Europe Commercial Property Monitor

Q3 2026

ECONOMICS



Investment activity weakens as the credit backdrop deteriorates further

- Headline sentiment index falls to its weakest reading since the end of 2023, with the investment side driving the decline
- Credit conditions tighten further, against a backdrop of rising sovereign bond yields across the region, with investment enquiries falling
- Near-term capital value expectations downgraded, although rental outlook appears more resilient

The headline European Commercial Property Sentiment Index (CPSI) fell to -11 in Q3, from -6 previously, leaving the index at its weakest level since the end of 2023 and reversing the modest recovery seen three months ago. The more downbeat tone was evident across both sides of the market, although the investment side accounted for the bulk of the decline.

Chart 1 tracks the two headline composite indicators over time. In the previous survey, we noted that the Occupier and Investment Sentiment Indices had converged over consecutive quarters. That pattern has now reversed, with the ISI falling to -13 while the OSI eased to -9. The investment series is now at its lowest level since 2023 and sits below the occupier measure for the first time in more than two years.

Country-level divergence widens

Analysis at the country level continues to show a wide dispersion of outcomes (Chart 2). Poland retains the most upbeat reading of any European market covered, with the CPSI at +19, although this is down from +27 in Q2. Spain, which had previously been close behind, saw its reading halve to +13. Portugal, Cyprus, the Czech Republic and Greece all returned readings close to +10, while Hungary, Italy and the Republic of Ireland remain modestly positive.

At the other end of the spectrum, France weakened considerably to -54 from -32, by some margin the lowest reading in the region and the weakest returned by any European market in the current cycle. Austria fell further to -35, while Germany moved to -26 and the UK slipped to -11. Switzerland recorded one of the larger quarter-on-quarter moves, falling to -6 from +9. Only Cyprus, Italy, the Netherlands and Romania posted firmer readings than in the previous survey.

Credit conditions tighten further

Looking into the details of the latest results, a further deterioration in the credit environment was a key driver of the weaker headline picture. The net balance for credit conditions slipped to -43%, compared with -27% in Q2 and -24% in Q1, representing the weakest reading since the second half of 2023. This has coincided with a marked repricing across European sovereign debt markets over the survey period. Ten-year Bund yields have risen to stand at close to a percentage point above their level of a year earlier, while the French ten-year moved above 5% for the first time since 2002. In the UK, ten-year gilt yields climbed above 5% to their highest since 2008, with the thirty-year breaching 6%. Higher risk-free rates across the region are feeding directly into the cost and availability of real estate debt.

In Q2, it was highlighted that investment enquiries had flattened as the weaker credit backdrop fed through, and that continued tightening would likely push the

Chart 1 - Occupier & Investment Sentiment Index

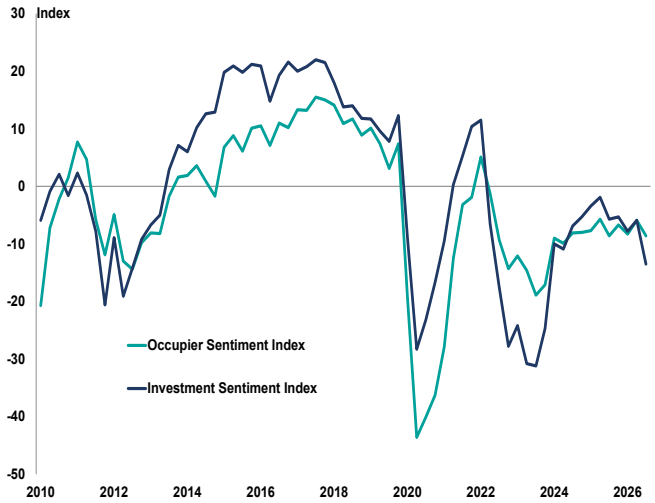
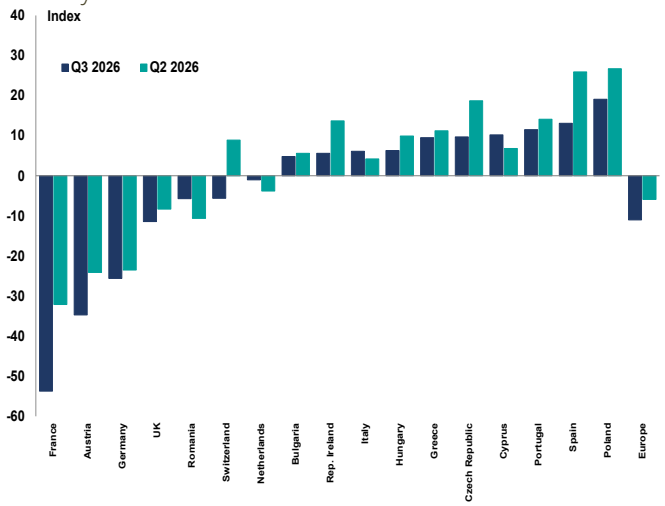


