



FORT VEGA

EUROPEAN REAL ESTATE OUTLOOK 2026

OVERALL MARKET SENTIMENT

Europe is entering a period of structural transition, shaped by geopolitical shifts and macroeconomic uncertainty. The inauguration of Donald Trump in January 2025, alongside ongoing security tensions in Eastern Europe and the Middle East, has accelerated a move toward a more fragmented global order.

In this environment, investors are no longer waiting for certainty. Instead, capital deployment strategies are increasingly built around managing and pricing risk.

Geopolitical factors now dominate sentiment. Key concerns include:

- The war in Ukraine
- Middle East instability
- Deglobalisation trends
- US trade policy, particularly tariffs

These factors are already impacting monetary policy expectations, with anticipated delays in interest rate cuts across Europe.

Despite this backdrop, **capital availability is expected to improve in 2026**, driven by:

- Family offices High-net-
- worth individuals Private
- equity funds

While transaction volumes are increasing, they remain below earlier expectations due to continued uncertainty. At the same time, the current environment may create structural opportunities. Many investors expect **nearshoring trends** to strengthen, with companies relocating operations closer to European markets.

Importantly, Europe is increasingly perceived as a **stable and predictable alternative to the United States**. While US policy remains pro-business, its volatility—particularly around tariffs—has reduced investor confidence. In contrast, Europe's slower but more stable regulatory environment is viewed as a key advantage.



COUNTRY AND CITY TARGETING

In the current cycle, geographic selection has become more critical than ever.

Investors are prioritising:

- Political stability
- Strong legal frameworks
- Market liquidity

At the same time, **city-level performance is diverging from national trends**. Major European cities continue to outperform their respective countries.

Leading investment destinations include:

- London
- Madrid
- Paris
- Berlin

These cities benefit from:

- Deep and liquid markets
- Global connectivity
- Diverse and resilient demand bases

KEY MARKET TRENDS

Three structural drivers continue to shape investment strategies:

Demographics

Driving demand for:

- Student housing
- Senior living
- Healthcare real estate

Digitalisation

Transforming real estate operations and asset value:

- Increased adoption of AI in leasing, asset management, and design
- Strong growth in data centres

Decarbonisation

Remaining relevant, but with growing investor caution:

- Increased scrutiny on ESG-related costs
- Demand for clearer financial returns from ESG investments

In addition, several notable shifts are emerging:

- **Rise of operational real estate** (e.g. hotels), combining real estate with service-based income
- **Growing importance of logistics and infrastructure**, driven by deglobalisation and defence-related investments

KEY CHALLENGES

Development Constraints

A Europe-wide development slowdown is driven by:

- High construction costs
- Labour shortages
- Financing limitations

This “development crunch” is impacting:

- Housing supply
- Sustainability upgrades
- Overall market liquidity

Regulatory Pressure

Increasing bureaucracy, particularly around ESG, is creating friction:

- Slower permitting processes
- Higher compliance costs
- Reduced investor appetite for ESG-led strategies

Only **21% of investors** now view ESG as a primary strategic driver, down significantly from previous years.

While ESG compliance can improve access to financing, its benefits are **not yet fully reflected in asset pricing**, weakening its immediate investment appeal.

CONCLUSION

The European real estate market in 2026 is defined by **uncertainty, selectivity, and strategic discipline**.

Investors are shifting from opportunistic timing toward **pragmatic execution**, focusing on:

- Stable jurisdictions
- Strong urban markets
- Long-term structural trends

Despite slower economic growth and regulatory complexity, Europe remains attractive due to:

- Institutional stability
- Global city networks
- Alignment with long-term drivers such as digitalisation and demographics

While challenges persist—particularly in development and regulation—Europe’s ability to provide a **predictable and resilient investment environment** positions it as a compelling destination for long-term capital.