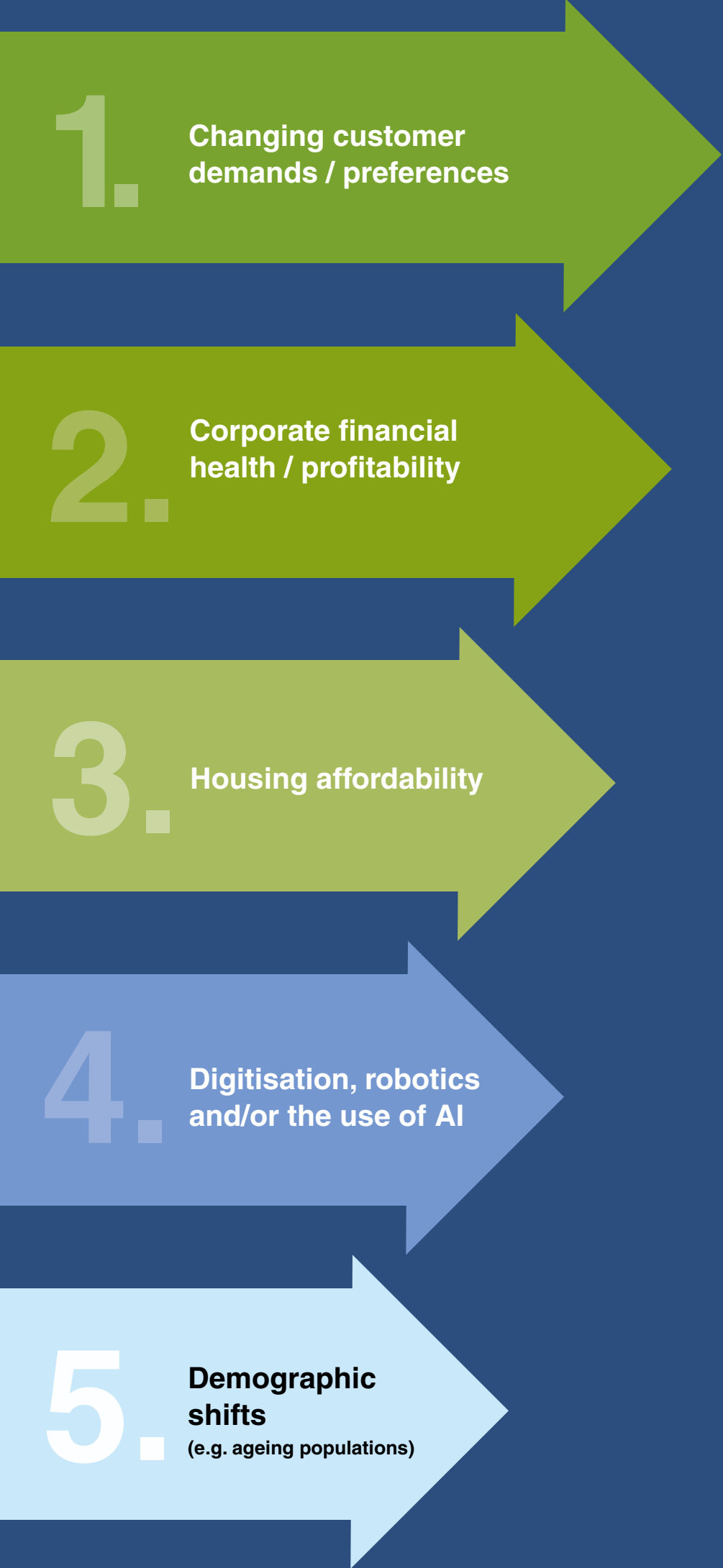


Figure 1-7 Top 5 themes which will drive real estate investment decisions and strategic planning



Source: Emerging Trends Europe survey 2026

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It is time to have the conversation on infrastructure and defence spending in Europe, and what that means for growth and the multiplier effect.

Indeed, according to a number of investment leaders, the industry’s secular trends are driving the lion’s share of transactional activity. Loosely defined as the three Ds of demography, digitalisation and decarbonisation, there is also a growing consensus around a fourth long-term trend, namely defence, a component of deglobalisation.

Demographics is top of the list for some investors that are trying to “invest through the cycle without looking at the short term in too much detail”, as one investment manager puts it. They add: “I don’t see a tailwind from GDP in Europe. I do see a huge tailwind from demographic-driven investment strategies.” Student housing and senior housing are popular niches, while affordable housing is desirable “but difficult to find for capital sources”, suggests a European real estate head. Like many of their peers, they also prefer to “invest in platforms” as part of the search for “operational returns”. In terms of the newer topic, defence as a result of deglobalisation, a number of interviewees see it as an expanding area for real asset strategies.

The theme has gained further traction in the light of evolving White House policy intent on reducing contributions to European security. At the 2025 NATO Summit, allies made a commitment to invest 5 percent of GDP annually into defence spending. “Geopolitics is influencing the general behaviour of politicians as well as the allocation of capital for defence purposes, particularly in Europe,” says one consultant.

A pension fund investor suggests it is time to “have the conversation on infrastructure and defence spending in Europe, and what that means for growth and the multiplier effect”. It has the potential to boost the case for warehouses, suggests another institutional investor, due to a “realignment of the supply chains that will have an impact on the demand for logistics”. It is also a clarion call for infrastructure-adjacent players, adds an asset manager: “If there’s going to be additional spending on the defence side and infrastructure side, that’s an area where we’ve naturally aligned ourselves, on infra as well as on real estate.”

The downside here involves the problematic issue of government expenditure. Some of the industry leaders canvassed for this year’s report suggest that increased defence spending – especially by Germany – could make already high government debt more difficult to manage, while having an inflationary effect. Others wonder how a shift in spending may impact housebuilding initiatives, still a critical priority. It was no surprise to some interviewees that the Spanish prime minister announced in June 2025 that Spain would not align with the call to spend 5 percent of GDP

on defence when housing shortages remain an acute issue for the country. According to the MD of a Spanish firm, “a consistent trend of net legal immigration” is fuelling demand for “200,000 homes annually [in Spain], with current supply just around 75,000 to 100,000 homes”.

On the digitalisation theme, AI in particular is highlighted in the 2026 survey as one of the most rapidly expanding drivers of change for business and the economy. While digital talk centred around proptech progress just a few years ago, now the dominant theme has become the use of LLMs and the hunt to develop artificial general intelligence (AGI). Within the retail and logistics sectors, e-commerce remains key to market buoyancy; one specialist investor cites the ongoing strength of time-and-location-sensitive last-mile assets, even if “allocations are relatively full for logistics”.

According to the survey, the industry is displaying a marked increase in the use of AI/machine learning to assist in real estate activities, with 75 percent of respondents citing its application, compared with 51 percent last year (Figure 1-9). The majority of respondents expect to deploy AI/machine learning across all key real estate activities over the next 18 months, particularly in areas such as marketing and leasing (90 percent), property management (87 percent), planning and design (84 percent), but also general real estate operational (86 percent) and asset management tasks (86 percent). It is notably also a potential application in investment decision-making.

Figure 1-8 **Use of AI/machine learning to assist with real estate activities in the next 12-18 months**

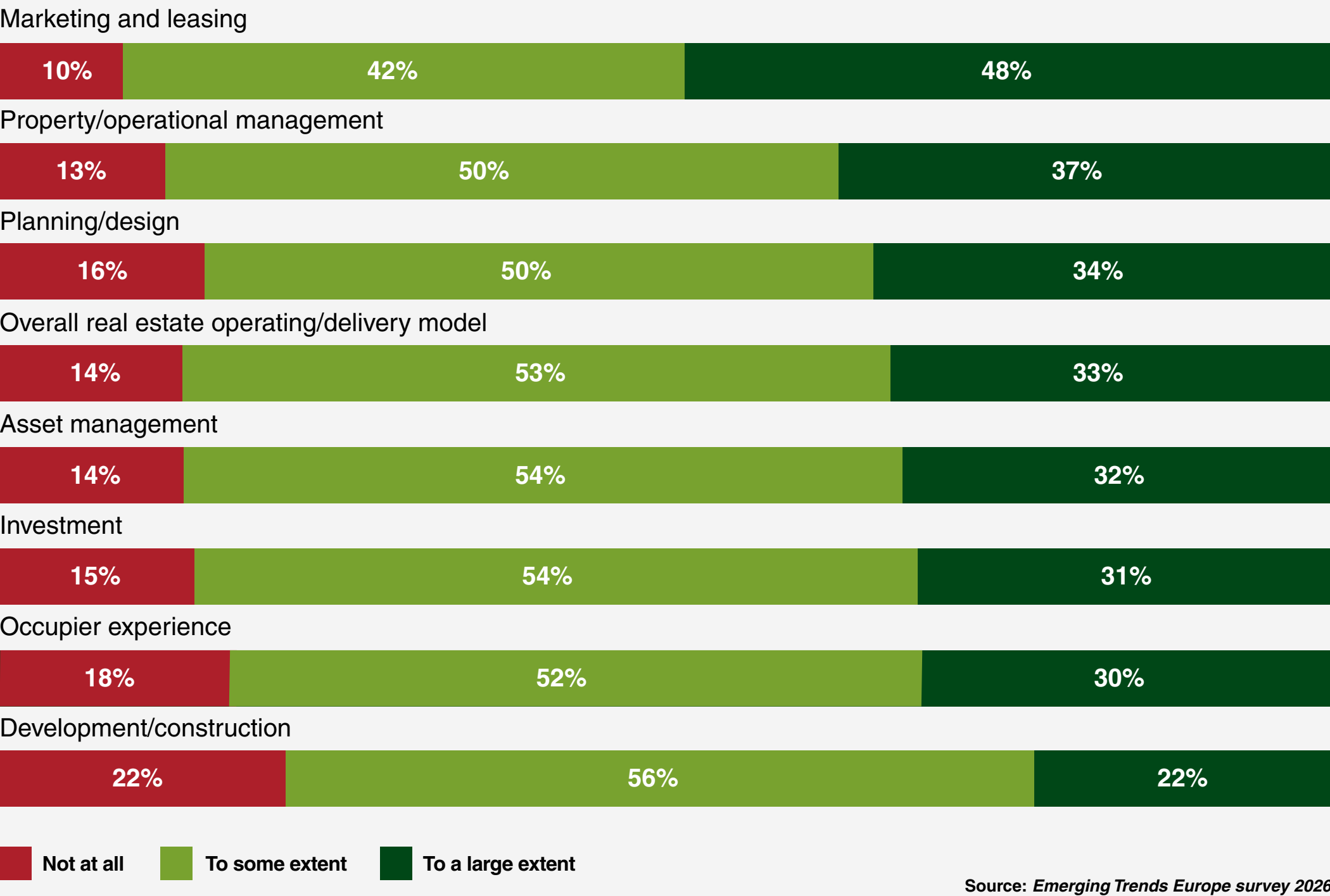
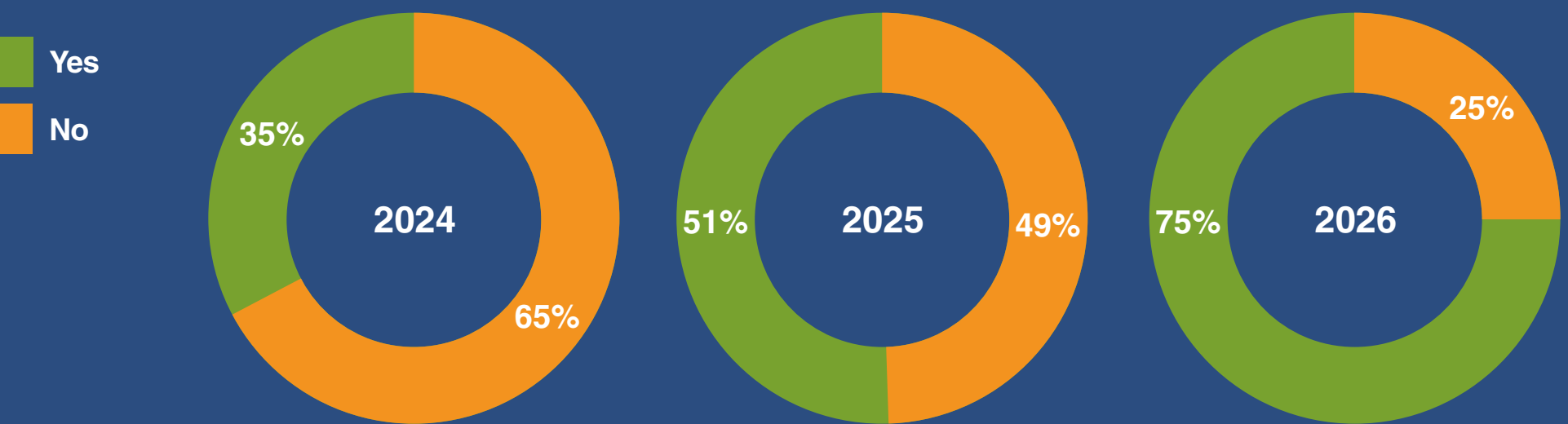


Figure 1-9 **Proportion of the industry that has used AI/machine learning to assist with real estate activities**



A CEO says that while “data-driven algorithms” currently serve to “optimise the operational efficiency of the business”, in the future, “artificial intelligence will be able to help in analysing a less homogenous data set” to help the industry make bigger calls about “emerging sub-markets or sectors”.

The survey also reveals that respondents view technological adaptation and integration as the biggest driver for a successful organisational transformation by 2050, with a consensus of 94 percent. It is clear from the research that the industry welcomes the huge potential gains from efficiencies but is less sure about the wider social impact of technology and AI in terms of job losses and wealth disparity. “If you embrace it in a positive way, it can be an opportunity to improve everything that you do,” says one CEO. “Whatever you think about AI, it’s not going away.”

The decarbonisation topic is also in flux, although it is broader signs of cracks in the ESG ideology that are striking in this year’s survey. Second on the list of long-term transformational drivers is running an environmentally and socially sustainable business. However, here, 85 percent of respondents see the issue as very or somewhat important, against 89 percent last year.

This shift is echoed in another survey question, where ESG is considered a driver of real estate decision-making and strategy over the next five-years by just 21 percent of respondents, compared with 40 percent a year ago. Says one pension fund manager: “We are deeply committed to decarbonising our business, but we are talking

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Sustainability is not throwing money after ideological things. We are always showing our investors that its use will ultimately lead to a better value story.

less about ESG, and specifically, not using that acronym.” A pan-European asset manager explains: “Sustainability is not throwing money after ideological things. We are always showing our investors that its use will ultimately lead to a better value story.”

This reflects other responses on ESG in this year’s survey, suggesting that strategic activities around sustainability are being impacted by more holistic considerations about business relations, geopolitics and macroeconomics. “We are operating in a global world characterised by different approaches, so we need to be thoughtful when it comes to being fiduciary to some of our investors,” says the European CEO of a global insurer. This “crisis” has also crystalised a need for “asset managers to better articulate their approaches to ESG and sustainability to connect that to value and investment performance”, suggests an ESG consultant.

“It’s gone from something people are excited about, to something people suffer through,” suggests one global investment manager.

Another global player says that this stems from a disconnect between those writing the rules, and those required to fulfil them. “Virtually all of the regulatory requirements come from people that don’t have to do the work and don’t understand it,” they say. They even assert that “greenwashing exists because those creating the standards push behaviour in that direction”.

A survey question analysing the factors impacting the implementation of ESG measures suggests that the industry sees the chief pressures to act coming from banks or lenders (60 percent) and institutional investors (59 percent) although the collective influence here is slightly down on last year (Figure 1-10). The pressure from occupiers remains important and at 54 percent is trending upwards. Labour shortages and expenses, plus uncertainty around construction costs, are having a greater impact while higher interest rates for longer are also a concern for ESG implementation.

Other important forces of change include regulatory hurdles (53 percent) and regulatory incentives (50 percent). A US-based global investor feels that the industry’s ESG strategy has gone astray due to those layers of bureaucracy, with complex regulation dictated by Brussels compounded by “the rules of 28 national jurisdictions”.

Some 47 percent of survey respondents cite measuring and reporting, including certifications, as the primary means of incorporating ESG within their organisations. Second and third to that are employee health and wellbeing measures, and investments to improve environmental performance. A French CEO suggests that “rather than prioritising certification or sustainability



We are more careful to avoid negative impact rather than investing for positive social impact as a lead criterion.

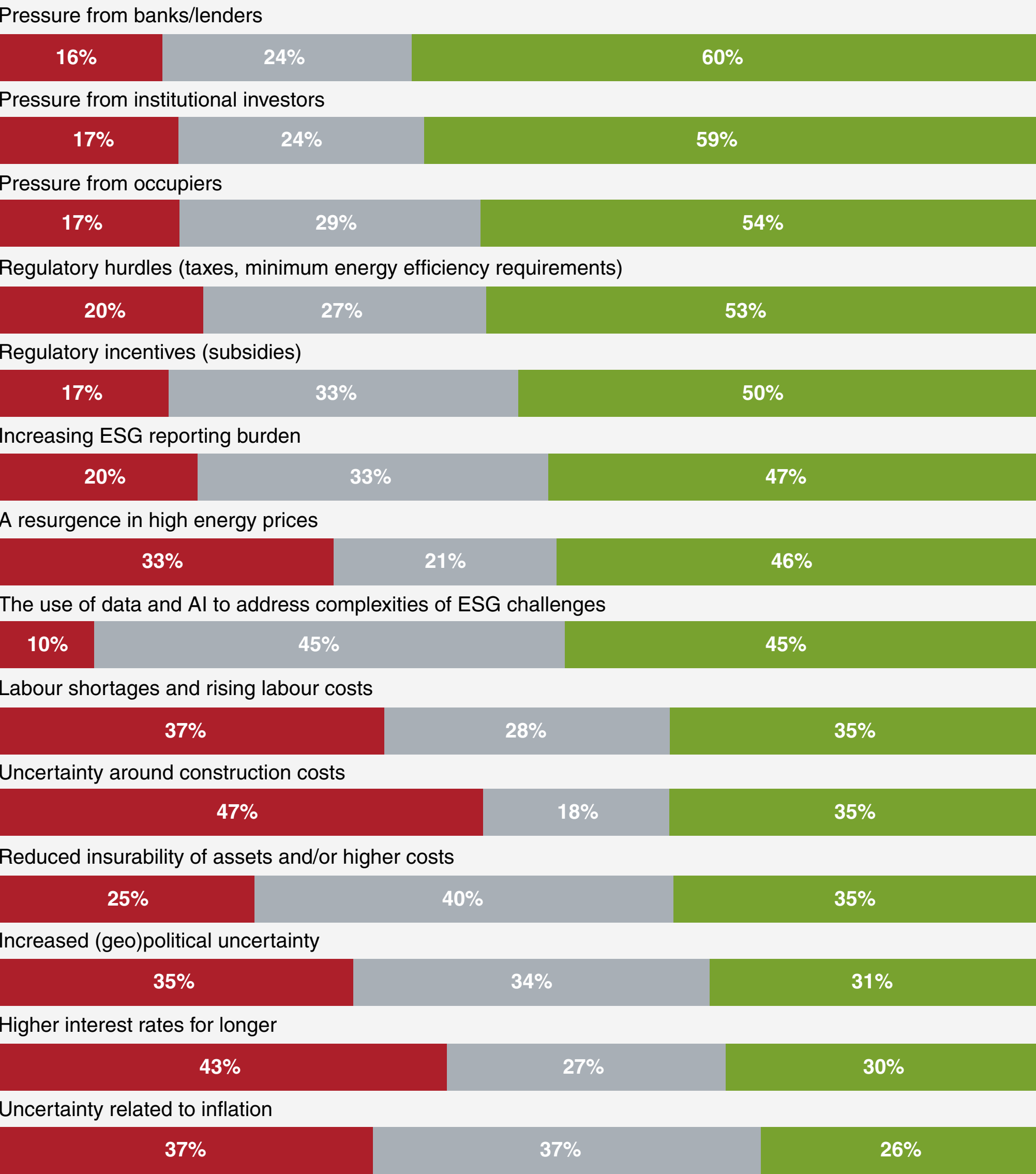
metrics, investors are focusing on areas like rigorous climate risk diagnostics”.

At the same time, nearly half the respondents have adjusted their ESG strategies in response to the present macroeconomic uncertainty. Notes one pan-European consultant: “I have seen [other executives] almost relieved about changes in the way the topic is discussed, because they were never aligned with it.”

Backing this take, the survey indicates less of a direct correlation between ESG strategies and property values today. Some 57 percent of respondents believe ESG credentials have an impact on asset valuations this year, compared with 77 percent last year. Among Spanish interviewees, for instance, ESG credentials are viewed positively in terms of access to financing and reducing risk. However, as one leader says: “There is still no clear reflection of these attributes in market valuations, making it difficult to justify certain investments from a purely financial standpoint.”

On the social topic, another Europe-focused investor says “we are more careful to avoid negative impact rather than investing for positive social impact as a lead criterion”.

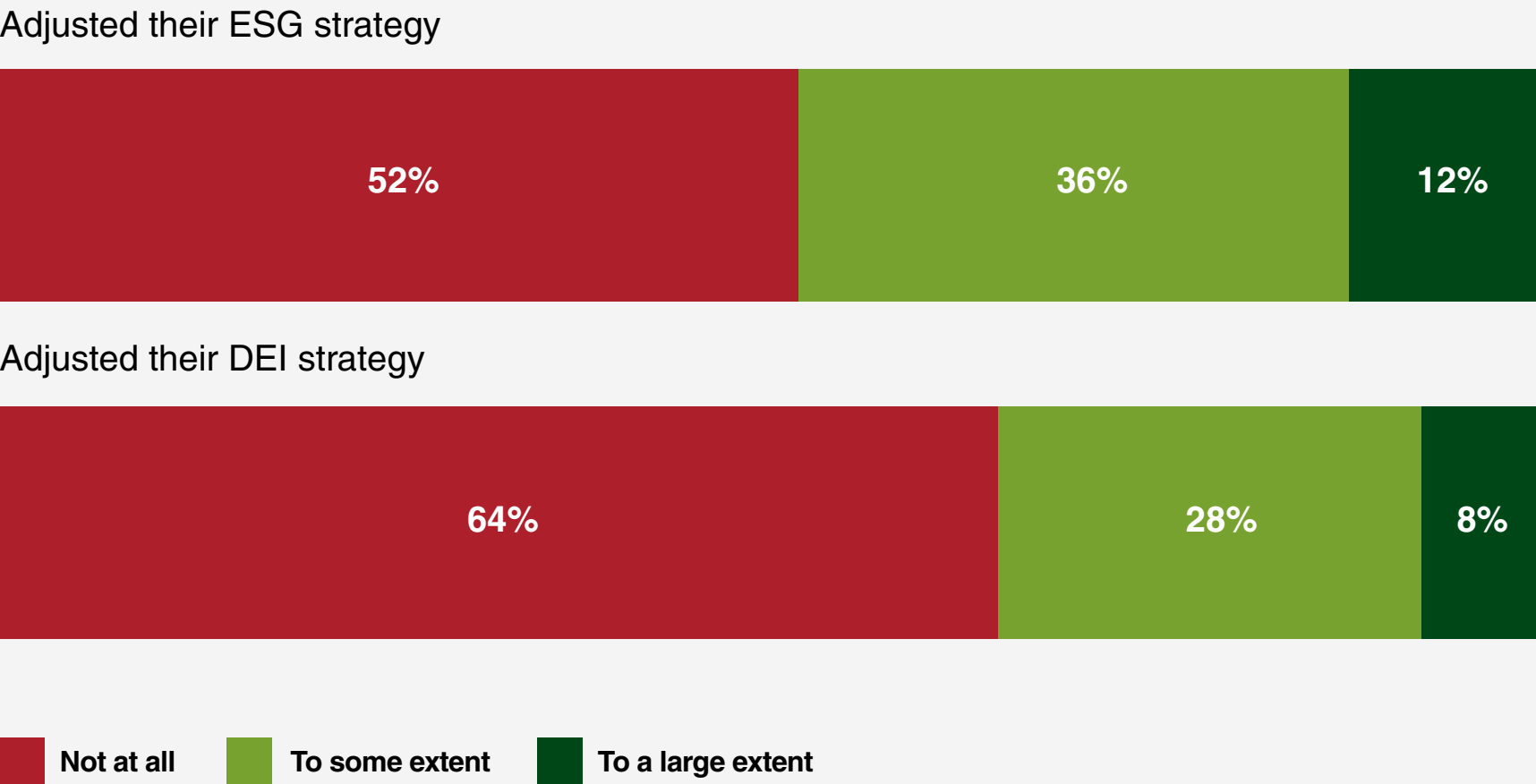
Figure 1-10 Factors affecting the implementation of ESG



Decelerate No impact Accelerate

Source: Emerging Trends Europe survey 2026

Figure 1-11 Organisation responses to political and economic uncertainty



Source: Emerging Trends Europe survey 2026

Several interviewees cite the growing divergence between Europe and the US in terms of seeing ESG as a priority. “The red states in the US have made it clear that we must not regard sustainability as being a key driver of investment,” says the European head of a global investment firm.

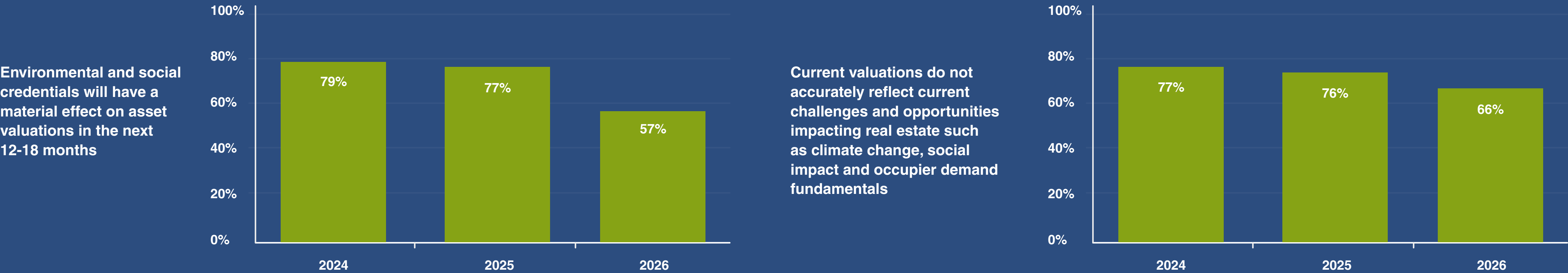
This has translated into discrete modifications of process or even language for several globally-facing firms, affirms one investment head, focused on Europe but part of a US-headquartered business. “I think there's sometimes a slide to place sustainability towards the back of a pitch book,” they note. “We've now put it into a category of investment execution, which is still no less important to us, but I don't think it's ever talked about as the main event.” Finally, there is an ongoing war on words with firms increasingly

rejecting acronyms including ESG and the even more “loaded” term DEI, diversity, equity and inclusion. While the former has been frequently erased in favour of terms like “sustainability” or “resilience”, the latter has become a political hot potato, chiefly in the US where the administration has purged DEI departments, but also in some European jurisdictions where it has been rejected by right-wing factions. “We dropped the term DEI and now talk about inclusion and belonging,” admits one European fund manager whose firm has a US-facing business.

“I just think these acronyms grow arms and legs. And before you know it, they've sort of run off,” says a private equity player. “The acronyms, I care less about. The endeavours I care very much about.”

Figure 1-12 Valuation challenges (overall % agree)

Source: Emerging Trends Europe survey 2026



Trending topics

Climate risks take priority

Concerns over physical climate risk continue to grow across the industry as real estate leaders hone their views on this evolving topic.

“Climate risk has become a very important part of due diligence,” says a pan-European investment manager, bearing out the survey results.

For 83 percent of respondents, it is the second most important ESG credential for accessing finance, after energy efficiency – a considerable increase on last year’s 75 percent. *Emerging Trends Europe 2025* highlighted the significant implications for insurance and finance from climate-related risk, with climate-vulnerable assets starting to weigh on balance sheets.

The topic has risen in importance due to a range of factors, not least location, an unchangeable vector that encompasses climate, weather and relative position to risks such as bodies of water, forests and topographical relief. The chief financial officer of a pan-European firm notes that “flood risk assessments and the impact climate change has on sites” are now a crucial part of asset analysis. Adds a global CEO: “Exposure to physical climate risk represents a red flag for us – not a point of negotiation, simply a no-go.”



Climate risk has become a very important part of due diligence.

While environmental disruption, from wildfires to tsunamis, has often been seen as an issue largely facing other continents, Europe’s risk profile is changing. The European Environment Agency reports that Europe is the fastest-warming continent in the world, and that 2024 was the hottest year on record, both regionally and globally. Some two million people were affected by severe flooding in September 2024 in Central Europe. Extensive floods in Valencia in October and November 2024 killed over 200 people while destroying homes and businesses.

The agency notes that in the first six months of 2025, 208,000 hectares of forest had been destroyed by wildfires (equivalent in size to the metropolitan area of London), while unprecedented wind speeds are causing increased damage, and coastal zones are at risk of more frequent storm surges. Meanwhile, rivers and lakes that dry up, and areas of soil that erode or become dry, have an increasingly negative effect on biodiversity and agrarian production.



FLOOD DAMAGE IN VALENCIA, SPAIN



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Exposure to physical climate risk represents a red flag for us – not a point of negotiation, simply a no-go.

FOREST FIRES IN PORTUGAL



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A pan-European COO underlines that it is a crucial factor for investment committee decisions with their firm performing “climate analysis before putting in any bid” for properties.

It is also a huge consideration from an insurance perspective. The real estate head of a global insurer has started to “prioritise physical climate risk”, explaining: “We would argue that it’s less ESG and more risk management, but we’ve been spending more time on that space, because we have the in-house technical expertise from our insurance colleagues.”

Another institutional investor describes a similar process, sharing that “after a few quarters of work, we analyse the performance part of the existing portfolio also from an insurance standpoint, looking at climate risk”.

However, not all respondents feel the same way. One property company CEO describes its acquisitions strategy as “pragmatic and data-driven, focused on risk-adjusted returns and execution feasibility, rather than being led by megatrends like climate change or digitalisation”. The European real estate head of a global insurer questions if “there is a big push from tenants to assess climate risk, because I haven’t seen it”. A real estate CEO considers the issue largely because of the levers of “growing social expectations and environmental regulations”.

Yet another CEO warns that while climate risk should play a more prominent role in valuations, “it is still not being fully priced in”.

AI's economies of scale

Artificial intelligence (AI) is a topic that few businesses can escape this year.

Apart from its outsized impact on global equity markets, industry leaders across several sectors are convinced it will change the workplace forever. Real estate is equally considering the big picture implications alongside more granular data points, from how to deploy AI to do business, to its potential impact on the landscape of work and commercial occupancy. An asset manager predicts “pressures on organisations to find efficiencies from the investments they are making in AI, which may lead to job cuts”, although they do not explicitly equate that with shrinking office footprints.