Chart 2 - Commercial Property Sentiment Index by country



series lower. Credit conditions failed to improve, and investment enquiries have duly turned negative, with the net balance falling to -5% from zero previously (Chart 3). The weakness is again most visible in the office segment, where the net balance reading for investment demand fell to -12% from -6%, while retail moved to -7%. Industrials continue to attract the strongest investor interest among the traditional sectors, albeit with the net balance moderating to +4%.

As in previous quarters, the deterioration is far from uniform. French respondents reported the most significant tightening in financing conditions of any market covered, at a net balance of -74%, with Germany at -71% and Austria at -62%. Poland saw the sharpest quarter-on-quarter shift, moving to -9% from a strongly positive +50%, while Spain and Portugal each surrendered around thirty percentage points from the indicator. By contrast, Greece reported a notable improvement to +43%, with Hungary also firmly positive at +47%. Alongside this, the supply of property for sale rose to +24% from +14%, pointing to more stock reaching the market against a backdrop of softening demand.

Occupier indicators soften, with retail the weakest segment

Occupier market indicators lost ground, albeit less sharply than the investment series. The aggregate demand net balance moved to -7% from -2%, with retail posting the weakest reading at -14%, followed by offices at -11%. Industrial demand remains marginally positive at +2%, continuing the pattern seen in recent quarters. Availability of space rose further according to a headline net balance of +18% of respondents, while the inducements metric remained elevated at a net balance of +21%. Meanwhile, the development starts gauge fell, posting a net balance of -25% from -20%, pointing to a further contraction in the development pipeline over the medium term.

Forward-looking indicators revised lower

Turning to the outlook, forward-looking indicators moved broadly in line with current market conditions this quarter, in contrast to the divergence noted in Q2. Twelve-month rental projections moderated to a net balance of +9% from +13%, while twelve-month

