ECONOMICS

# European Commercial Property Monitor

Q2 2026

ECONOMICS

# Headline demand metrics broadly flat, but the credit backdrop continues to deteriorate

- Headline sentiment index returns to roughly the level seen at the end of last year
- Credit conditions deteriorate further, with the geopolitical backdrop continuing to weigh on the market
- Investment enquiries flatten as the weaker credit backdrop feeds through, though twelve-month expectations turn more positive

The headline European Commercial Property Sentiment Index (CPSI) recovered some of the ground lost in the first quarter, edging up to a reading of -6 from -8 previously. This returns the index to broadly where it stood at the end of last year, although it remains in modestly negative territory. The marginally less downbeat tone was evident across both the occupier and investor sides of the market.

Chart 1 tracks the two headline composite indicators over time. Both the Occupier and Investment Sentiment Indices have diverged at various points over the last few years. However, the latest readings show them converging over the past couple of quarters. Neither series has yet returned to positive territory, although the trajectory over the past year has been one of gradual stabilisation rather than renewed decline.

## Divergence across the continent becomes more pronounced

Analysis at the country level continues to highlight a marked disparity in sentiment across the continent, and this quarter the pattern has become more pronounced (Chart 2). Poland now records the most upbeat readings of any European market covered, with the CPSI rising to +27, closely followed by Spain at +26. Portugal and the Republic of Ireland also remain comfortably positive, while Hungary, Greece, Switzerland, Cyprus and Italy have all moved into expansionary territory this quarter.

At the other end of the spectrum, the CPSI reading in France remains the weakest across the region at -32, although this does represent a modest softening in pessimism relative to the -39 recorded in Q1. Austria fell sharply to -24 from -9, while Germany moved further into negative territory at -23. In the UK, the headline sentiment index turned less downbeat at -8 from -12.

## Credit conditions deteriorate further

Beneath the steadier headline indicator, the credit environment continues to deteriorate. The net balance for credit conditions slipped further to -27%, compared with -24% in Q1 and a clearly positive +15% at the end of last year. This leaves Europe with the most negative reading globally, as the worldwide average stands at +3%. The persistence of the European deterioration suggests the tightening seen in Q1 has not unwound significantly at the regional level, with exposure to the inflationary impact of the energy price shock continuing to create concern. Moreover, the ECB's recent decision to raise interest rates underscores the persistent inflation concerns facing the region and is likely to reinforce the challenging credit backdrop in the near term.

Importantly, some of the issues flagged in the previous survey now appear to be materialising. In Q1, it was

Chart 1 - Occupier and Investment Sentiment Index

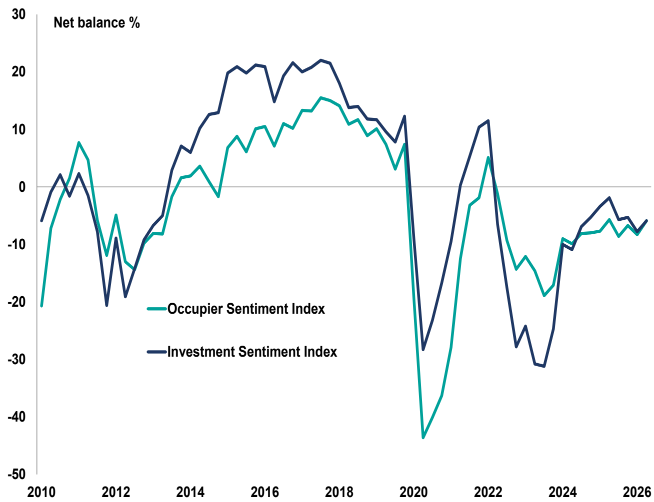
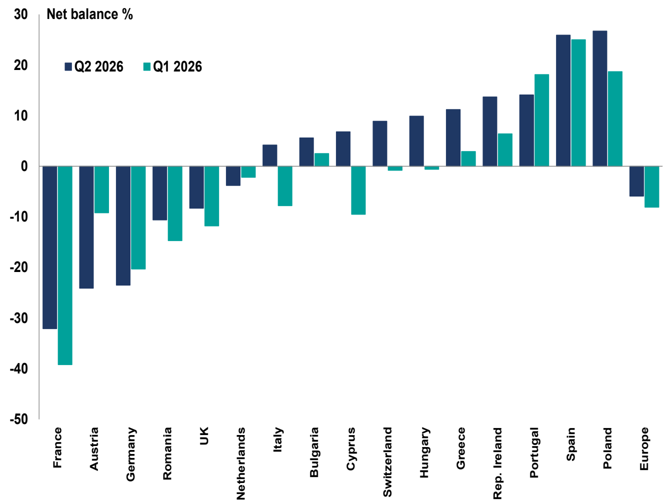