The industry is generally positive about the impact that AI will have on the management of specific tasks, and its influence on the broader business environment. While 94 percent of survey respondents cite the integration of new technology as crucial for business success over the long term, 76 percent also say that hiring team members with “new, non-traditional real estate skills” is vital for growth, compared with just 69 percent in the previous survey (Figure 1-13).

Referring to real estate’s biggest pain points, an independent executive describes the issues most impacting the industry in 2026 as “geopolitics, economics and then AI”.



We now have an AI on our investment committee. The AI model has been trained on all of our investment committee papers and is actively being questioned on investment themes, as well as the drawbacks and some of the sensitivities.

A global asset manager adds that while AI can help with “the low hanging fruit” of data analysis, it can also “extract bigger signals from the market based on predictive analysis”, potentially signalling new investment trends.

While investment in AI usually implies a significant initial spend, this often comes with a long-sighted view that it will ultimately bring greater efficiency. With cost-cutting identified as a key response to uncertainty in 2026, technology is therefore often welcomed as part of the solution. A pan-European investor says: “As we move more and more into developing operating businesses ... you can easily imagine that all these data-driven algorithms will help us reduce costs, which of course means a better value story for the underlying asset.”

AI is also increasingly viewed as aiding the investment process. Says one pan-European manager: “We now have an AI on our investment committee. The AI model has been trained on all of our investment committee papers and is actively being questioned on investment themes, as well as the drawbacks and some of the sensitivities.”

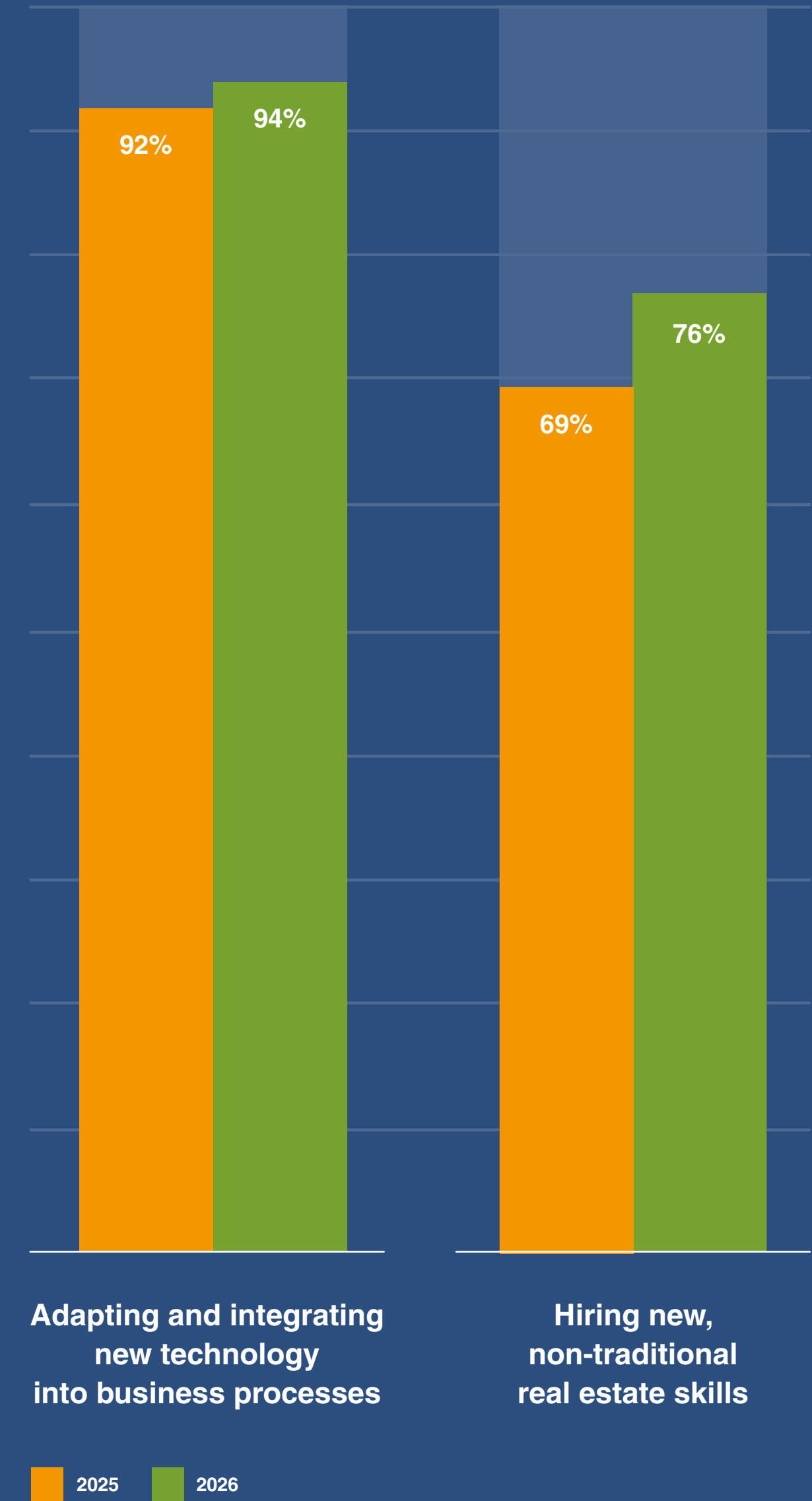
Another investment manager has brought onto the management board an executive from a global technology firm: “They are driving the AI agenda now on our platform in a way that no-one else could.”

The technology is furthermore seen by 46 percent of respondents as a tool for tackling ESG management, with several managers citing its ability to process data to assist in managing carbon emissions, or “find next-level solutions”.

According to one global insurer, firms that do not board the AI train risk being left further behind, mentioning that “the likes of BlackRock, Blackstone and Brookfield” are already advantaged in the way they use AI to trawl the market for deals.

Yet the increasing expense and resource consumption implied by AI is also attracting its fair share of critics, alongside the implications for society around employment. “I don’t think that AI will lead to significant job losses right out of the gates, but there will be a net job reduction force over time,” a global asset manager says.

Figure 1-13 Factors considered most important for successful organisational transformation in the long-run



Note: Percentage of respondents
Source: Emerging Trends Europe survey 2026



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A governmental push for data centre development could backfire if the power isn’t available.

DATA CENTRE IN HOLLAND

“Part of the reason is because companies have to spend a lot of money to invest in artificial intelligence.” Indeed, a Morgan Stanley report published in July 2025 suggests that 37 percent of US REIT job roles could be replaced by AI as they are ripe for automation. Other managers suggest that fewer graduates are being hired in line with this reasoning. “Our analyst class this year is lower than it has been in previous years, and whilst we’re not being explicit in terms of why that is, I suspect that it is partially a function of less of a need to bring in junior talent to do things that can be easily automated,” says a research head.

A broader topic is the energy consumption of the data centres driving AI and the related costs. US consumers were recently shocked to hear that their energy bills have gone up, in part to subsidise the power-hungry data centre industry, as reported by the *New York Times* in August 2025. The International Energy Agency says that power consumption by data centres in the US is on course to account for almost half of the growth in electricity demand between now and 2030. Though AI could help detect greater efficiencies, its hardware is arguably driving the surge in usage. With Europe often following US trends, investment managers over here are analysing the risks around data centre investment and the energy equation.

A UK-based finance head warns that a governmental push for data centre development could “backfire if the power isn’t available”, but some investors are also squeamish about other development risks around data centres, seeing “the technology as too fast moving and high risk”,

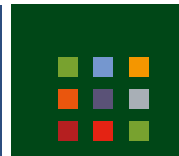
while also implying environmental challenges in terms of power demand. The embryonic development of Small Modular Reactors (SMR) to supply electricity also raises typical questions about the risks of nuclear power. The Stockholm International Peace Research Institute argues that while they may have climate benefits, SMRs are also climate vulnerable, especially in the case of rapid-onset extreme weather events.

There are also voices of dissent around AI’s overwhelming impact on equity markets and the narrative around its ubiquitous applications. With a small group of large-cap technology firms – often referred to as the “Magnificent Seven” – driving more than half of the S&P 500’s growth since 2023, market performance has become increasingly concentrated. Their valuations remain closely tied to expectations around AI, leaving markets sensitive to shifts in sentiment. Recent mixed earnings updates from several of these companies have contributed to short-term volatility, though many investors continue to view AI as a key driver of long-term value creation. Equally, a report by MIT published in August 2025 shows that 95 percent of generative AI pilots at companies across the US are failing to generate profit. The Bureau of Economic Analysis noted that AI capex in 2025 had added more to GDP growth than consumer spending, adding to fears over a boom-bust cycle.

A view is emerging that unless the prophecies of AI’s biggest proponents come true in the next few quarters, the world of business may have to reassess its technological priorities.



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CHAPTER 2

REAL ESTATE CAPITAL MARKETS

“A lot of international investors are starting to realise that diversification is super-important because you can't predict how things are shaping up.”

Head of European real estate, global asset manager

PARIS, FRANCE



PREVIOUS



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Europe’s real estate capital markets are moving onto a more positive footing for 2026 with the majority of survey respondents expecting debt and equity availability to increase, even as they re-evaluate property’s role in multi-asset portfolios.

Despite continued concerns over public finances and the economic outlook, real estate lenders report healthy balance sheets and an increasing willingness to lend as market values reset. However, investor appetite – particularly at the core end of the market – is only slowly recovering.

Investment activity remains focused on Europe’s big cities, such as London, Paris and Munich. However, smaller cities are also attracting attention, highlighting the growing trend for specialist investment strategies in some of the region’s most dynamic markets.

At the same time, institutions are re-evaluating real estate’s role in global portfolios despite difficulties unwinding or pivoting their positions due to low liquidity. Others are holding off re-entering the market amid geopolitical tensions and US market volatility. Meanwhile, real estate’s poor recent record of underperformance and competition for capital from other asset classes, notably infrastructure, still acts as a brake on equity deployment.

Cutting across Europe’s capital markets are the challenges around environmental, social and governance (ESG) issues. Energy efficiency credentials remain critically important in securing finance, and yet interviewees are concerned at the lack of progress on factoring adaptation costs

You'll have more favourable interest rates but not necessarily robust economic growth.

into valuations and pricing ESG risks. There is also a potential blind-spot for investors around declining insurance coverage in some parts of Europe due to unpredictable climate conditions.

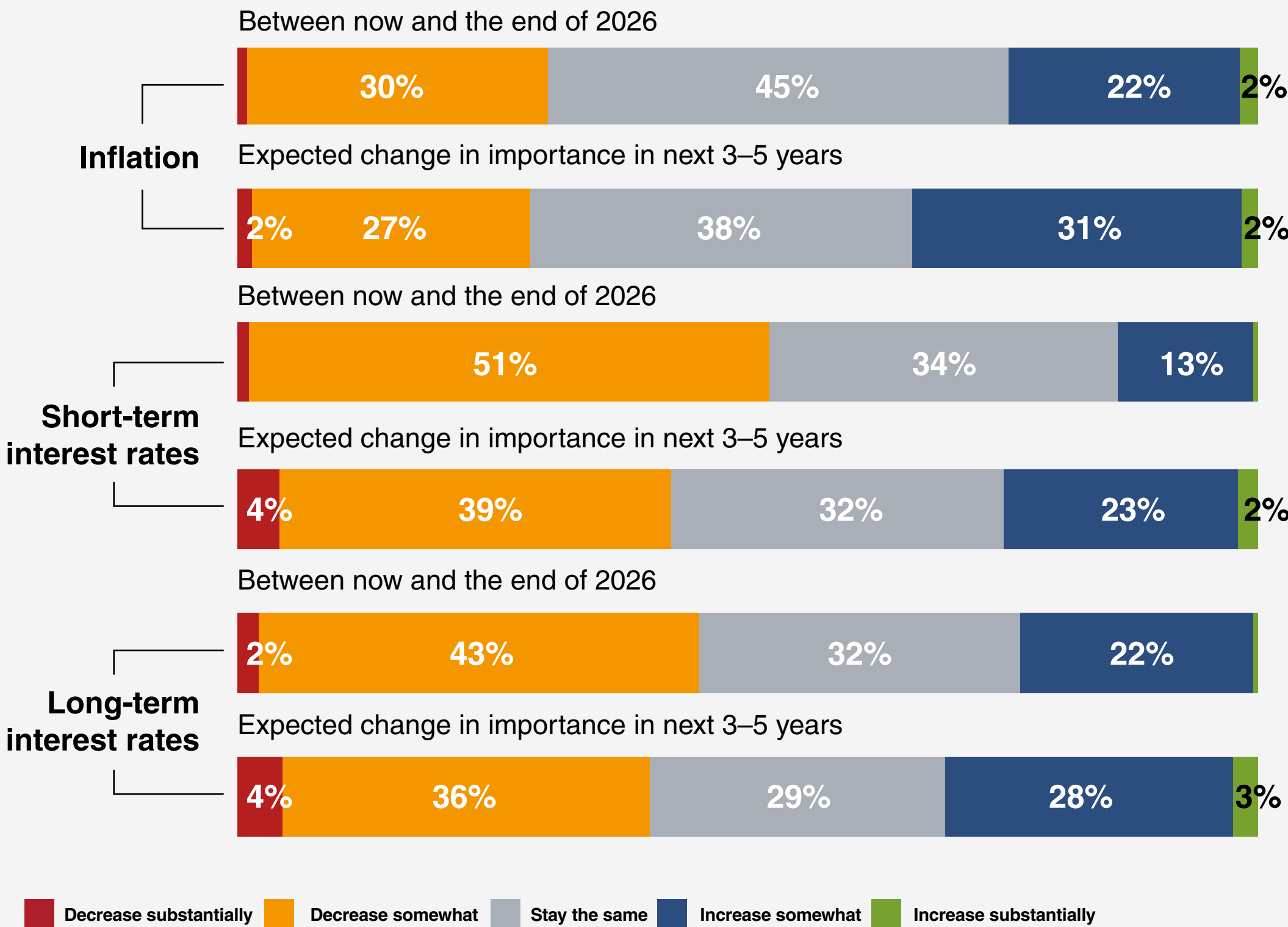
Mixed signals for the medium-term outlook

Concerns about the short-term outlook for inflation and interest rate movements have both reduced in this year’s survey amid a widespread expectation that both will remain flat or decline between now and the end of 2026.

That is giving hope to some for a more accommodating background to real estate’s capital markets, at least in the short term. “It’s a great time to be a real estate lender,” a global banker says. “It’s going to get more competitive which will start driving down margins and that will help the equity side.”

According to some industry leaders, the medium-term outlook is subject to mixed signals from the capital markets and real economy. “You’ll have a more favourable interest rate environment but not necessarily robust economic growth to drive demand,” says a global investment manager.

Figure 2-1 Inflation and interest rate expectations for 2026 and the next 3–5 years

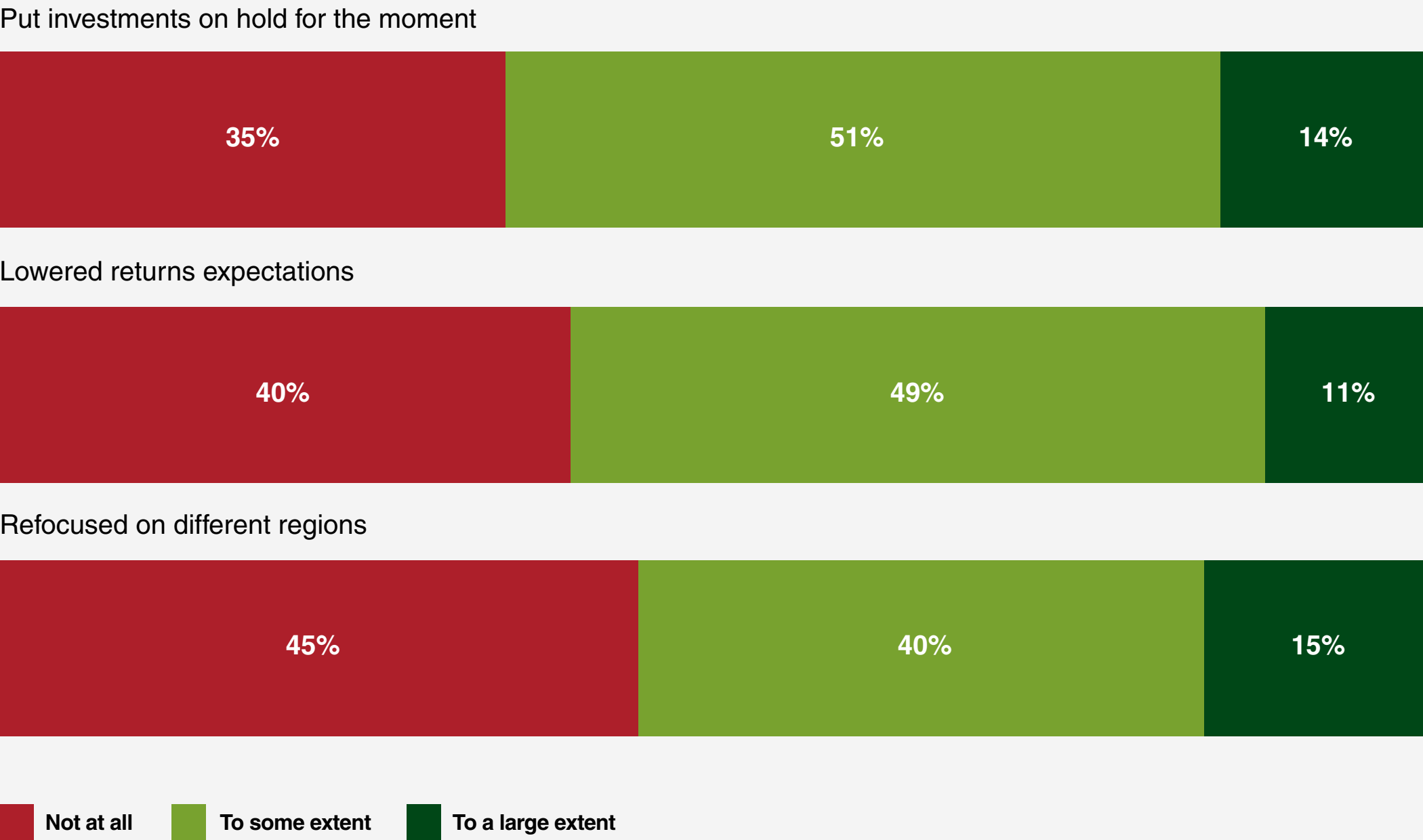


Source: Emerging Trends Europe survey 2026



ZURICH, SWITZERLAND

Figure 2-2 Organisation responses to political and economic uncertainty



Source: Emerging Trends Europe survey 2026



That makes it difficult to assess the market cycle and invest with confidence, says another investor: “You think real estate could be coming out of a trough [but] it’s actually likely to be a scenario where economic growth starts to slow down.”

As lower inflation and falling interest rates help debt markets reopen and loan terms to soften, some investors are less focused on Europe’s economic growth challenges. According to one regional investment manager: “When we talk to investors, we’re not talking about the strength of Europe’s economic growth, we’re talking about how we’re weighting to different economies.”

Against this backdrop to capital markets, many industry leaders are revisiting real estate’s role in multi-asset portfolios and its relative value. On one hand, nearly half of survey respondents say they consider real estate more attractive than other asset classes at the moment, perhaps reflecting a belief that current volatility and uncertainty creates opportunities. Yet respondents are evenly split between its appeal as a source of value-add potential and growth, and its more traditional safe-haven, income-producing characteristic.

The survey also reveals positive views about real estate’s role as an enabler of economic development goals in Europe, as we explore in Chapter 5. This aligns well with the positive sentiment among investors towards sectors tied to basic needs and emerging sources of structural demand, such as housing, healthcare, education, digital and energy infrastructure.

“You think real estate could potentially be coming out of a trough, but it’s actually likely to be a scenario where economic growth starts to slow down.”

But as these markets become pressurised by an abundance of capital and a shortage of investible product, target returns could get squeezed and the risk of overpaying for assets may increase. “There’s so much capital pouring into [data centres], a lot of people are miscalculating and you can end up with blood on the floor,” cautions a banker.

Furthermore, the operational nature of the most in-demand sectors is seen as an additional source of risk, the price of which is not well enough understood. For some this highlights a bigger issue in how real estate is viewed in a multi-asset portfolio context: “It’s moved from being a financial asset class to an operating business [and] it’s no longer the stable diversifier. We’re in denial about the role of real estate in institutional portfolios.”

But investors do not seem ready to refocus on out-of-favour sectors, such as secondary offices where cyclical and structural challenges mean prices are lower but risks are higher. As one fundraiser explains: “If you have the right product in the right location, you’ll do well. And if you don’t, you won’t. It’s very binary in the office market [and] I don’t think investors want that type of risk in their portfolio.”

Institutions are also being hampered by poor recent performance in their portfolios, while “full” allocations to real estate are preventing additional investment. Nearly two in three respondents say they have put investments on hold in response to current market conditions. This is having a knock-on effect of constraining market liquidity and limiting investors’ ability to recycle capital and optimise their portfolios.

For some though, the ability to create and manage high-quality real assets has an enduring value. “Real estate in a multi asset portfolio? For targeted and correctly positioned product[s] it’s probably more relevant than ever before,” suggests a global asset manager.

Misaligned returns persist

With many institutions unable or unwilling to resume investment activity, buyer and seller pricing and return expectations for core investments have not yet fully aligned.

The survey again reveals around half of respondents think prime assets are over-priced, slightly down on last year’s survey. Meanwhile, 60 percent say they have lowered return expectations in response to growing political and economic uncertainty, despite banks and other lenders increasing their loan books and softening loan terms (Figure 2-2). As one investment manager notes, “falling rates may help support deal flow, but returns are still under pressure”.

Problems seem acute in Germany, where pension funds are still struggling with “denominator effect” issues and open-ended funds have seen significant capital outflows and growing redemption queues. Indeed, the domestic open-ended fund sector continues to cast a shadow over the market, with some questioning its future as an investment proposition. “Is this a product for the future? I personally doubt it,” warns an adviser.

Worryingly, the gap left by core, domestic capital in Germany is not being filled by overseas capital, despite many expressing renewed interest in the country following eye-catching fiscal spending announcements. For some, the low cost of capital of German institutions and private investors, such as family offices, is a key barrier to entry. Others are frustrated by the lack of investment opportunities in preferred sectors such as residential: “Investors want top-class residential ... well, that’s tough in Germany,” says one German banker.

But at the heart of the challenge is the slowness to recognise value declines and the wedge this drives between buyer and seller price expectations. As one banker puts it, “this ‘finding-the-bottom process’ in Germany has not happened”, noting it is “probably a little bit slower to adjust to where market values should be or where they should end up”. Investors valuing liquidity and transparency may continue to transact elsewhere.

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If you have the right product in the right location, you'll do well. And if you don't, you won't. It's very binary in the office market and I don't think investors want that type of risk in their portfolio.



FRANKFURT, GERMANY

Figure 2-3 Country transaction volumes

Country	Q4 2023–Q3 2024 (€bn)	Displayed on map	% y-on-y
		Q4 2024–Q3 2025 (€bn)	
United Kingdom	55	60	8%
Germany	32	40	27%
France	24	24	1%
Spain	13	16	28%
Netherlands	11	13	20%
Sweden	10	13	32%
Italy	9	10	13%
Denmark	5	7	38%
Norway	6	5	-6%
Poland	4	5	9%
Switzerland	5	5	2%
Austria	4	3	-22%
Belgium	3	3	5%
Czech Republic	1	3	118%
Ireland	4	3	-12%
Finland	2	2	2%
Portugal	3	2	-7%
Romania	1	1	-35%
Slovakia	0	1	231%



Note: Q3 2025 data as at 30 October 2025
Source: MSCI

Tariffs take their toll

Following a strong end to 2024 in terms of investment volumes, there was widespread hope that a corner had been turned in Europe’s real estate market.

However, MSCI shows volumes in the first two quarters of 2025 returning to the subdued levels seen in the immediate aftermath of the recent global interest rate hike cycle. “There was a sense that 2025 would be better than 2024 [but the] Tariff Act has negatively impacted all aspects of the market,” says a private equity investor.

Momentum in transaction activity, which had been building in the most liquid markets such as the UK, Germany, Netherlands and Spain, halted abruptly in the first quarter. Faced with renewed geopolitical uncertainty, investors turned cautious, especially those at the core end of the spectrum. Nearly two-thirds of survey respondents have put investments on hold in response to the uncertainty. A similar proportion say they have lowered return expectations.

Yet nearly half of respondents indicate they are targeting higher returns for 2026, a similar proportion to last year’s survey. This perhaps indicates that, with valuations coming under downward pressure, return expectations for existing portfolios are being lowered. But at the same time, target returns for new investments are increasing as potential buyers sense an opportunity.

Despite this, buyer and seller price expectations are still not completely aligned, with non-distressed



There was a sense that 2025 would be better than 2024 but the Tariff Act has negatively impacted all aspects of the market.

sellers not yet fully on board with buyer return expectations, especially when it comes to core assets. As one CEO suggests, “a 10 percent return is what I think you need to put in front of investors to get their interest”, but sellers seem reluctant to go to those levels.

The investment market slowdown has seen a loss of momentum in equity fundraising, particularly for core investment strategies. “On the equity side, it's very sporadic and situational ... the statistics will show there's just not a lot of equity fundraising taking place,” says a global investment manager. Another manager is gloomier still: “The capital markets on the equity side are dislocated and they're likely to stay dislocated for a period of time. It's not months, it's years.”

Institutions looking to put capital to work seem willing to give the market time to settle, however that patience is not endless. As one global investor puts it: “We're happy to wait slightly longer and get further clarity before we decide to invest [but] if another asset class would provide better opportunities, we will invest into that asset class.”

Figure 2-4 European real estate transaction volumes (rolling annual average)

