ECONOMICS

European Property Monitor

Q1 2026

Responses were gathered in conjunction with the following organisations:

ECONOMICS

Global summary

- Headline RICS Global Commercial Property Sentiment Index little changed in Q1, although this masks notable shifts in several countries as macro pressures intensify
- Credit conditions deteriorate significantly in most nations during the quarter
- Occupier markets display relative resilience for now, despite growing uncertainty over the broader economic outlook

The Q1 2026 RICS Global Commercial Property Monitor results, taken at face value, point to relatively little change in market conditions at the aggregate level. The headline Commercial Property Sentiment Index easing only marginally to -2 from -1 in Q4. However, this stability in the global metrics masks a more pronounced shift in the underlying picture at a national level, with the ongoing Iran war and its associated upward pressure on energy prices, inflation expectations and bond yields driving meaningful changes in sentiment across markets most directly exposed to these macro headwinds.

Chart 1 tracks the headline CPSI across the four broad regions covered by the survey. The Americas reading eased to +10 (from +14), reflecting a moderation in US momentum following a particularly strong Q4. APAC remains the weakest-performing region at -12, although this represents the least negative outcome since Q1 2023 (improving from -15 previously). Europe moved slightly further into negative territory, with the CPSI falling to -8 from -6, and respondent feedback frequently citing the Iran war as a key source of caution. The MEA aggregate slipped to +8 from +11, although this masks a sharp reversal in sentiment in the UAE specifically.

The extent to which headline stability masks significant underlying change is most clearly illustrated by the credit conditions series. Chart 2 shows the change in the credit conditions net balance by country between the 2025 average and Q1 2026. The deterioration was near-universal, with 28 of the 30 markets covered reporting a decline. The UAE recorded the largest single move, with the net balance falling by 91 points, followed by Australia (-85), Spain (-67), Malaysia (-64) and the Netherlands (-61). New Zealand, Singapore and Ireland also recorded steep falls, while in Europe France (-52), the UK (-46) and Italy (-46) were among the most affected. Notably, those markets that have absorbed the largest moves tend to share a common feature, namely a relatively high sensitivity to imported inflation through energy prices. Only Japan and Hong Kong recorded any improvement, with the latter still recovering from a particularly weak run through 2024 and early 2025. Taken together, the widespread tightening in financing conditions helps explain why, despite broadly stable headline sentiment, downside risks are becoming more prominent beneath the surface.

For the time being at least, the relative steadiness in the global aggregate data is also evident in the occupier demand and investment metrics, which both remaining in modestly positive territory during Q1. That said, this reflects continued momentum across some markets, notably Spain, Japan, India, and the United States, offsetting softer demand trends starting to come through elsewhere. Reflecting this broadly steady but increasingly fragile global narrative, Chart 3 shows respondents' perceptions of the current position in the market cycle. While the latest results saw a modest pullback in the share identifying conditions as consistent with upturn, this remains the largest single category.

Chart 4 plots twelve-month expectations for both rental and capital values at a country level, where the divergence is more visible. India and Sri Lanka anchor the top right-hand quadrant, with Japan, Spain and South Africa also exhibting firmly positive projections. The most striking shift this quarter concerns the UAE, where forward-looking expectations have stepped down materially from the standout positive readings recorded previously, with both net balances now sitting close to flat. China and Hong Kong continue to occupy the bottom left-hand quadrant (despite turning less negative this quarter), alongside a couple of European markets such as France and Germany.

