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Europe Commercial Property Monitor

Q3 2025

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Subdued mood across European real estate in aggregate masks significant divergences at a country and sector level

- Headline sentiment in Europe was slightly more negative in Q3, led by softer responses from France, Germany and the UK
- Office demand from occupiers is generally trending upwards across the region
- Alternative assets viewed as likely to continue to outperform, with data centres standing out

The headline reading for the Commercial Property Sentiment Index (CPSI) in Europe (including the UK) turned slightly more negative in Q3, with a score of -7, compared to -4 in Q2. Chart 1 tracks both the Global and European results going back to 2008; it shows the two series to be pretty much moving in alignment over the past couple of years. However, the latest reading signal a slight divergence with the Global index continuing to improve, albeit only modestly.

Feedback from respondents to the survey shows the mood music in Europe continues to be adversely impacted by the sluggish macroeconomic environment with growth in most the major markets remaining subdued. Meanwhile, the narrow spread between property and government bond yields is also playing a role in influencing the tone.

The aggregated European results continue to mask divergent trends at a country level. This is highlighted in Chart 5. Unsurprisingly, given the ongoing political challenges, the sentiment reading for France remains the most negative at -40 as against -31 in Q2. The picture emanating from German respondents is a little less downbeat, with the CPSI at -19. Meanwhile, the UK has witnessed a visible deterioration in sentiment, slipping from -4 to -11 as concerns around the fiscal picture and the forthcoming Budget mount. At the other end of the spectrum, Spain remains the commercial property market with the most postive trend based on a generally upbeat macro story. Portugal, Greece and Ireland follow closely behind in terms of positive CPSI readings.

Occupier and investment Sentiment remain negative

It is significant that both the occupier and investor components of the aggregated European sentiment indicator showed modest declines in the latest round of the survey. Chart 2 highlights the slightly softer picture prevailing in the results for the occupier (as opposed to the investor) market. This is reflected in the much of the Europe-wide underlying data for this part of the market.

The contrast is most evident in the demand metrics. Headline occupier demand (in net balance terms) slipped back into negative territory after posting a marginally positive result in Q2. That Q2 outcome had marked the first positive reading since the second quarter of 2022, but the recovery proved short-lived. By contrast, the investment enquiries series recorded its fifth consecutive positive quarterly result. Admittedly, each of these readings has remained in single digits (meaning the proportion of contributors reporting an increase only narrowly outweighs those citing a decline) but it nonetheless represents a clear departure from the previous trend.

Chart 1 - Global and Europe Real Estate Sentiment

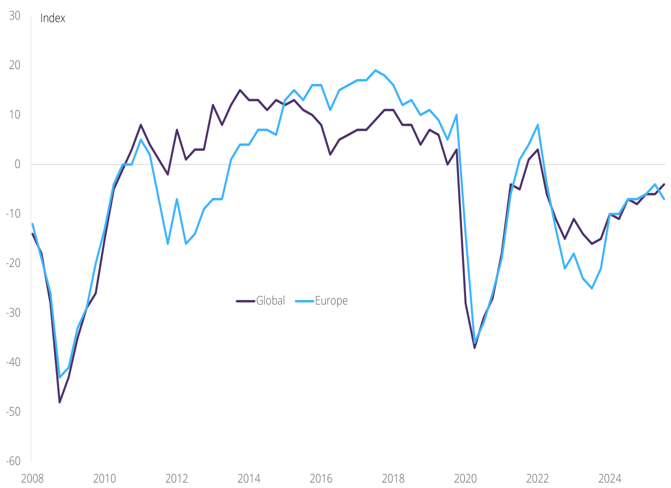
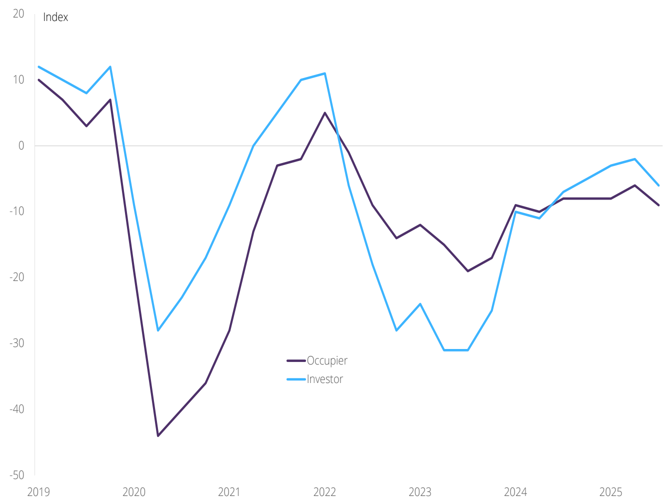