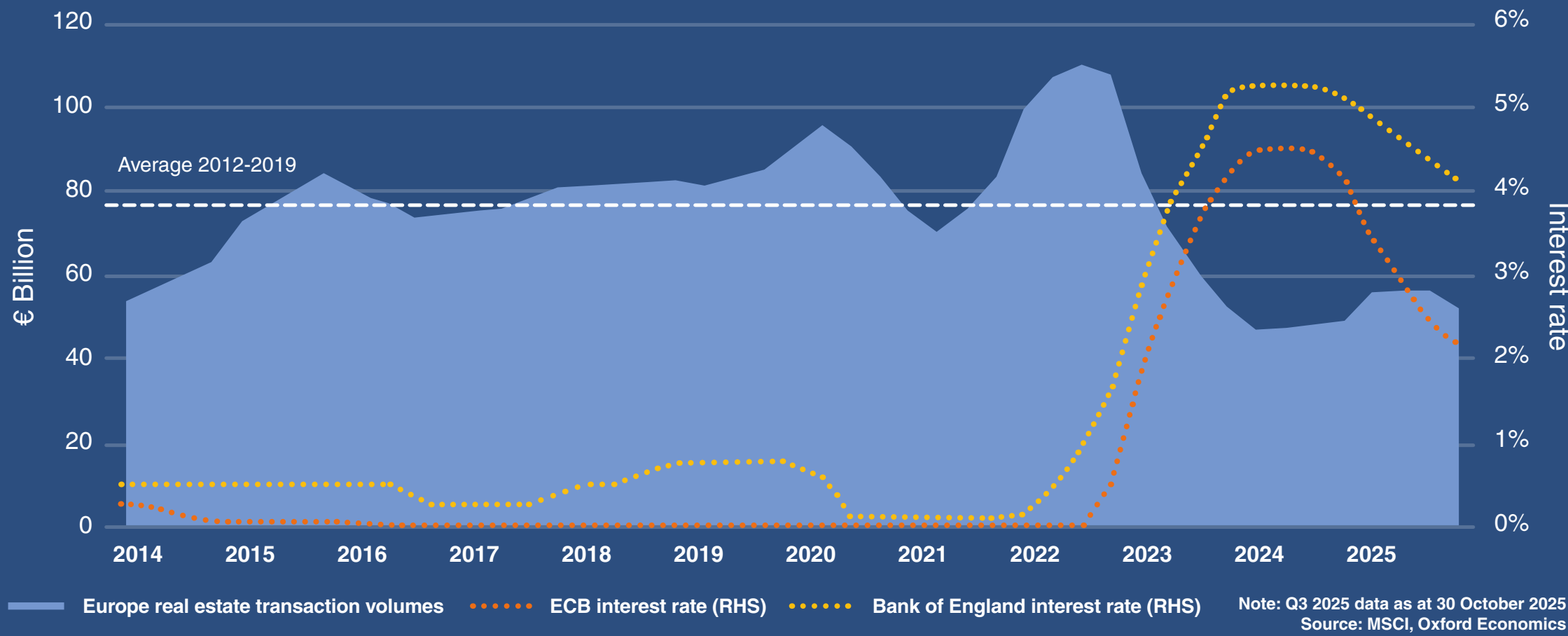


Figure 2-5 European investment volumes by sector

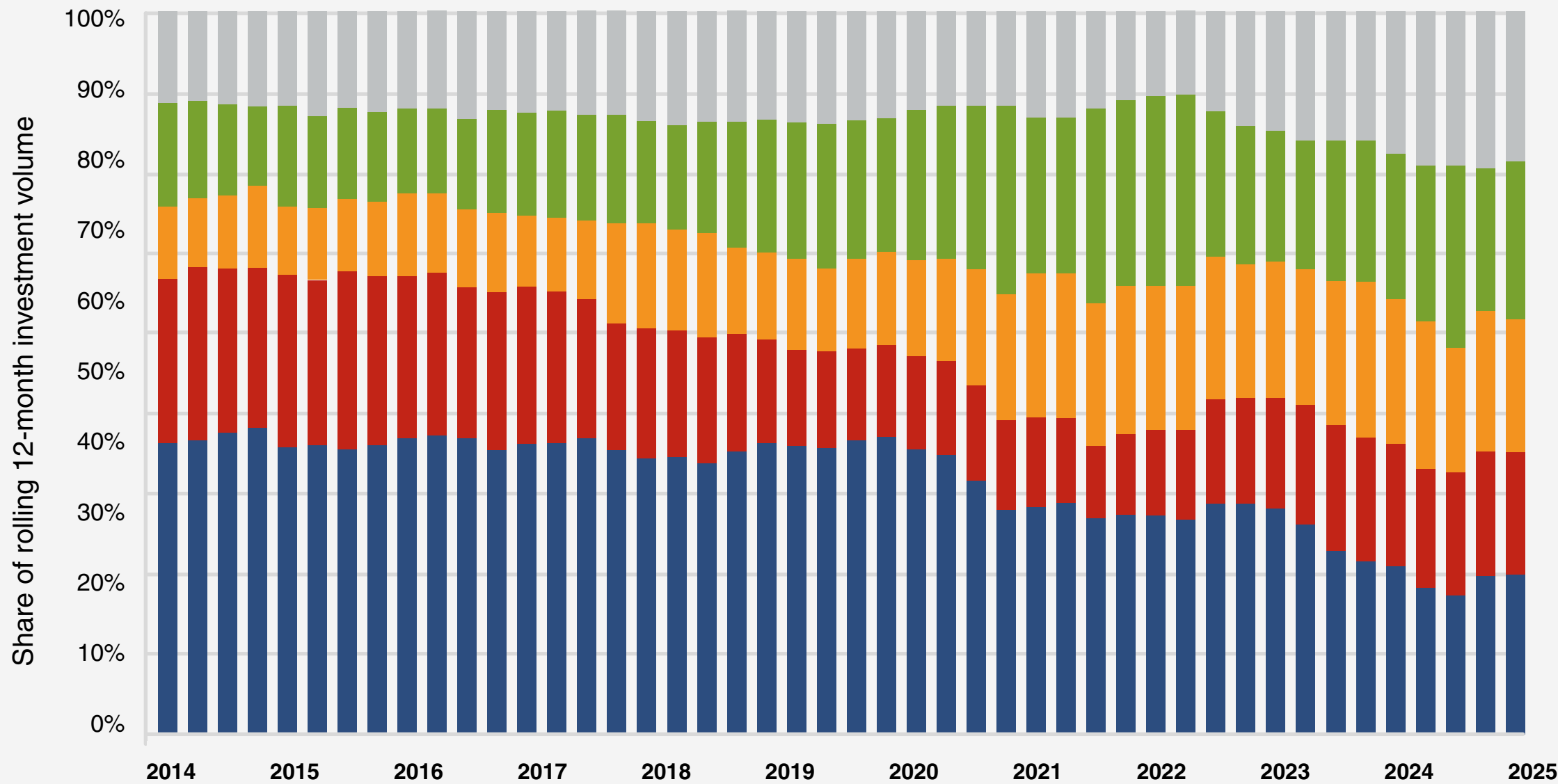
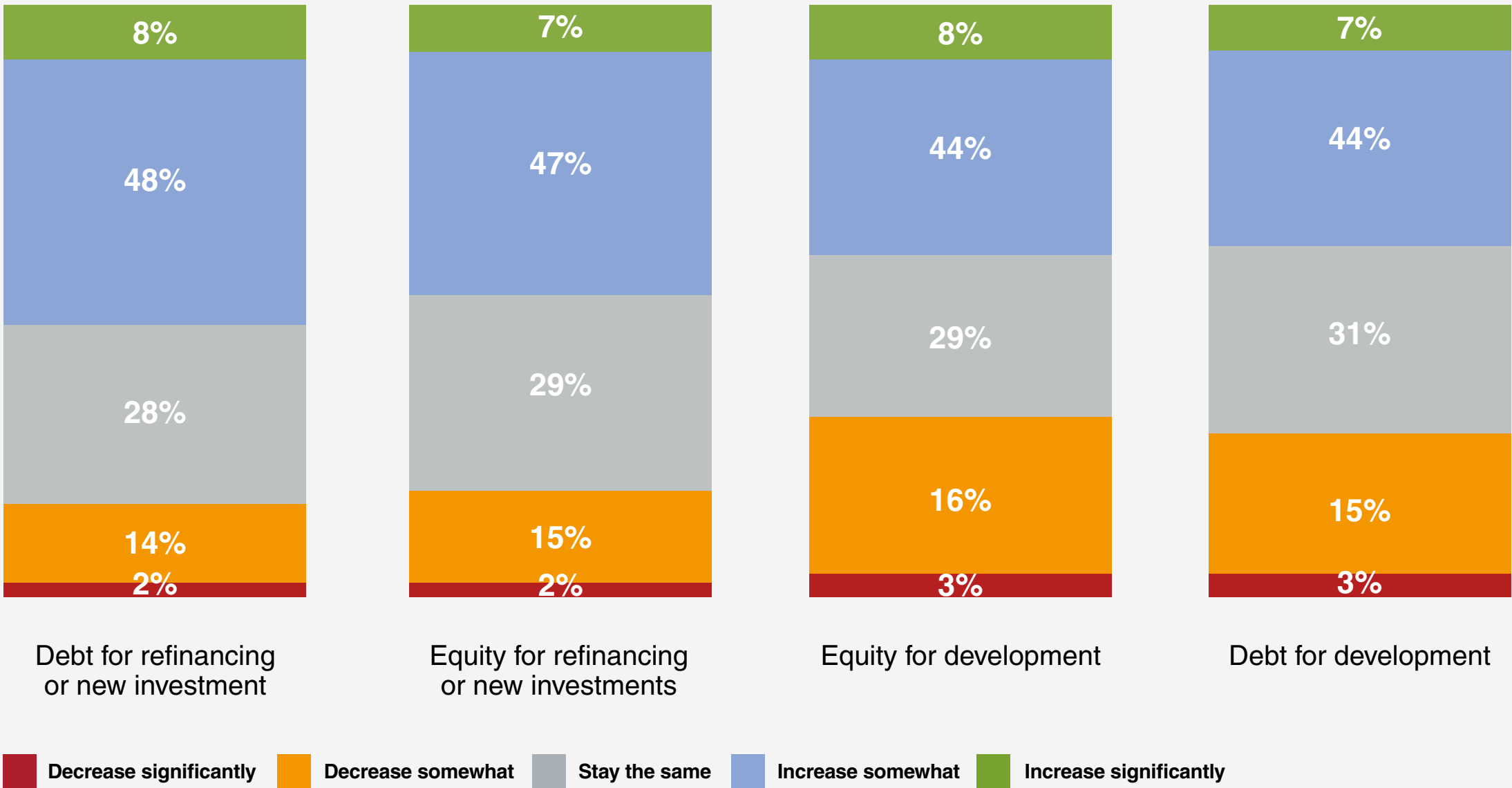


Figure 2-6 Availability of debt and equity in 2026



Source: Emerging Trends Europe survey 2026



ROME, ITALY

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There's definitely more growth on the infra side than on the real estate side from an allocation point of view.

Stiff competition from other asset classes is a concern. Speaking for many, one global asset manager says: “I am worried because investors don't have to invest in real estate. They've got a much bigger infrastructure and private credit investment universe available. I think they are going to cannibalise real estate.” Some believe this is already affecting real estate allocations, and as one CEO puts it: “There's definitely more growth on the infra side than on the real estate side from an allocation point of view.”

Beyond the institutional investor landscape, a major shift is occurring in the sources of capital for real estate. While institutional investment has been disappointing and the overall "pie" for real estate appears to be shrinking, a much larger source of capital is coming into play.

According to some industry estimates, the total volume of private wealth is approximately four times that of institutional capital worldwide. This reality is beginning to drive a fundamental adjustment in how the industry operates. Some firms are beginning to pivot to serve this more demanding investor base, which requires an overhaul of how investment businesses are structured, managed and capitalised.

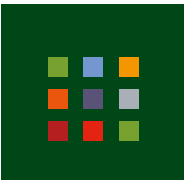
Grounds for optimism

Despite the clouds over the market, the survey reflects some optimism over capital availability.

The proportion of respondents saying they expect equity and debt availability to increase – for refinancing, new investments and development – has risen again this year (Figure 2-6). Furthermore, expectations of debt availability for new investment and core real estate have overtaken refinancing and value-added real estate, perhaps hinting at a positive shift in investor sentiment as the market cycle evolves.

That is partly due to the attractive returns on offer if buyer and seller expectations can be aligned. It perhaps also reflects a positive view among equity investors of real estate's role in multi-asset portfolios. As the CEO of a global pension fund explains: “If the real estate market becomes the most interesting market because of the opportunities that are there, we could easily increase our allocation.”

Interviewees frequently refer to the greater use of operational levers as a way of generating “additional alpha” in real estate and driving outperformance. Returns can seem more similar to private equity investing than the passive income-producing stability traditionally attributed to real estate. For many, this is one of the big trends that will define real estate investment over the long term.



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There is definitely a greater interest in Europe and Asia at the expense of the US.

Investors are also eyeing up more attractive lending terms, particularly for core assets, as a way of leveraging returns. The sense of hope and expectation about the return of core investors to the market is even being backed up by tangible evidence: “We're starting to see the first money coming back into our core funds, which is the first time I've seen that in about three years,” says a pan-European investment manager.

One argument supporting these encouraging signs is the belief that Europe is well placed to benefit from geopolitical instability. “If you're concerned about a de-globalising world, Europe and European real estate are going to benefit from that,” suggests an investment banker. Some already see global capital pivoting toward the region: “There is definitely a greater interest in Europe and Asia at the expense of the US,” says one global asset manager. “This is a good time for European funds [open for investment] when you're trying to raise capital.”

The survey reflects this optimism, with expectations of increasing capital flows from every global region, led by Asia-Pacific and the Middle East and Africa (Figure 2-7). The region’s reputation for relative calm and stability could come to the fore. “Europe is a pretty safe place to be ... the marginal dollar is now most focused on Europe,” says another manager.

Lenders are hungry for business

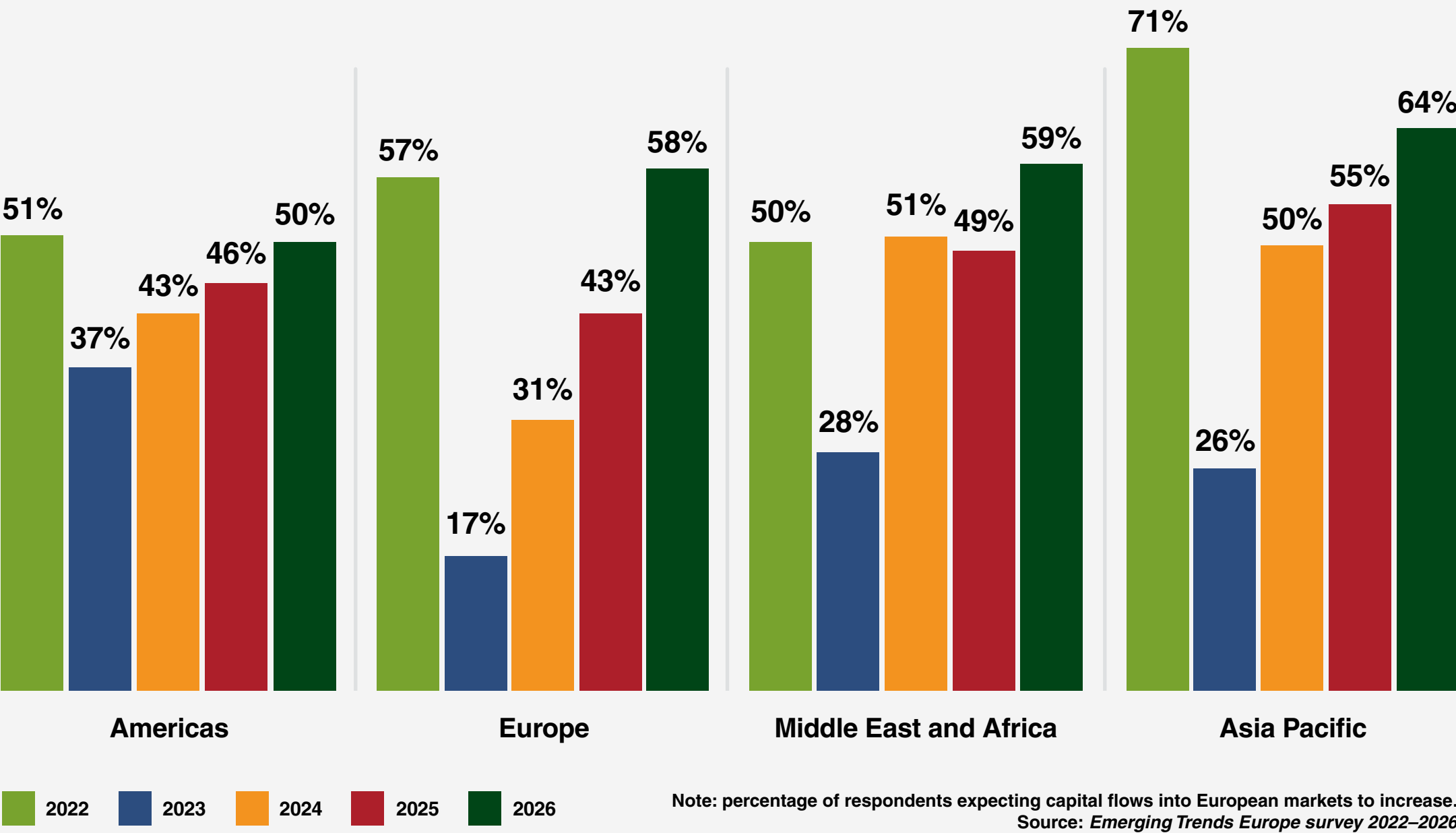
The real estate credit market has moved firmly from being a source of concern to an area of optimism, with lenders reporting strong balance sheets and increasing competition for lending.

For many investors it makes sense in the current economic climate to seek equity-style returns through debt, where there is greater downside protection. As one pan-European manager of equity and debt says: "It's a great time to be a real estate lender and probably an okay time to be an investor." Another manager adds: "Generally, the view is it's a good time to be investing in credit products, and real estate debt is definitely included in that."

As values re-base and short-term interest rates edge down, many support the notion of favourable conditions for lending. “Some of the deals that you do now and maybe the next 12 months [are] probably the best deals that you will have done in a long time,” says one global lender.

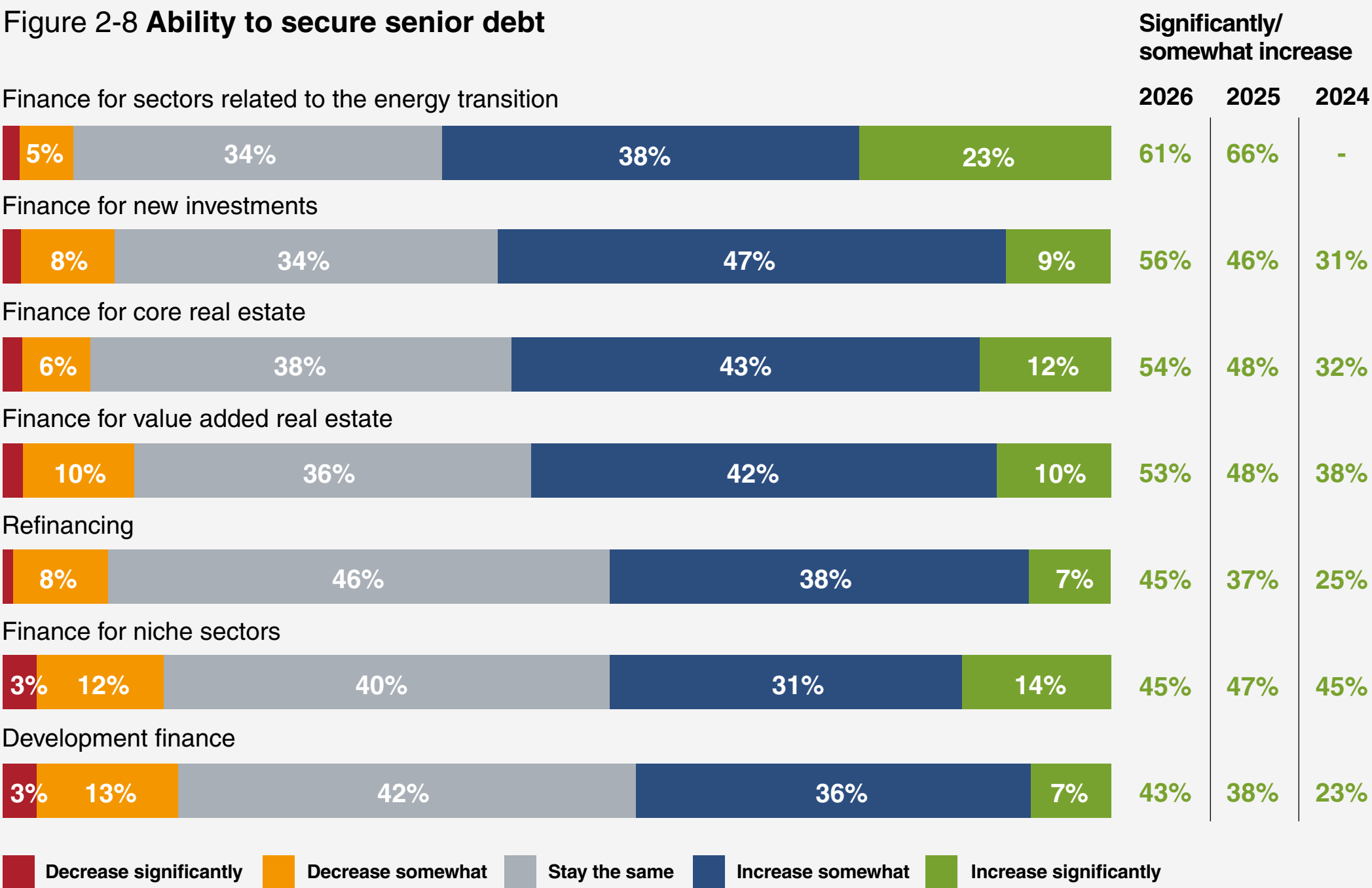
As the survey highlights, optimism about debt availability continues to be broad-based, with a high proportion of respondents saying they expect debt for refinancing, new investment and development to increase between now and the end of 2026. Debt funds, insurers and pension funds are still seen as faster-growing sources of credit than traditional banks and CMBS.

Figure 2-7 Changes in capital flows – yearly comparison



ISTANBUL TURKEY

Figure 2-8 Ability to secure senior debt



Source: Emerging Trends Europe survey 2026

But with these sources providing liquidity to different parts of the market, the survey findings may be pointing to faster-growing demand from value-add investors with more complex financing needs. The flexibility to structure debt to suit asset-level business plans is an appealing package to investors with more active-management strategies, says one debt fund manager, adding: “We are very happy with the investments we've been able to make – we expect them to be, on a risk adjusted return basis, very profitable for our investor clients.”

Banks, meanwhile, seem content to focus on the most liquid parts of the market and higher-quality assets, typically with strong ESG credentials and backed by trusted sponsors. But with competition increasing for core lending some are looking at ways to differentiate their offer in a market of relatively low liquidity and rising expectations around flexibility and speed to transact. “Every bank has to find its niche,” suggests one lender. “That is something which probably will become more important, to be more competitive.”

Although regulation has helped lenders come through the recent market downturn in good shape, there is frustration about how real estate is being viewed and treated from a risk perspective in this part of the market cycle. “The ECB is still pretty cautious on real estate – they haven't gotten the memo that the last cycle's over,” another lender says. “It's unfortunate because the real estate finance market right now is the safest it's been in a long time.”

As an illustration of this, the wave of distressed selling many feared would lead to a spiral of write-downs has not materialised. “We thought there would be a tsunami of [distressed] deals because of refinancing ... that has not occurred,” observes a global asset manager. However, bankers warn that implementing Basel IV standards could see banks offloading more non-performing loan portfolios in 2026, suggesting those fears may yet come to fruition.

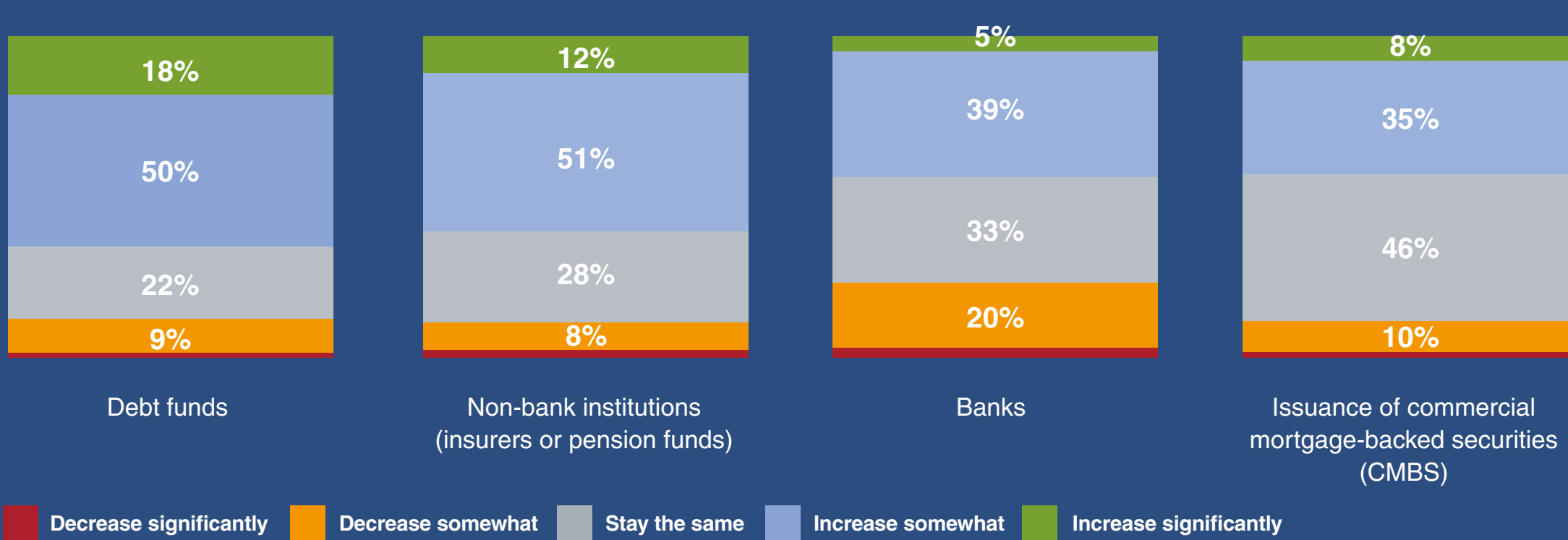
ESG credentials are vital to securing finance

The importance of ESG concepts to Europe’s real estate capital markets is clear from the survey.

Almost all respondents say energy efficiency credentials are important to securing finance and the cost of doing so. Physical climate risks, carbon and water management, and social impact are also seen by the majority as important. As the CEO of an investment and lending platform puts it: “If you allocate capital to best-in-class assets and have the highest [ESG] criteria, you're going to have the most liquidity. It's as simple as that.”

However, the survey also shows that concerns about the availability and cost of insurance are far less pronounced over the short and medium term. Though few property players say they are seeing large increases in building insurance premiums, the COO of a global insurer warns that “insurance premiums are going through the roof in certain places – there are locations where we're no longer entering the market”.

Figure 2-9 Changes in lending sources



Source: Emerging Trends Europe survey 2026



There is no longer a market for non-green assets; they are illiquid products.

STOCKHOLM, SWEDEN

While that suggests a potential future blind spot for the industry, interviewees also point out that currently the question of how to price ESG risks efficiently remains unresolved. “The valuation industry needs to consider how to factor adaptation costs into valuations,” this insurance COO continues. “But properly assessing climate risks? Not many are doing that yet.” More damningly, according to a property company director: “Too many players treat ESG as an academic debate. Meanwhile real-world risks like climate, insurance and carbon cost are accelerating fast.”

Amid fears of a rising “ESG backlash” this lack of urgency could increase the risk of assets becoming stranded and eroding real estate performance. “We haven’t seen investors decline investments because ESG is a focus, but we’ve seen [some] that don’t put a value on it any more,” says a global asset manager. And as one banker warns, “there is no longer a market for non-green assets; they are illiquid products”, highlighting the risk of downgrading ESG as a value driver.



PREVIOUS



NEXT



CHAPTER 3

SECTORS TO WATCH

“We are focused on those areas where we believe we can influence performance through the operating platform or through buying into areas of the market that are quite nascent.”

Pan-European investment manager

European investors remain most likely to favour a sector-focused approach when allocating capital in 2026 – more than 40 percent of survey respondents rank it within their top three criteria, while for 18 percent it is their top priority.

But the overall approach to investment in a prolonged period of geopolitical and economic uncertainty is far more nuanced than simply attempting to pick winners from the broad range of sectors on offer – and it is evolving.

Against such uncertainty, it is clear from the survey and the interviews that country selection is taking more prominence among investment managers compared with a few years ago. In other words, there is a focus now on core markets with strong rule of law, democratic institutions and high liquidity.

The cautionary geopolitical influence does not stop with country selection. The survey also highlights the importance the industry attaches to risk management and diversification, wealth preservation and long-term growth, and a deal-led approach. These are all key factors for more than 30 percent of respondents when it comes to allocating capital (Figure 3-1).

Interviews reveal that many investors are adopting hybrid approaches, reflecting increasing market complexity as well as a desire to diversify in the face of the volatile economic and political investment climate.

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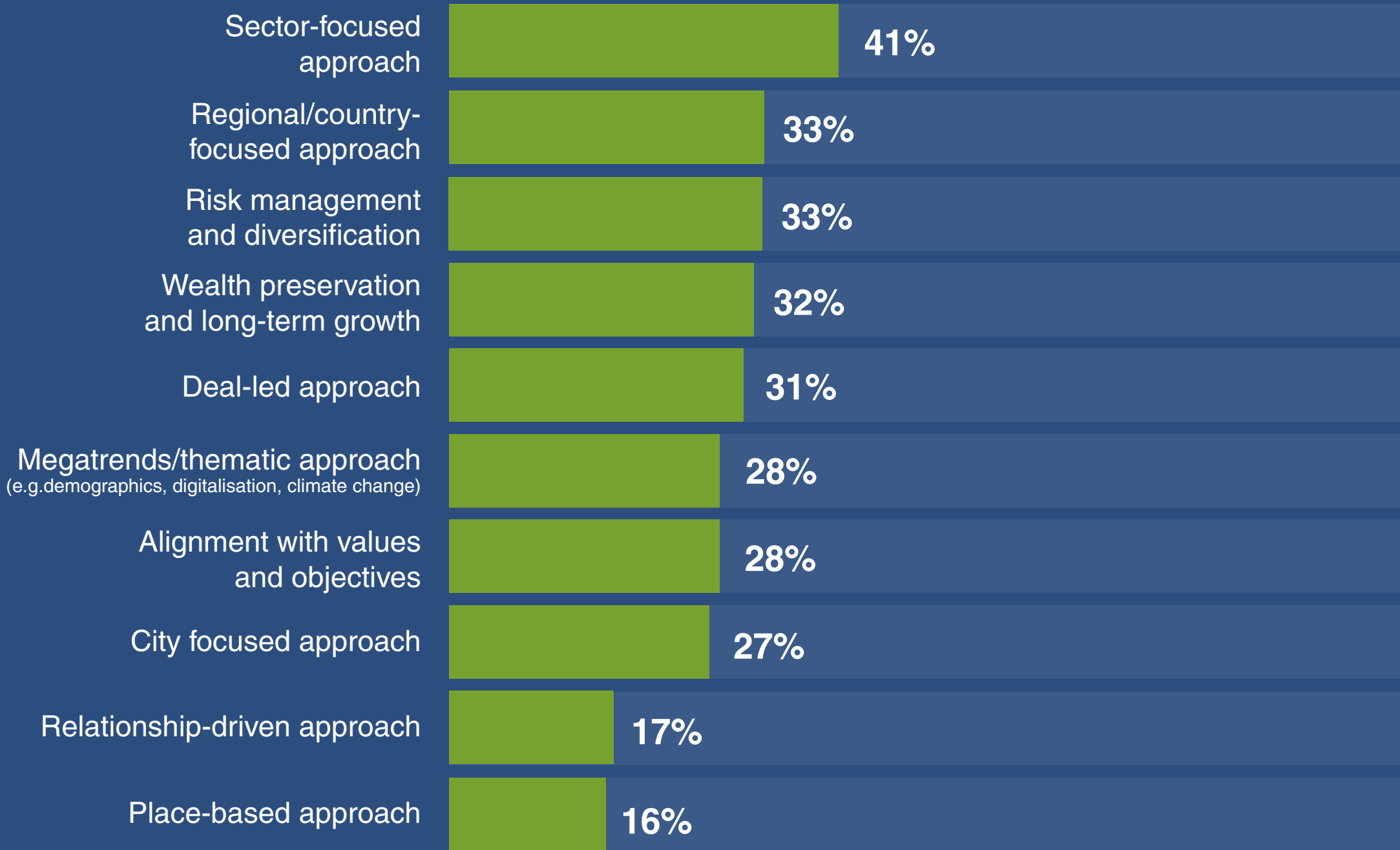
We are operating with greater risk awareness and place more emphasis on diversification.

“Our capital allocation is primarily deal-led, but it is also shaped by a combination of city-focused, risk-return and product diversification approaches,” says an investment manager. “Risk reduction through geographic diversification and products in different segments is part of our strategy,” says another.

For one institutional investor, single-sector fund vehicles are a thing of the past: “We are operating with greater risk awareness and place more emphasis on diversification.” Another institution favours “smaller volume sizes, a lot of geographical diversification and of course, sector diversification, including some that are a little bit more niche, like medical centres, clinics and schools”. A third seeks to “balance wealth preservation with steady growth”, through a city and sector-focused approach.

This helps explain the prevalence of emerging sectors that attract little capital relative to traditional sectors but are in the top 10 rankings for investment and development prospects (Figure 3-2).

