REAL ESTATE CONVICTIONS

> *Whilst the conflict in the Middle East and the risk of it spreading are destabilising factors for global growth, property investors and occupiers opted for a cautious approach during the first half of 2026. Tenants sought flexible and efficient properties, whilst investors favoured assets with strong visibility on income return and a controlled risk profile. Volatility is no longer an anomaly but the new reality of the property markets. This reinforces the need to prioritise assets with solid fundamentals and strategies that are flexible enough to withstand shocks and capitalise on market opportunities.*

Henry-Aurélien Natter – MRICS, Head of Research

INTERNATIONAL ENVIRONMENT: THE CONFLICT IN THE MIDDLE EAST IS FUELLING UNCERTAINTY AND VOLATILITY

Despite the ceasefire signed in early April 2026 between Iran and the United States, the situation remains fragile and the consequences of the conflict, particularly on the energy markets, could continue to have an impact for several months. At the same time, certain factors supporting global growth remain in place, notably demand linked to AI, whilst disinflation is stalling. **Against this backdrop, growth forecasts remain relatively stable compared with previous projections. Global GDP is expected to grow by 3.0% in 2026 and 3.4% in 2027.**

Despite the significant uncertainties of the current environment, the eurozone economy is stabilising without any real rebound. The outlook for the eurozone has improved slightly thanks to a faster-than-expected decline in inflation and greater resilience in economic activity following the geopolitical shock in the Middle East. The GDP growth forecast for 2026 has been revised upwards to 0.6%. Recent indicators suggest that the worst is probably behind us. Consumer spending has proved more resilient in Germany, France and Italy, limiting the risk of contraction. However, confidence surveys point more to a phase of stabilisation than to a vigorous recovery.

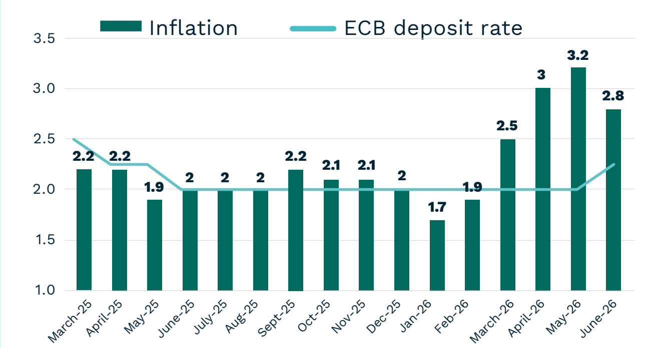
Inflation in the eurozone fell to 2.8% in June after peaking at 3.2% in May, mainly due to the fall in energy prices following the ceasefire between the United States and Iran. The current consensus is for the ECB's deposit rate to remain stable at 2.25%, with average inflation for the whole of 2026 at 2.6%. Further rate rises cannot be ruled out towards the end of the year.

Due to rising geopolitical uncertainties during the second quarter, bond yields came under pressure throughout the quarter. These pressures, combined with high volatility, are set to remain significant owing to budget deficits that are still considered too high and the risks of current conflicts escalating.

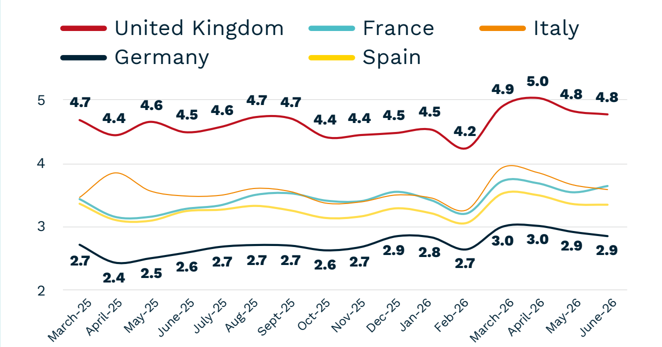
ANNUAL GDP OF THE MAIN EUROZONE COUNTRIES

Country	2025	2026 (f)	2027 (f)
Spain	2.8%	2.7%	2.2%
Netherlands	1.6%	1.2%	1.4%
U.K.	1.3%	0.9%	0.9%
Italy	0.7%	0.8%	0.7%
Euro zone	**1.5%**	**0.6%**	**1.5%**
France	0.9%	0.5%	0.8%
Germany	0.4%	0.5%	1.6%

CONSUMER PRICE INDEX IN EUROPE AND ECB DEPOSIT RATE



TEN-YEAR GOVERNMENT BOND YIELD



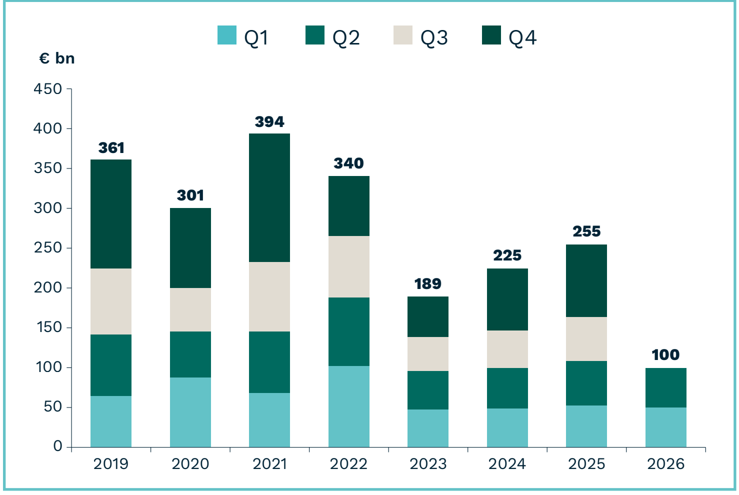
EUROPEAN PROPERTY:
PROPERTY INVESTMENT IS ULTIMATELY HOLDING UP FAIRLY WELL DESPITE TENSIONS IN THE MIDDLE EAST