Chart 2 - Europe-wide Occupier and Investment Sentiment Indices



Credit conditions metric continues to improve

The resilience of the investment enquiries series is reflected in a further improvement across the credit conditions indicator for the quarter, albeit to a lesser extent in Q2. For the record, the ECB held policy steady through Q3 and the Bank of England trimmed Bank rate by 25 basis points. However, the performance of key bond markets was more negative, with the 10 year Bund yield climbing from 2.55% to a high of 2.7% over the period and the UK gilt taking a bigger hit. Chart 3 shows the share of respondents reporting an improved credit environment retreated from 42% in Q2 to 31%, but this still comfortably outstripped those indicating a more penal lending lending environment (14%).

Vacancy rates still moving higher in Europe

The RICS Commercial Property Monitor includes a question on the availability of leasable space (expressed in net balance terms) as a proxy for vacancy trends. Across Europe as a whole, the availability net balance stood at +19%, indicating a further rise in vacancy rates. The last time the series pointed to a decline was prior to the pandemic, in 2019. All major sectors reported positive readings, although the increase remains most pronounced in the office and retail segments. At the country level, feedback from three markets, Spain, Ireland, and Poland, suggests modest declines in available space.

Office demand showing some signs of recovery

The headline indicator of office occupier demand has remained broadly stable over the past three quarters, following ten consecutive negative readings. However, this aggregate figure once again masks notable regional variations across Europe. As shown in Chart 4, thirteen of the seventeen markets covered in this report recorded positive net balances. Spain stands out as the clear leader, with a net balance of +52%, followed by Portugal and Greece.

At the other end of the spectrum, sentiment around office demand remains particularly weak in France, where the net balance came in at -42%, following an even lower reading of -56% in Q2. Other major markets in the region also displayed a more cautious tone, with Germany posting a net balance of -8% and the UK at -4%. Nevertheless, viewed in context, most countries