Chart 2 - CPSI by country



noted that investment enquiries had held up despite the sharp deterioration in credit conditions, and that the historical relationship between the two series pointed to a weakening in investor interest should the credit indicator fail to reverse course. Credit conditions did not improve, and investment enquiries have duly flattened, with the net balance fading to zero from +4% previously (Chart 3). The softening is most visible in the office segment, where the reading fell to -6% from +1%, while industrials continue to attract the firmest investor interest of the traditional sectors at +8%.

That said, the deterioration in credit conditions is far from uniform across the continent. Austria recorded the sharpest shift of any market covered, with the net balance falling significantly from a previously neutral position, while Germany declined further to leave the net balance reading at -70%. Bulgaria and Romania also experienced pronounced tightening. By contrast, several markets moved firmly in the opposite direction, with Hungary and Poland improving notably, while much of the negativity behind the UK reading diminished compared to Q1. Nevertheless, the disruption caused by the ongoing conflict in the Middle East is a material risk and will likely continue to create volatility in near-term interest rate expectations.

## Occupier indicators stable, though the sector mix shifts

Occupier market indicators were largely stable, with the aggregate demand net balance little changed at -2%. The sector composition shifted somewhat, however. Industrial demand strengthened to +6%, and retail became less negative at -5% (from -9%), while office demand deteriorated to a net balance of -8% from -2%. Elsewhere in the occupier data, availability continues to rise, albeit at a slightly moderating pace (net balance terms) and the level of inducements on offer rose again, both consistent with a market in which landlords retain limited pricing power outside the prime segments.

## Forward-looking expectations pick-up marginally

Turning to expectations, the forward-looking data is more encouraging than the current conditions series would imply. Twelve-month rental projections strengthened to a net balance of +13% (from +5%), while twelve-month capital value expectations

Chart 3 - Credit Conditions and Investment Enquiries

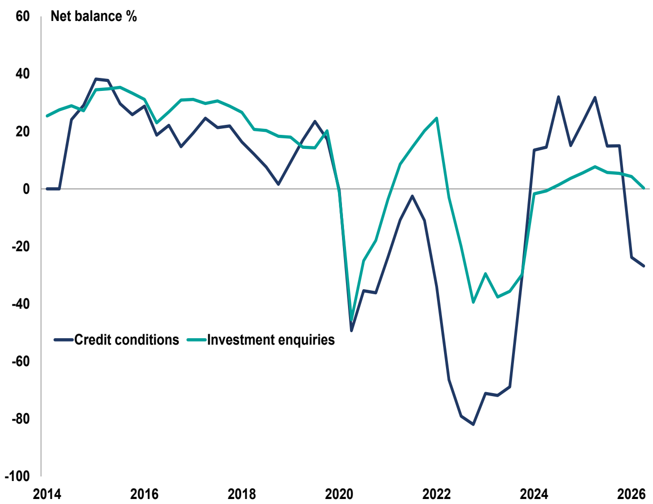
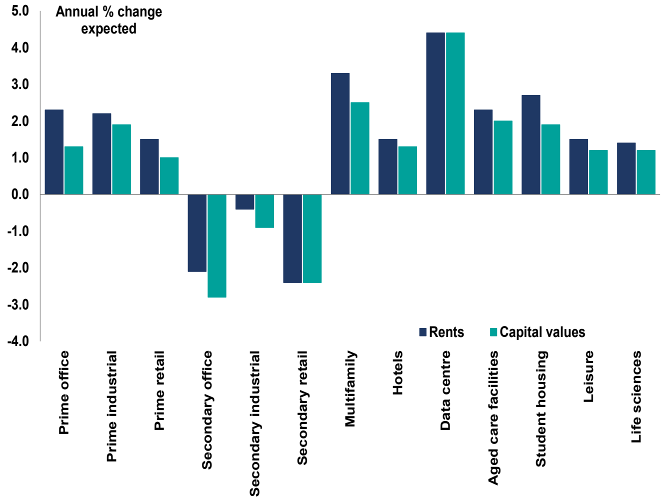