Chart 3 - Credit Conditions and Investment Enquiries

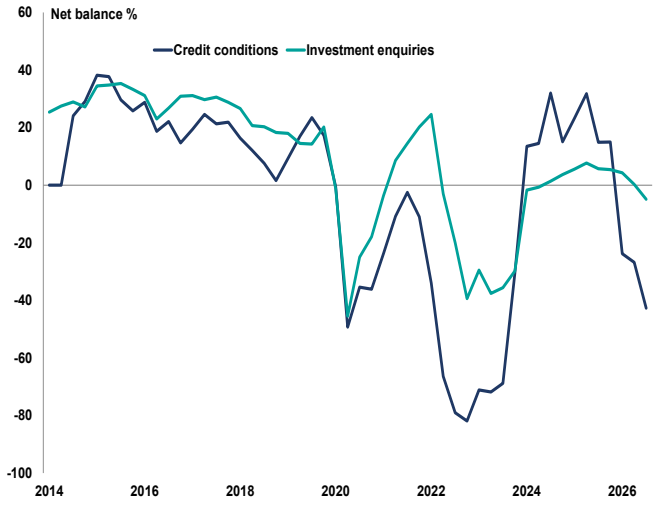
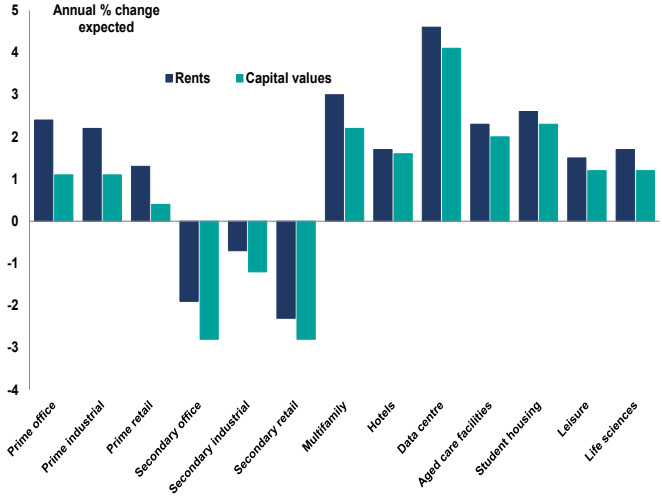


Chart 4 - Twelve-month capital value and rental growth expectations by sector



capital value expectations slipped back into negative territory at -8%, having returned to +3% three months ago. This suggests respondents now view the financing environment as a more persistent constraint than they did in the previous survey.

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 while secondary assets continue to lag. Data centres remain the strongest projected performer, with capital value growth of 4.1% anticipated, followed by student housing at 2.3% and multifamily at 2.2%. Secondary offices and secondary retail are both expected to record declines of 2.8%.

Chart 5 on the next page shows projections for capital values at the country level. Spain sits towards the more positive end of the spectrum, with prime office values expected to rise by 4.7% and prime retail values by 5.1%, followed by Poland and Cyprus. By contrast, expectations for France and Germany remain the most subdued, with prime office values now projected to decline in both markets and secondary office values expected to fall by 6.6% and 5.9% respectively. Even in these markets, however, data centres are anticipated to deliver positive growth.