Figure 3-1 How investors allocate capital to real estate



Note: Percentage ranking it within their top three criteria

Source: Emerging Trends Europe survey 2026



VIENNA, AUSTRIA

Figure 3-2 Sector prospects in 2026

Generally good = above 3.5

Fair = 2.5 to 3.5

Generally poor = under 2.5

Overall prospects			Investment			Development			Overall Income		
Rank	Sector	Score	Rank	Sector	Score	Rank	Sector	Score	Rank	Sector	Score
1.	Data centres	4.53	1.	Data centres	4.58	1.	Data centres	4.49	1.	Data centres	4.39
2.	New energy infrastructure*	4.45	2.	New energy infrastructure*	4.52	2.	New energy infrastructure*	4.38	2.	New energy infrastructure*	4.12
3.	Student housing	4.25	3.	Student housing	4.33	3.	Student housing	4.17	3.	Student housing	4.08
4.	Serviced apartments	4.16	4.	Healthcare	4.25	4.	Serviced apartments	4.07	4.	Serviced apartments	4.08
5.	Healthcare	4.13	5.	Other storage facilities	4.24	5.	Education-related real estate**	4.03	5.	Self-storage facilities	3.97
6.	Other storage facilities	4.11	6.	Serviced apartments	4.24	6.	Healthcare	4.02	6.	Hotels	3.96
7.	Education-related real estate**	4.08	7.	Retirement/assisted living	4.18	7.	Other storage facilities	3.98	7.	Healthcare	3.96
8.	Retirement/assisted living	4.07	8.	Self-storage facilities	4.16	8.	Co-living	3.97	8.	Co-living	3.95
9.	Co-living	4.06	9.	Affordable housing	4.15	9.	Affordable housing	3.97	9.	Logistics facilities	3.95
10.	Affordable housing	4.06	10.	Co-living	4.15	10.	Retirement/assisted living	3.96	10.	Private rented residential	3.93
11.	Self-storage facilities	4.03	11.	Education-related real estate**	4.14	11.	Residential-led mixed-use	3.95	11.	Education-related real estate**	3.92
12.	Residential-led mixed-use	4.02	12.	Hotels	4.11	12.	Private rented residential	3.92	12.	Other storage facilities	3.92
13.	Logistics facilities	4.01	13.	Logistics facilities	4.11	13.	Logistics facilities	3.91	13.	Residential-led mixed-use	3.88
14.	Private rented residential	4.00	14.	Residential-led mixed-use	4.08	14.	Self-storage facilities	3.91	14.	Camp sites/caravan parks/lodges	3.88
15.	Social housing	3.97	15.	Private rented residential	4.07	15.	Social housing	3.88			
16.	Camp sites/caravan parks/lodges	3.95	16.	Social housing	4.07	16.	Camp sites/caravan parks/lodges	3.84	15.	Industrial/warehouse	3.86
17.	Hotels	3.93	17.	Camp sites/caravan parks/lodges	4.06	17.	Industrial/warehouse	3.81	16.	Retirement/assisted living	3.85
18.	Life Sciences	3.91	18.	Industrial/warehouse	4.00	18.	Life Sciences	3.78	17.	Life Sciences	3.84
19.	Industrial/warehouse	3.91	19.	Life Sciences	4.04	19.	Housebuilding for sale	3.78	18.	Affordable housing	3.78
20.	Housebuilding for sale	3.81	20.	Housebuilding for sale	3.84	20.	Hotels	3.74	19.	Housebuilding for sale	3.67
21.	Commercial-led mixed-use	3.61	21.	Retail parks	3.81	21.	Commercial-led mixed-use	3.50	20.	Retail parks	3.66
22.	Parking	3.57	22.	Parking	3.75	22.	Leisure	3.44	21.	Social housing	3.62
23.	Leisure	3.56	23.	Commercial-led mixed-use	3.72	23.	Parking	3.39	22.	Leisure	3.60
24.	Retail parks	3.56	24.	Leisure	3.68	24.	Central city offices	3.33	23.	Central city offices	3.58
25.	Central city offices	3.44	25.	Central city offices	3.55	25.	Retail parks	3.31	24.	Parking	3.55
26.	Flexible/serviced offices & co-working	3.38	26.	Flexible/serviced offices	3.48	26.	Flexible/serviced offices	3.27	25.	Commercial-led mixed-use	3.53
27.	High street shops	3.10	27.	High street shops	3.24	27.	High street shops	2.96	26.	Flexible/serviced offices	3.37
28.	Business parks	2.96	28.	City centre shopping centres	3.21	28.	Business parks	2.86	27.	High street shops	3.22
29.	City centre shopping centres	2.95	29.	Out-of-town shopping centres	3.20	29.	City centre shopping centres	2.69	28.	City centre shopping centres	3.21
30.	Out-of-town shopping centres /retail destinations	2.94	30.	Business parks	3.06	30.	Out-of-town shopping centres	2.69	29.	Out-of-town shopping centres	3.19
31.	Suburban offices	2.33	31.	Suburban offices	2.40	31.	Suburban offices	2.27	30.	Business parks	3.01
									31.	Suburban offices	2.53

* e.g. solar, wind, energy storage, electric transportation **e.g. lab/research spaces, education facilities/spaces

Note: Respondents scored sectors’ prospects on a scale of 1=very poor to 5=excellent, and the scores for each sector are averages; the overall rank is based on the average of the sector’s investment and development score. The survey also covered communication towers/fibre and film/media production studios but the number of respondents rating the prospects for these niche sectors was too small for them to be included in the rankings.

Source: Emerging Trends Europe survey 2026

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Infrastructure as an asset class has typically been receiving more capital in private markets.

Of the traditional real estate sectors, offices, industrial/logistics and retail all sit within the lower reaches of the rankings. Only residential bucks the trend, representing five sectors out of the top 10: student housing, serviced apartments, retirement/assisted living, co-living and affordable housing.

Another notable feature of the most favoured sectors is that most are operationally intensive. The top three are the same as last year: data centres, new energy infrastructure and student housing, and all require substantial operational expertise.

One interviewee sums up a common view: that following a period in which ultra-low interest rates distorted the market, generating spectacular capital gains, it is now moving back to a situation in which income is the primary driver of returns. “That means [investing in] operating real estate, which is better to drive NOI (net operating income) growth.”

Emerging sectors offer “infrastructure-like” characteristics: “They're needs-based, they're operational in nature and they're sometimes regulated,” says an asset manager, who argues that “infrastructure as an asset class has typically been receiving more capital in private markets”, and therefore the real estate industry should seek to position itself in a similar manner.

Indeed, interviewees are increasingly equating real estate, including the traditional sectors of offices, residential, logistics and retail/leisure, with “social” or “community” infrastructure.

They typically argue that property acts as an enabler for leisure or business interactions and that well-designed buildings promote increased wellbeing and productivity, which we analyse in Chapter 5.

An asset manager says that real estate should not be excluded from the “European transformation thematic”, because it has the potential to make a transformational contribution in diverse ways: by reducing carbon emissions, improving the productivity of manufacturing and office work, and boosting “the attractiveness of Europe as a destination”.

Some interviewees are mistrustful of the profusion of small, operational segments, however. One private equity manager is mindful of the risk of a herd mentality: “Too many new sectors have emerged where people say: ‘let’s follow the crowd’, like flex office, studios, and outdoor storage. A lot of capital has tried to flow into sectors that have proved to be disappointing.”

A sector that is rapidly progressing from niche to mainstream, at least in terms of the number of investors, managers and developers seeking to participate, is data centres. If anything, the already frenzied interest in the sector is only intensifying as investors scramble to find a way to carve out their slice of the vast profits expected from the growth of artificial intelligence (AI). As one private equity manager, who has placed a big bet on the sector, puts it: “How do you capitalise on the AI boom other than through data centres?”

Even so, the interviews confirm that the sector is problematic for real estate investors in several ways. “It’s a mission-critical infrastructure

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Almost any investment in data centres would take us in the wrong direction with our stated [carbon reduction] ambitions.

business, which is at the crossroads between infrastructure, real estate, power, telecommunications and IT,” says a sector specialist. Investors know that because the world relies on the internet, it is a safe bet for collecting rent. But equally, if users lose their connection, then tech firms will look elsewhere for a more reliable partner. “So, it’s very much an operations business, a lot more like servicing airplanes than real estate.”

Meanwhile the real estate component forms only a small proportion of the overall value. “It’s about 10 percent of the total business. The warehouse itself is worth nothing compared to the entire investment,” says a property company CEO. They are also carbon-intensive: “Almost any investment in data centres would take us in the wrong direction with our stated [carbon reduction] ambitions,” says an institutional investor.

Some interviewees also fear staking large sums in a fast-moving market in which they lack technical knowledge. “These assets can become obsolete pretty quickly,” says one. “It would be a scary place for us to be at the moment.”



LARGE DATA CENTRE, HOLLAND



KIEL CANAL, GERMANY

Nevertheless, the imbalance between constrained supply and surging demand makes it a “key theme” for an international asset manager: “The big question is how to gain access to data centre exposure?”

The largest investors can take the vertically integrated platform approach, but most managers are unable to access capital on the required scale. For several interviewees, acquiring land in hot data centres markets and then securing permits and power is the preferred strategy. “We can team up with the local developers, convert the land into powered land and potentially stay as a joint venture partner with an end investor, or sell just the land with the power,” says a pan-European investment manager.

However, data centres are becoming ever larger and more power intensive, while national grids across Europe are struggling to meet the demand, particularly in the face of competing requirements for electrification required to meet climate goals. Power is frequently cited by interviewees as the principal constraint on the sector’s growth.

For others, the power capacity conundrum is viewed as a potential opportunity. “We are deployed in data centre development and anything associated with that generally on the renewable energy side – that area of how ultimately the energy demand for the data synthesis is being met.”

The European Commission estimates €584 billion in investment will be needed by 2030 to meet the growing demand for electrification.

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The field of renewable energy and battery storage solutions offers a high-yield alternative to traditional real estate investments.

That cost is unlikely to be met by business alone, says the head of a private equity firm. “It needs leadership from government. Private capital helps on the margin.”

New energy infrastructure is ranked second for overall prospects by survey respondents. Interviewees are intrigued by the potential for generating returns by helping to address the infrastructure deficit. For one property company CEO, the challenge is how to incorporate the provision of energy supply within its portfolio: “Is it a sustainable profit centre where you can say: ‘the point of difference here is we can supply you with the energy you need to run your data centre, your cold storage units, or your life sciences buildings?’”

“The field of renewable energy and battery storage solutions offers a high-yield alternative to traditional real estate investments,” suggests an asset manager. A Nordic investor is aiming to develop battery storage capacity and ramp up solar and geothermal energy across their portfolio. “There is a very strong business case to do it. Energy prices have increased across markets and spiked in many places.”



PREVIOUS



NEXT



Two of the top ten sectors are among those often termed “social infrastructure”, healthcare (fifth) and education-related real estate (seventh), which includes schools and colleges, as well as laboratory and R&D spaces.

While a relatively small proportion of respondents say they are familiar with these sectors, there is some enthusiasm for socially focused real estate among interviewees. “There is greater interest in the convergence between real estate and infrastructure: for example, social infrastructure such as health, education and housing.”

A fund manager considers the balance of risk and return in emerging sectors, concluding: “If you are a little higher risk, I would go to data centres. If you are more core and you want to have stabilised revenues for the next 20 years, I would go to healthcare.”

Life sciences is an established survey category – as distinct from other laboratory spaces – and as recently as 2022 and 2023 was riding high in second place. For 2026, however, it sits at an underwhelming 18th in terms of overall prospects. “Obviously it had its peak and disappointment post-COVID,” says a private equity manager. But there is greater enthusiasm for research-related real estate in general, perhaps as a result of high expectations for rapid technological advancement sparked by the development of AI. “AI will be a big driver of demand for real estate for decades, from data centres to manufacturing, life sciences, and R&D,” says a global asset manager.

Social purposes could be a better use for obsolete offices than housing in some cases, suggests a Nordic manager. “As demand for less

attractive offices decreases we try to shift the use for them, for example into schools or healthcare.”

While residential-led (12th) and commercial-led (21st) mixed-use schemes are not ranked highly, some interviewees see repositioning obsolete buildings as an opportunity to combine social infrastructure, business, retail and recreational functions. “Such projects align with the trend of creating sustainable, multifunctional urban spaces that meet the needs of residents and users,” says a developer.

Interviewees reveal that the main obstacle in the education and healthcare sectors is the ability to access opportunities. “Niche [investments] such as schools or daycare centres are interesting, but hardly scalable. The market is small and fragmented,” says a head of research.

Healthcare properties should be an attractive prospect because of Europe’s ageing population, and the ability to sign long-term leases producing steady income, says a consultant, “but at the asset level there’s not much happening”.

“We are also investing heavily in the hospital sector, particularly in private healthcare. However, it is quite difficult to find suitable products. Private hospitals are rare and not often available,” says an Italian investment manager.

Few property investors consider they have the expertise to manage such assets, argues another interviewee. “It’s much more difficult to run your business plan in senior living or healthcare than student housing. There are lots of ethical risks associated with it.”



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AI will be a big driver of demand for real estate for decades, from data centres to manufacturing, life sciences, and R&D.

LIFE SCIENCE CENTRE IN CAMBRIDGE, UK



COPENHAGEN, DENMARK

“

Tourism is an extremely resilient place to put your money, whether it's in hotels or hostels or just in touristic cities.

The risks and rewards around hospitality are different again. The post-pandemic boom in European tourism showed no sign of abating in the first half of 2025, with 1.3 billion nights spent in tourist accommodation in the EU according to Eurostat, the highest figure ever observed for the first two quarters.

Hotels are ranked at a lowly 17th for overall prospects, but sixth for income. For some interviewees, it is an obvious investment theme: “Tourism is an extremely resilient place to put your money, whether it's in hotels or hostels or just in touristic cities.”

As a consequence, most hospitality investors currently favour leisure or event-driven destinations over business hotels. “The experience economy is driving hotel demand, where you go for experiences, you go for concerts, you go for huge trade fairs, you don't go for individual business,” says an investment manager. Interviewees identify luxury destinations close to cities, wellness retreats and sports-linked resorts as particularly attractive niches.



PREVIOUS



NEXT



Housing

Residential is again the most popular form of mainstream real estate, accounting for five of the top 10 and eight of the top 15 most promising sectors for 2026.

Flat GDP growth is a problem for commercial property, but it favours residential, argues a sector specialist. “The more GDP flattens while real estate value grows disproportionately, then the more people will be renting versus buying.”

Housing also offers a haven in turbulent times. “What really attracts investors is the steady income, strong fundamentals and protection against inflation that residential real estate offers,” observes a developer. “It’s a reliable and long-term sector in a mixed investment portfolio.”

Two emerging housing sub-sectors, serviced apartments and co-living, are numbered among the top 10. They represent only a small fraction of overall deal volume, but their appeal should be understood within the context of value-add investors searching for opportunities in a sector where more conservative investors with modest return expectations dominate. “If you’re going to build a value-add portfolio of any scale, it’s going to have small niche products [within it], so you have to take a broad-brush approach.”

As for purpose-built student housing (PBSA), the interviews and the survey – where it is third in the rankings – suggest a one-time niche strategy that has now become mainstream.

PBSA is “the most exciting sector”, one interviewee says, because of the supply-demand imbalance on the continent and the need for that sector to grow. “It has become more institutionalised.”

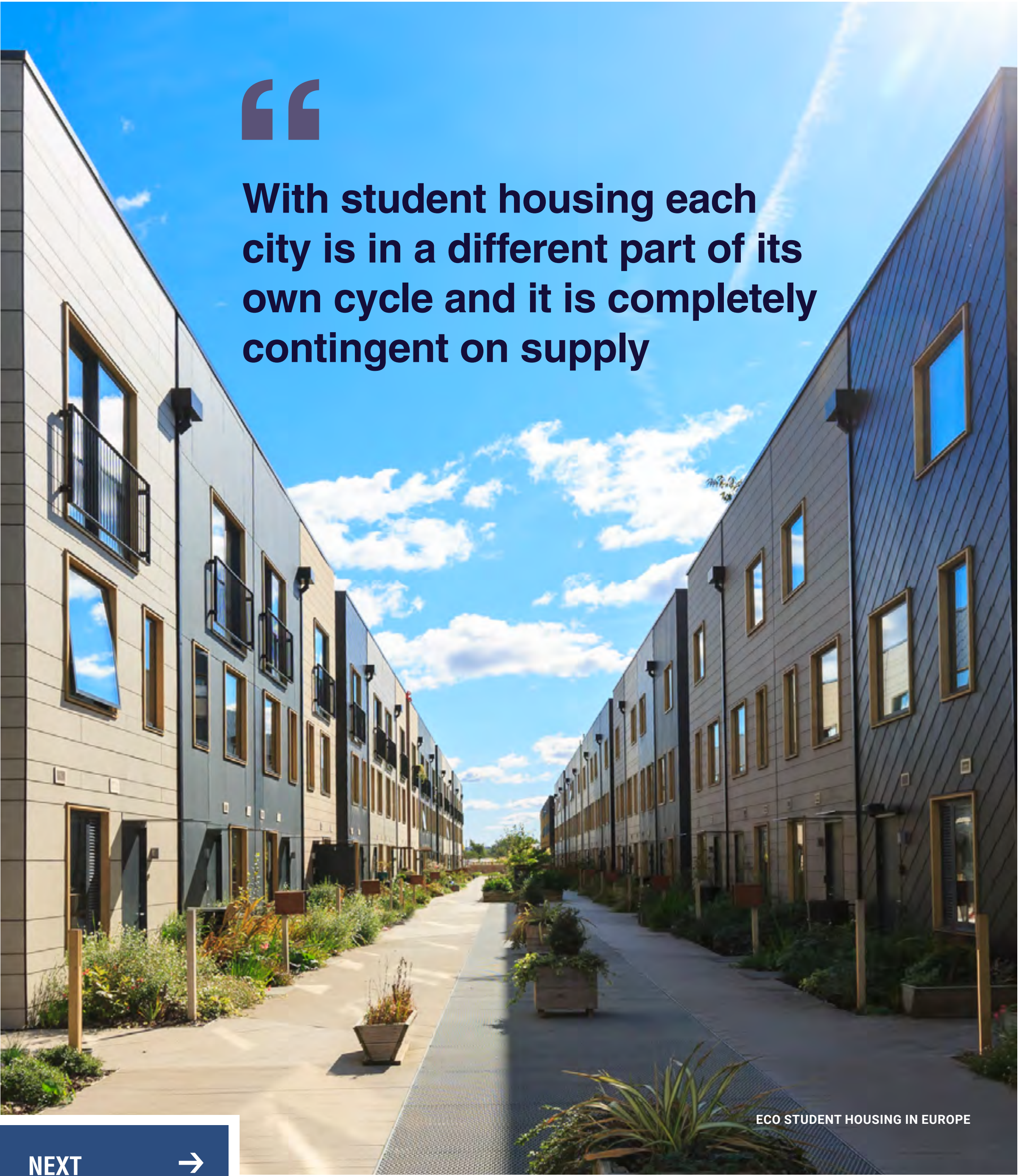
While affordability is stretched for many residential renters, student demand is seen by many interviewees as more inelastic with respect to pricing, as parents are often willing to pay whatever is necessary to secure comfortable accommodation. Rents can therefore continue to grow year-on-year, even in a low economic growth environment, providing owners with an attractive hedge against inflation.

While PBSA is in vogue it is important to differentiate between markets, says a specialist investor. “With student [housing] each city is in a different part of its own cycle and it is completely contingent on supply.” They cite Bristol in the UK as an example of a market where conditions are currently challenging because of overbuilding.

Interviewees identify Spain, Italy and Poland among the national markets that offer the greatest growth potential. “Student housing is more mature, but certainly nowhere near the penetration rates that it needs to get to. In some markets in continental Europe there are 10 to 15 students for every bed available.”

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With student housing each city is in a different part of its own cycle and it is completely contingent on supply



ECO STUDENT HOUSING IN EUROPE



OXFORD STUDENT, UK

Some anticipate an influx of students from the US, disturbed by the US administration’s approach to higher education. “Student mobility is highly sensitive to geopolitical events, and currently, Europe is seen as a net winner in this respect.”

Another interviewee expects fewer Chinese and American students to enrol, creating increased risk at the high-rent end of the market. “There is a little turbulence in the market because of Chinese visas and because of less Americans travelling.” In that context, they suggest that “PBSA targeted towards regional European students will still be resilient.”

Private rented residential, in 15th place, is comparatively less favoured. “Overall, the transaction level on the residential side has been quite low,” says a housing specialist. While pricing remains high, “pricing trends show core assets trading inside the cost of debt”, interest from core investors is picking up. But new supply is limited: “A lot of developments did not take off over the last two years because the business case for the developer was not there.”

Regulatory risk is also playing on the minds of interviewees and survey respondents. Politicians are coming under pressure across many European countries and cities to protect tenants from soaring costs by introducing rent control. The City of Paris has even floated the idea of a “zero co-living” policy. The authority is advocating the refusal of new co-living projects, which it believes developers have used to circumvent the rent controls that generally apply to rented housing.

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Student mobility is highly sensitive to geopolitical events, and currently, Europe is seen as a net winner in this respect.

“Political frameworks such as rent regulation will determine how attractive the sector is for institutional capital. Large players will stay engaged, while smaller investors may withdraw,” says a German asset manager.

UK interviewees express concerns about the unintended implications of the Building Safety Act, which was introduced to make high-rise blocks safer following the Grenfell Tower disaster. Long delays associated with safety checks have slowed development of multi-storey buildings. “That has forced the real estate sector to deploy into single-family rentals in the UK rather than high-rises.”

Meanwhile housebuilding prospects appear gloomy compared with the rest of the sector, once again dampened by material cost inflation and higher mortgage rates that put buying a property beyond the reach of many. “We’re sitting on many zoned plots we want to start on, but right now construction costs and the interest rate mean people won’t be able to afford these homes,” says a Nordic developer.

Offices

The ramifications of the hybrid working revolution remain front of mind for office investors and workers alike, as the tension between employers’ perception that office attendance supports productivity clashes with employees’ desire for work-life balance.

Some interviewees believe that the dust is settling to reveal a new normal. An office developer suggests that a four-day-in-office week will prevail. “People want the community of being in the office, even if a little bit more flexibly, because technology allows you to do that today.”

“Even if employees need to be in the office, not five days a week, but three days a week, you still keep your space. It’s a place for integration, for building brand loyalty,” says a private equity manager.

But not everyone holds the same opinion. “A new model needs to be found. This is not the final answer yet. I do not believe that offices will return to how they used to be,” says an institutional investor.

For the present, sentiment surrounding the sector remains uncertain at best, with offices sitting within the bottom 10 ranked sectors for overall prospects. “Almost every institutional investor says, we have too much exposure to office,”

says one manager. Another elaborates on the challenge here: “We have an overallocation to offices. We would like to change that, but that’s tough in an environment where there’s not a lot of new money coming into the sector.” Yet in the more liquid prime markets, such as London, there are signs of a significant increase in big-ticket office deals and a hardening of yields.

At the same time, the gap in occupier and investor demand between prime and secondary offices gets wider. Suburban office is ranked in last place. “We are about 10 to 15 percent oversupplied with offices in Europe. There are plenty of low-quality offices out there which are zombies,” says an interviewee.

By contrast, it is widely acknowledged that the occupier market for high-quality city centre offices is far more robust than the level of investment demand. “We are still pretty bullish on centrally located offices,” says an investor who admits having “pretty high exposure” to the sector. “We’re seeing resilience of rents and stability of values.”

Some interviewees believe that now is the time to lean into value-add opportunities in prime locations. Pricing has fallen to a level that makes this “a super interesting moment to step in,” says an office developer.

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People want the community of being in the office, even if a little bit more flexibly, because technology allows you to do that today.

“There are periods when you can develop and there are periods when you are better off buying existing buildings,” this developer adds. “We are buying buildings that are not completely end of life cycle but need a capital injection.”

Such situations suit active not passive investors, they note, in a sector that is becoming “more operational and more entrepreneurial”. And so, as institutional investors have retreated from the sector they have been replaced by opportunistic private equity firms and family offices.

Some 62 percent of respondents believe that office locations that are vibrant and close to public transport connections will be a key factor driving occupiers’ workplace strategies (Figure 3-3). Meanwhile 70 percent say tenants are prioritising location in lease negotiations.

“If it is the right product in the right location sitting on the transportation hub with good ESG credentials, you don't need to worry because you will always have your tenants there,” says an interviewee. However, location trumps specification: “Having next-generation office with all the services, all the amenities, can be important, but if it’s in the wrong place it’s not going to work.” Another interviewee adds: “The less well-located the building, the more amenities it tends to need.”

Half of survey respondents rank flexibility as a top-three priority for tenants in lease negotiations (Figure 3-4). Many occupiers no longer want to make a 20-year commitment to a location, says a developer. “There is a generation of people that look at workplaces as a commodity.

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If it is the right product in the right location sitting on the transportation hub with good ESG credentials, you don't need to worry because you will always have your tenants there.

“They don’t have an emotional attachment to a building. Office real estate has become more like hospitality.” Only 16 percent of survey respondents rank environmental or sustainable features among the top three occupier priorities. “We do see ESG has slipped down the agenda because European reporting requirements are less than what [the EU] intended to implement,” says an office developer. “We don't talk about sustainability in isolation. We talk about super-efficient buildings with low operational costs.”

The industry believes that the impact of AI on workplace strategies is low on the agenda for tenants, perhaps because there is still a great deal of uncertainty about what that impact will be. “We're not seeing it reflected in design specifications or demand right now,” says a consultant. Nonetheless, some interviewees are concerned for the future: “We're starting to hear stories of a reduction in graduate hiring. I can't see AI being a good thing for offices,” says a fund manager.

Figure 3-3 What the industry believes will drive occupiers’ workplace strategies over the next 18 months

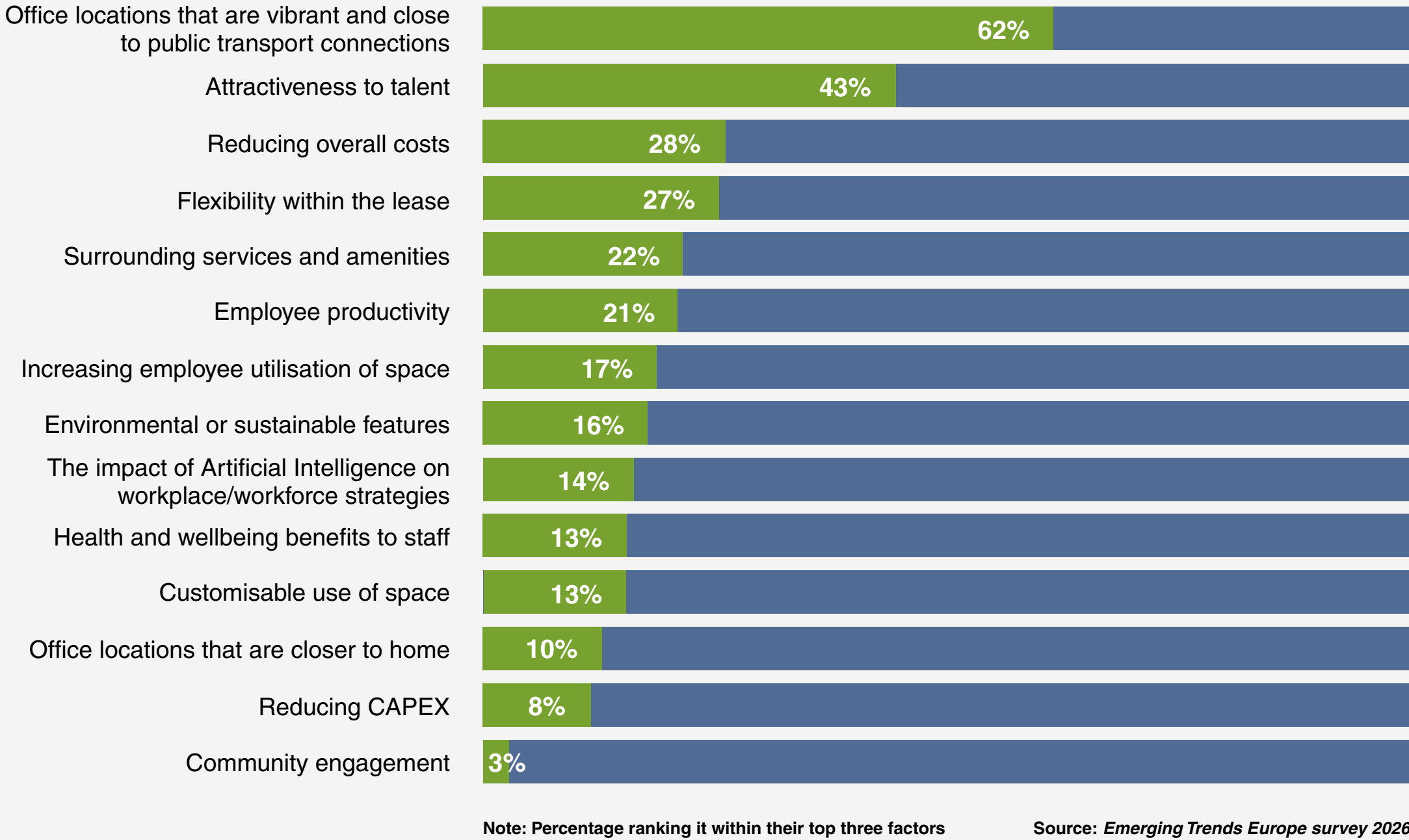
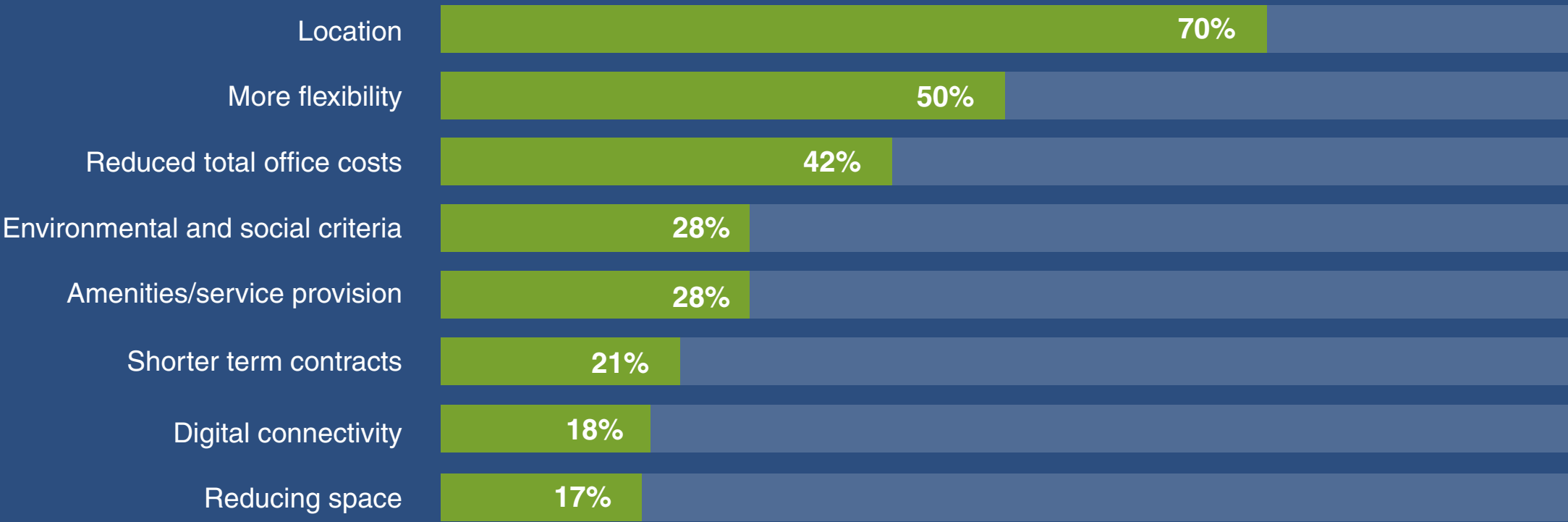


Figure 3-4 Priorities when considering leasing requirements





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We haven't yet seen what the tariffs will actually mean for the global trade and flow of goods, but we have so many strong currents with e-commerce and increased local production that I wouldn't be too afraid for that sector.

LOGISTICS DISTRIBUTION CENTRE, EUROPE

Logistics

Logistics tumbles from fourth place in last year's survey to 13th, its lowest ranking in more than a decade.

“We'd still have an overweight call on logistics, just not as strong as it would have been and perhaps a more selective approach than where we were previously,” says a private equity manager. “Fundamentals are a little weaker. Supply has come through and demand has perhaps tailed off a little bit from its post-COVID peak.”

A logistics manager notes that values have fallen by more than 20 percent from their peak two years ago, while once-rampant rental growth has tailed off to a rate that is “close to inflation”. Meanwhile occupancy across their portfolio, once almost 100 percent has “normalised” to 93 to 97 percent.

Leasing market momentum has slowed, and tenants are taking longer to commit. “Even though the logistics sector grew above GDP over the past decades, still it's influenced by general economic development, and if companies are not confident, they don't take on more space.”