Chart 3 - Europe Perception of Credit Conditions

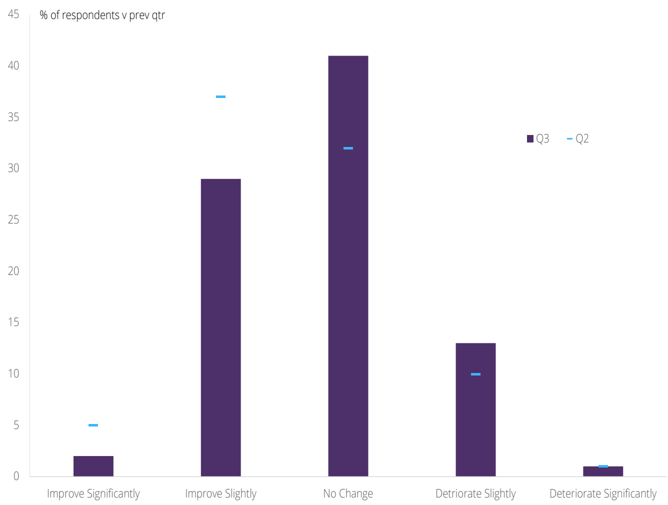
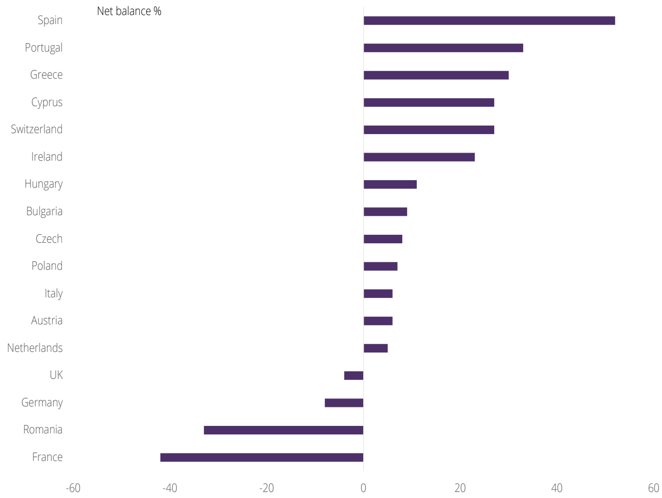


Chart 4 - Occupier Demand for Office Space



have seen some improvement in the tenant demand indicator compared with the average results of the past two years. This is broadly in line with other series suggesting increased utilisation of office space.

Sentiment towards alternative assets remains most positive

Figure 6 on the following page summarises twelve-month capital value expectations across Europe, broken down by sector. As expected, alternative asset classes continue to attract the most positive sentiment among contributors, alongside prime industrial assets. Data centres remain the most favoured segment, followed by multifamily and student housing (particularly when rental expectations are also considered). Meanwhile, feedback indicates that downward pressure on secondary office and retail assets shows little sign of easing.

Unsurprisingly, Spain leads the table, with respondents projecting capital gains of 5% to 7% in multifamily, data centres, and student housing. This positive outlook also extends to traditional sectors, with prime office, industrial, and retail assets expected to see solid growth. Secondary assets, meanwhile, are likely to remain broadly stable.

In France, the outlook is more restrained, with limited potential for further price increases seen across most segments, aside from data centres. Prime offices are expected to hold their value, while pressure on secondary assets is likely to intensify over the next twelve months.

Strong markets not yet seen near peak

Across Europe, roughly half of respondents continue to view real estate as being either in a downturn or at the bottom of the cycle. In Spain, however, this figure falls sharply to just 10%. By contrast, around 60% of Spanish contributors believe the market is now in an upturn phase, while a further quarter see it as having reached the peak of the cycle. Although this share has been edging higher in recent quarters, it should be considered alongside the finding that only one-third of respondents in Spain regard the market as expensive, with two-thirds still viewing it as fairly valued. In France, over 60% of responses point to the market remaining in a downturn, and just over 10% believe it has already reached the bottom of the cycle.