Cycle perceptions shift towards the downturn phase

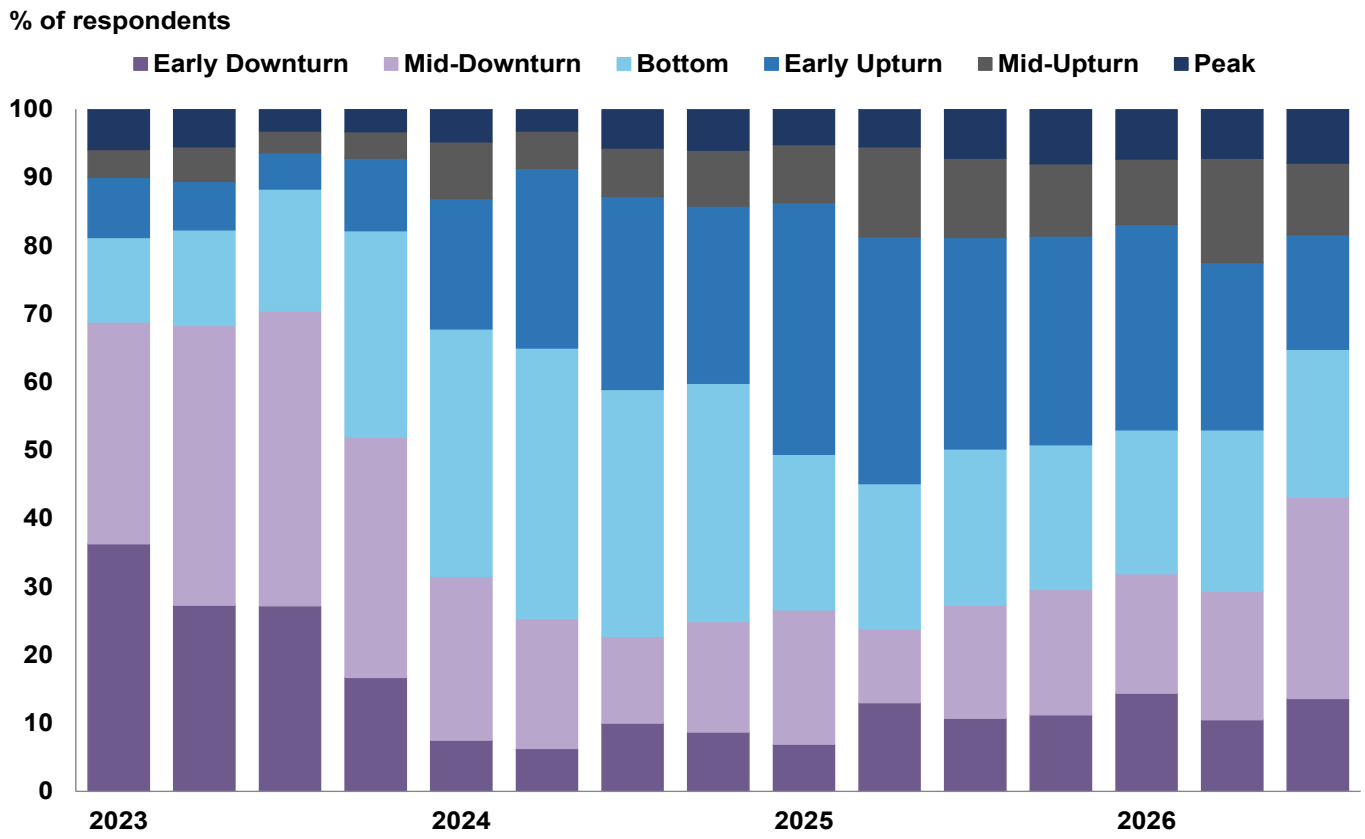
Finally, perceptions of where the market currently sits in the cycle shifted noticeably this quarter (Chart 6). Across Europe as a whole, the share of respondents identifying the market as being in a mid-downturn rose to 30%, up from 19%, making it the largest single category. At the same time, the proportion of contributors who viewed the market as being in an early upturn fell to 17% from 25%. Taken together, these results suggest that the dominant view has shifted towards the market being in a contractionary phase.

At the country level, feedback from France remains heavily concentrated in the mid-downturn and bottom phases, as does that from Germany and the Netherlands. Several smaller markets, including Bulgaria, Cyprus, Greece and Switzerland, recorded the largest share of respondents placing the market at its peak. Views on pricing moved in a similar direction, with 41% now describing the market as expensive, up from 34% in Q2.