Chart 1 - Commercial Property Sentiment Index by Region

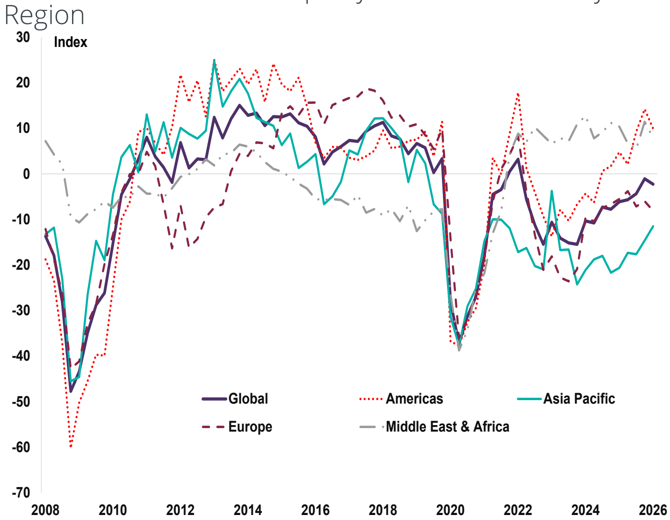


Chart 2 - Latest Credit Conditions Reading Compared to 2025 Average by Country