Figure 5 - Commercial Property Sentiment Index by Country

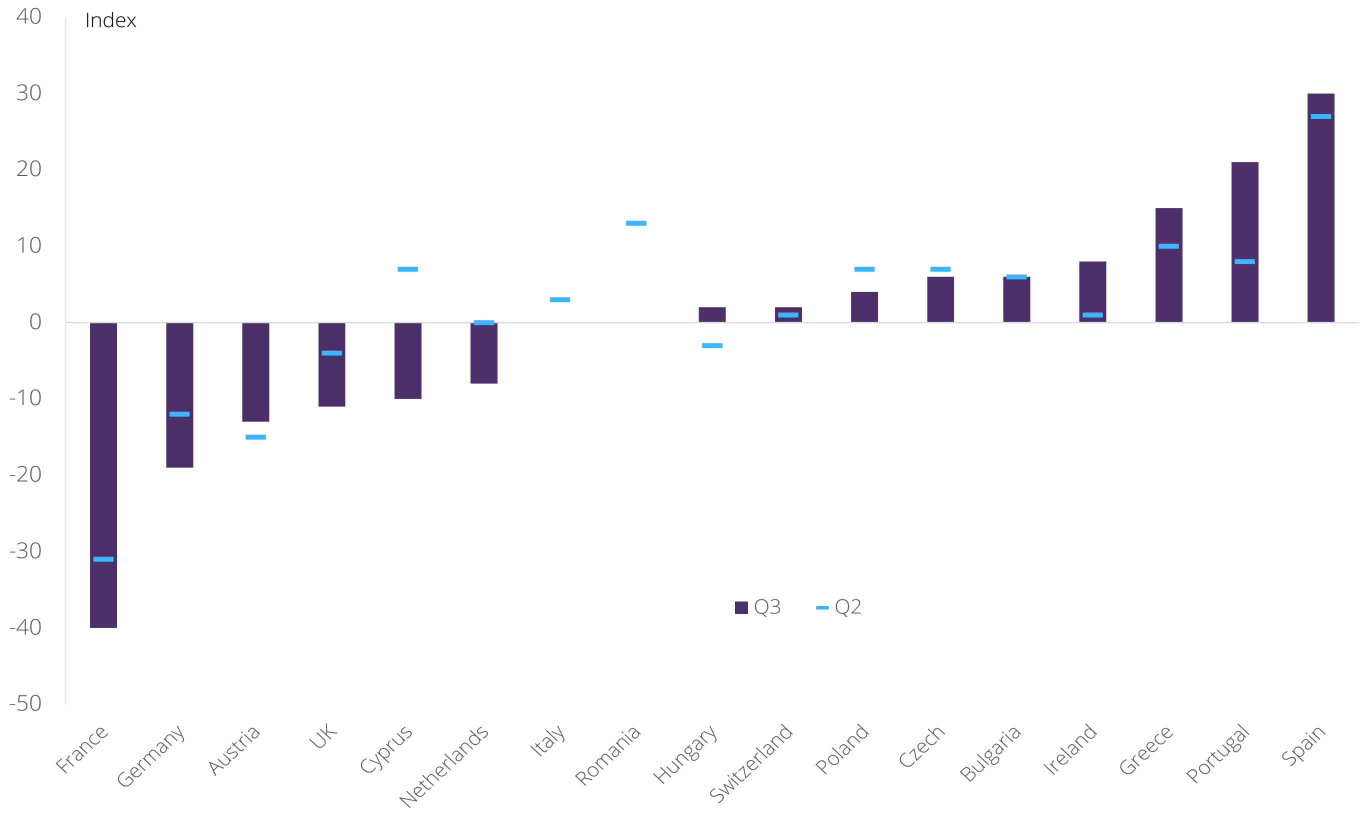
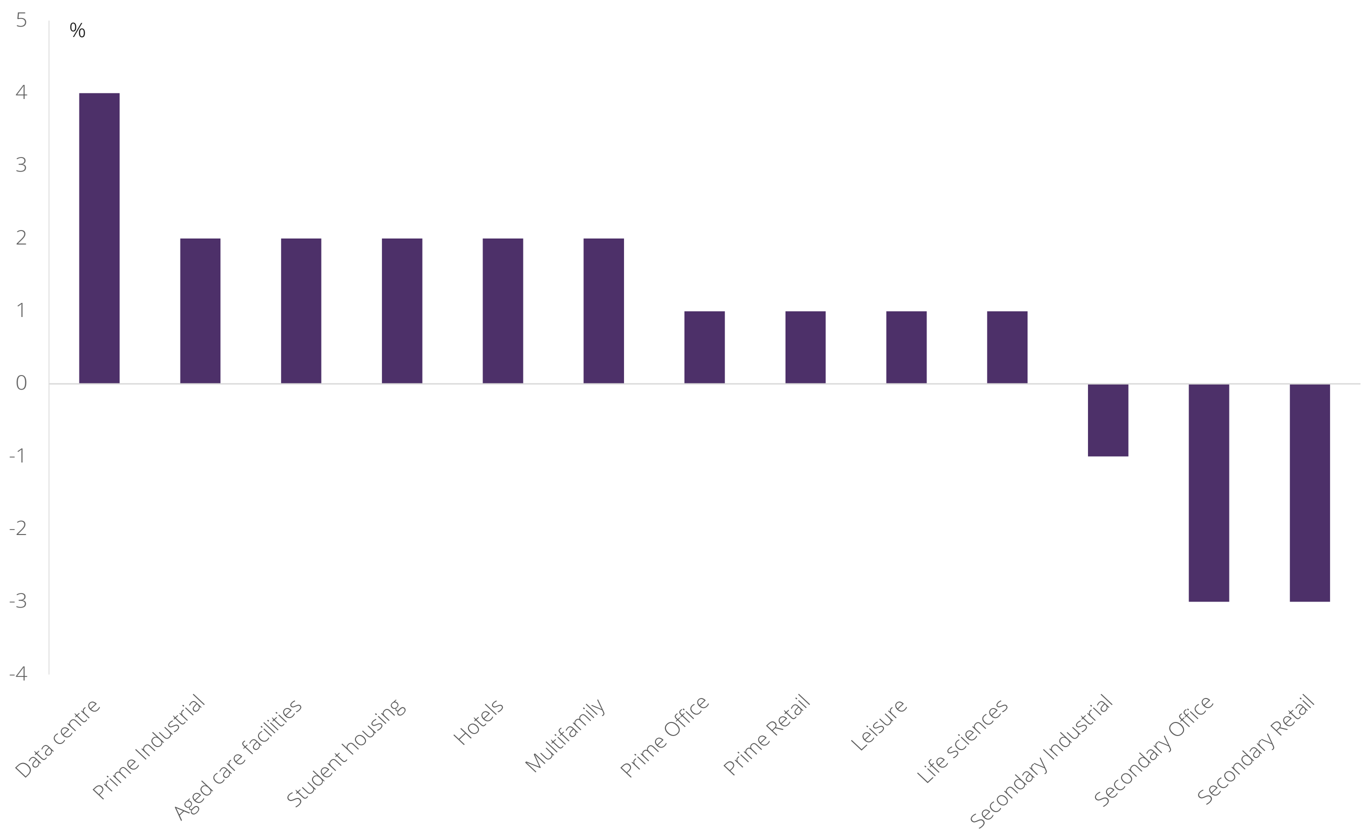