The situation is far from alarming for logistics investors, however. New development starts fell significantly in the first half of 2025. “Less space will come onto the market in the second half of this year, and first half of next year, which will probably lead to some pent-up demand, which

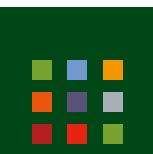
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Fundamentals are a little weaker. Supply has come through and demand has perhaps tailed off.

will no doubt result in rental growth again,” says a developer. And there is still plenty of capital willing to deploy in the sector. “From an institutional investor point of view, you can see it as a replacement for the long-leased office: easy to manage, strong tenants, very resilient cash flows,” says an investment manager.

And the macroeconomic tailwinds that have propelled the sector in recent years remain in force. “We haven't yet seen what the tariffs will actually mean for the global trade and flow of goods, but we have so many strong currents with e-commerce and increased local production that I wouldn't be too afraid for that sector,” says a pan-European investor.

E-commerce penetration is high in the UK, but still low across much of southern Europe. Meanwhile companies are continuing to increase their inventory and restructure supply chains to make them more resilient against a backdrop of deglobalisation and macroeconomic turbulence.



“The trends that were turbo boosted during COVID are still there, just growing at a slower rate. But they will remain a driver for demand in Europe for years.”

The sector could also receive a boost from European rearmament. “It’s a massive upside for manufacturing,” argues an investment manager. They suggest that there is scope for public-private partnerships in which investors approach government and offer to provide sites to help them ramp up arms production, as well as an opportunity to meet the expansion needs of their existing tenants in the sector.

A logistics developer suggests that there may be opportunities to establish supplier parks for arms manufacturers in a similar manner to the automotive industry. “There will be some impact, but I don’t think it’s going to be meaningful.”

“It is an obvious strategic theme, but more work is needed to understand the role of private capital, and in any case whether it has the appetite to invest,” says a fund manager. “For real estate institutions it could translate to a need for housing, logistics, training, R&D facilities etcetera. But it is not clear if an investible product exists.”

The anticipation of a defence spending windfall, together with increased enthusiasm from European governments for reshoring politically sensitive manufacturing industries, may also help to explain the lofty ranking for other storage facilities, which includes industrial outdoor storage, in sixth place. The sector also encompasses cold storage, for which there is likely to be increased demand as supply chains are reassessed to

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You're going to see a whole movement of [logistics] companies having to get involved in power as a necessity because our customers need it. That's going to be a game changer in the next three to five years.

bolster the food security of European nations in an increasingly turbulent geopolitical environment.

The rise of “other storage” as a category also reflects the diverse nature of the industrial and logistics sector. Simple big boxes on long leases are no longer the sole play for investors. As well as cold and outdoor storage there is increasing interest in adjacent uses including data centres, battery storage, solar power data centres and EV charging.

“You’re going to see a whole movement of [logistics] companies having to get involved in power as a necessity because our customers need it. That’s going to be a game changer in the next three to five years,” says a logistics manager who has developed on-site renewable energy projects. “You are effectively investing in power generation infrastructure in order to support your main business line.”



LARGE DISTRIBUTION WAREHOUSE, GERMANY

Retail

All the retail sub-sectors sit within the lower reaches of the ranking for 2026.

But there is markedly less negativity towards retail generally among interviewees than was commonplace in recent years, and most agree that its reset is well advanced. “We like it not because of the growth, but because of the value play. It has massively repriced,” says an interviewee.

“The market shake-out in retail has progressed such that the bricks and mortar that's survived is here to stay,” comments another, who adds that omnichannel retailers increasingly appreciate physical stores as a conduit to get close to their customers and market their brand.

“There's more clarity now about what works and what doesn't work,” says a head of research, noting that where shop vacancies arise there is now a greater range of repurposing options available. “The overall allocation to retail is not what it was 10 years ago, but it's not a zero anymore,” adds a private equity manager. “We see enough opportunities to make it 10 to 20 percent of our diversified portfolio.”

There is a wide range of opinion among interviewees about what those opportunities are, reflecting Europe’s extensive and diverse retail landscape. Shopping centres, which suffered more than most asset types in the pandemic, are back on the menu for some investors.

“Younger generations are using them as social hubs again,” observes a German asset manager. Another interviewee notes “tremendous outperformance” across shopping centre assets. “We learned that this is a discipline where scale matters, creating good customer experiences and flow.” For dominant centres in tier two cities with a good operating track record, “if somebody needs to sell or to exit, there is already capital out there ready to buy at decreasing yields”.

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The overall allocation to retail is not what it was 10 years ago, but it's not a zero anymore.

Several interviewees claim to have done well investing in retail parks, particularly in food-anchored schemes. “A lot of investors for years have been very active in convenience space, it's difficult to buy at attractive pricing,” says an investment manager. “Most owners don't want to sell, as it is usually a good investment with easy management and no hassle,” notes a Nordic investor.



PARIS, FRANCE



LONDON, UK

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A building on London’s Bond Street is accessible to a broader pool of buyers than a high-rise office building with a much higher price.

High street retail also has its devotees. “High street retail in Europe’s major cities remains highly attractive due to repricing. We expect investments in this sector to grow, also from a capital market perspective, given the attractive returns, around 7 to 8 percent.”

There are always purchasers for good high street buildings, says a retail specialist. “A building on [London’s] Bond Street is accessible to a broader pool of buyers than a high-rise office building with a much higher price.”

Retail also plays a crucial role in most mixed-use schemes, while some industry players go further and think of it in terms of a city’s “social infrastructure”. By putting food retail together with residential “you are creating a building where the tenants are actually supporting each other”, says a developer.

A rich mix of amenities and uses also attracts office occupiers, says a property company CEO. “Our ambition would be at ground floor level to have mixed use as much as we can, try to offer four or five characteristics to an occupier that is not just workspace, so food and beverage, culture, entertainment, lifestyle retail.”



PREVIOUS



NEXT



CHAPTER 4

CITIES TO WATCH

“Cities are an under-utilised asset for European competitiveness. By integrating them into industrial policy, we can leverage their potential, as innovation and competitiveness require the densification and critical mass that cities provide.”

Consultant

Market size and liquidity invariably come well ahead of other criteria when considering a city for investment or development. But these factors have become even more important when there appears to be no end in sight to the prevailing geopolitical and economic uncertainty.

For 29 percent of respondents – up from 27 percent in last year’s survey – market size and liquidity are paramount when selecting a city. For 56 percent, they are in the top three criteria (Figure 4-1).

In that context, it is little surprise that for the fourth successive year London, Madrid, Paris, and Berlin are the survey’s top four ranked cities for investment and development prospects, nor that they come out top in MSCI’s city transactions volumes over the past year (Figure 4-2).

Their popularity with investors has been reinforced by the perception of greater financial risk in 2025 and over the coming year due to the uncertain geopolitical and economic backdrop to real estate. “Paris, London and Berlin are always on our radar,” says a global investment manager. “They offer depth, transparency and liquidity, which are essential for institutional investors.”

Another manager declares: “London is leading in the current cycle, ahead of other key European cities, largely because of faster re-pricing due to the higher interest rate environment.”

Despite the lowly status of suburban offices in the sector rankings, for Paris at least, one German-based investor says that “not everybody can be close to Etoile or Trocadero, so we also consider



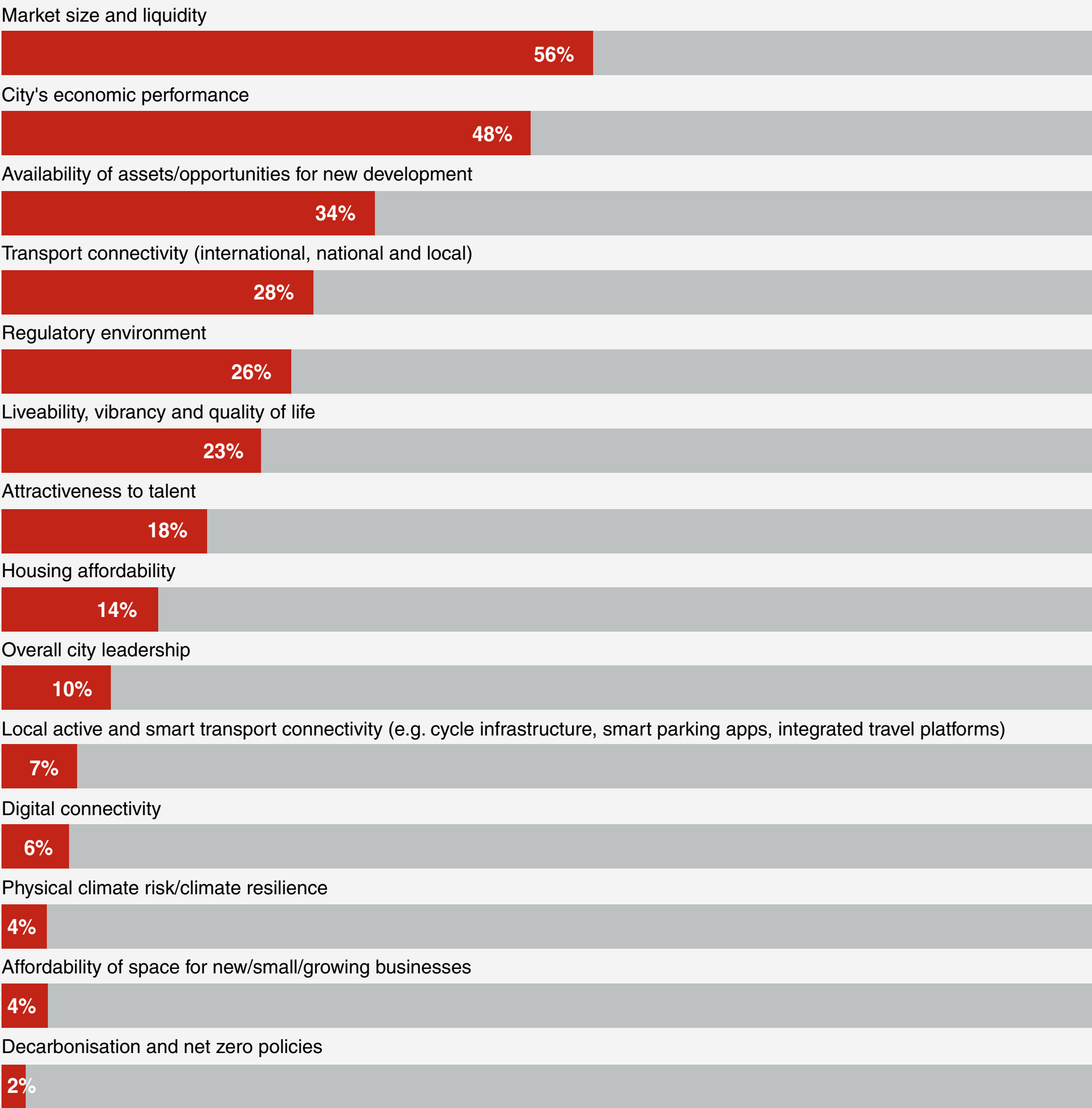
Frankfurt and Munich are showing solid development with rent levels breaking previous peaks and expectations of further shortages for good projects.

offices in other parts of the city, which are maybe a little less prime, but are still Paris.” The high ranking of Paris must be qualified, however, by the deepening political turmoil in France after the survey and interviews were conducted, potentially dampening market activity and appetite for deals in the capital and other French cities.

Meanwhile, a German-based adviser highlights relatively buoyant activity in Berlin during 2025, saying that “the market itself is huge – it’s the one real metropolitan area [in Germany] where you feel an international vibe”.

Other German markets cannot match Berlin’s liquidity, which may explain why Munich, Frankfurt and Hamburg have slipped down the rankings amid the prevailing uncertainty, though they all remain in the top 10. Opinions vary widely over these cities and the German economy generally. German real estate leaders believe “Frankfurt and Munich are showing solid development with rent levels breaking previous peaks and expectations of further shortages for good projects”.

Figure 4-1 Importance when selecting a city for investment or development



Note: Percentage ranking it within their top three criteria

Source: Emerging Trends Europe survey 2026

However, these cities are “too expensive today”, according to a pan-European investor. “We cannot find opportunities for further growth behind the valuation,” they say, adding that this could be “a long-term issue”.

A German lender suggests that “with the new government there will be a pick-up in activity in Germany, especially infrastructure construction” whereas a developer believes “the economy is going down and the real estate market is not taking all the hits yet”.

Madrid has cemented its position of second in the rankings for the second year running, due primarily to its economic prospects but also to consistently improving liquidity and market development. One pan-European manager describes Madrid as “an emerging European gateway city”, noting that “it is expected to be the fastest-growing city in terms of population, faster than London for the next 10 years”.

Speaking for many, another pan-European player suggests that in the current uncertain environment, capital flows into European real estate are showing a clear shift toward markets perceived as more resilient and dynamic. “Madrid is attracting significant attention from both European and global investors, often at the expense of more traditional markets like Germany, France and the UK, which are experiencing capital outflows due to economic stagnation and institutional caution.”

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Madrid is attracting significant attention from both European and global investors, often at the expense of more traditional markets like Germany, France and the UK, which are experiencing capital outflows due to economic stagnation and institutional caution.

Amsterdam, up one place at fifth, is lauded for its market transparency and liquidity allied to a strong economy in an EU context, with 2025 transaction volumes up from the previous year, according to MSCI. An investment manager notes that the city “is gaining interest, especially post-Brexit, due to its improved position as a regional hub”.

Such enthusiasm counteracts the prohibitive regulatory and tax environment. Local market leaders suggest that “foreign investors struggle with complex Dutch regulations and political instability, making them increasingly reluctant to invest in the Netherlands, despite strong economic fundamentals”.

Figure 4-2 City rankings – overall prospects

Overall city prospects					City growth prospects		City liquidity		
City	ETRE ranking (2026)	ETRE ranking (2025)	Change	Overall prospects score	Real GDP forecast p.a. (2026–2028)	Population forecast p.a. (2026–2028)	Transaction volumes Q4 2023–Q3 2024 (€bn)	Transaction volumes Q4 2024–Q3 2025 (€bn)	% change (y-on-y)
London	1	1	—	2.66	1.6	1.1	13.2	13.2	0%
Madrid	2	2	—	2.22	1.9	1.0	3.3	4.3	30%
Paris	3	3	—	2.04	1.5	0.0	8.5	9.2	8%
Berlin	4	4	—	1.82	2.4	0.3	5.1	4.6	-10%
Amsterdam	5	6	▲	1.75	1.9	0.9	1.7	1.9	11%
Munich	6	5	▼	1.71	2.2	0.3	1.9	3.4	81%
Milan	7	7	—	1.60	1.2	0.1	3.0	2.6	-12%
Barcelona	8	11	▲	1.58	1.5	0.7	1.1	1.5	37%
Frankfurt	9	8	▼	1.58	1.5	0.1	1.0	1.2	21%
Hamburg	10	9	▼	1.39	1.7	0.0	2.0	2.8	40%
Lisbon	11	10	▼	1.34	1.6	0.3	0.8	0.4	-48%
Warsaw	12	12	—	1.29	3.2	0.0	1.5	1.5	-1%
Dublin	13	17	▲	1.23	1.4	1.2	3.1	2.6	-16%
Brussels	14	14	—	1.18	1.4	0.3	1.4	0.8	-43%
Copenhagen	15	16	▲	1.04	2.1	0.7	1.5	2.2	43%
Rome	16	19	▲	1.01	0.7	0.1	1.8	0.8	-55%
Vienna	17	13	▼	0.92	1.4	0.5	3.1	2.5	-20%
Stockholm	18	20	▲	0.91	2.4	0.3	2.3	3.4	51%
Luxemburg	19	18	▼	0.90	2.4	1.3	0.4	0.2	-61%
Manchester	20	21	▲	0.88	1.7	0.9	1.6	2.1	32%
Zurich	21	15	▼	0.79	1.5	1.0	0.8	0.7	-17%
Birmingham	22	24	▲	0.74	1.4	0.5	0.8	1.7	116%
Prague	23	23	—	0.73	2.8	-0.4	1.0	1.8	81%
Helsinki	24	25	▲	0.68	1.5	0.7	0.3	0.4	31%
Edinburgh	25	26	▲	0.64	1.3	0.6	1.2	0.9	-21%
Athens	26	22	▼	0.55	1.4	-1.0	0.4	0.3	-27%
Oslo	27	27	—	0.53	2.2	0.8	1.5	2.1	42%
Lyon	28	28	—	0.48	1.7	0.3	0.7	0.6	-12%
Budapest	29	29	—	0.45	3.0	-0.1	0.2	0.9	310%
Bucharest*	30				0.4	2.53	0.3	0.4	29%
Istanbul	31	30	▼	0.32	2.5	0.4		0.2	
Sofia*	32				0.2	2.1	0.1	0.1	-10%

▲ Went up ▼ Went down — No change

Source: City overall prospects: Emerging Trends Europe survey 2026 Population and Real GDP forecasts: Oxford Economics Transaction volumes: MSCI

Note: Respondents who are familiar with the city scored the expected change for 2026 compared to 2025 on a scale of 1=decrease substantially to 5=increase substantially and the scores for each city are averages. For more detail on city scores, see [appendix](#).

*Survey coverage for Sofia and Bucharest began this year.

City versus country

One of the themes from the interviews is that there has been more emphasis placed on country selection amid the current geopolitical uncertainty compared with the previous year.

But even at a country level, some investors believe there needs to be a selective focus on the cities and regions with the strongest prospects. The survey bears this out, with nearly half the respondents placing a city’s economic performance in the top three criteria for investment. Indeed, many of the interviewees who endorse Berlin or Madrid, for example, make a clear distinction between the city’s favourable prospects and the more mixed outlook for the country as a whole.

Milan generates similar sentiment, reinforcing its position of seventh in the city rankings. The city is favoured across the sectors, with particular mentions for data centres and hospitality. And like Madrid, it is seen to combine economic growth with improved real estate fundamentals. Both cities benefit from a new perception of risk among investors, making their pricing competitive against other cities of comparable size and liquidity. A global consultant also notes that “high-end residential is forging ahead in Milan”, encouraged by Italy’s favourable tax treatment of foreign residents.

Economic expectations are undoubtedly a key driver behind the high rankings of many southern European cities. Barcelona is up three places to eighth, with a local developer pointing out that “the macro economy in Spain is growing reasonably well, employment growing well. Economically, Spain is a bit of an island in Europe.” Meanwhile, Rome moves up three places to 16th, making up ground on Milan, according to a global

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The macro economy in Spain is growing reasonably well, employment growing well. Economically, Spain is a bit of an island in Europe.

fund manager, because of “a shortage of prime offices and many residential opportunities”.

Although dropping one place to 11th, Lisbon shares this favourable assessment. A Portugal-based adviser notes that it “is increasingly becoming a gateway city”, adding: “The key factors are liveability, vibrancy, and quality of life, the availability of assets and development projects, and the market’s size and liquidity.”

Warsaw’s economy is regarded positively among many interviewees, reinforcing its rise from 16th in 2023 to 12th this year, overriding the risks associated with war in neighbouring Ukraine. As a pan-European manager points out: “Poland is a combination of fundamentals: supply and demand, high yields, positive leverage, low unemployment, low competition. It’s very attractive.”

Together with its relative openness, these attributes set Warsaw apart from other Central and Eastern European (CEE) cities in the eyes of most industry leaders. For Prague, ranked 23rd, a regional adviser notes that “Czechia is dominated by local capital, making investment from the foreign perspective very difficult, partly because of the pricing”.





DUBLIN, IRELAND

On Budapest, ranked 29th, they say that “Hungary is very challenging for many investors, including regional ones, because of their political situation. The president is praising Putin in every interview.”

This year’s survey includes Bucharest and Sofia for the first time, reflecting the broadening of European investors’ horizons. Though these cities are ranked lowly for their overall prospects, the interviews indicate more positivity for CEE markets when it comes to manufacturing and logistics occupiers due to their affordable energy and highly skilled workforce.

Over many years, the survey has highlighted the importance of the availability of assets and sites for development, which relates to market size but also the sector of interest. With the growing demand for housing from institutional investors, for instance, the constraints around building and converting for such use are critical to their view of specific locations. Copenhagen is rated first among the Nordic centres at 15th, with interviewees praising the relative ease of building there compared with other Nordic markets. “It’s always been a special market since it has a lot of land,” says one Nordic manager. “They are developing and the market is moving as it’s supposed to. No boom, but a well-functioning market.”

Helsinki is also seen to have light planning compared with other Nordic cities. The city moves one place up the rankings but it is nonetheless a lowly 24th, weighed down by its former dependence on commerce with Russia.

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Finland is the most liberal Nordic market, but it’s also where we’ve seen most volatility. There was 10 years of very strong growth until the Ukraine war started.

The CEO of a regional manager says: “Finland is the most liberal Nordic market, but it’s also where we’ve seen most volatility. There was 10 years of very strong growth until the Ukraine war started.” By contrast, they note: “Sweden has the slowest zoning process in the Nordics. This is not an easy place to solve things fast.”

Meanwhile, Oslo is ranked at 27th and is something of an international outlier, given the predominance of local players in the market. “It is a small market, still with the oil money, and they have not suffered,” a Nordic manager notes. “The transaction market has been working, just with less foreign capital.”

Empires strike back

Transport connectivity is another long-standing consideration for industry leaders although the parameters may be changing.

The interviews this year indicate a widening definition of gateway cities taking hold and a broader range of requirements locally, with the growing emphasis on beds and sheds.

A US-based architect notes that cities once at the centre of 19th Century empires still often benefit from the far-reaching linkages established then. “The empires are no longer, but the train system still connects them to everywhere. And there are post-imperial structures that don't have to do with colonial exploitation but have to do with sharing. The mega-scale of London is one. But it's true of Amsterdam, Lisbon, and Vienna (17th, down 4).”

The regulatory environment from city to city appears as an increasingly important consideration. This can significantly impact major centres individually, for example with changes to rent regulation impacting Dublin’s residential market. With the city rising four places to 13th, a local residential investor notes: “Dublin fundamentals remain very strong due to the supply/demand imbalance, while changes in rent regulation and design standards will have a positive impact on the investment case.”

By contrast, Barcelona has been more negatively impacted by regulation in recent years. According to one global manager: “Investors are staying away, despite it being a beautiful city, because you always have a regulatory risk that they do

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Dublin fundamentals remain very strong due to the supply/demand imbalance, while changes in rent regulation and design standards will have a positive impact on the investment case.

something to harm your interest just because you are a financial investor.” And in Zurich, which has fallen six places to 21st, there is concern about the upcoming referendum on residential property taxation while draconian US tariffs on Switzerland may also prove influential in 2026.

Attractiveness to talent is also important to the industry now that hybrid working is well established in most places. Many interviewees refer to quality of life as an important investment criterion for cities such as Amsterdam, Copenhagen and Lisbon. However, this attribute alone cannot compete with market size and liquidity during a time of economic uncertainty, which may explain why otherwise attractive provincial cities such as Edinburgh and Lyon languish at 25th and 28th.

Housing affordability is a perennial concern and is one of the key elements of real estate’s potential role in enhancing European economic performance, as analysed in Chapter 5.



CITIES TO WATCH



18↑
Up 2

Stockholm

STOCKHOLM, SWEDEN



22↑
Up 2 places

Birmingham

BIRMINGHAM, UK



5↑
Up 1 place

Amsterdam

AMSTERDAM, NETHERLANDS

“

A lot has been done on the digital infrastructure side around London and Frankfurt.

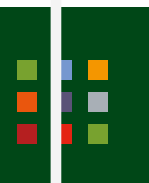
This is an issue for the majority of cities covered in the report but Luxembourg, down a place at 19th, is a notable case in point: “It was a beacon of stability,” says a European developer. “Now they are suffering. They have hit the wall of unaffordability.”

City leadership is the last of the drivers to be rated a top concern by a significant number of survey respondents and is seen as especially important for ensuring that a city is viewed favourably by investors. In the UK, a pan-European investment manager regards Manchester, up one place at 20th, as “well run” while Birmingham, up two places at 22nd, is “okay run”. Meanwhile a UK-based residential investment manager is “avoiding London due to crime, cost and lack of appeal, preferring regional cities like Birmingham and Manchester where growth potential remains strong”.

And yet Brussels is faring well enough to be ranked 14th for the second year despite the fact that it has been without municipal leadership since the June 2024 regional elections in Belgium.



PREVIOUS



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“We don't have a Brussels government, yet nothing changes and everything works,” says an international developer who believes the city is partially "insulated" from economic uncertainty by being home to EC offices and agencies. “It's also got a very educated and cosmopolitan population. There's a lot going for Brussels.”

Digital connectivity has still not broken through as an investment driver, possibly because this is generally good in most leading cities, and while it is a critical issue for data centres, these are found close to relatively few European cities as yet. However, one global manager notes that “a lot has been done on the infrastructure side around London and Frankfurt, while digitalisation around e-commerce and the rewiring of supply chains is driving logistics demand”.

According to the survey, those factors relating to net zero transition and biodiversity appear to be faltering in a city context, in line with the growing ambivalence on these issues covered in Chapter 1. However, the interviews reveal concerns over climate-related risks, particularly for coastal areas and the hottest locations. One German investment manager says: “The Mediterranean region is generally to be avoided due to climate risks, while northern German or Scandinavian cities are considered more attractive. However, there are also scenarios in which, for example, parts of Denmark could be submerged.”

Athens, which has fallen four places in the rankings to 26th, and Istanbul, down one to 31st, are clearly both at risk from heat-related events, although earthquakes may be more in evidence for the latter. The MD of a locally based manager also notes inefficiencies in Athens’ residential letting market, with more than a quarter of units unavailable for rent, and the difficulty of finding building land or regenerating current stock. Meanwhile, they see political risk in Turkey: “Anything can happen, it's a very unpredictable country.”

Figure 4-3 City prospects in 2026

Source: Emerging Trends Europe survey 2026

Investment			Development			Rent			Capital values		
Rank	City	Score	Rank	City	Score	Rank	City	Score	Rank	City	Score
1.	London	2.79	1.	London	2.53	1.	London	2.50	1.	London	2.48
2.	Madrid	2.28	2.	Madrid	2.16	2.	Paris	1.96	2.	Paris	1.98
3.	Paris	2.15	3.	Paris	1.92	3.	Madrid	1.92	3.	Madrid	1.96
4.	Berlin	1.92	4.	Berlin	1.73	4.	Berlin	1.80	4.	Berlin	1.78
5.	Amsterdam	1.91	5.	Amsterdam	1.60	5.	Munich	1.74	5.	Amsterdam	1.74
6.	Munich	1.85	6.	Munich	1.56	6.	Amsterdam	1.74	6.	Munich	1.69
7.	Milan	1.66	7.	Milan	1.53	7.	Frankfurt	1.56	7.	Barcelona	1.52
8.	Frankfurt	1.66	8.	Frankfurt	1.51	8.	Milan	1.48	8.	Frankfurt	1.51
9.	Barcelona	1.65	9.	Barcelona	1.50	9.	Barcelona	1.45	9.	Milan	1.48
10.	Hamburg	1.50	10.	Hamburg	1.30	10.	Hamburg	1.41	10.	Hamburg	1.32
11.	Lisbon	1.39	11.	Lisbon	1.28	11.	Brussels	1.26	11.	Lisbon	1.23
12.	Warsaw	1.33	12.	Warsaw	1.25	12.	Lisbon	1.19	12.	Warsaw	1.21
13.	Dublin	1.30	13.	Dublin	1.15	13.	Warsaw	1.17	13.	Brussels	1.19
14.	Brussels	1.20	14.	Brussels	1.15	14.	Dublin	1.17	14.	Dublin	1.17
15.	Copenhagen	1.11	15.	Copenhagen	0.99	15.	Copenhagen	0.99	15.	Copenhagen	0.99
16.	Rome	1.03	16.	Rome	0.97	16.	Rome	0.93	16.	Rome	0.94
17.	Vienna	0.99	17.	Vienna	0.88	17.	Luxembourg	0.91	17.	Luxembourg	0.93
18.	Stockholm	0.97	18.	Stockholm	0.86	18.	Vienna	0.89	18.	Stockholm	0.90
19.	Luxembourg	0.92	19.	Luxembourg	0.85	19.	Manchester	0.87	19.	Vienna	0.88
20.	Manchester	0.90	20.	Manchester	0.85	20.	Stockholm	0.85	20.	Manchester	0.83
21.	Zurich	0.86	21.	Zurich	0.71	21.	Zurich	0.77	21.	Zurich	0.77
22.	Birmingham	0.77	22.	Birmingham	0.71	22.	Birmingham	0.76	22.	Birmingham	0.77
23.	Prague	0.77	23.	Prague	0.69	23.	Prague	0.75	23.	Prague	0.75
24.	Helsinki	0.70	24.	Helsinki	0.67	24.	Helsinki	0.67	24.	Helsinki	0.70
25.	Edinburgh	0.67	25.	Edinburgh	0.62	25.	Edinburgh	0.66	25.	Edinburgh	0.65
26.	Athens	0.56	26.	Athens	0.54	26.	Oslo	0.53	26.	Oslo	0.53
27.	Oslo	0.56	27.	Oslo	0.50	27.	Lyon	0.50	27.	Athens	0.50
28.	Lyon	0.50	28.	Lyon	0.46	28.	Athens	0.47	28.	Lyon	0.49
29.	Budapest	0.47	29.	Budapest	0.43	29.	Budapest	0.45	29.	Budapest	0.46
30.	Bucharest	0.41	30.	Bucharest	0.40	30.	Bucharest	0.43	30.	Bucharest	0.42
31.	Istanbul	0.33	31.	Istanbul	0.31	31.	Istanbul	0.35	31.	Istanbul	0.35
32.	Sofia	0.20	32.	Sofia	0.21	32.	Sofia	0.21	32.	Sofia	0.20

CHAPTER 5

UNLOCKING EUROPE'S POTENTIAL

“China is poised to outpace us. America is no longer a reliable ally and Russia looms on one side. The message is simple: Europe must get its act together.”

European developer

Confronted with geopolitical tensions, demographic shifts and the urgent need to transition to a more resilient and sustainable economy, Europe must rethink its growth and governance model.

It is nothing less than “an existential challenge”, according to former European Central Bank President Mario Draghi. In his landmark 2024 report on the future of European competitiveness, Draghi offers a blunt assessment: without urgent reform, the EU risks prolonged economic stagnation and falling behind global rivals such as the US and China in critical fields such as technology, space and defence.

For real estate, Draghi’s warning represents both a challenge and an opportunity – magnified by the prevailing geopolitical uncertainty. The threat to economic stability has prompted a strategic pivot towards defence investment, opening new avenues for real estate and infrastructure. The commitment by NATO leaders to spend 5 percent of annual GDP on defence, including 1.5 percent for infrastructure, underscores that shift. As one property leader observes: “There is a lot of stuff to deal with – political and economic challenges, climate change – but these problems also create a sense of urgency which will unlock innovation and bold action.”

Emerging Trends Europe has canvassed the opinions of leaders from across various industries, not just real estate. The collective message is clear: for Europe to close its competitiveness gap, buildings and cities must function as active facilitators of economic growth rather than passive backdrops. High-quality real estate, including energy-efficient workplaces and affordable housing,

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There is a lot of stuff to deal with – political and economic challenges, climate change – but these problems also create a sense of urgency which will unlock innovation and bold action.