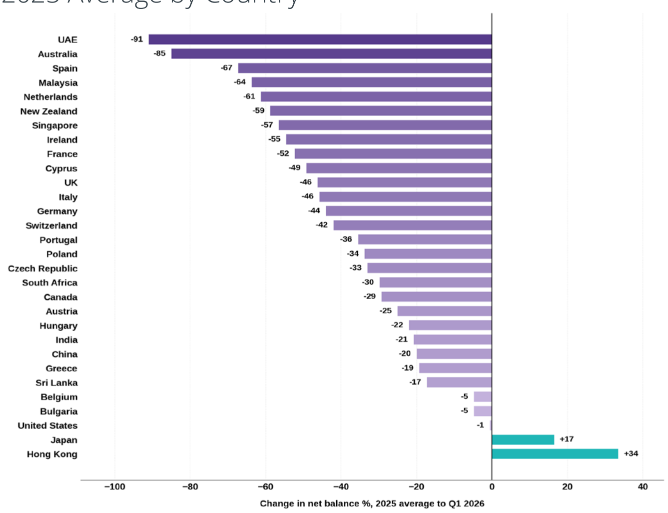


Chart 3 - Global Perceptions Regarding Current Point in the Property Cycle

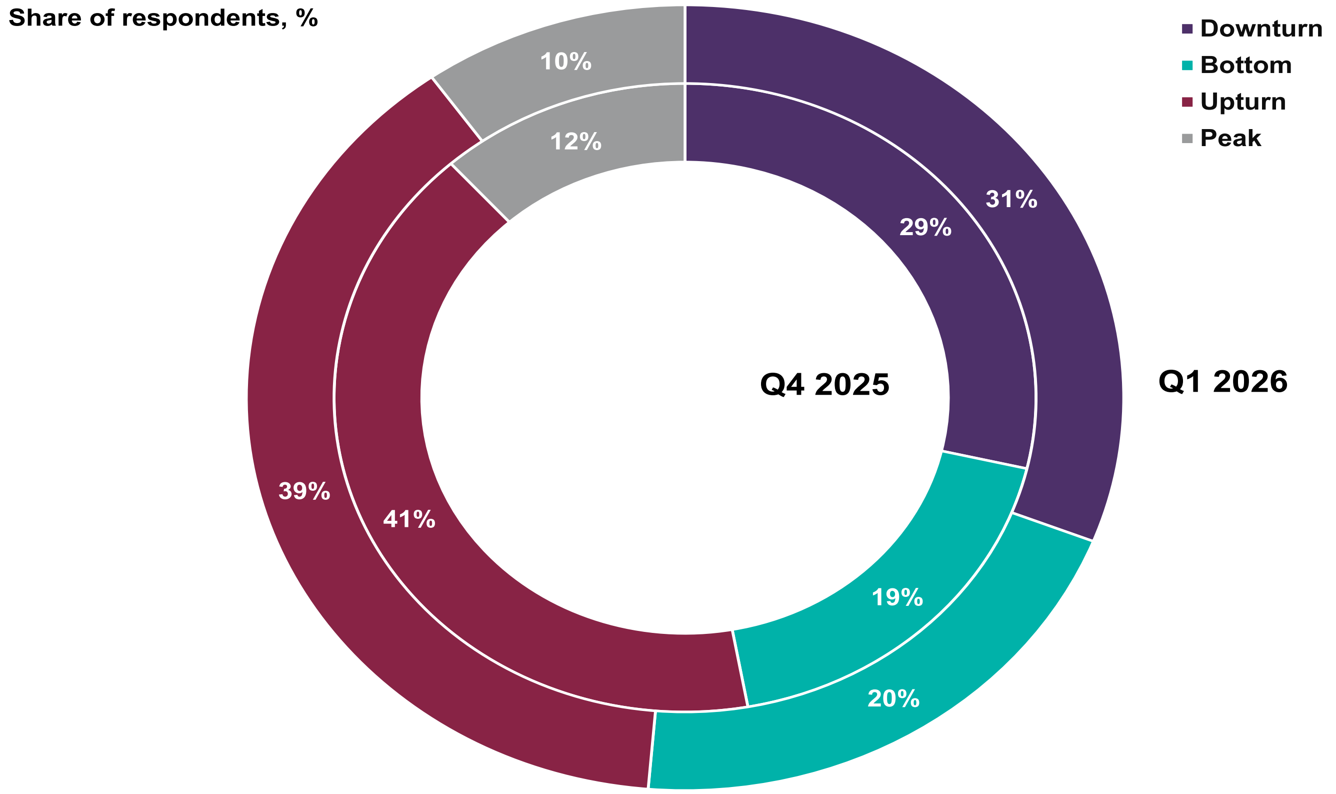
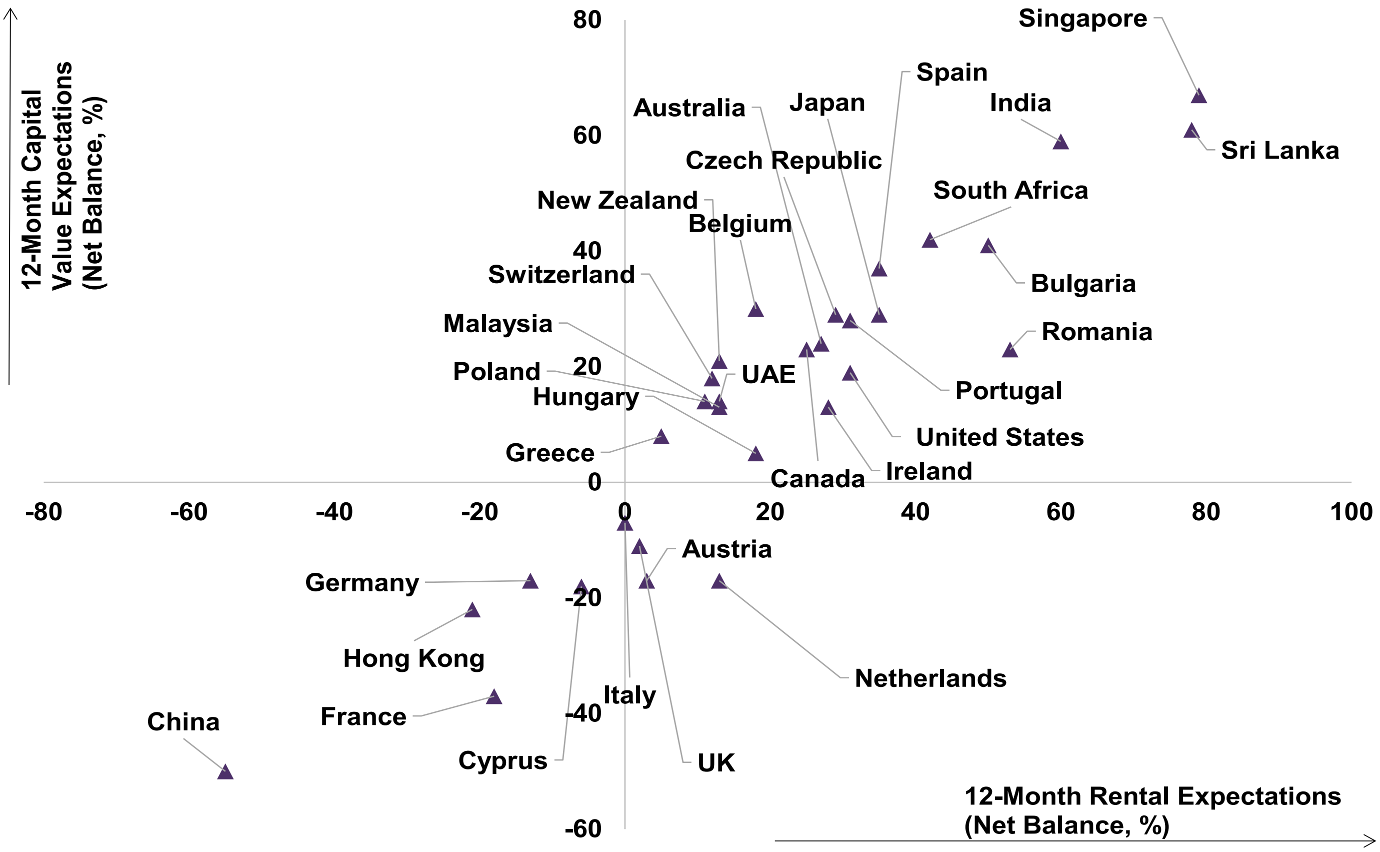