Chart 6 - Europe Twelve-month Capital Value Growth Expectations



Regional comments from survey participants

Austria

There are still a fairly large number of developers struggling with funding unfinished developments; some of them will have to file for bankruptcy which might affect market confidence and induce banks to be more restrictive providing real estate loans – Vienna

Belgium

International investors appetite for Belgium has not restarted yet. But we can feel the first improvements. Rents for prime locations and "Green Building" are improving. Obtaining a building permit is difficult and therefore the offer of new buildings is challenging. This affects the rents for prime buildings – Antwerp

Office demand will continue to shrink as occupiers realise there is no major improvement in RTO. Demand for Core Urban offices will remain strong however anything else will suffer significantly – Brussels

Bulgaria

Many retail projects are driven by expansion of key international brands. Some unprofessional investors are creating the risk of future early exits – Sofia

Cyprus

Mainly driven by local Cypriot demand vs major demand from foreigners in other coastal cities. Cypriots are reluctant to accept lower prices since there is no real and immediate pressure by banks to foreclose in case of arrears. Foreclosure process is slow – Nicosia

The market is giving out mixed signals due to the investor sentiment which is intricately related to international politics – Paphos

Czech

Peak or near to it – Prague

Stable - Prague

Denmark

Positive momentum in Denmark very strongly driven by residential. Other sectors are showing early signs of improvement, but market upturn highly driven by residential (all types), I&L and to some extent also hotels - Copengagen

France

General market could still be finding its bottom…recessionary risks increased by parliamentary deadlock over budget reform and government deficit reduction – Paris

The French market is paralysed by high transfer costs and laws protecting creditors – Paris

Politics - Paris

Germany

For the office sector, will transactions in Q4 finally demonstrate that the bid-ask spread between buyers and vendors has started to narrow substantially? – Berlin

Currently, the market is slightly positive and optimistic, with prospective buyers (still) counting on further falling prices and a relatively healthy market for commercial space in city centers. Residential space is booming enormously, with a higher proportion of new projects – Berlin

Housing remains key for RE investors. Offices get double hits (lower occupier demand/cautious investors/ limited lenders confidence for non-prime assets) – Frankfurt

AI will quickly play an important role in real estate in general, and it is important to address it and integrate it! - Freiburg

Substantial ap between asking prices and prices actually paid - Munich

The German market remains subdued, primarily due to the ongoing reluctance of German investors. International investors sometimes have overly high return expectations, which the German market cannot deliver – Soest

Greece

Greek market show high demand and low supply in the housing sector. Some housing incentives implemented by the Greek government have exacerbated the problem, instead of alleviating it (SPITI MOU II program). Moreover, recent judicial decisions concerning the urban planning code, have frozen new housing developments. There is also high demand for PBSA in large cities centers and investors are looking to renew old commercial buildings for this purpose. Hotel sector demonstrates mixed signals - Athens

Despite the rising occupier demand for high quality properties, lack of supply of land in major urban areas continues to restrict supply. Rental and capital values have recovered, but due to affordability restrictions we expect them to stabilise in most sectors. Investor demand for high quality income generating assets and value-add opportunities is on the rise, but supply of product is limited, which keeps pricing high – Athens

Residential market remains very strong in the prime segments, although growth has eased - Athens

Affordability of mainstream residential rents/purchase prices is a major issue – Athens

Hungary

Unpredictable movements, with extremely short, alternating up and down, phases – Budapest

No capital, waiting for clear directions - Budapest

Hungary's investment market is still quite dry - though some foreign investors have appeared again on the scene – Budapest

Next year's election in case of a new government can bring bigger optimism to the commercial real estate market in Hungary - Budapest

Ireland

Still a lot of global uncertainty which is impacting on the market and holding back investment decisions – Dublin

Supply shortages dominate the market - Dublin.

Supply is lacking and the number of transactions are down – Dublin

Market quiet – Dublin

Challenging in some sectors and difficult to close out on sales. Banking regulations have made this a challenge – Dublin

Italy

The alleged planning scandals in Milan show the judiciary and Central Government fail to understand the dynamics of the Property Market and its integral importance to the health of the economy. International institutional investment will be curtailed as a result – Milan

Overvalued market – Milan

Market in general quite stable, prime retail and offices are the asset class stars of the market – Milan

Good market – Milan

Netherlands

In the Dutch investment market we see slightly more activity in core+ segment. The alternative categories have a lack of supply. All opportunistic and value add investments are still being traded at high yields – Amsterdam

Regional comments from survey participants

From a financing perspective it seems like investors are less interested in residential - buy to let - property (mainly due to fiscal issues and uncertainties in regulations) and are now looking into other (alternative) investment categories like care & cure markets - Amsterdam

I'm still positive about the future of the markets. I see some cooling of the overheated labour market and overheated demand for services. All of that becomes more in balance – Maasdijk

Market on hold – Utrecht

Poland

Market is tough and still much uncertainty where it is heading – Warsaw

While market recovery is expected, ongoing uncertainty from geopolitical conflicts continues to restrict investments – Warsaw