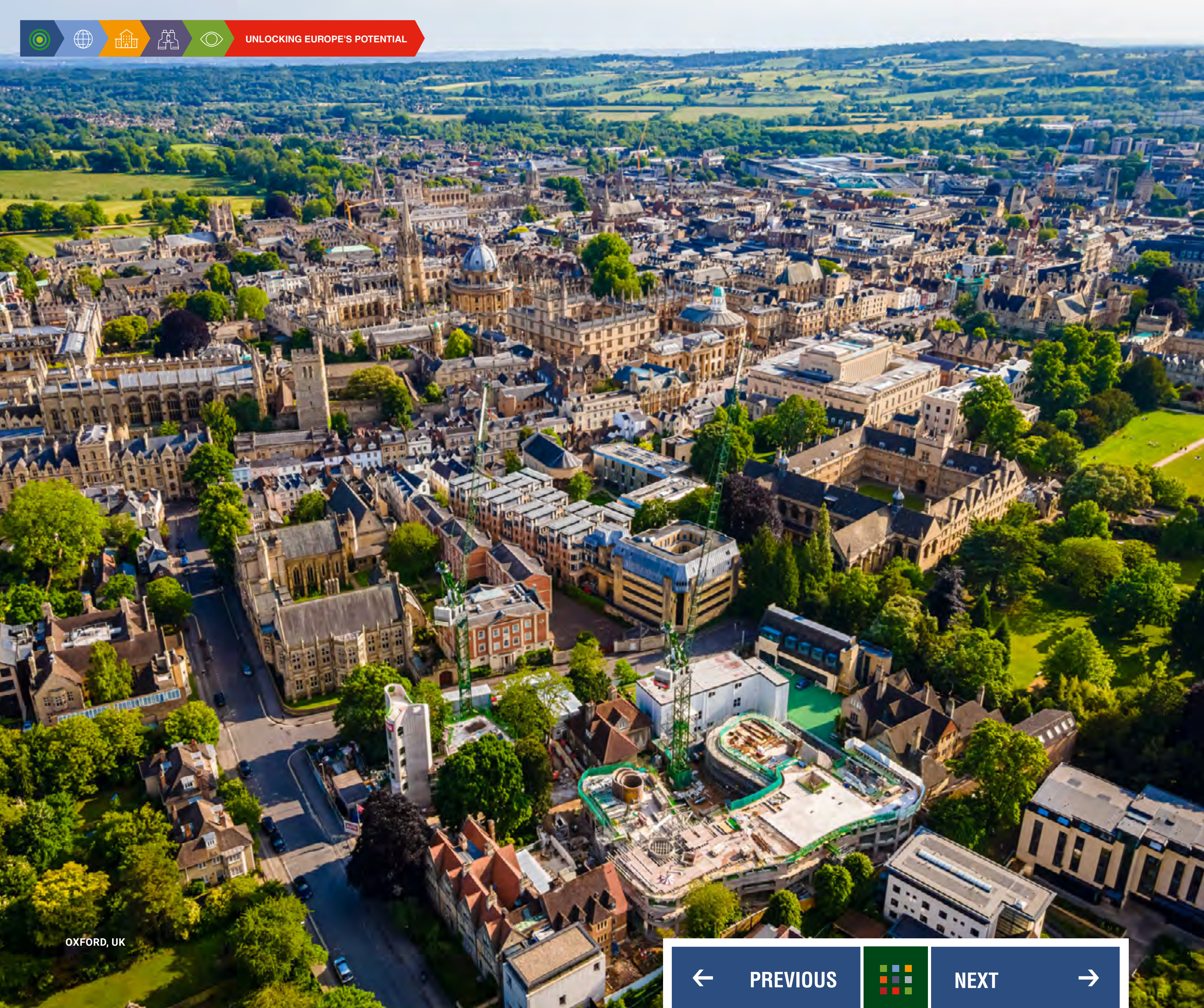
serves as the bedrock for successful place-making and innovation districts, where economic growth, prosperity and creativity can flourish while fostering resilience, skills and mobility.

But while real estate has a vital role to play in Europe’s technological transformation, the sector must also up its own game as it transitions from a low-tech to a vertically integrated high-tech industry. Historically, the real estate industry has been able to avoid innovation due to favourable economic conditions. But as it evolves from a passive, bond-like income source with an inflation “kicker” into a dynamic value-creator through operational activities and convergence with infrastructure, the industry requires greater sophistication to remain relevant. That includes the way it communicates its significance with stakeholders.

A recent report published by the New London Agenda in partnership with GLA Economics and the London School of Economics and Political Science, aptly describes the UK’s built environment industry as “an economic powerhouse hiding in plain sight”.



MANCHESTER, UK



OXFORD, UK

“

How Europe navigates this challenge is likely to become the defining political project of the next generation.

Its key recommendation – that the industry should be redefined as a high-growth component of the UK’s industrial strategy, rather than merely facilitating growth in other industries – applies equally to countries in continental Europe.

As the industry reinvents itself, it must do more to demonstrate its value as a stable investment with favourable risk-return characteristics, contributing to pensions, housing, social infrastructure and broader economic stability. This is particularly critical in light of the growing competition for capital from infrastructure investments and the substantial opportunity to attract retail capital as Europe’s defined contribution pension fund markets strive to catch up with their counterparts in the US and Australia.

Ultimately, the future of European competitiveness and the future of real estate are inseparable. By reimagining real estate not as static assets but as dynamic infrastructure for technological advancement, sustainability and cohesion, Europe can turn Draghi’s diagnosis into a blueprint for renewal. As one urban adviser says: “How Europe navigates this challenge is likely to become the defining political project of the next generation.”



PREVIOUS



NEXT



Widening productivity gap

Europe’s competitiveness is under mounting scrutiny: the combined share of global GDP generated by the EU and the UK has been declining for decades while China and other emerging markets continue to expand their economic weight and influence.

This relative decline signals that Europe is falling behind its global rivals in economic dynamism and innovation. For real estate, this is not an abstract issue, as one urban planner points out:

“Every sector is intertwined with competitiveness. Economic growth and resiliency underpin real estate investment.”

According to the *Emerging Trends Europe* survey, the industry regards European economic growth as the biggest business risk over the coming five years, with 77 percent of respondents expressing apprehension, followed by global economic growth at 71 percent. There is good reason to be concerned. China, for example, was responsible for just 1.8 percent of global GDP in 1990. It has since grown tenfold and stands at 17 percent today.

The gap is even starker in innovation as illustrated in Figure 5-1, which shows Europe lags China and the US for key metrics that underpin growth.

The European Innovation Scoreboard consistently shows the EU trailing the US on key indicators such as R&D spending, venture capital availability and the commercialisation of new technologies.

EU companies, often specialising in mature technologies with limited breakthrough potential, invest significantly less in R&D than their US counterparts.

For instance, in 2021, the difference in R&D spending was around €270 billion, according to the European Commission (EC).

In contrast, Asia – led by China, South Korea, Japan and increasingly India – has emerged as a formidable force in advanced manufacturing, semiconductors and digital technologies.

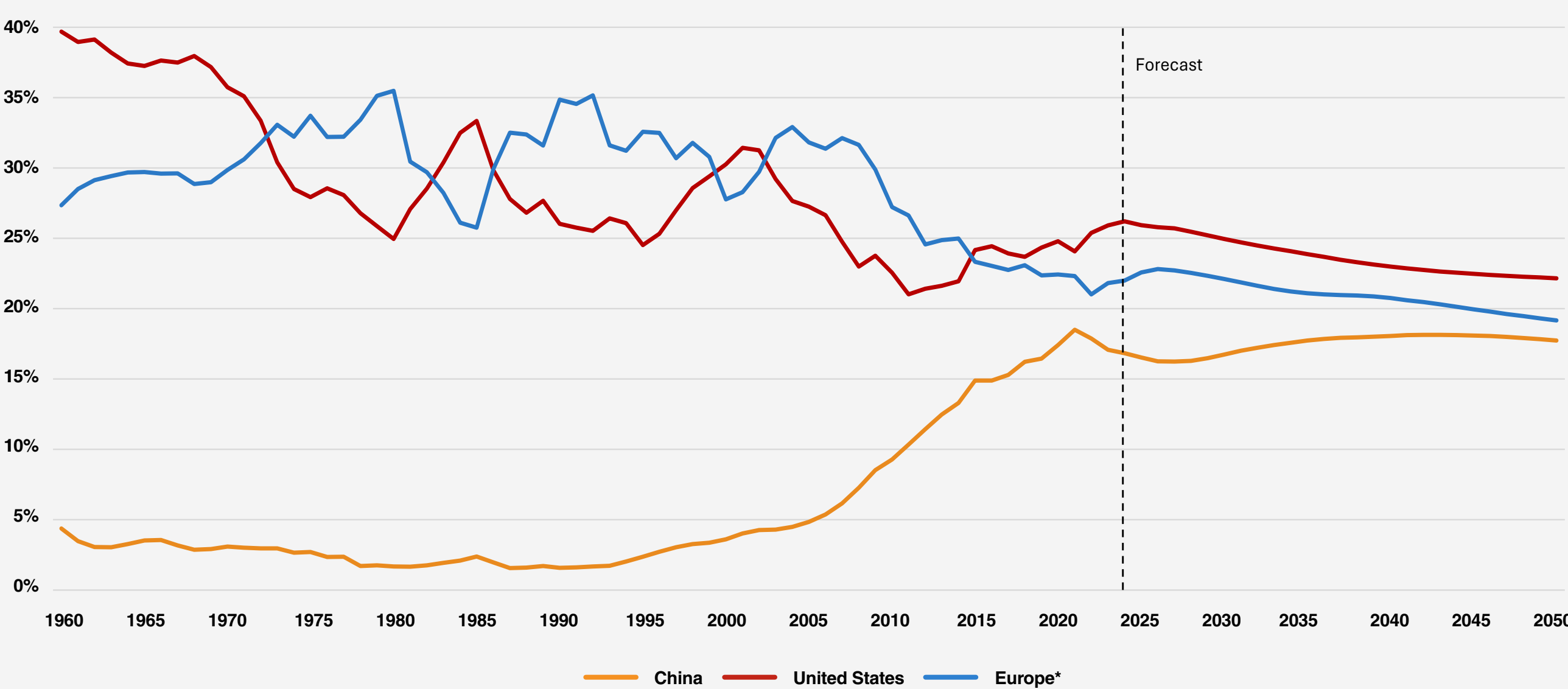
While governments across Europe grapple with ageing populations, migration pressures and political fragmentation, countries like India and China are actively shaping their futures.

Figure 5-1 Widening gap

	China	United States	Europe
Population (2024)	1.4 billion	340 million	598 million
Share of global population	17%	4%	7%
GDP (2024)	\$19 trillion	\$29 trillion	\$25 trillion
Share of global GDP	17%	26%	22%
Venture financing (2024)	\$38.5 billion	\$190.2 billion	\$53 billion
Share of global venture financing	12%	57%	16%
IPO proceeds (2024)	~\$12.5 billion	~\$35 billion	~\$15.5 billion
Share of global IPO proceeds	18%	47%	21%
AI patents (2023)	>86,000	>17,000	>3,500
Share of global AI patents	70%	14%	3%

Source: Population and GDP: World Bank
Venture financing: Dealroom.co
IPO proceeds: PwC
AI patents: The Stanford Institute for Human-Centered AI

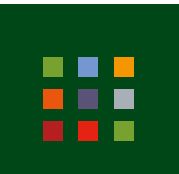
Figure 5-2 Share of global GDP



*Europe = EU members states + Norway + UK + Switzerland
Source: GDP: World Bank; Forecasted growth rates: Oxford Economics



PREVIOUS



NEXT





MILAN, ITALY

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The challenge now is pushing for deeper cross-border integration – whether in capital markets, monetary union or innovation support. That’s what will really unlock Europe’s potential.

This includes embracing emerging trends like the “low-altitude economy”, driven by advances in drone technology and urban air mobility, which have the potential to enhance competitiveness significantly across various sectors, including logistics. Meanwhile, Africa is an increasingly competitive threat to Europe in the renewable energy sector.

The Draghi Report concludes that a major factor behind Europe’s productivity gap is its limited success in commercialising university research, despite being home to some of the world’s brightest minds. A widely acknowledged post-report view is that Europe often follows rather than leads in innovation. By contrast, the US excels at scaling innovation globally, while Asia advances through rapid adoption, ambitious integration and implementation at scale.

As Italy’s Prime Minister put it at the 2024 Ambrosetti Forum, known as “Italy’s Davos”: “America innovates, China imitates, Europe regulates.”

Europe’s relative industrial decline reflects structural challenges, including fragmented capital markets, inflexible labour markets and regulatory barriers that make it harder for start-ups to scale. While Europe does retain significant strengths – world-class universities, leadership in green technologies, pharmaceuticals, advanced manufacturing and highly liveable cities – its competitive position is at risk without wide-ranging legislative reforms and regulatory simplifications.

Even without such reforms, many interviewees contend that Europe’s industries, private sector and real estate investors can still unlock significant opportunities through innovation, collaboration, sustainability and operational improvements. By proactively addressing challenges related to urban development and focusing on strategic initiatives, the real estate industry can play a vital role in enhancing Europe’s overall competitiveness.

Indeed, many interviewees believe Europe has the capacity to reassert its global position if it can embrace and consolidate existing and emerging innovation hubs with the potential to become centres of excellence. The EU has a larger population than the US if treated as a truly integrated market, one urban adviser notes: “The challenge now is pushing for deeper cross-border integration – whether in capital markets, monetary union or innovation support. That’s what will really unlock Europe’s potential.”



PREVIOUS



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Challenges and opportunities

EU leaders face a daunting challenge in reshaping European industry and strengthening competitiveness.

Unlike the US, Europe is not a single political and economic entity but a union of multiple languages, cultures and systems. This diversity – compounded by fragmented regulations, taxation, monetary policies and capital markets – creates structural barriers that hinder progress and complicate the pursuit of an integrated industrial strategy. “We are not the United States of Europe,” one industry leader notes. “That says it all.”

The survey reveals the extent of the challenge and how it applies to real estate. Nearly half of the respondents regard institutional capital as only partially aligned with real estate strategies that support Europe's long-term growth and resilience. More than a fifth say it is poorly aligned.

Some 50 percent of respondents believe regulatory clarity on sustainable or transitional assets and clearer ESG benchmarks are the most effective means to align real estate with Europe’s growth and resilience priorities (Figure 5-3). This is closely followed by the need for stronger policy measures or public-private partnerships (PPPs) and increased tax incentives.

As one pension fund investor observes, over-regulation and frequent changes in government policy undermine risk-return planning and long-term investment. “Stability is essential to attract capital for

21% believe institutional capital is poorly aligned with real estate strategies that support Europe's long-term growth and resilience.

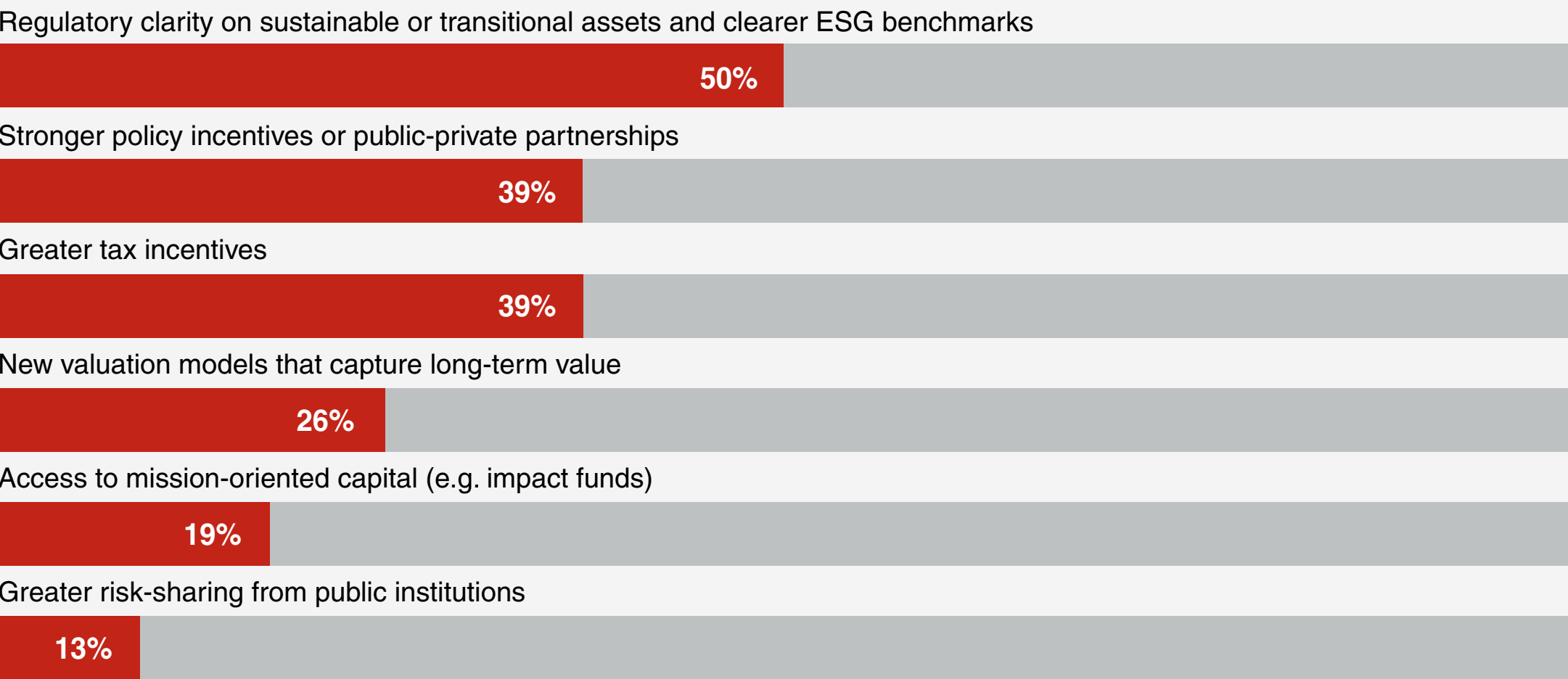
“initiatives like affordable housing and the energy transition, yet European policymakers often lack a long-term planning perspective.”

Despite these obstacles, there is broad consensus among real estate leaders that Europe possesses enduring strengths: high quality of life, strong rule of law, rich cultural heritage and a stable investment environment. These factors make the region attractive to global investors. Europe also boasts world-class academic institutions, while the UK has long excelled at innovation, supported by a university system with the highest number of publications per capita globally.

Europe starts from a strong foundation, one urban adviser argues: “Its welfare systems are robust, and in many cases its infrastructure – airports, trains and connections – is stronger than in the US. Those fundamentals give Europe real strength.”

The pre-automobile urban fabric of many European cities underpins top-tier public transport, cycling infrastructure, vibrant public spaces and strong cultural appeal, qualities that not only enhance liveability but also foster social cohesion and long-term competitiveness.

Figure 5-3 Strategies to align real estate investment with Europe’s growth and resilience priorities



Note: percentage ranking it within their top three strategies

Source: Emerging Trends Europe survey 2026



OSLO, NORWAY



BERLIN, GERMANY

“

By integrating cities into industrial policy and focusing on key clusters, we can leverage their potential, as innovation and competitiveness require the densification and critical mass that cities provide.

As many industry leaders acknowledge, cities are an underutilised asset for European competitiveness. Contemporary economic growth thrives in places where people, ideas and knowledge can cluster and flow seamlessly, says one: “By integrating cities into industrial policy and focusing on key clusters, we can leverage their potential, as innovation and competitiveness require the densification and critical mass that cities provide.”

Mixed-use planning and high-speed rail are meanwhile strengthening urban connectivity and resilience. To that end, the European Investment Bank (EIB) and EC are also prioritising transport links between cities and regions, with a view to creating integrated systems rather than competition for funds.

While France, Italy and Greece are struggling with high public debt-to-GDP ratios, Germany, the Netherlands and much of Scandinavia maintain healthier government finances. And despite modest economic growth over the past 15 years, Europe's cost base is becoming increasingly competitive with the US and China.

Central and Eastern Europe, along with select cities in Germany and the UK, are particularly well positioned to capitalise on these conditions, one adviser notes. “The cost of labour in Europe is now clearly significantly below the US to a point that we call Europe a mid-cost location for our US clients. Our talent is rightly priced.”

And as many interviewees point out, successive geopolitical shocks – from the war in Ukraine to the energy crisis – have strengthened unity among European leaders and heightened their sense of urgency.

Several recent EU-UK agreements underscore this shift, marking a reset in relations and a strategic recalibration to foster collaboration in areas such as fisheries, competition and defence.

Many interviewees see this political momentum beginning to translate into economic action. As one UK-based head of investment strategy notes: “The prospects for meaningful change are probably better than they have been in decades.”



PREVIOUS



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Housing affordability at the top of the agenda

Europe faces significant work to boost competitiveness, with excessive regulation – particularly around ESG – creating complexity, fatigue and barriers to innovation.

Despite scepticism about the EU's competitiveness agenda, there are emerging reasons for optimism. Interviewees believe the EC's "Omnibus package", adopted in early 2022, has "the potential to achieve a great deal" as it aims to streamline regulation, expand sustainable capital flows and simplify cross-border frameworks.

There is also consensus that housing must be prioritised at the EU level and subject to clearly defined targets. The appointment of the first Commissioner for Energy and Housing in 2024, signals a commitment to tackling Europe's housing crisis, which many believe could lead to a social crisis if left unaddressed. "Housing will be fundamental to European competitiveness," says one adviser. A draft report from the EC's Special Committee on the Housing Crisis in the European Union declares that "the housing affordability crisis presents not only a social challenge, but also a major economic threat to the EU's competitiveness". Published in September 2025, the report identifies housing as not a secondary issue but the foundation upon which stability, family, and the future of citizens are built.



The housing affordability crisis presents not only a social challenge, but also a major economic threat to the EU's competitiveness.

The EIB is likewise prioritising housing, committing around €6 billion annually for energy efficiency improvements and retrofitting. Additionally, it is considering proposals for a pan-European building permit system to simplify construction through harmonised regulations and standardised processes and materials. As building costs continue to rise, particularly due to energy efficiency standards, the focus for new housing must be on quality, sustainability and cost-effectiveness, one European policymaker stresses: "Without regulatory coherence, it's impossible to standardise and bring down costs."

While many interviewees view regulation as a hindrance and emphasise the need for reforms, it can also function as a catalyst for positive change. As one industry leader observes, there is a pressing need for more incentives to complement the predominantly punitive measures currently employed by the EU.

The New European Bauhaus (NEB), an EC initiative inspired by the historical Bauhaus movement, exemplifies this approach by providing funding and support for projects that integrate art, design and architecture with functionality and sustainability in housing and urban development. By engaging local governments alongside developers, architects, designers, artists and engineers in the design process, NEB encourages stakeholders to adopt best practices for innovation, such as carbon neutrality and enhanced liveability through eco-friendly materials and energy-efficient technologies.

However, there is a risk that some of the EC's funding initiatives, such as the EU Start-Up/Scale-Up Strategy and the Clean Energy Deal, may fall short in practice, one interviewee warns. For example, the EU's proposal for fiscal stimulus to promote housing development through governments and social housing corporations reflects a proactive approach to tackling the housing crisis and a growing sense of urgency, but it also raises important questions about the role of private developers within this framework.

Balancing public and private interests will be crucial for creating sustainable and effective housing solutions across Europe, according to a European policymaker. "There is willingness from all the different players, but much remains to be done because what is needed is a paradigm shift and that doesn't happen overnight."



MODERN CONSTRUCTION, POLAND



COPENHAGEN, DENMARK

Public-private partnerships reflect best practice

Interviewees agree unanimously that PPPs are crucial to aligning long-term city visions with institutional capital.

While building trust can take years or even decades, several highlight best practices as valuable models. Copenhagen, once near bankruptcy in the 1990s, has reinvented itself as one of the world's most liveable cities through a blend of public-private investment, regional integration with Sweden and innovative land-value capture financing for metro expansion. Today, Copenhagen has a vibrant start-up scene and is a European leader in innovation and sustainable urban development, illustrating the opportunities cities can offer. "Intentional ecosystem strategies, like in Copenhagen, reinforce competitiveness," an urban adviser observes.

Other successful urban regeneration projects, such as King's Cross in London, La Défense in Paris and HafenCity in Hamburg, further demonstrate the power of co-responsibility and alliance-driven investment, where municipalities set the vision and the private sector helps deliver it. Institutional investors play a key role, and de-risking projects – through mobility solutions and reliable long-term deals – is crucial.

Many interviewees also stress that urban innovation will be central to Europe's competitiveness. When real estate, infrastructure and place-based strategies are aligned, cities can become engines of growth, provided they are supported by stronger

“

In Copenhagen, there's a very high level of trust between public and private sector and the involvement of private parties is widely accepted.

public-private collaboration. Real estate businesses and developers are great entrepreneurs, a European developer argues: "If we can use that entrepreneurship to solve some of the issues Europe has, we can move a lot faster."

Another interviewee notes. "We need public stewardship to set the vision, but the private sector is key to help deliver those goals." At the same time, successful execution not only requires robust real estate expertise, but also collaboration with reliable private partners. Mutual trust is vital, one adviser says. "In Copenhagen, there's a very high level of trust between public and private sector and the involvement of private parties is widely accepted."

With smarter policy, targeted investment and a renewed focus on urban innovation, Europe can transform its constraints – from land to energy – into competitive advantages. The continent's strong tradition of pragmatic cooperation serves as a solid foundation, often enabling solutions without the need to reinvent the wheel. "It's the urgency that allows us to move from competition to collaboration, realising that we need each other," another interviewee observes.



Combined municipal and regional authorities have a level of trust that allows honest conversations. That helps to build a shared agenda where risk and reward are shared more in a more grown-up way.

Meanwhile the UK offers valuable lessons on how local and regional partnerships can be reconfigured to foster collaboration between the public and private sector.

Establishing clear guidelines regarding leadership, governance, facilitation, execution and the beneficiaries is essential for achieving better outcomes than traditional national-level engagement, where relationships are often adversarial.

Combined municipal and regional authorities such as Greater Manchester, established in 2011, have reaped the benefits of years spent building trust between the public and private sector, one local industry leader notes. “They now have a level of trust that allows honest conversations. That helps to build a shared agenda where risk and reward are shared in a more grown-up way.”

Gaining access to capital

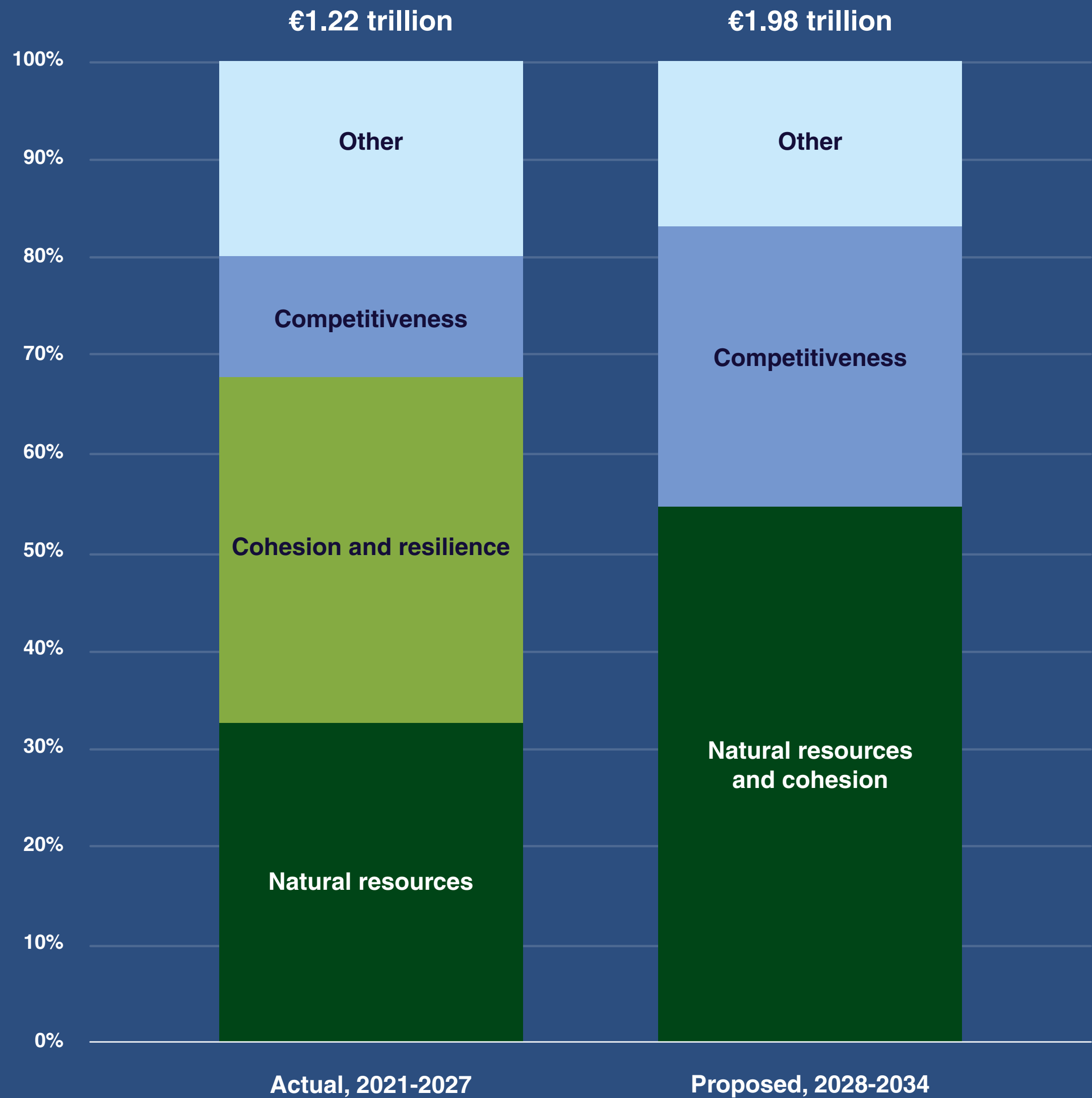
Europe needs deeper pools of capital and more diverse financing options to grow, innovate and create jobs.

Public-private alignment in the region is set to receive a significant financial boost over the next decade, with the EC proposing a €451 billion Competitiveness Fund for 2028–2034 (Figure 5-4). Part of a broader €2 trillion budget, the fund is designed to streamline overlapping financial instruments and channel investment towards long-term priorities such as innovation, infrastructure and resilience.

In addition to substantial allocations for agriculture, regional development and defence, this agenda will be advanced through initiatives like the EU Start-up and Scale-up Strategy, Apply AI, the European Defence Industrial Programme and the EU Clean Industry Deal. Europe has a technological edge in areas such as nuclear fusion and carbon capture, one private equity investor points out. “The real challenge is scaling and access to capital.”

The fresh push by the EC for a European Capital Markets Union is seen as a positive step. Introduced in 2015, the renewed initiative aims to create a more integrated and efficient capital market across the EU and encourage the development of innovative financial instruments tailored to support emerging technologies and sectors. For instance, green bonds and impact investments could be more readily available to fund sustainable projects, particularly for startups and small and medium-sized enterprises (SMEs).