Chart 4 - Twelve-month Capital Value and Rental Growth Expectations



Europe Summary

- Sentiment across Europe remains marginally negative in Q1 but little changed from Q4
- Credit conditions deteriorate sharply as inflation fears raise interest rate concerns
- For now, activity seen holding up but there is a little more caution regarding capital values

The headline European Commercial Property Sentiment Index (CPSI) was little changed in the first quarter of the year, despite uncertainty fuelled by the war in Iran (edging down from -6 to -8), although the tone of many of the accompanying anecdotal remarks was more circumspect. The picture was broadly similar across the occupier and investor sides of the market, with both the OSI and ISI registering readings of -8.

Meanwhile, analysis at a country level continues to highlight a marked divergence in sentiment across the continent, a pattern clearly demonstrated in Chart 5. Once again, feedback from Spain and Portugal remains among the most upbeat (alongside Poland), with the CPSI in all three cases remaining comfortably in positive territory. At the other end of the spectrum, respondents remain most cautious in France and Germany; indeed, the reading for the former is slightly more negative than previously. In the UK, sentiment also appears to have deteriorated modestly compared with the last survey.

Returning to the aggregate European narrative, the generally resilient tone of responses is also evident in perceptions of where contributors believe the commercial property market currently sits in the cycle. As in Q4, the largest single share of respondents continues to point to the market being in the early phase of an upturn (30%). Alongside this, around one-third of responses suggest the market is either in the early or latter stages of a downturn, while one in five contributors believe the market is at a floor. In both of these cases, the results almost exactly replicate those from the previous survey.

Perhaps unsurprisingly, the most notable shift in the Q1 results is found in the insights relating to the credit environment. Fears of higher inflation, driven by rising oil and gas prices, have fanned concerns around the interest rate outlook, which to date has been most visible in bond market movements. In the global section, we highlighted that the headline reading for the credit conditions metric has become less positive, shifting from +23% in net balance terms at the end of last year to +5%, implying that respondents globally now see a broadly stable financial backdrop.

For Europe, however, feedback is somewhat more concerning, with respective readings of +15% and -24%. Typically, this metric maps closely to the investment enquiries series, with a deterioration in the former generally being accompanied by a weakening trend in the latter. In Q1, investment enquiries were little changed from the previous survey (net balance of +4%). However, this historical relationship would suggest a worsening outlook over the coming quarters if the credit indicator fails to reverse course in the next iteration of the survey (Chart 6).

Reflecting this, capital value expectations at both the three- and twelve-month horizons softened modestly in net balance terms relative to the Q4 projections, to -10% (from -1%) and -2% (from +7%), respectively. By contrast, expectations for rents were more resilient, with the three-month forecast easing slightly to +1% from +3%, and the twelve-month outlook edging up to a net balance of +5%, compared with +4% previously.

Chart 7 presents the European projections for capital values and rents over the next year at a sector level (measured in percentage terms). As has been the case for some time, data centres and multifamily assets continue to be viewed as likely outperformers, albeit with a modest scaling back of expected returns. Elsewhere, prospects for prime assets remain modestly positive, while little relief is anticipated for secondary offices and retail assets more generally.

Chart 8 shows projections for capital values at the country level. While the table broadly mirrors the aggregate results, it is unsurprising that expectations for Spain sit towards the more positive end of the spectrum, while those for France are the most negative. That said, French respondents still anticipate a 4% capital value gain for data centres, with prime offices and retail expected to remain broadly stable. Feedback from Germany tells a similar story, although expectations there are generally somewhat firmer (or at least less downbeat) than in France.