Chart 4 -Headline All-Sector Twelve-Month Rental and Capital Value Growth Projections




returned to positive territory at +3%, compared with -2% previously. Near-term projections also improved, with the three-month capital value reading recovering to -4% from -10%. The contrast between deteriorating credit conditions and improving expectations suggests respondents increasingly view the current financing environment as a shorter term constraint rather than a longer lasting issue.

Chart 4 presents European projections for capital values and rents over the next year at a sector level (measured in percentage terms). The familiar pattern persists, with prime assets expected to deliver modest positive returns and secondary assets continuing to lag. Data centres remain the strongest projected performer, with capital value growth of 4.4% anticipated, followed by multifamily at 2.5%. Secondary offices remain the weakest segment with value seen slipping at -2.8%, with secondary retail close behind.

Chart 6 shows projections for capital values at the country level. Poland and Spain sit toward the more positive end of the spectrum, with prime office capital values expected to rise by 6.2% and 4.5%, respectively. Switzerland also anticipates firm growth, particularly in prime industrial assets. By contrast, expectations for France and Germany remain the most subdued, with secondary office values in both markets projected to fall by more than 6%. Even in these markets, however, data centres are expected to deliver meaningful growth, at close to 5% in both cases.

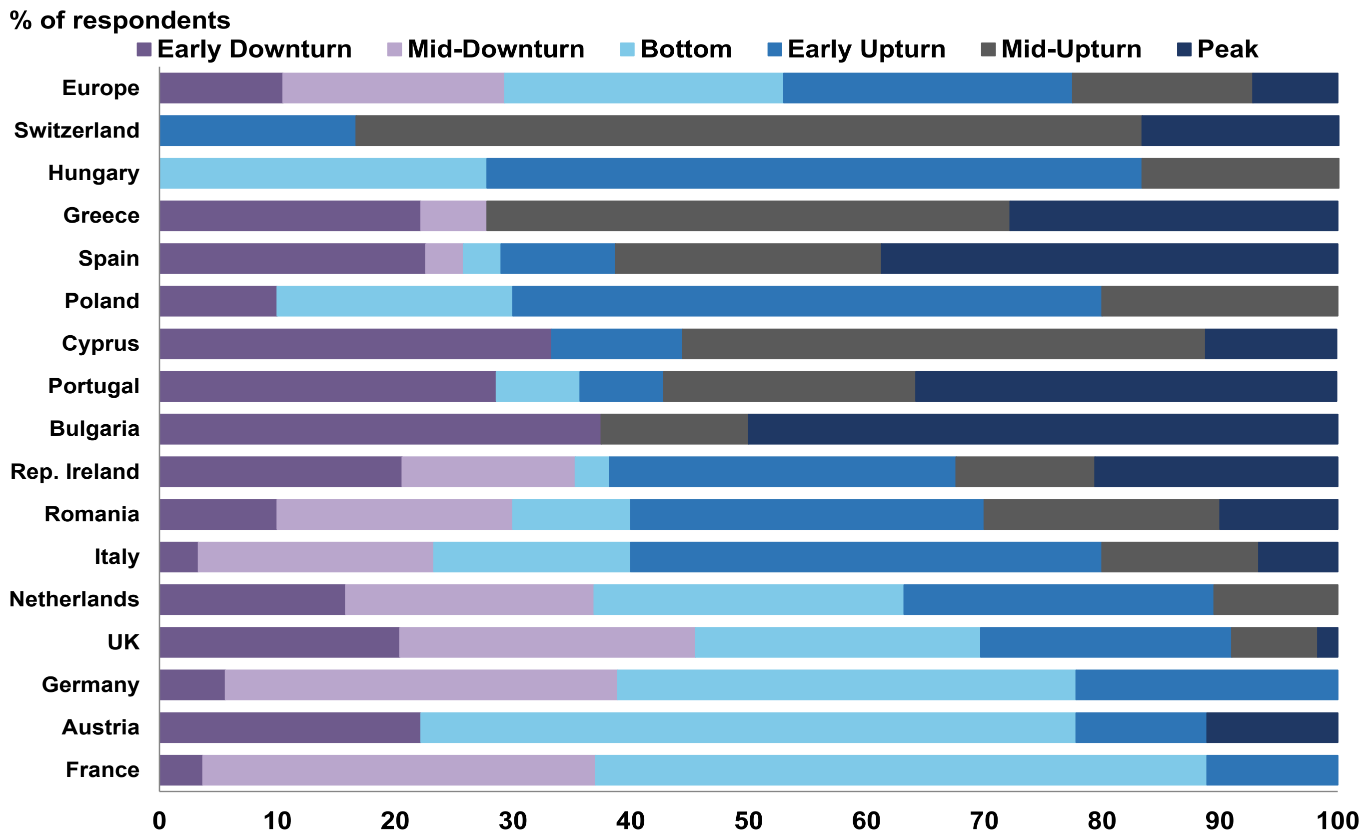
## Perceptions on the stage of the cycle remain split

Finally, perceptions of where the market currently sits in the cycle shifted somewhat this quarter. Across Europe as a whole, the share of respondents identifying the market as being in an early upturn fell to 25% from 30%, although this was largely offset by a rise in those pointing to a mid-upturn phase, which increased to 15% from 10%. At the country level, respondents in Poland, Hungary and Switzerland are most likely to view conditions as consistent with an upturn, while feedback from France and Germany remains concentrated in the mid-downturn and bottom phases. Spain is a notable outlier, with the largest single share of respondents there placing the market at its peak.

Chart 5 - Twelve-month Capital Value and Rental Growth Projections by Country and Sector