The political situation including War at Ukraine impacts investors decisions and increases perceived risk. This translates into less positive consumer attitude and also decreased investors willingness to make decisions to invest – Warsaw

Portugal

We're reaching the demographic limit of our population. The housing stock will feel this impact if emigration is restricted – Lisbon

Romania

Political decisions are worsening the existing market condition - Bucharest

On the residential side there is an inertia but the sector seems under stress due to adverse fiscal measures, inflation and interest rates which make multifamily units unaffordable for the middle class which was the main target of large developments in major cities in Romania - Bucharest

Spain

Bullish momentum in residential use and moderate or downward momentum in tertiary and commercial uses – Madrid

Solid demand – Madrid

Good market - Madrid

Switzerland

Falling interest rates and prices – Zurich

United Kingdom

Difficult to gauge - sentiment changes week to week as does activity. Overall the industrial and logistics sector is still performing relatively well from an occupational perspective but activity is often polarised - Birmingham

The markets seem generally stagnant and nervous due to UK Government issues and external global factors influencing northern hemisphere economies -Birmingham

Generally soporific - Birmingham

Unless one is in the prime capital markets sector, property activity remains low. Aside from interest rates and inflation pressures, we have a government that normally would be able to kick start the economy by infrastructure projects. But they have nowhere to borrow the money without presenting ever increasing unhelpful taxation ideas. Their socialist policies on making the housing market fairer, seems to be working, but at a disasterous cost to the UK & zero business confidence - London

The cycle is close to the bottom but valuations do not properly reflect this - the lack of acceptance of the true position restrains markets from operating - London

Decisions are taking longer due to a lack of confidence in the business sector due to government and fiscal concerns - London

The market is sticky due to cost of debt. This is starting to abate so see cheaper money coming in the next 12 months. Rating revaluation next year will have a positive impact on the off pitch Central London office leasing market - London

The central London office market remains flat with small peaks but large troughs for secondary / unfurnished offices. Retail and industrial appears stronger. Deals taking far too long with average timing moving from 8 weeks to 12 - 16 weeks - London

We have found that the tertiary retail market is far outperforming the prime retail market throughout West London. Also it is very difficult to deal with so called prime covenants at the moment, as in our experience their surveyors agree Heads of Terms claiming they have Board Approval, instruct solicitors and then at the final hurdle claim that the Board have changed their mind and the transaction aborts - London

General market sentiment remains cautious across all sectors with concerns surrounding November's budget. We have seen an increase in enquiries and viewings since the summer break but decision making continues to be slow. Incentive packages are increasing slightly but rents seem to be holding up - London

There is a reluctance to commit to deals by many investors unless the price is really attractive, given global geopolitical and economic headwinds - London

Yield on long dated Gilts casting a shadow over markets - London

There is an increasing appetite for office investments from UK purchasers, although capital values remain depressed - London

Commercial sales (occupier/investment) have been flatlining for some time. Largely the result of a lack of Bank lending, but accelerated in recent months by changes to property taxation, high interest rates and inflation. Current market conditions bear a resemblance to the onset of a recession. Demand for commercial lettings has been fueled by start-ups and individuals seeking an alternative source of income to a traditional 9-to-5 job. Landlord will take on a start-up with a 6-12 month deposit - London

Office demand has fallen but tenants still require good quality space. Discounting rent for poorer space to secure a tenant isn't the answer - Manchester

World politics remain very unstable creating uncertainty throughout the property investment market. Finance markets are not settled at present Government based intervention and increased laws on student accommodation and HMOs is creating uncertainty for investors. Immigration s not controlled and is creating unrest in the UK as there is no property solutions available which are plausible - Manchester

Government policy causing uncertainty and lack of confidence across the sector in terms of investment and occupation, this is particularly apparent in the secondary market with investors pulling out - Manchester

Buoyant overall - Manchester

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 11 September 2025 with responses received until 15 October 2025. 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 1507 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

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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