Figure 5-4 European Union's competitiveness spending (% of total budget)



Source: European Commission



“What’s been missing is the right combination of capital and entrepreneurial support at the right time. Now, we’re seeing a strong pipeline of current and future unicorns emerging.”

GOTHENBURG, SWEDEN

At the moment, the US far outpaces Europe in the relative size of its venture capital industry, a core strength that many interviewees believe Europe must build upon (see Figure 5-1). Other initiatives like EU INC, along with proposed reforms such as the EU Listing Act and the Savings and Investment Union, would also create a more integrated capital market – potentially unlocking as much as €11 trillion in household savings.

Europe's stock market landscape is extremely fragmented with 41 different exchanges compared with just three main exchanges in the US and China, diluting the already limited pools of risk capital across too many competing centres. Another barrier for start-ups and scale-ups is the absence of a European equivalent to the Nasdaq, a tech-focused stock market, which has fewer stringent requirements for listings, so new ventures can raise public funds more easily.

A more integrated market would attract greater venture capital, fostering a more vibrant start-up ecosystem where innovative ideas can be funded and scaled. At present, barriers to private-sector innovation persist, including onerous listing requirements and fragmented start-up registration across member states. “It’s not about a lack of ambition in Europe – it’s about the absence of a unified regulatory framework,” says one interviewee.

The UK is also prioritising targeted investment and regulatory reform to accelerate growth in sectors such as life sciences, finance and manufacturing. The government is pursuing various initiatives to enhance the competitiveness of its industries, focusing on R&D investment, tax incentives and

regional development programmes like the Levelling Up and Community Renewal Funds. These efforts aim to foster innovation, support SMEs and strengthen the overall resilience of the UK economy. Additionally, the UK’s Green Finance Strategy promotes sustainable growth and facilitates the transition to a low-carbon economy.

Meanwhile, Europe’s venture capital industry is finally beginning to scale, with London emerging as a hub for US funds and Sweden carving out a niche in impact-focused investment. In the UK, planning reforms and leadership in net-zero technologies are driving momentum. As one local policymaker observes: “What’s been missing is the right combination of capital and entrepreneurial support at the right time. Now, we’re seeing a strong pipeline of current and future unicorns emerging.”

Europe may still lag the US in the scale of venture capital, but new opportunities are surfacing as global talent and investment flow into the region. “You can see glimmers where Europe could really lead and prosper,” one planner observes.

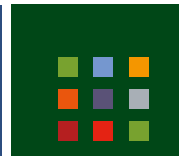
Mindset shift required

Europe is often underestimated as a hub of innovation, partly because the dominance of the US tech sector overshadows its achievements.

As one interviewee observes, Europe can sometimes appear over-reliant on tourism, risking dismissal as “Museum Europe” rather than recognition for its knowledge-driven sectors.



PREVIOUS



NEXT



Ambition is somewhat lacking, one European pension fund investor adds: “There’s too little incentive to drive action. In many ways, Europe has become a bit too comfortable.”

Cultural differences also play a role. Several interviewees highlight a “European mindset” – a cautious, consensus-driven approach – that contrasts sharply with the ambition and risk appetite seen in the US and parts of Asia. In those regions, a greater willingness to experiment, backed by stronger incentives to innovate, drive companies and investors to break new ground, one interviewee says: “Americans are exceptionally focused on prioritising innovation and competitiveness. In Europe, by contrast, the approach has been broader and less targeted.”

While risk-taking is ingrained in the American psyche, where entrepreneurs often view bankruptcy as a badge of honour, Europeans tend to regard business failure as a sign of weakness. The competitive threat from Asia, starting from a lower base, is possibly even greater. As one European developer says, “Europe needs more ‘animal spirits.’ We need to foster a greater willingness to take calculated risks, innovate and build.”

It is telling that only one in five survey respondents believes European real estate is significantly fulfilling its potential as an economic enabler. This suggests that much of the industry’s capacity to drive transformation – from enabling the energy transition to fostering innovation hubs – remains underutilised. Still, most industry leaders agree that real estate has an important role to play in every aspect of Europe’s development, particularly in advancing decarbonisation and strengthening

Only 1 in 5
thinks real estate is significantly fulfilling its potential as an economic enabler.

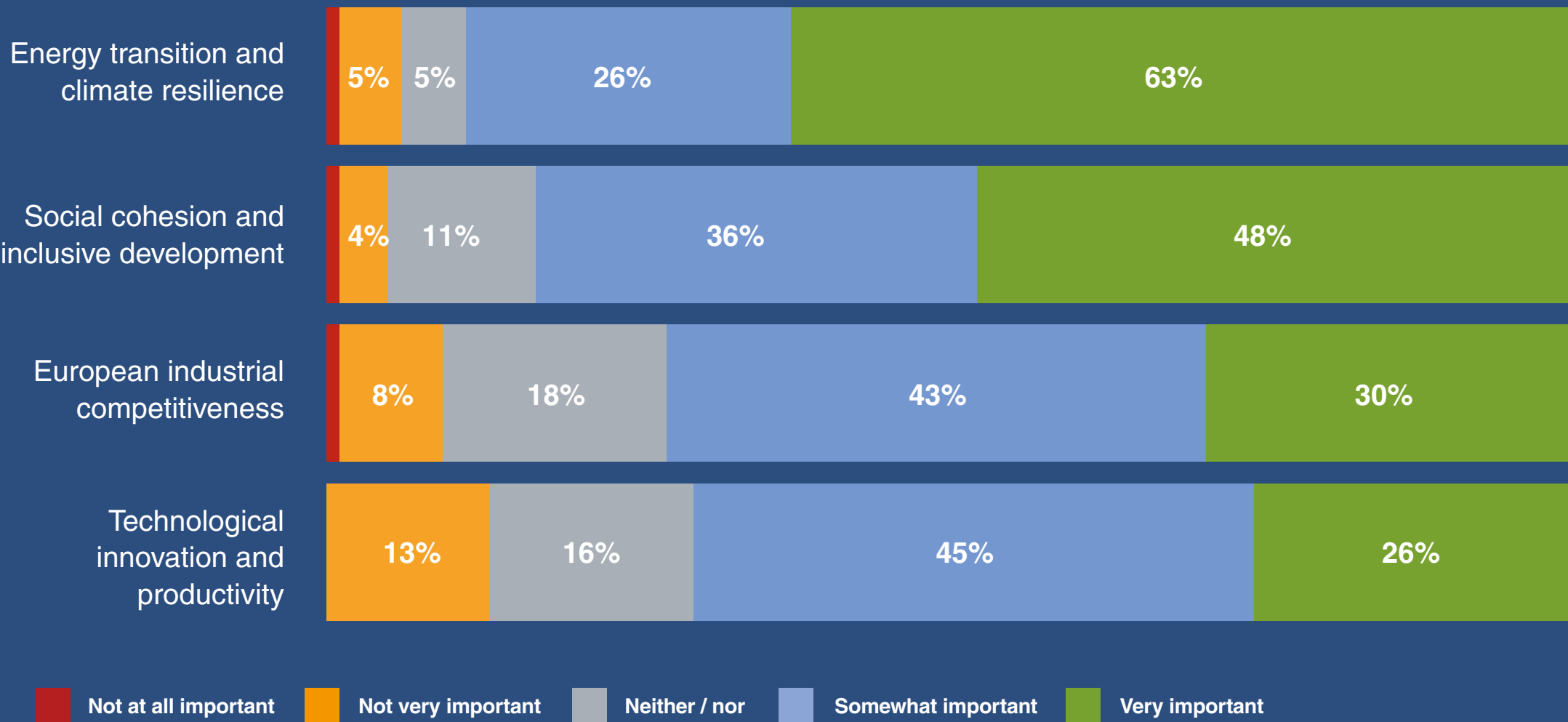
social cohesion. Indeed, even as Europe faces a “polycrisis” – geopolitical tensions, rising polarisation and tangible security threats – opportunities exist if a mindset shift occurs, says one adviser. “Europe has a habit of self-flagellating – complaining about regulation, complexity and fragmentation, as if nothing good can happen. We must acknowledge the challenges but also believe in a better future. This isn’t naivety – it’s recognising what it takes to drive change. Without that vision and belief, progress is impossible.”

Strategic pillars of industrial renewal

The common perception of Europe as primarily a cultural and touristic destination overlooks the fact that it is home to a diverse base of world-class companies across pharmaceuticals, fast-moving consumer goods, media, industrials and advanced manufacturing.

As one private equity investor suggests: “Europe may not become a leader in all the big trends for the next 30 years – AI, medtech and decarbonisation – but there will be niches and sub-sectors where it can be very strong.”

Figure 5-5 Importance of real estate's role in enabling key development areas

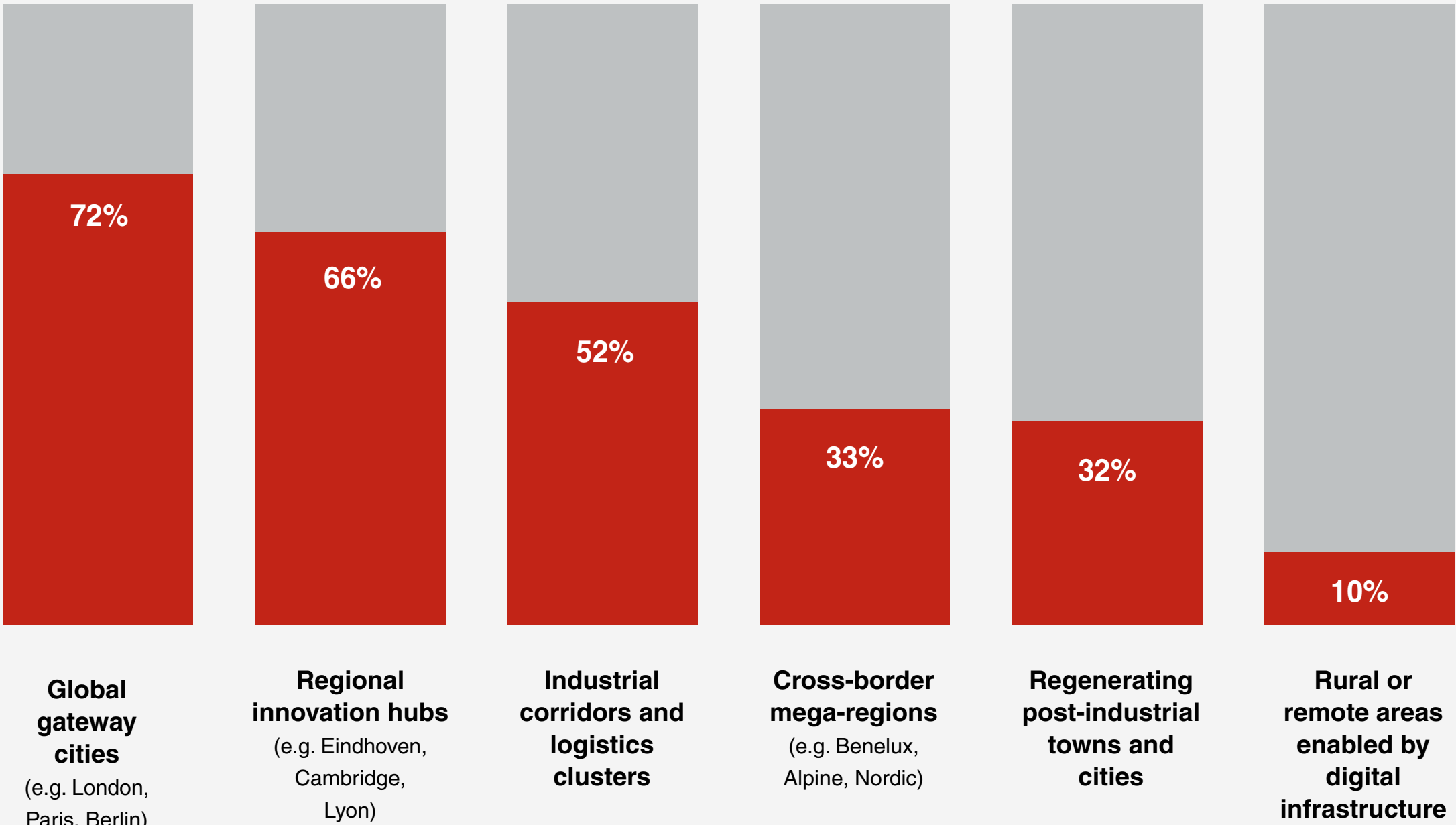


Source: Emerging Trends Europe survey 2026



FRANKFURT, GERMANY

Figure 5-6 **Geographies positioned to benefit from real estate's role in enabling future European competitiveness**



Note: percentage ranking it within their top three geographies

Source: *Emerging Trends Europe survey 2026*



LYON, FRANCE

“

Circularity is about resilience and independence. But if we are to deliver on circularity, we need to get much better at cross-city, cross-country collaboration

Several interviewees point out that Europe already has an intellectual and technological edge when it comes to real estate decarbonisation, with a higher supply of green buildings than the US as well as Asia.

Europe can also claim strongholds in cleantech – energy efficiency, renewables and water – where it competes globally. Moreover, new EU policy frameworks, such as the Clean Industrial Deal and the Affordable Energy Action Plan, are accelerating momentum. There is a huge opportunity in these fields, one adviser observes. “Circularity is about resilience and independence. But if we are to deliver on circularity, we need to get much better at cross-city, cross-country collaboration.”

Many leaders believe the property industry has the potential to play a far more active role in the energy transition, and not only as a producer through solar rooftops, district heat networks and on-site storage. There is also the prospective role of smart buildings that enable tenants to adjust their energy consumption in response to varying supply conditions or pricing signals. Operators that successfully integrate these energy systems at both the building and district level could become critical partners in scaling decarbonisation across Europe.

Meanwhile, another adviser notes that life sciences have “second-to-none capabilities to drive the advancement of bio-based materials in construction”.

Other industries with the potential to strengthen Europe’s position in the global economy include artificial intelligence (AI), biotechnology, robotics, advanced materials, renewable energy, green technology manufacturing, semiconductors and defence. “Europe needs a joint strategy to reduce dependence on US tech giants by investing in quantum computing and local cloud services – perhaps even a European Google,” one interviewee suggests.

One attempt to help resolve this is the nascent "EuroStack" project, which aims to combine technology, governance and funding to build and adopt an independent suite of Europe-focused digital infrastructures including cloud computing, AI and digital platforms.

According to survey respondents, Europe’s gateway cities and regional innovation hubs are ideally positioned to leverage real estate’s role in enhancing future competitiveness (Figure 5-6). Further research reveals a remarkable number of industrial corridors and cross-border regions that hold significant potential to help reshape Europe’s industrial future (see [Appendix](#)). The solution is not to mimic Silicon Valley, one urban adviser observes: “We need to understand the conditions that enabled its success and recreate them in a way that reflects European values.” There is another important pillar of renewal. Backed by robust public funding and a more integrated investment framework, Europe’s strategic defence shift marks a new frontier where defence spending converges with industrial innovation.

For investors, this creates openings across the built environment and beyond traditional defence assets. Defence-related research and development has a history of generating broader technological spillovers, which in turn drive demand for industrial real estate, logistics hubs, data centres and specialised infrastructure.

The EC's Competitiveness Compass strategy reinforces this shift by prioritising strategic infrastructure coordination across energy, digital, transport and defence-related networks. In terms of security and defence strategies, spending must be designed to support regional industries and innovation spillovers, not just weapons.

Germany, the UK, France and Italy are especially well placed to benefit from Europe's defence pivot. Germany's fiscal reorientation towards defence and infrastructure is unprecedented, reflecting immediate security pressures and a longer-term drive to revitalise its industrial base. Indeed, Germany's leading carmakers, currently struggling to compete with Chinese electric vehicle manufacturers, may gain significant advantages from increased defence spending and a focus on dual-use technologies.

However there is still a long way to go to achieve the required level of breakthrough technologies, particularly amid increasing competition from the US and China. The US's DARPA (Defense Advanced Research Projects Agency) has a budget of over \$4 billion a year. Funding for its European equivalent, the Joint European Disruptive Initiative (JEDI), reaches just €200 million annually.

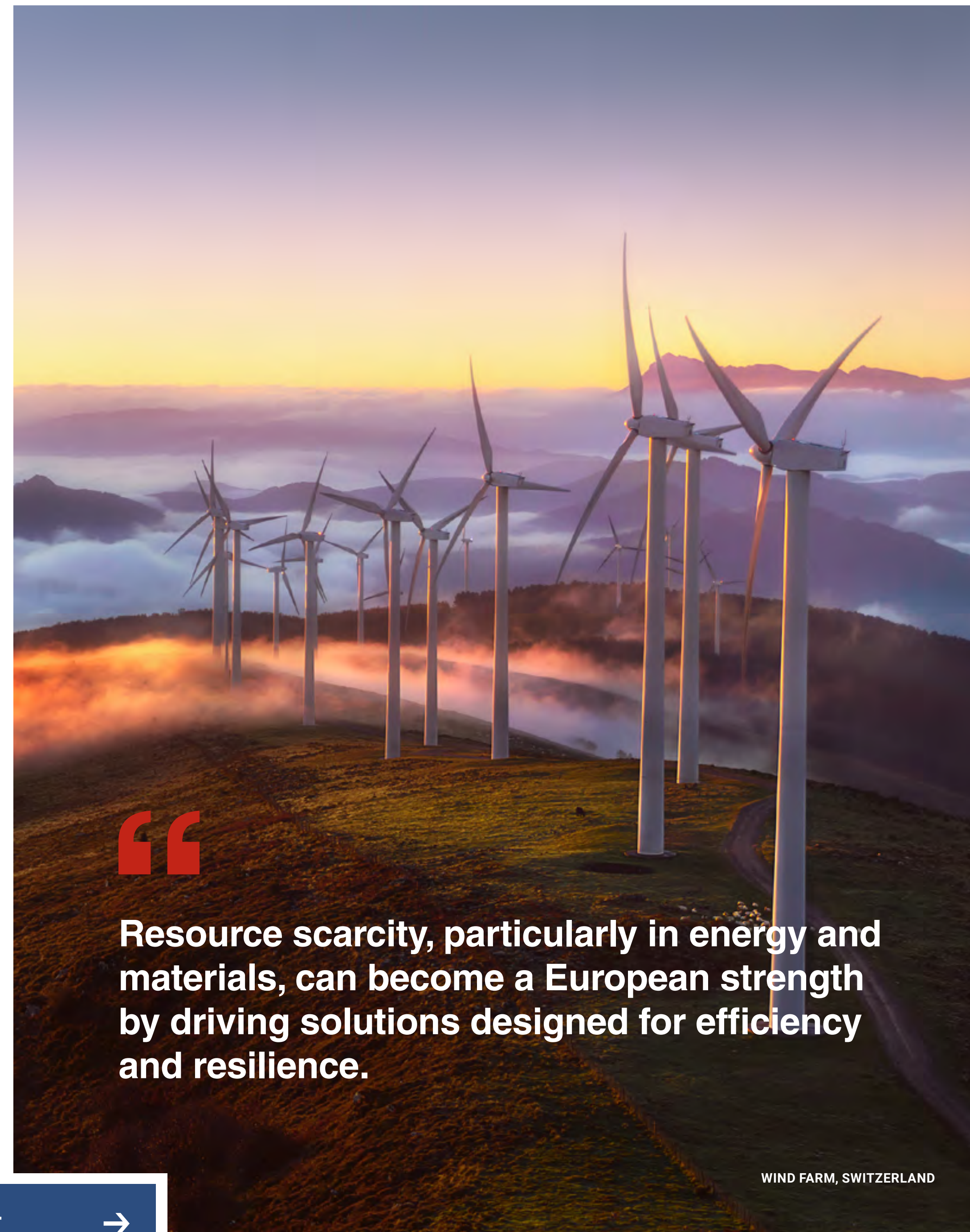
Real estate's role in Europe's growth agenda

Europe's industrial and economic renewal is driving demand for real assets that boost competitiveness in the energy, digital, transport and defence sectors.

Projects aligned with EU priorities – such as data centres, logistics hubs and transport-linked housing – are well-positioned to attract investment and government support, offering tangible opportunities for investors. “Resource scarcity, particularly in energy and materials, can become a European strength by driving solutions designed for efficiency and resilience,” one adviser says.

Several interviewees highlight that the deployment of core capital within the real estate sector had lagged other types of investment strategies during the recent extended period of low interest rates. However, as investors adapt to the “new normal” where the costs associated with owning, managing and operating real estate are likely to be permanently higher, a reassessment of the real estate value proposition is essential. While investors must recognise the challenges and risks inherent in real estate investing, they should also acknowledge the potential for value appreciation, contributions to economic growth and the social benefits derived from high-quality real estate.

It is widely acknowledged that the convergence of real estate, infrastructure and renewables, along with the emergence of an integrated approach to operational and tech-enabled real estate, is expanding the investment landscape and enhancing the sector's influence.

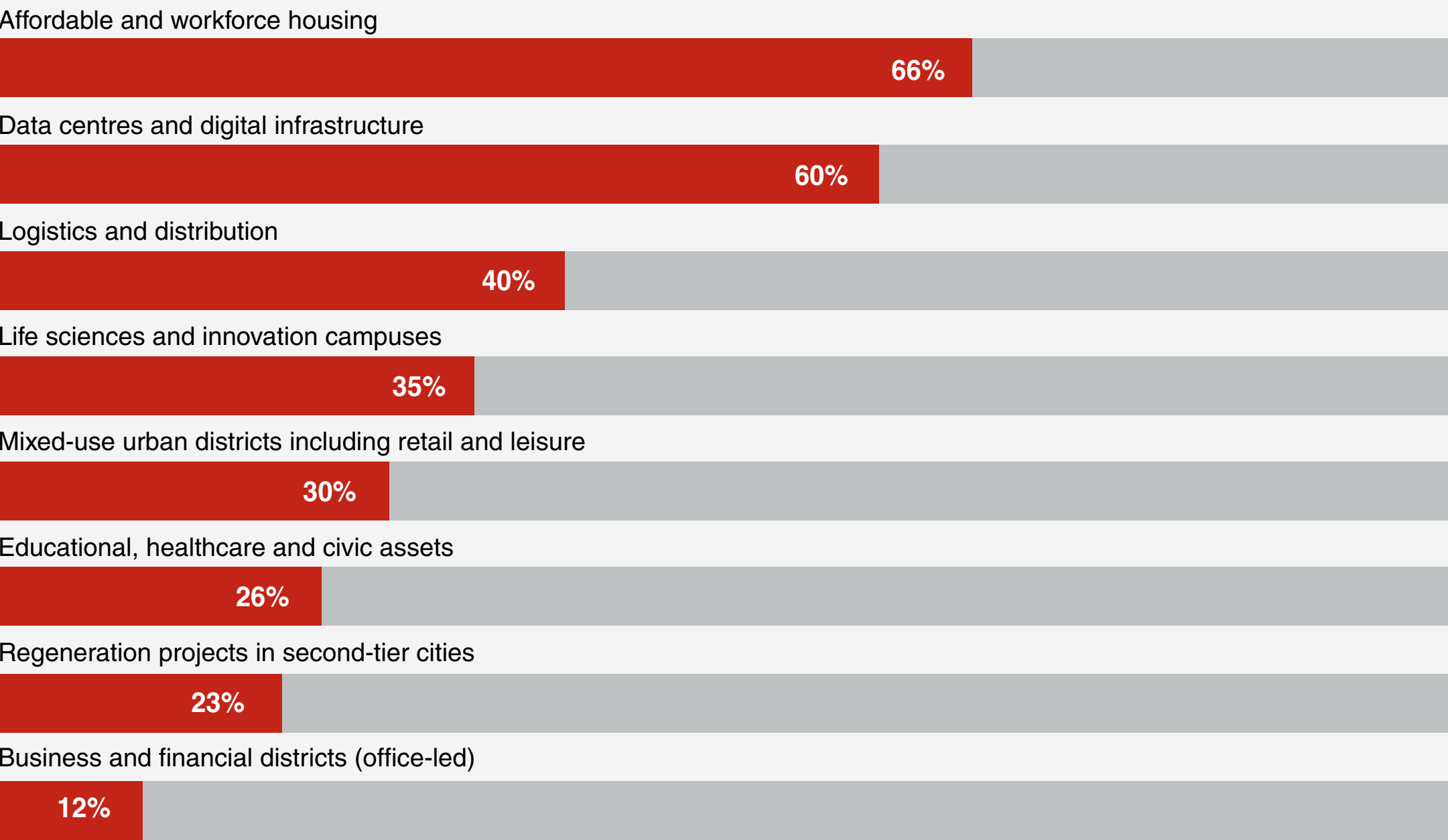


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Resource scarcity, particularly in energy and materials, can become a European strength by driving solutions designed for efficiency and resilience.

WIND FARM, SWITZERLAND

Figure 5-7 **Critical sectors/activities supporting Europe’s future competitiveness**



Note: percentage ranking it within their top three sectors/activities

Source: *Emerging Trends Europe* survey 2026



3D CONCEPT RENDER OF AN UNDERWATER DATA CENTER

Social and strategic infrastructure – including schools, emergency services, healthcare and correctional facilities – is also increasingly seen as investable real assets. Investors who understand the strategic and social value of these assets can gain early access to high-priority projects and government-backed initiatives. This includes clean-tech factories, digital-ready logistics hubs and people-centric urban schemes that attract global talent.

While Europe focuses on grand strategies, such as AI, industrial policy and energy security, the persistent neglect of basic social infrastructure risks undermining competitiveness. Nowhere is this more evident than in housing.

The supply of high-quality rental accommodation delivers a clear economic benefit, observes one strategy and research director. “Housing supports labour mobility and strengthens the foundations for broader economic growth.”

As *Emerging Trends Europe* has indicated over many years, affordable housing presents robust short-term investment and development prospects, but increasingly the industry regards the sector as a strategic driver of long-term economic growth. Without adequate housing, industrial renewal and technological progress will remain constrained. Indeed, most respondents believe that real estate generally has an important role to play in the energy transition, social cohesion, technological innovation – and European competitiveness.

Investors are already adjusting their strategies. One Dutch pension fund has begun allocating

“

Housing supports labour mobility and strengthens the foundations for broader economic growth.

more capital to affordable housing and the energy transition. This reflects a broader recognition that Europe’s industrial renewal extends far beyond factories and defence contracts.

Another global institutional investor observes that governments across Europe are increasingly exploring how to structure PPPs in housing. “As they become more creative – offering greater predictability, faster permitting and more stable frameworks – we’re eager to engage and help make these joint ventures work for both public priorities and private capital.”

Like housing, data centres and digital infrastructure are increasingly seen as critical to Europe’s digital strategy and future competitiveness (see Figure 5-7). Coupled with clean energy and storage, these assets represent a growing intersection between real estate and infrastructure, alongside fibre and telecom towers. AI is a driver, but not the only one: a growing number of businesses are transferring their computing and data storage capabilities from general office environments into purpose-built facilities. Centralising IT operations in dedicated data centres reduces overall energy consumption compared with dispersed server rooms, though energy and water demand remains a problematic ESG consideration.

Digital sovereignty is another major focus. Both the EU and UK are prioritising onshore compute and storage to reduce reliance on US-based tech firms, strengthening data security and national control. The absence of a major European data centre REIT highlights the gap, with US leaders like Equinix and Digital Realty underscoring both the challenges and opportunities in Europe's evolving real estate landscape.

The EC has responded with its Apply AI Strategy. Launched in October 2025, the strategy aims to use AI to improve Europe's digital sovereignty at a time when the "weaponising" of technology by geopolitical rivals has moved beyond the theoretical to become a reality.

Alternative opportunities

European real estate is increasingly diversifying beyond traditional office and retail assets, with alternative sectors – commonly described as “meds, beds, sheds and eds” – taking on a growing strategic role.

In addition to housing and logistics, life sciences and education hubs (“meds”) such as those in the Oxford-Cambridge-London triangle and Medicon Valley in Scandinavia, are becoming critical for Europe's biotech and pharmaceutical competitiveness.

Higher education real estate (“eds”) and student housing (“beds”) remain growth areas across Europe, although the UK's appeal to international students has softened in the wake of Brexit. Meanwhile, logistics and industrial assets (“sheds”) continue to play a pivotal role in Europe's economic resilience. They facilitate re-industrialisation and cross-border trade, support

nearshoring strategies and help ensure supply chain stability amid the shift to deglobalisation.

Stronger supply chain infrastructure will figure in Europe's heightened focus on defence spending, which will also require new investment in R&D and advanced manufacturing facilities. This opens some doors for private capital, but the role of defence assets in institutional portfolios will likely remain modest. One leading European pension fund investor reports that their direct exposure to defence is just 1-2 percent of the portfolio, and even under optimistic scenarios may only rise to 3-4 percent.

Barriers include strict ESG considerations – with exclusions on controversial weapons – and the complexity of globalised defence supply chains, which make due diligence challenging. For pension capital, the defence theme will have limited appeal unless channelled through PPPs or structured as dual-purpose infrastructure – for example, logistics hubs or energy facilities that serve both civilian and defence needs.

Taking competitiveness to the next level

Europe's industrial and economic renewal offers broad opportunities across housing, industrial development, digitalisation and healthcare infrastructure, aligning real estate investment with economic and social priorities such as circularity, resilience and strategic independence.

Success will depend on improvements in planning processes, enhanced energy competitiveness and unlocking institutional and private capital.



EINDHOVEN HIGH TECH CAMPUS, NETHERLANDS



Fundamentally, the sector needs stronger recognition of the strategic role of real estate – from enabling affordable housing and digital infrastructure to driving the energy transition.

MUNICH, GERMANY

The Capital Markets Union is central to this effort, aiming to mobilise household savings, deepen equity and venture markets and reduce fragmentation. Despite its crucial role in Europe's pursuit of technological leadership, industrial decarbonisation and strategic autonomy, the real estate industry is often overlooked in debates about competitiveness. This omission comes at a time when real estate leaders are being forced to redefine the value proposition of the asset class amid rising competition from infrastructure and the reversal of historic tailwinds. This only increases the urgency for the industry to take a more proactive approach in communicating its social and economic significance to stakeholders and embedding this understanding into its core values. Demonstrating the long-term value creation of real estate in clear and simple terms would also help attract the growing pool of retail investor capital.

Challenging persistent and outdated stereotypes is vital. Too often, real estate professionals are caricatured as “fat cats raking in the money and smoking Cuban cigars” instead of being recognised as key contributors to enhancing the quality of life in cities and helping citizens secure a stable retirement. Policymakers also tend to underestimate the sector's strategic role in placemaking, shaping the built environment and driving competitiveness. Such an observation could equally apply to how the general public and retail investors perceive the industry.

As one industry association leader observes, government often views property ownership as passive “rent-taking”, failing to recognise it as an investment-driven sector critical to economic growth: “Fundamentally, the sector needs stronger recognition of the strategic role of real estate – from enabling affordable housing and digital infrastructure to driving the energy transition.”