| 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 | 0.8 | 1.1 | -0.8 | -2.2 | -3.9 | -5.8 | 3.9 | 0.3 | 5.8 | 1.1 | 1.9 | 3.3 | 2.9 |
| Bulgaria | 3.1 | 2.2 | 1.9 | 0.6 | -0.6 | -0.3 | 3.5 | 3.8 | 2.5 | 4.5 | 3.5 | 4.5 | 4.4 |
| Cyprus | 1.7 | 1.4 | -0.6 | -1.7 | 0.3 | -2.2 | 2.1 | -0.4 | -1.2 | 0.0 | 1.1 | -0.4 | -1.0 |
| France | -0.2 | 0.6 | 0.0 | -6.4 | -3.0 | -4.3 | 1.2 | 1.1 | 5.7 | 0.5 | 0.5 | 0.8 | -1.7 |
| Germany | 0.2 | 1.3 | -0.2 | -6.4 | -2.8 | -5.3 | 2.9 | -0.1 | 4.8 | 0.8 | 2.7 | 0.8 | 1.1 |
| Greece | 2.9 | 3.6 | 2.1 | -0.6 | -0.3 | -1.1 | 2.7 | 2.5 | 5.4 | 2.1 | 4.3 | 2.5 | 1.8 |
| Hungary | 1.9 | 0.9 | 3.0 | -1.3 | -0.6 | 0.5 | 3.3 | 4.8 | 4.5 | 3.2 | 4.2 | 2.3 | 2.5 |
| Italy | 1.7 | 1.3 | 2.3 | -1.0 | -1.1 | -1.0 | 2.6 | 3.6 | 4.3 | 2.8 | 2.5 | 2.2 | 2.0 |
| Netherlands | -0.9 | 0.5 | 2.4 | -3.7 | -1.1 | -0.8 | 1.5 | -1.5 | 3.9 | 2.3 | 0.7 | 0.2 | 1.8 |
| Poland | 6.2 | 4.4 | 4.1 | -1.8 | 0.0 | -1.2 | 1.8 | 4.6 | 5.0 | 4.3 | 2.1 | 1.0 | 2.5 |
| Portugal | 2.5 | 2.0 | 1.6 | -0.2 | 0.5 | 0.5 | 2.5 | 1.8 | 2.8 | 2.7 | 2.3 | 2.3 | 2.2 |
| Rep. Ireland | 2.4 | 2.2 | 0.8 | -1.1 | 0.8 | -0.5 | 1.9 | 0.7 | 1.5 | 1.8 | 1.9 | 0.6 | 1.1 |
| Romania | 0.6 | 2.5 | 0.3 | -1.1 | -0.3 | -1.9 | 3.4 | 4.0 | 8.1 | 4.3 | 3.8 | 2.5 | 1.4 |
| Spain | 4.5 | 3.3 | 3.8 | 0.1 | 0.5 | 0.2 | 4.5 | 3.9 | 7.1 | 4.6 | 4.7 | 3.9 | 3.3 |
| Switzerland | 2.1 | 4.2 | 2.9 | 0.0 | 2.1 | 1.2 | 4.0 | 2.5 | 3.0 | 4.0 | 3.5 | 2.5 | 3.5 |
| UK | 1.2 | 1.6 | -0.1 | -2.3 | -0.4 | -2.8 | 1.1 | 0.8 | 4.4 | 1.3 | -0.3 | -1.0 | 1.0 |

Chart 6 - Perceptions Regarding Point in the Cycle



# Regional comments from survey participants

**Aland Islands (Finland)**

Geopolitical factors still tend to have a significant impact on macroeconomic recovery and general economic conditions. - Mariehamn

**Austria**

ESG focus has generally lost significance and is being replaced by taking an economic view on “green” measures/improvements. - Vienna

**Bulgaria**

We live in changing times. - Veliko Tarnovo

**Czech Republic**

Treading Water. - Prague

**France**

Despite repeated attempts by the government and private sector to stimulate the economy, it is not improving. Many town-centre offices and retail units are closing down because many businesses have migrated towards the periphery or regenerated virtually by substituation of physical office space with remote on-line internet sollutions. Moreover, green legislation has further complicated lease and investment conditions. The economic condition in France is not improving in the foreseeable future. - Paris

Still not out of the woods. - Paris

**Germany**

Waiting eagerly for signs of macroeconomic recovery! - Berlin

**Greece**

Greece investment market continues to attract strong interest from domestic and international investors. The country outperforms the European average economically and offers attractive prospects for capital appreciation. The principal challenge remains the limited supply of investment-grade assets. Emerging sectors (data centres, student housing and senior living) benefit from sound fundamentals, although limited development land constrains growth. Hospitality remains the star performing sector. - Athens

State owed real estate has not been introduced to the market. Lack of new student facilities. Too many funds that operate in Greece have not pushed their real estate assets into the market. - Drosia,Attica

**Hungary**

The Hungarian election results improved the sentiment significantly. - Budapest

There is a trend that big multinational companies don’t prefer to pay advisors (well or at all) and expect to collect their consultancy fee from the Landlords. It makes the advisor position weaker during negotiations sometimes. - Budapest