Chart 5 - Twelve-month capital value expectations by country

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	1.2	1.2	-0.9	-3.1	-1.9	-5.9	3.1	1.1	5.7	3.8	3.2	1.8	2.9
Bulgaria	1.1	2.1	1.1	-1.4	1.1	-1.8	3.0	2.1	0.0	5.0	3.3	1.2	6.7
Cyprus	3.3	2.5	0.8	1.5	2.5	0.6	5.0	4.2	2.9	3.9	6.1	5.3	3.1
Czech Republic	1.1	0.4	0.4	0.4	-1.2	0.7	6.2	5.8	6.2	5.0	7.5	5.8	5.0
France	-1.1	0.4	-1.0	-6.6	-1.1	-5.0	0.8	1.3	2.5	1.2	1.5	2.0	0.3
Germany	-0.7	-0.1	-1.0	-5.9	-3.5	-5.2	1.0	-0.5	3.2	-0.8	1.0	0.1	0.8
Greece	2.1	1.7	1.0	-0.4	-1.1	-1.5	2.1	3.6	3.4	2.0	5.7	2.5	1.0
Hungary	2.7	2.1	3.5	-0.9	-1.1	-0.4	0.8	1.8	5.3	2.2	3.4	2.5	2.2
Italy	2.2	1.8	2.0	-0.8	-0.7	-1.2	3.1	4.8	6.5	3.2	5.5	2.5	2.0
Netherlands	-0.4	0.0	-0.5	-3.4	-1.2	-2.3	1.9	-0.8	1.6	1.4	2.0	-0.2	0.0
Poland	3.4	1.9	1.7	-0.9	-1.9	-1.4	2.2	2.8	5.0	5.0	2.5	2.1	2.1
Portugal	2.5	4.1	2.5	-0.4	0.5	-0.9	5.5	5.7	4.3	5.7	5.4	3.3	2.9
Rep. Ireland	1.8	1.7	0.0	-1.6	1.3	-2.0	2.0	2.2	3.2	3.1	2.4	0.8	1.6
Romania	1.8	1.8	1.2	-0.5	-1.0	-0.8	5.4	2.5	6.5	3.0	4.4	2.8	2.0
Spain	4.7	2.8	5.1	0.1	-1.0	0.4	5.4	4.2	4.7	4.4	6.1	2.3	1.2
Switzerland	1.4	2.5	1.4	-1.4	-1.4	-2.5	4.6	1.0	1.5	2.9	1.2	2.9	1.5
UK	0.9	0.7	-0.4	-2.7	-0.7	-2.8	0.3	-0.3	3.7	1.2	-0.8	-1.0	-0.2

Chart 6 - European Aggregate Perceptions Regarding Point in the Cycle



Regional comments from survey participants in Europe

Aland Islands (Finland)

A clear recovery phase has been identified in the Nordic real estate market over the past year. At the time of writing, conditions appear favourable for continued recovery in the coming year. However, there are concerns, including challenges to the global economy stemming from geopolitical developments in Eastern Europe and the Middle East. Furthermore, uncertainty persists due to the unpredictable trade policy direction of the US administration. - Mariehamn

Austria

Stability is needed once again. The uncertainty and unpredictability of the global economy and of politics is damaging. - Vienna

The Austrian government has introduced new regulations for commercial real estate which require new owners to implement a decarbonisation refit, meeting certain criteria within five years of acquisition. This regulation will have a significant impact on achievable sales prices for current owners. - Vienna

Belgium

Still a hesitant attitude on the part of investors. We are observing more diversification of portfolios. - Brussels

Bulgaria

Investment market volume in Bulgaria continues to increase across all segments, with a rising share of foreign capital. This, combined with the improved country rating from international credit agencies, is a strong signal to cross-border institutional investors. - Sofia

Investor demand for prime office locations persists, driven by local business groups and family offices. Retail supply is approaching saturation across many markets and is tapering off as a result. Occupiers are focusing on secondary and tertiary locations where new product is not justified by fundamentals. Logistics demand appears resilient. Foreign investment is fairly limited and opportunistically driven, coming from already established players. - Sofia

Croatia

A reaction is needed now, there is no space for further deliberation. - Mošćenička Draga

Cyprus

The market remains strong and capital values are expensive in Limassol. - Limassol

The current market is strong and continues to be one of the stronger markets in Cyprus. It remains a seller's market and demand continues to be strong. Shops and retail are doing less well, but this may change. - Paphos

France

The French commercial real estate market is facing additional inflationary pressure emanating from soaring energy prices and the government's inability to tackle sharp petrol and diesel prices at the pump. Street retail in many medium and small cities throughout France is declining on account of excessively high rents and low turnover. High-end office space is failing to attract new tenants because start-ups prefer staff to work from home to cut costs. Lending rates have risen. - Paris