Chart 5 - Commercial Property Sentiment by Country

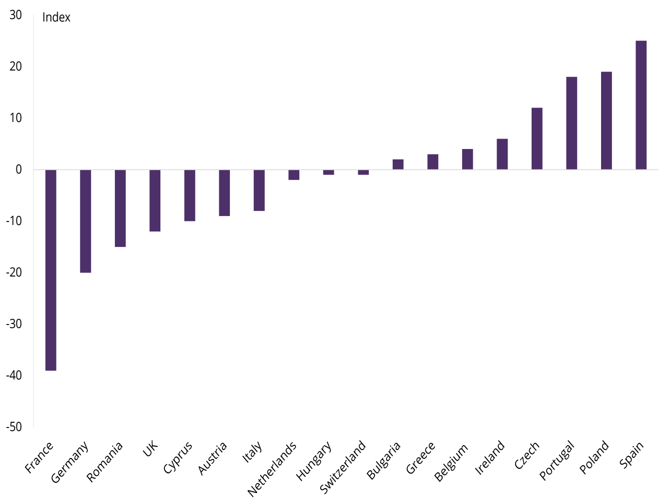


Chart 6 - Credit Conditions and Investor Enquiries

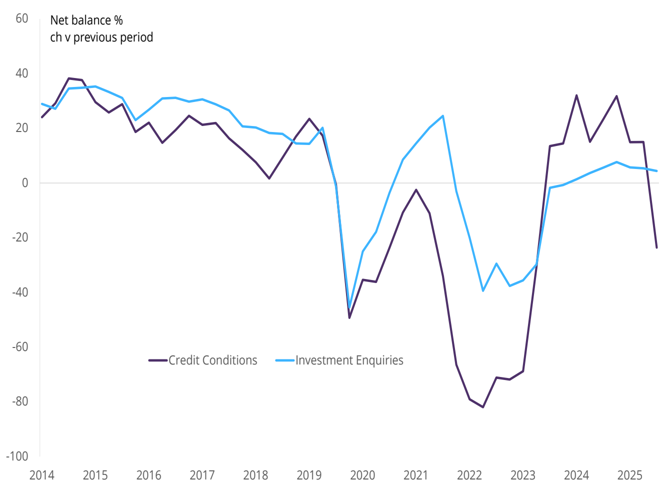


Chart 7 - Twelve-month Capital Value and Rental Growth Expectations by Sector

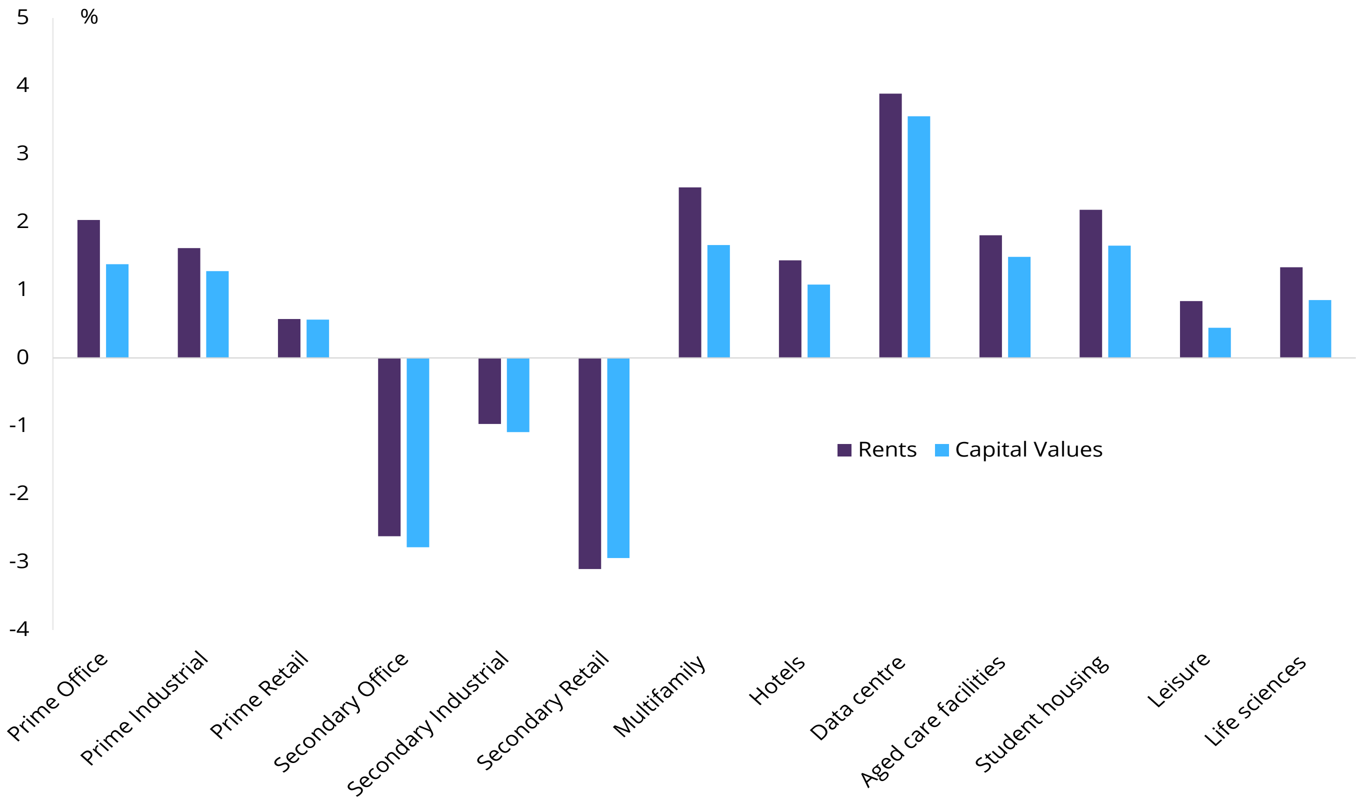


Chart 8 - Twelve -month Capital Value Expectations by Country

	Prime Office	Prime Industrial	Prime Retail	Secondary Office	Secondary Industrial	Secondary Retail	Multifamily	Hotels	Data centre	Aged care facilities	Student housing	Leisure	Life sciences
Austria	0.9	1.4	0.0	-0.7	-1.8	-3.2	3.2	2.2	4.7	2.8	5.0	2.8	0.6
Belgium	3.9	5.6	2.9	-0.4	1.2	-2.1	3.2	2.5	7.5	1.2	4.3	2.5	2.5
Bulgaria	3.3	4.2	2.5	1.1	1.4	0.3	4.6	1.1	2.5	5.0	4.2	1.4	1.7
Cyprus	0.8	-0.2	-0.5	-0.8	-1.5	-1.0	0.7	-1.8	1.0	1.2	2.2	0.3	-0.8
Czech Republic	5.2	0.9	2.7	0.2	-1.4	2.0	3.3	4.2	5.0	2.9	3.4	6.1	0.4