Collaboration rather than competition is also essential. Municipal-level cooperation is already encouraging, as demonstrated by the likes of C40, a network of nearly 100 mayors working to tackle the climate crisis. Expanding such initiatives into a “European Cities for Competitiveness” platform could help align municipalities and private-sector leaders around shared objectives. There is no single model for competitiveness, and urban regeneration can take many forms. “We need to identify where state action and investment deliver the most bang for your buck and make these decisions with future generations in mind,” one adviser states.

Real transformation takes time, however. Urban planning is inherently a long-term process, and there is no “silver bullet” for addressing challenges like climate change and the housing crisis. However, the industry is home to smart, dedicated individuals and institutions that are continuously working on innovative solutions. By collaborating and sharing knowledge, the public and private sectors can expand opportunities for all. Europe must also rediscover its self-belief, concludes one strategy director: “Ambition is one thing, but believing you can achieve it is just as important – we need both in tandem.”

Europe's future competitiveness depends on recognising real estate as a strategic enabler, not just a facilitator. The industry should lead in shaping Europe's future by driving investment into critical areas such as housing and infrastructure, collaborating across public and private boundaries, and championing innovation and sustainability. Success will require a mindset shift, stronger cross-sector cooperation and a clear commitment to aligning real estate investment with Europe's long-term priorities.



PREVIOUS



NEXT



Definitions of industrial strategic priority areas for Europe

Digital Tech / AI / advanced manufacturing

This sector centres on artificial intelligence, quantum computing, semiconductor fabrication and high-performance computing, which collectively drive demand for specialised facilities including hyperscale data centres, precision manufacturing plants and integrated research campuses.

Infrastructure specifications include high-density power provisioning, advanced cooling architecture, electromagnetic isolation, ultra-low latency connectivity, and strategic positioning near research institutions to accelerate commercialisation and technology transfer.

Defence / aerospace

The defence and aerospace sector addresses technologies critical to European sovereignty, including defence systems manufacturing, satellite operations, space launch infrastructure and cybersecurity capabilities.

Infrastructure demands include secure facilities meeting defence-grade operational standards, restricted testing environments, satellite ground stations, hardened computing infrastructure, and cleanroom assembly operations. Increasingly, this sector prioritises dual-use installations serving both civilian and defence applications, particularly within logistics networks, energy systems and adaptive industrial facilities designed for crisis response.

Life sciences / pharmaceuticals

The life sciences sector spans pharmaceutical development, biologics manufacturing and medical technology innovation, all requiring GMP (good manufacturing practice)-compliant facilities with controlled cleanroom environments, biosafety laboratories and clinical research infrastructure.

Critical requirements include precision environmental controls, specialised waste management and strategic clustering near academic medical centres to facilitate regulatory compliance and collaborative research networks.

Automotive / urban mobility

This sector encompasses electric vehicle manufacturing, battery gigafactories, charging infrastructure networks and integrated multimodal transport systems.

Built environment needs include automotive assembly facilities, battery production plants with stringent environmental controls, high-capacity charging depots and strategically positioned logistics hubs near established supply chains, transport corridors and advanced manufacturing clusters.

Clean tech / energy infrastructure

Clean technology addresses European decarbonisation through renewable energy systems, battery storage installations, hydrogen production facilities, carbon capture infrastructure and circular economy applications.

Real estate requirements centre on large industrial sites with high-voltage grid integration, substantial structural loading capacity and proximity to industrial clusters enabling waste heat recovery and resource recovery systems.

Leading and emerging European innovation hubs

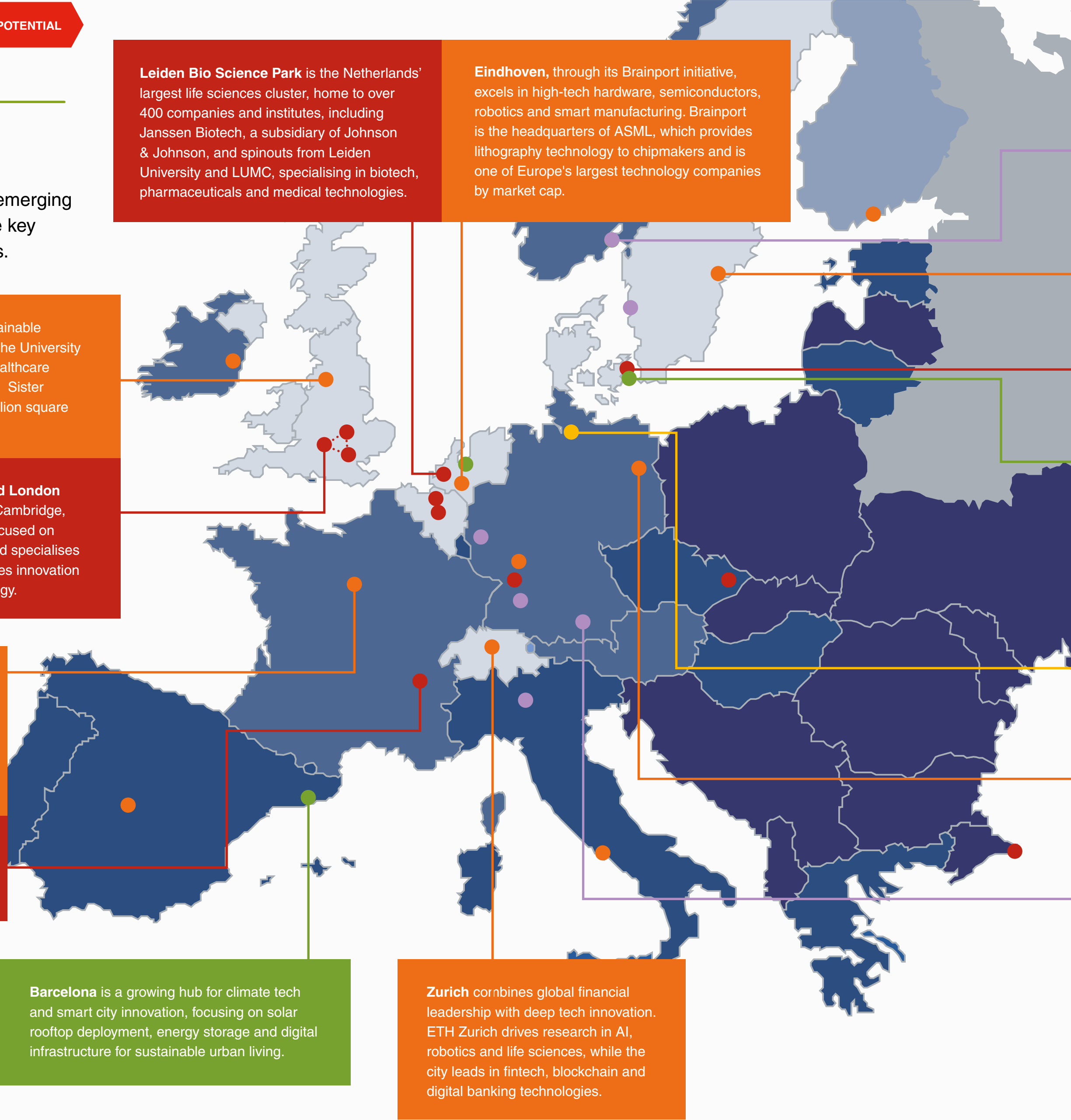
This map shows a selection of leading and emerging innovation hubs that have the potential to be key drivers in Europe's long-run competitiveness.

Manchester is an emerging centre for robotics, sustainable manufacturing and digital engineering, supported by the University of Manchester. The city is advancing AgeTech and healthcare innovation, anchored by the £2.3 billion (€2.65 billion) Sister Science & Technology District which will provide 2 million square feet (186,000 m²) of collaborative commercial space.

The UK's Golden Triangle - Oxford, Cambridge and London hosts world-class universities and research centres. Cambridge, often called 'Silicon Fen', leads in biotech spinouts focused on therapeutics, diagnostics and synthetic biology; Oxford specialises in pharmaceuticals and medical devices; London drives innovation in clinical trials, digital health and healthcare technology.

Paris is emerging as Europe's AI capital, driven by Mistral AI's rise and a surge in deep tech investment. The city is home to Station F, the world's largest start-up campus, hosting over 1,000 ventures and global partners across AI, quantum, biotech, and digital innovation.

Lyon is a leading French centre for biomedical research, with strengths in oncology, regenerative medicine and vaccine development.



Leiden Bio Science Park is the Netherlands' largest life sciences cluster, home to over 400 companies and institutes, including Janssen Biotech, a subsidiary of Johnson & Johnson, and spinouts from Leiden University and LUMC, specialising in biotech, pharmaceuticals and medical technologies.

Eindhoven, through its Brainport initiative, excels in high-tech hardware, semiconductors, robotics and smart manufacturing. Brainport is the headquarters of ASML, which provides lithography technology to chipmakers and is one of Europe's largest technology companies by market cap.

Oslo stands out as a European leader in hydropower and boasts the highest electric vehicle adoption rate on the continent. The city's smart mobility strategy features multimodal transport hubs, an extensive network of cycling lanes, and a growing fleet of electric public buses.

Stockholm is a major tech hub with one of the highest unicorn densities globally and companies like Spotify, Klarna, and Skype. The city is home to KTH Royal Institute of Technology and other research centres producing highly skilled talent in fintech, AI and digital innovation.

Medicon Valley, spanning Copenhagen, Oslo, and southern Sweden, is one of Europe's most dynamic biotech and pharmaceutical ecosystems, with over 400 life sciences companies, 17 universities, and 32 hospitals. Key players include Novo Nordisk, Genmab, and Lundbeck, with research focused on cancer, diabetes, and neurological diseases.

Copenhagen is a major hub for climate innovation, leading in offshore wind integration, green mobility, and circular urban solutions. Its strong public-private partnerships drive experimentation in cleantech and smart infrastructure.

Hamburg is a European hub for aerospace innovation, home to major players like Airbus. It's also a centre for logistics and energy innovation, with strengths in wind power and pilot energy storage projects.

Berlin is known for its deep tech expertise and dynamic startup scene, with 600 new startups launched annually. The city excels in fintech, AI, cleantech, urban mobility, digital media, and hosts strong creative industries.

Munich is a powerhouse in automotive R&D, hosting BMW, Audi, and Airbus Germany. The city integrates engineering excellence with advanced software capabilities in AI, cloud computing, and cybersecurity, supporting innovation across both automotive and aerospace sectors.

Barcelona is a growing hub for climate tech and smart city innovation, focusing on solar rooftop deployment, energy storage and digital infrastructure for sustainable urban living.

Zurich combines global financial leadership with deep tech innovation. ETH Zurich drives research in AI, robotics and life sciences, while the city leads in fintech, blockchain and digital banking technologies.

Sources: **Countries' Innovation Performance:**
European Commission, European Innovation Scoreboard 2023
Emerging European Innovation clusters:
WIPO, Top 100 Innovation Cluster Ranking

- Performance of European countries innovation system

 - Innovation leaders
 - Strong innovators
 - Moderate innovators
 - Emerging innovators
- European innovation clusters (ranked within top 100 innovation clusters globally)

 - Digital Tech/ AI/ advanced manufacturing
 - Life sciences/ pharmaceuticals
 - Clean Tech / energy infrastructure
 - Automotive / urban mobility
 - Defence / aerospace

APPENDIX



Tier 1 cities remain on top

The city rankings for this year illustrate the strength of Tier 1 cities and their continued appeal to real estate industry professionals.

London retains first place for the fifth consecutive year, supported by its liquidity, transparency, and swift market repricing in a higher-rate environment. Madrid holds second, reflecting strong economic growth and improving liquidity. Paris and Berlin follow in third and fourth, with Amsterdam close behind supported by strong market fundamentals.

In an environment of persistent geopolitical and economic uncertainty, market size and liquidity remain the decisive factors guiding investment, favouring established gateways across Europe. Southern cities such as Milan and Barcelona have strengthened their positions due to competitive pricing while Warsaw continues to attract interest as Central and Eastern Europe's most liquid and open market.

Figure 6-1 City rankings over time

Source: Emerging Trends Europe survey 2026

2026		2025		2024		2023		2022		2021	
Rank	City	Rank	City	Rank	City	Rank	City	Rank	City	Rank	City
1.	London	1.	London	1.	London	1.	London	1.	London	1.	Berlin
2.	Madrid	2.	Madrid	2.	Paris	2.	Paris	2.	Berlin	2.	London
3.	Paris	3.	Paris	3.	Madrid	3.	Berlin	3.	Paris	3.	Paris
4.	Berlin	4.	Berlin	4.	Berlin	4.	Madrid	4.	Frankfurt	4.	Frankfurt
5.	Amsterdam	5.	Munich	5.	Amsterdam	5.	Munich	5.	Munich	5.	Amsterdam
6.	Munich	6.	Amsterdam	6.	Milan	6.	Amsterdam	6.	Madrid	6.	Hamburg
7.	Milan	7.	Milan	7.	Munich	7.	Frankfurt	7.	Amsterdam	7.	Munich
8.	Barcelona	8.	Frankfurt	8.	Lisbon	8.	Hamburg	8.	Hamburg	8.	Madrid
9.	Frankfurt	9.	Hamburg	9.	Frankfurt	9.	Barcelona	9.	Barcelona	9.	Milan
10.	Hamburg	10.	Lisbon	10.	Barcelona	10.	Milan	10.	Brussels	10.	Vienna
11.	Lisbon	11.	Barcelona	11.	Hamburg	11.	Lisbon	11.	Milan	11.	Dublin
12.	Warsaw	12.	Warsaw	12.	Brussels	12.	Vienna	12.	Vienna	12.	Brussels
13.	Dublin	13.	Vienna	13.	Dublin	13.	Dublin	13.	Dublin	13.	Barcelona
14.	Brussels	14.	Brussels	14.	Warsaw	14.	Copenhagen	14.	Zurich	14.	Warsaw
15.	Copenhagen	15.	Zurich	15.	Vienna	15.	Brussels	15.	Warsaw	15.	Lisbon
16.	Rome	16.	Copenhagen	16.	Zurich	16.	Warsaw	16.	Lisbon	16.	Stockholm
17.	Vienna	17.	Dublin	17.	Manchester	17.	Zurich	17.	Luxembourg	17.	Luxembourg
18.	Stockholm	18.	Luxembourg	18.	Copenhagen	18.	Manchester	18.	Copenhagen	18.	Copenhagen
19.	Luxembourg	19.	Rome	19.	Rome	19.	Stockholm	19.	Stockholm	19.	Helsinki
20.	Manchester	20.	Stockholm	20.	Luxembourg	20.	Luxembourg	20.	Manchester	20.	Zurich
21.	Zurich	21.	Manchester	21.	Stockholm	21.	Rome	21.	Rome	21.	Lyon
22.	Birmingham	22.	Athens	22.	Birmingham	22.	Birmingham	22.	Birmingham	22.	Manchester
23.	Prague	23.	Prague	23.	Athens	23.	Athens	23.	Athens	23.	Rome
24.	Helsinki	24.	Birmingham	24.	Edinburgh	24.	Lyon	24.	Helsinki	24.	Prague
25.	Edinburgh	25.	Helsinki	25.	Prague	25.	Helsinki	25.	Prague	25.	Birmingham
26.	Athens	26.	Edinburgh	26.	Lyon	26.	Edinburgh	26.	Lyon	26.	Budapest
27.	Oslo	27.	Oslo	27.	Helsinki	27.	Prague	27.	Edinburgh	27.	Edinburgh
28.	Lyon	28.	Lyon	28.	Budapest	28.	Budapest	28.	Oslo	28.	Athens
29.	Budapest	29.	Budapest	29.	Oslo	29.	Istanbul	29.	Budapest	29.	Oslo
30.	Bucharest	30.	Istanbul	30.	Istanbul	30.	Oslo	30.	Istanbul	30.	Istanbul
31.	Istanbul							31.	Moscow	31.	Moscow
32.	Sofia										



Sector diversity

Over the last two decades, the number of sectors for real estate investment has expanded considerably.

The 2026 outlook reflects a strategic shift towards income resilience, decarbonisation and digital transformation as key themes guiding capital allocation.

Data centres and new energy infrastructure retain their positions as the top two sectors, marking a sixth consecutive year within the top five and underscoring their role in Europe's energy transition and digital connectivity. Student housing remains in third place, supported by consistent demand fundamentals and the sector's operational depth.

A notable feature of the most favoured sectors is their operationally intensive nature, with investors increasingly drawn to assets with infrastructure-like characteristics that are needs-based and operational.

Healthcare and education-related real estate have advanced in the rankings as investors increase exposure to social infrastructure and community-serving assets offering long-term income stability. Residential sub-sectors remain well represented, reflecting continued focus on diversification and income-driven returns.

Figure 6-2 Sector rankings over time

Source: Emerging Trends Europe survey 2025

2026		2025		2024		2023		2022		2021	
Rank	Sector	Rank	Sector	Rank	Sector	Rank	Sector	Rank	Sector	Rank	Sector
1.	Data centres	1.	Data centres	1.	New energy infrastructure	1.	New energy infrastructure	1.	New energy infrastructure	1.	Data centres
2.	New energy infrastructure	2.	New energy infrastructure	2.	Data centres	2.	Life sciences	2.	Life sciences	2.	Logistics facilities
3.	Student housing	3.	Student housing	3.	Healthcare	3.	Data centres	3.	Logistics facilities	3.	Life sciences
4.	Serviced apartments	4.	Logistics facilities	4.	Student housing	4.	Social housing	4.	Data centres	4.	New energy infrastructure
5.	Healthcare	5.	Private rented residential	5.	Retirement/assisted living	5.	Retirement/assisted living	5.	Healthcare	5.	Industrial/warehouse
6.	Other storage facilities	6.	Self-storage facilities	6.	Self-storage facilities	6.	Affordable housing	6.	Retirement/assisted living	6.	Healthcare
7.	Education-related real estate	7.	Retirement/assisted living	7.	Logistics facilities	7.	Self-storage facilities	7.	Industrial/warehouse	7.	Private rented residential
8.	Retirement/assisted living	8.	Education-related real estate	8.	Co-living	8.	Logistics facilities	8.	Affordable housing	8.	Affordable housing
9.	Co-living	9.	Co-living	9.	Serviced apartments	9.	Co-living	9.	Self-storage facilities	9.	Social housing
10.	Affordable housing	10.	Serviced apartments	10.	Private rented residential	10.	Private rented residential	10.	Private rented residential	10.	Retirement/assisted living
11.	Self-storage facilities	11.	Affordable housing	11.	Life sciences	11.	Industrial/warehouse	11.	Housebuilding for sale	11.	Self-storage facilities
12.	Residential-led mixed-use	12.	Healthcare	12.	Industrial/warehouse	12.	Student housing	12.	Social housing	12.	Housebuilding for sale
13.	Logistics facilities	13.	Industrial/warehouse	13.	Affordable housing	13.	Leisure hotels	13.	Multi-let/flexible industrial parks	13.	Co-living
14.	Private rented residential	14.	Other storage facilities	14.	Hotels	14.	Serviced apartments	14.	Co-living	14.	Student housing
15.	Social housing	15.	Social housing	15.	Social housing	15.	Parking	15.	Student housing	15.	Serviced apartments
16.	Camp sites/caravan parks/lodges	16.	Life Sciences	16.	Leisure	16.	Healthcare	16.	Serviced apartments	16.	Central city offices
17.	Hotels	17.	Hotels	17.	Housebuilding for sale	17.	Housebuilding for sale	17.	Flexible/serviced offices and co-working	17.	Parking
18.	Life Sciences	18.	Leisure	18.	Flexible/serviced offices and co-working	18.	Flexible/serviced offices and co-working	17.	Flexible/serviced offices and co-working	18.	Business parks
19.	Industrial/warehouse	19.	Housebuilding for sale	19.	Parking	19.	Leisure	18.	Leisure	19.	Flexible/serviced offices and co-working
20.	Housebuilding for sale	20.	Retail parks	20.	Retail parks	20.	City centre offices	19.	Central city offices	20.	Suburban offices
21.	Commercial-led mixed-use	21.	Parking	21.	Central city offices	21.	Retail parks	20.	Retail parks	21.	Retail parks
22.	Parking	22.	Flexible/serviced offices and co-working	22.	High street shops	22.	Business hotels	21.	Business parks	22.	Leisure
23.	Leisure	23.	Central city offices	23.	Business parks	23.	Business parks	22.	Hotels	23.	High street shops
24.	Retail parks	24.	High street shops	24.	City centre shopping centres	24.	High street shops	23.	Parking	24.	Hotels
25.	Central city offices	25.	City centre shopping centres	25.	Out-of-town shopping centres/retail destinations	25.	City centre shopping centres	24.	Suburban offices	25.	City centre shopping centres
26.	Flexible/serviced offices & co-working	26.	Out-of-town shopping centres/retail destinations	26.	Suburban offices	26.	Suburban offices	25.	High street shops	26.	Out-of-town shopping centres/retail destinations
27.	High street shops	27.	Business parks			27.	Out-of-town shopping centres/retail destinations	26.	Out-of-town shopping centres/retail destinations	26.	Out-of-town shopping centres/retail destinations
28.	Business parks	28.	Suburban offices					27.	City centre shopping		
29.	City centre shopping centres										
30.	Out-of-town shopping centres/retail destinations										
31.	Suburban offices										

ABOUT THE REPORT

“I don't see a tailwind from GDP in Europe. I do see a huge tailwind from demographic-driven investment strategies.”

Pan-European investment manager



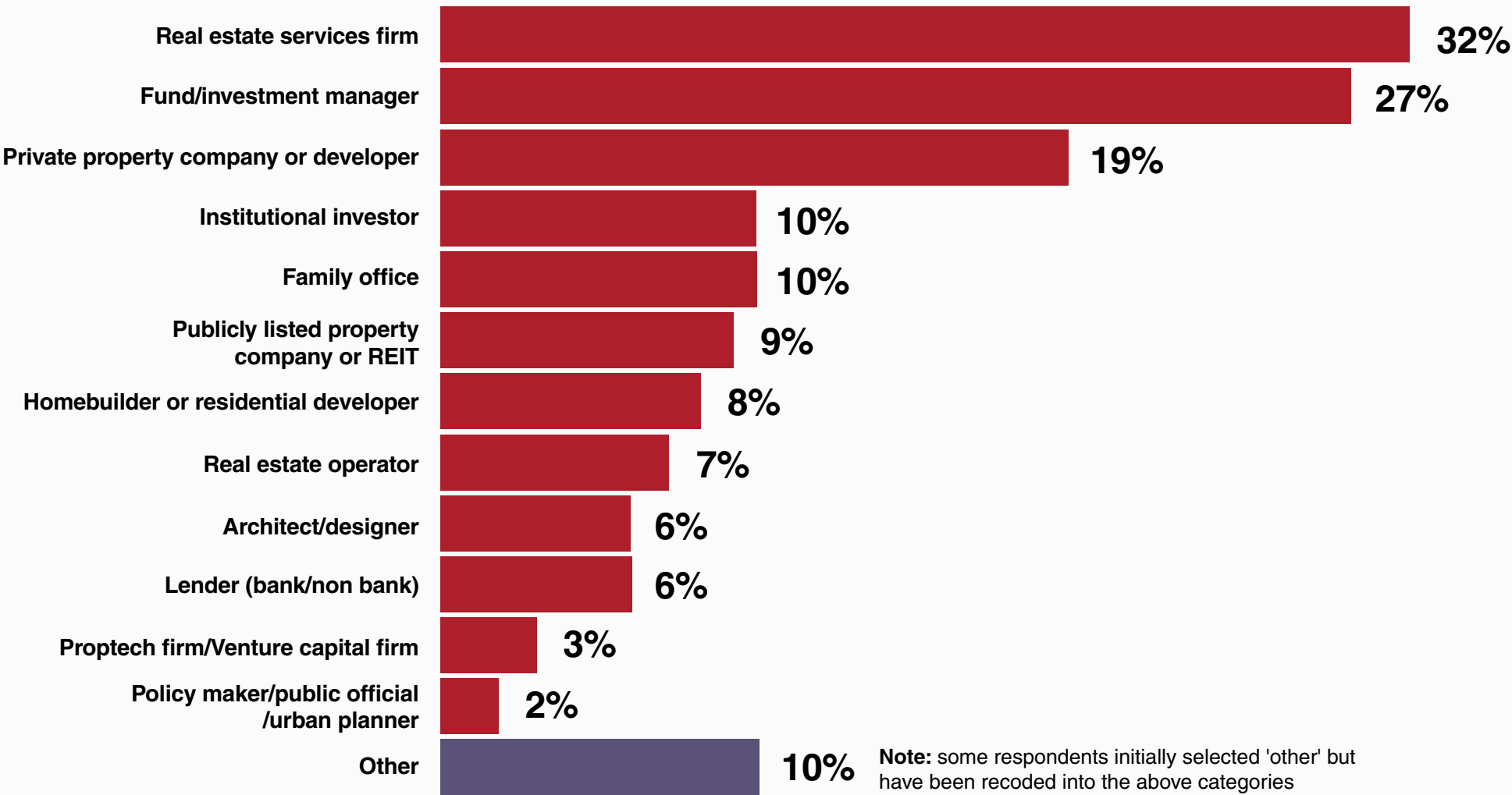
About the survey

Emerging Trends in Real Estate® Europe stands as a trusted and widely read publication in the real estate industry. Now in its 23rd edition and produced jointly by PwC and the Urban Land Institute, it provides a comprehensive overview of trends and forecasts in investment and development, finance and capital markets, cities, sectors and other key issues shaping Europe’s real estate landscape.

Emerging Trends in Real Estate® Europe 2026 reflects the views of 1,276 property professionals who completed surveys, were interviewed or took part in a series of roundtable meetings across Europe as a part of the research for this report. The views expressed are from these surveys, interviews and roundtable meetings and do not express the opinions of either PwC or ULI.

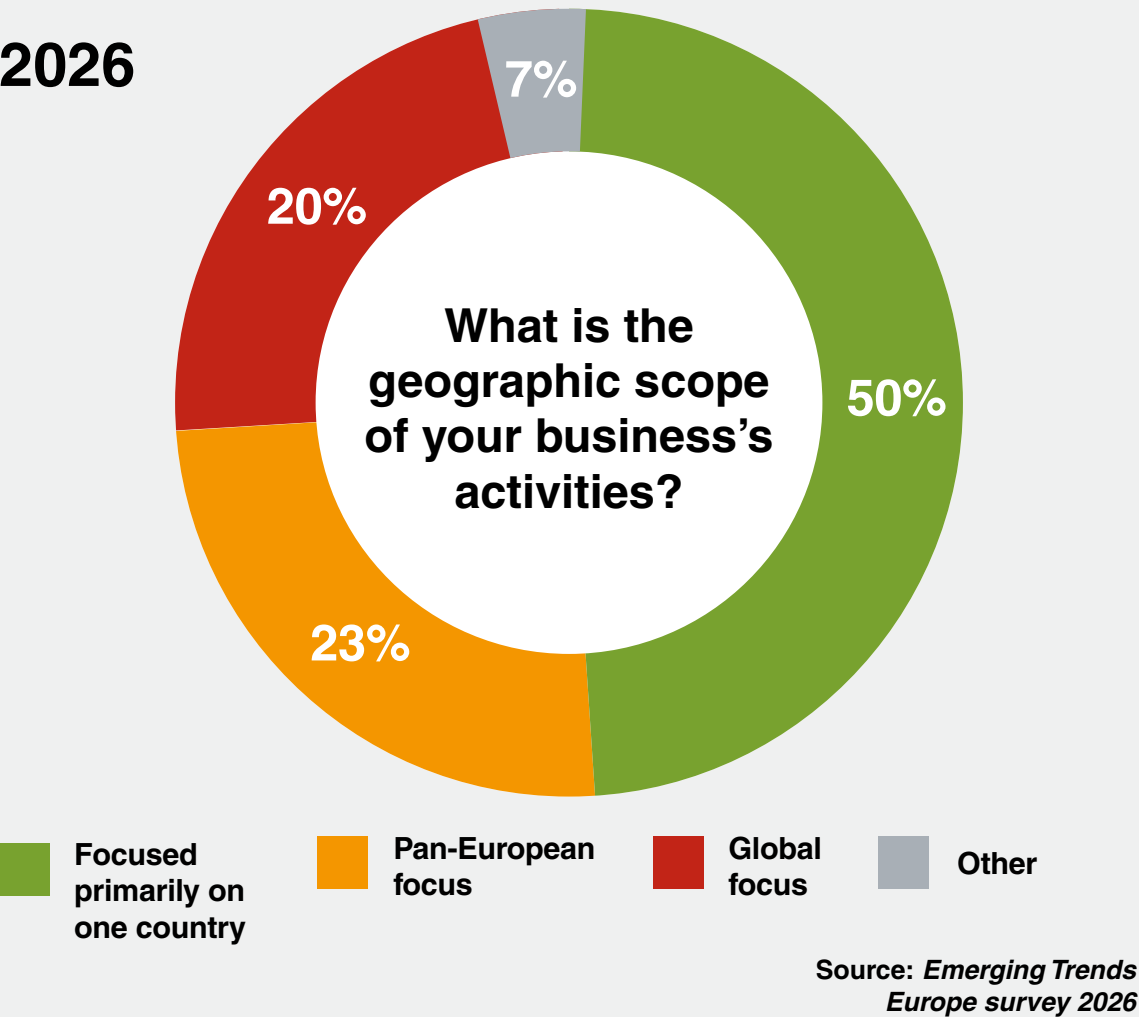
The interviewees and survey participants represent a wide range of industry experts, including investors, investment managers, developers, property companies, lenders, brokers, and consultants. A list of the interviewees and roundtable participants in this year’s study appears on the following pages. To all who helped, ULI and PwC extend sincere thanks for sharing valuable time and expertise. Without their involvement, this report would not have been possible.

What are your business’s primary activities?



Source: *Emerging Trends Europe survey 2026*

Survey responses by geographic scope of firm’s activities



Survey responses by geographic scope of firm (%)

Country	%	Country	%
Austria	4	Luxembourg	2
Belgium	8	Netherlands	6
Cyprus	1	Norway	2
Czech Republic	1	Poland	3
Denmark	2	Portugal	3
Finland	2	Spain	10
France	6	Sweden	1
Germany	14	Switzerland	5
Greece	3	Turkey	3
Ireland	4	United Kingdom	15
Italy	5	Other	1





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Its global network of dedicated real estate professionals enables it to assemble for its clients the most qualified and appropriate team of specialists in the areas of capital markets, systems analysis and implementation, research, accounting and tax.

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About Urban Land Institute

The Urban Land Institute is a global, member-driven organisation comprising more than 48,000 real estate and urban development professionals dedicated to advancing the Institute’s mission of shaping the future of the built environment for transformative impact in communities worldwide.

ULI’s interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers and academics. Established in 1936, the Institute has a presence in the Americas, Europe and Asia Pacific regions, with members in 80 countries.

ULI has been active in Europe since the early 1990s and today we have over 5,500 members and 15 National Council country networks.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanisation, demographic and population changes, new economic drivers, technology advancements and environmental concerns. Drawing on the work of its members, the Institute recognises and shares best practices in urban design and development for the benefit of communities around the globe.

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