The French government is running into a perilous path, where high public debt is creating a daunting obstacle to further funding commitments at the expense of social spending, while conflict in the Persian Gulf and the Red Sea is causing oil and gas import costs to rise sharply, fuelling panic among local consumers at the petrol stations. At the same time, bank borrowing rates are rising on account of higher perceived risk from the heavily indebted national economy. Times are hard. - Paris

The market is treading water, but an incoming storm is threatening. This is a difficult case for valuers to report, with very few recent comparables, and those that exist distorted by incentives. There is a case for a general market health warning, particularly for Paris suburban offices and tired retail warehousing and industrial, as a valuer can legitimately be 25% away from what a willing buyer will pay. - Paris

Germany

Finally, there is acceptance by all market participants, including owners of core-type portfolios, that we are in a prolonged market correction with no near-term potential for an upswing. - Berlin

German pricing has not yet troughed. Two ECB hikes since June have taken the five-year swap above 3.5% and the Bund above 3.55%. That tightens the spread between prime assets and the cost of financing. B and C grade office faces rising supply against effectively no demand, while prime is stale. Residential and logistics still hold up best, and retail remains weak. The extend and pretend approach continues between lenders and investors on many effectively insolvent deals, a number of which I expect to eventually fail. - Berlin

Uncertainty around capital demand for office products, compounded by occupier demand for office space being difficult to assess. Capital values are fundamentally under pressure as a result of rising interest rates on alternative investments, so capital growth on average quality assets and investments tends to be negative. - Dusseldorf

We are seeing an increase in international investor interest in the retail property sector, as values represent fairer pricing and can provide investors with a positive yield. The interest is focused on core properties with longer leases secured by major retailers with sustainable long-term concepts. - Dusseldorf

The market is looking for bargains. Where these are not available, very little moves at all. Bank lending is becoming more difficult. - Görlitz

Regional comments from survey participants in Europe

Greece

Overall annual rental growth in Athens averages 5% to 5.5%, but performance is sharply split between modern, energy-efficient Grade A assets and ageing, unrenovated office stock. High demand from multinationals, financial institutions, technology firms and flexible workspace operators is focused almost exclusively on certified space. Owing to a structural shortage of modern inventory, prime office vacancy remains low, pushing rents up, while older space faces mounting vacancy pressure unless earmarked for redevelopment. - Athens

The Greek commercial real estate market remains resilient, supported by solid occupier and investor demand for prime assets. Demand continues to be concentrated in high-quality office, logistics and prime retail properties, while secondary assets attract more selective interest. Capital values and rents are expected to record modest further growth over the next 12 months, although at a slower pace than in previous years. The market appears to be at a mature stage of the current cycle. - Athens

We believe that rents and yields will remain stable over the coming months despite rising interest rates and bond yields, sustained by a shortage of good quality assets. - Athens

Hungary

Continuing geopolitical tensions are bringing a greater degree of uncertainty into the economic outlook, and high and increasing eurobond yields are narrowing the spread on real estate investments, making them less attractive. These factors limit investment turnover and the improvement in valuations through lower yields. - Budapest

Increasing appetite for flexible office solutions. - Budapest

It is hard to predict general average terms. For example, landlords try to attract new tenants but not all of them are keen to retain existing ones. Everyone is optimising their total income, but they do not appreciate that failing to retain tenants costs them over the long term. It is similar to retaining good colleagues by motivating them, rather than hiring new people at much higher salaries with no justified track record behind them. - Budapest

Unstable, and waiting for the conflicts to end. - Budapest

Ireland

Geopolitical factors are affecting investor and purchaser confidence. - Dublin

Occupational markets are in good shape. Swap rates have increased and are casting a shadow. - Dublin

Steady demand against low availability. - Dublin

The increase in interest rates is going to last a while, certainly somewhat longer than the Middle East conflict. This will lead to falls in capital valuations. - Dublin

Uncertain times. - Dublin

Conflict in the Strait of Hormuz and elsewhere in the world has left investors in all sectors cautious. - Newry