France	0.7	1.0	-0.3	-6.4	-3.3	-6.4	0.2	-0.5	4.2	-2.7	0.0	-0.5	-0.9
Germany	0.8	1.1	0.2	-4.0	-1.6	-4.6	1.8	0.4	3.9	0.3	1.7	0.1	1.2
Greece	1.9	1.6	1.4	-0.5	-1.4	-1.6	2.6	2.2	3.6	1.7	4.4	1.7	0.7
Hungary	0.6	0.9	1.2	-2.0	-0.3	-0.3	3.0	1.6	2.9	2.1	2.9	0.8	1.5
Ireland	2.0	2.7	-0.7	-1.5	1.2	-1.2	3.5	1.5	3.1	2.6	2.9	-0.3	2.1
Italy	2.0	-0.1	1.6	-1.7	-1.7	-2.4	0.7	2.1	2.6	3.5	3.4	1.2	0.8
Netherlands	0.2	0.2	-0.2	-2.5	-2.0	-2.0	0.4	-2.1	0.7	0.0	1.2	-0.7	1.0
Poland	4.8	1.4	0.4	-0.8	-0.2	-0.5	1.2	3.5	3.1	2.5	1.1	-1.1	1.7
Portugal	2.7	2.5	1.7	-0.2	-0.2	0.0	2.8	3.8	2.7	2.7	2.9	1.2	1.5
Romania	0.5	1.5	3.0	-2.0	0.0	0.5	2.5	3.0	2.5	3.0	3.8	1.7	0.8
Spain	3.3	1.5	2.2	-1.5	1.2	-0.9	4.1	4.0	5.1	4.1	4.6	1.4	2.1
Switzerland	2.8	3.2	0.9	-2.2	-0.4	-4.1	3.9	0.0	6.2	3.3	3.3	1.2	2.9
UK	0.7	1.2	-0.7	-2.9	-1.0	-3.1	0.7	-0.2	3.3	1.6	-1.0	-1.8	0.8

Annual % change expected (scale: 8, 6, 4, 2, 0, −2, −4, −6, −8)