**Ireland**

Market is uncertain. - Cork

Geopolitical uncertainty has paused activity in the market. - Dublin

Ireland remains attractive to overseas Investors with long leases and euro denominated opportunities in an economy showing continued growth. - Dublin

Quarter negatively impacted by wars in Middle East and consequent global economic impact causing uncertainty and 0.25% rise in ECB rates. Nevertheless good occupier and international investor demand for environmentally friendly assets. Significant international investor demand for new apartments, following changes in restrictions to rent increases. New residential apartments which commenced construction on or after 10 June 2025 can now implement annual increases matching the Consumer Price Index. - Dublin

Sentiment better despite geopolitical threats. - Dublin

Very small supply of quality product in the market. - Dublin

Supply constraints continue. - Dublin.

**Italy**

Stable market, green oriented. - Milan

**Latvia**

The Latvian commercial real estate market remains resilient despite geopolitical uncertainty and a subdued investment market. Investment activity is constrained by financing conditions and limited availability of prime assets. Demand for modern, energy-efficient office and logistics space remains stable. Sustainability is becoming increasingly important in investment and leasing decisions, although clear evidence of a green premium remains limited. - Riga

**Macedonia**

The real estate market in Macedonia is in an early-to-mid stage of development, with maturity varying by asset class. Several trends stand out: a rapid rollout of retail parks, the entry of new-to-market brands (Lidl, Spar, Pepco, Kiabi), and growing tenant demand for green-certified office buildings, now increasingly a standard point in commercial lease negotiations. Investors are prioritizing portfolio assembly, which in turn is attracting international institutional capital. - Skopje

Norway

In their meeting on the 6th of May, Norges Bank decided to increase the policy rate from 4% to 4.25%. They stated that inflation is too high and has run above target for several years. The NOK Swap 5Y rate has also been trading upwards in the past 6 months and amounts to circa 4.5% at the moment. It is likely that another rate hike is to be expected later in the year if inflation doesn’t come under control. It is likely that this has an uplifting effect on yields. - Oslo

**Poland**

In Poland a strong trend in the warehouse and industrial market for owner occupied or long lease Build to Suit buildings specific to the occupiers requirements and function. Rents and build costs of such Build To Suits appear to be accepted by the occupier even if two/three times that of speculative generic space. - Warsaw

**Portugal**

Market showing signs of peaking. - Lisbon

The market is unsettled by the international situation. - Lisbon

**Romania**

Romania’s commercial real estate market is in an early recovery phase, with industrial/logistics and retail leading growth. Prime rents will probably increase modestly over the next 12 months, on the ground of limited new office supply, low logistics vacancy, and resilient occupier demand. Investor appetite remains strongest for industrial/logistics, retail parks, and ESG-certified prime office assets, with investment activity rebounding in 2026. Sustainability becomes increasingly important. - Bucharest

# Regional comments from survey participants

Romania's commercial real estate market is in early recovery, with strong fundamentals in the industrial and retail sectors, while the office market continues to recover gradually. Prime rents are expected to increase modestly due to limited new supply and stable occupier demand. Investor interest remains strongest for logistics, retail parks, and high-quality ESG-certified office assets. New development is concentrated in the industrial sector. ESG factors become key investment drivers. - Bucharest

**Spain**

Some (moderate) rise in interest rates, and some slowdown in leasing activity and average marketing timelines. We suspect we have passed the peak of the cycle; however, Spanish macroeconomic indicators remain very encouraging. - Madrid

We are in a boom bubble. I think that after November we will start to see... - Madrid

## 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 10 June 2026 with responses received until 13 July 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 1368 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.

## Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

## Disclaimer



## Economics Team

Simon Rubinsohn

Chief Economist

srubinsohn@rics.org

Tarrant Parsons

Head of Market Research & Analysis

tparsons@rics.org

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Enquiries
contactrics@rics.org