Italy

Overall, a stable market with a positive bias is expected over the next twelve months. The Bari market should remain favourable to property ownership, with a growing preference for assets capable of generating recurring income and capturing new models of consumption and leisure. - Bari

The Italian property market is showing signs of gradual improvement, with greater liquidity and investor interest. Quality assets continue to hold up well, while secondary product remains more penalised by refurbishment costs. Overall, we expect a stable market with moderate growth in rents and values. - Milan

The market is still active, although older product is suffering. - Milan

The Italian market is currently characterised by a significant degree of uncertainty. While the fundamental performance of the banking sector remains relatively resilient, investors and servicers are operating against a backdrop of elevated geopolitical and macroeconomic risk. Ongoing tensions in the Middle East, the continuing conflict in Eastern Europe, and the potential implications for energy prices, inflation and economic growth have reduced visibility on future credit performance across several segments. - Rome

Luxembourg

Very focused on prime. - Luxembourg

Netherlands

Demand is rising, especially in the area of investing in residential product for individual sales. - Amsterdam

Retail is relatively solid, except for units below 100 square metres, which are less attractive for both letting and sale. - Amsterdam

Rising interest rates are unsettling for most property markets and will affect secondary property more than prime property. Depending on rental growth, values will either remain stable or decline. - Amsterdam

Nothing of note is happening here. There have been no new office developments since 2013. - Den Haag

Poland

For prime offices and industrial assets in Poland, capital values appear undervalued. Rental growth projections in these sectors signal that it is a good time to purchase investments. - Warsaw

Portugal

The current market situation warrants some caution given the monetary policy movements we are witnessing, which will influence the price of all assets. - Lisbon

Regional comments from survey participants in Europe

Romania

Asking prices remain high, while transaction volumes and investment activity have declined significantly. Political uncertainty and weakening economic indicators are adding further pressure to market sentiment. These conditions may persist or become more pronounced over the next 12–18 months, with an increasing risk of recession. - Bucharest

Political instability and proximity to regional conflict are weighing on the economic climate. - Bucharest

Spain

In my view, I expect a more pronounced increase in prime areas, in retail and offices, and also in sectors such as data centres and purpose-built student accommodation. Elsewhere, and in secondary areas, I expect year-on-year increases but more contained ones. I believe we are still in a growth phase, but close to the peak that the market can currently support. - Barcelona

The property market in general, after several years of substantial increases since 2021, is showing signs of a change in cycle. Prices continue to rise, although not to the same extent as in previous years, but the number of transactions is falling appreciably. - Las Rozas de Madrid

In summary, there are clear signs of a slowdown, although it is more accurate to speak of moderation and greater selectivity rather than a widespread contraction in the Madrid real estate market. After several years of asset appreciation and a recovery in investment, we are seeing greater caution in decision-making, longer financing and closing processes, and greater sensitivity to required returns. - Madrid

Interest in office investments remains strong among private investors seeking to deploy capital in well located properties with long leases and strong covenants. - Madrid

Interest rate spikes and inflation have yet to seriously affect the market. If the Middle East conflict continues, markets should feel the influence of macroeconomic events. - Madrid

The geo-economic situation relating to commodities, oil and gas will affect manufacturing companies in particular and will be passed on to demand through prices. Oil prices, driven by the Middle East conflict and disruption to strategic shipping routes, will put pressure on prices, which will push bond yields higher, and if sustained this will feed through to real estate yields. There is clear uncertainty over the coming months, alongside rate rises from the ECB and the Federal Reserve. - Madrid

The increase in material costs is very significant, and the high level of staff absence is preventing greater output, which in turn reduces returns on capital. - Madrid

At present, the market in the area where I am based has reached a plateau in terms of capital values and rents. No changes are expected in the short term. - Murcia

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 9 September 2026 with responses received until 19 October 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 1236 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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