Regional comments from survey participants in Europe

Austria

Given increasing uncertainty caused by the war in Middle East investors, banks and developers have slowed down activities and started to put transactions on hold. - Vienna

The impact of the conflict in Iran is not yet foreseeable.- Vienna

Bulgaria

Reduced liquidity due to gap between asking and bidding prices. - Sofia

Increased uncertainty for sustainable investments as market is driven primarily by opportunitstic investors quite often unprofessional - Sofia

Due to euro adoption at beginning of 2026 real estate market is slowing down and prices remain stable with expectations for a decreasing in residential market. Expectations for foreign investments are still here and after elections might start to happen. - Sofia

Cyprus

Uncertainties due to the war in the middle east affect client behaviour and postpones investment incentives. - Lefkosa

Czech Republic

Currently the market has not factored the fluctuating global conditions that prevail at the current time. It is likely that construction costs and associated supply chains are going to be impacted and it is likely that some developments will be held back. Until there is a clearer vision on the Middle East, it is probable that there will be a slow but sustained impact on real estate markets. - Prague

There is certainly a degree of tension with more caution creeping in, but this feels limited. However, overall market behaviors appear relatively unchanged. All that said, swap rates are up and we are wary of both interest rates and inflation. - Prague

Denmark

Significant uncertainty around cap value estimates due to volatile inflation and interest rates as a result of geopolitical turmoil (mainly Iran war). Copenhagen

Under pressure outside of data centre and pharma investment. Copenhagen

France

Sharp rises in uncontrolled energy costs will have their last say in real estate values and rents in the foreseeable future. On account of isolation from Russian fossil fuels and the ongoing inability for Gulf oil and gas countries to export their resources to the global market, inflation will threaten any potential property growth in European markets. - Paris

France is currently in the doldrums. It would help if certain superpowers stopped going to wars that they can only lose. - Paris

Current financial markets turbulence has put a brake on any signs of real estate recovery. Markets could get worse before any recovey. - Paris

Germany

I advise on retail properties throughout Germany for institutional landlords and the current political climate and the concern of increasing costs, whether these be for retailers (production, shipping and so on) or consumers (costs of fuel, heating and food), is leading to a cautious spending climate. As such there is pressure on leasing deals, valuations and hence investor appetite in the retail market. Prime, big city pitch still holds up where larger retailers are looking for flagship stores. - Dusseldorf

Changing macro-economic situation is impacting the outlook certainty - Frankfurt

Greece

Pricing driven by lack of supply of quality product across sectors. Investment focuses on value add opportunities especially in hospitality, living and office sectors. Limited supply of development land and high costs limit greenfield developments. The growth of tourism and international hotel brands expansion underpin investment in hospitality. The market is in need for higher quality but affordable space for people (housing) and SMEs (offices). Foreign and private investor interest rising. - Athens

Hungary

Unstable overall circumstances that describe everything. - Budapest

The Iran and Ukraine wars bring in a lot of uncertainty. - Budapest

The economy is in a freeze prior to the coming general elections after three years without growth.- Budapest

The future is flex. - Budapest

After the elections we believe the market will be less centralized, it will become open for new tenants and investors. We expect growth. - Budapest

Ireland

Thanks to the Middle East conflict we are seeing less market activity. - Dublin

Viability of new office developments remains a problem as construction costs still too high and yields have not yet contracted. Demand for high quality sustainable space will likely address this and drive more developers to speculatively build over the next 18 months. AI will influence occupier demand as financial services and tech companies invest. Yields are still too high to justify PRS projects. The state is still the biggest exit option for multi-unit developments.- Dublin

Geopolitical uncertainty. - Dublin

Data collected this quarter is not easy to interpret reflecting the US/Israel attacks on Iran since 28.02.26. Everything is pointing to rising interest rates given the oil 'fueled' inflationary environment allied to higher state borrowing, already at elevated levels. Yields will rise without compensating rent increases, therefore values will, almost certainly, fall accross many sectors Multi-family, data centres and medical related uses may be best placed to weather the storm in the short term. - Dublin

Italy

Markets are generally positive, despite potential short term impact from global disruption. Assuming this is transitory, both occupiers and investors will continue to invest. Traditional Retail is making a comeback, and selectively is likely to improve over coming months and years, with increased attention from investors given relatively attractive returns. - Milan

Regional comments from survey participants in Europe

Notwithstanding current geo-political uncertainty, investor sentiment remains relatively buoyant. Not sure if this is the calm before a very big storm, with underlying asset values in reality out o sync with the real economy. in this case a fragile peace may turn into a very big storm, involving asset bubbles, unsustainable and over-stretch private debt and weakening underlying demand. It has been a very long and sustained economic cycle and as such may be ready for a shock, who knows where from. - Milan

Netherlands

Retail market A1 locations is doing well, but not sure what impact geological issues will have. - Amsterdam

Poland

This survey is useful in terms of gauging movements in different property sectors rents, investors, yields, capital values, demand etc. It is useful as it differentiates real estate sectors rather than just 'property'. - Warsaw

We predict a negative impact of war in the Middle East on the market. - Warsaw

Due to the Middle East crisis we see yields moving out, lending costs increasing and construction costs rising. These factors will cause many projected developments to be shelved until rental rates go up substantially. - Warsaw

Portugal

Period of high volatility. Investment uncertainty with assets currently at historically high prices.-Lisbon

Romania

Bucharest market remains resilient with some steady demand in mid-range residential. Oversupply risk in luxury segment, affordability pressure mounting. Foreign investment cautious. Suburban sprawl accelerating. Long-term fundamentals decent, short-term correction most likely. - Bucharest

Spain

The shock of the Iran conflict has not yet been felt. It is going to bring a crisis worldwide. Spain and Costa del Sol will benefit from being a good place to live while waiting for things to improve again. - Estepona

The information contained is subject to the evolution of the Middle East crisis. - Madrid

United Kingdom

Demand for industrial and logistics product from both occupiers and investors remains robust taking account of all current head winds including conflict in the Middle East. - Birmingham

Investor confidence inevitably weaking in sync with the instability caused by the ongoing conflict in the Middle East. - Bristol

There is a lack of Grade A floorspace across both office and industrial property sectors, particularly in Cardiff and the M4 corridor. In the office market, there is steady demand from occupiers using lease events to reshape their business environment, typically seeking a smaller footprint of a higher quality. There are signs that prime office rents are increasing and this trend is needed if new development is to become viable again. - Cardiff

We are still seeing rental growth in industrial in the Central Belt of Scotland although this is mainly due to lack of stock. We are starting to see vacancies on our office properties for a number of reasons. Significant concern about the UK economy and the impact of the war in Iran on construction costs, inflation, tenant confidence etc. - Edinburgh

Global impact of USA/Iran war on the economy is a huge worry. - Glasgow

Lots of fear in all sectors and this just might be the start of a downturn. - London

Most bets are off till the Middle East crisis is sorted. If materials prices and general inflation starts rising significantly, along with interest rates, we could be in for a difficult time. More stock, which owners have been holding on to, may start coming to market. But buyers will likely be pretty choosy about pricing. - London

Feel that the market is in an uncertain place given the Middle East crisis. We were at the bottom of the cycle at the start of the year but with gilt yields and Sonia rates increasing, we may yet see further falls in average values. - London

Challenging across all sectors, moderate sentiment, focused on income optimisation with poor yield contraction and low sector risk appetite. - London

The general 'vibe' when the year began had improved although this did not immediately transfer into actual activity. i was confident that the positive vibe would eventually reflect market activity, not in a significant way but as an improvement compared to 2025. However, the war with Iran seems to have created greater caution and market activity has not really shown me the improved market i had anticipated. - London

The market is in a state of pause given current global events. We witnessed a slowdown in investment volumes at the start of the year especially on the Industrial side.

In 2025 the logistics occupational market experienced a slowdown in customer decision making, which spilled over into 2026 especially in the London given affordability issues.

The market should show some positive recovery once the cost of borrowing reduces. Give. global inflationary pressures this could take some time. - London

It's been a fairly challenging Q1 in 2026, with caution prevalent amongst investors and occupiers. It feels like a 'risk-off' sentiment for businesses generally, across most sectors in the property market. - London

Largely stagnant, no noticeable increases with the exception of new build small industrial units which have seen large increases in value. - Manchester

A very difficult market to predict and analyse given the Middle East conflict ongoing. - Oxford

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 18 March 2026 with responses received until 24 April 2026. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1300 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentimet Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

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Disclaimer

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Delivering confidence

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