There was no collapse in capital flows, despite tensions in the Middle East and the risks to growth that this conflict could pose. Consequently, just over €100 billion was invested in Europe in the first half of 2026, compared with €107 billion a year ago. Investment activity remained heavily concentrated in ten markets: the United Kingdom, Germany, Spain, France, Sweden, the Netherlands, Italy, Poland, Denmark and Finland. The **United Kingdom** retained its position as Europe's largest property investment market, although its reliance on foreign capital leaves it more exposed to short-term volatility. By contrast, investment volumes in **Germany, France** and **Italy** are still below 2025 levels, while **Spain** and the **Netherlands** continue to stand out as the most dynamic markets.

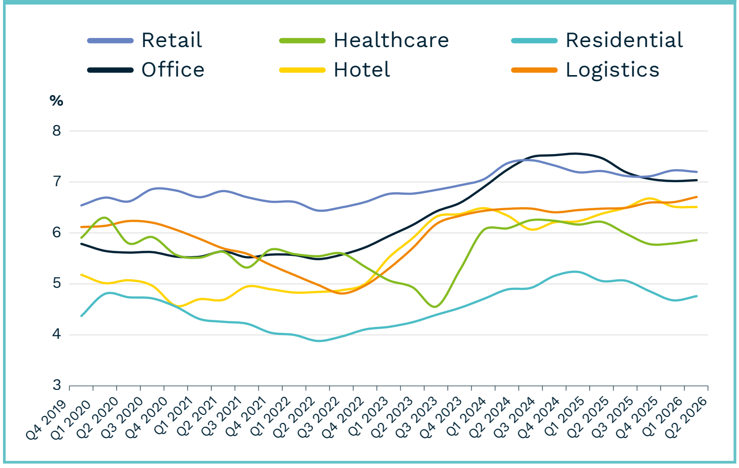
Investments were split as follows: 41% in housing and service-oriented sectors (residential, hospitality, healthcare), 33% in consumer-related sectors (retail, logistics, data centres) and 26% in the office sector and other development sites. **With regard to average capitalisation rates at acquisition, the market shows three trends over the past year:** assets experiencing yield compression (offices, healthcare, residential), for which investors are prepared to pay a premium for the most prime assets; stable assets (retail); and assets undergoing yield expansion (logistics, hotels), where investors are now seeking higher yields, as the perceived risks associated with these asset classes have increased due to tensions in the Middle East. **The market remains highly polarised,** with, on the one hand, prime assets that are highly sought-after against a backdrop of increased selectivity, and, on the other, secondary properties that are undergoing valuation adjustments and continue to face limited liquidity.

According to INREV's June "Consensus Indicator", the professionals surveyed expressed increased pessimism, leading to a sharp deterioration in market sentiment due to a context marked by tensions in the Middle East. The economic outlook has deteriorated significantly, leading to a widespread decline in the expectations of property market participants. Expectations regarding future developments and investment have also weakened, reflecting a renewed sense of caution among investors.

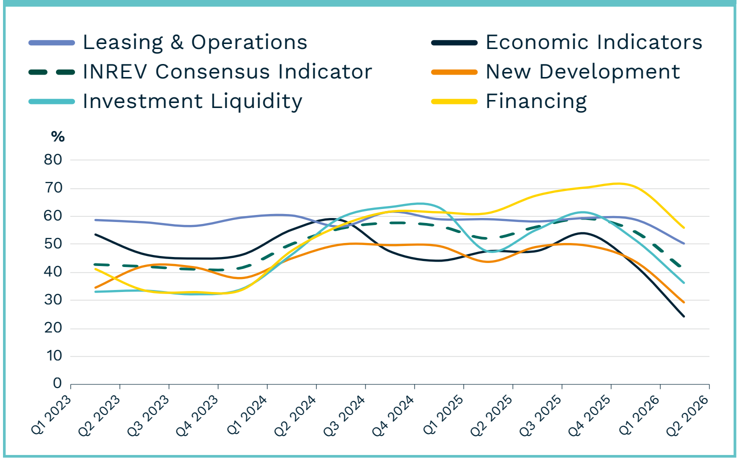
INVESTMENT VOLUME ACROSS ALL ASSET CLASSES IN EUROPE



ACQUISITION YIELDS



INREV "CONSENSUS INDICATOR & SUB-INDICATORS"



PROPERTY PERFORMANCE: TOTAL RETURNS HAVE HELD UP, BUT CAPITAL VALUES COULD BECOME MORE SENSITIVE

European property performance remained positive at the end of Q1 2026, supported primarily by income return. However, some market segments suggest that capital growth remains vulnerable, with further adjustments possible given the ECB's tighter monetary stance and upward pressure on 10-year government bond yields.

The **office** market remains deeply **polarised.** The main challenge is no longer a return to the office, but a return to the **right office.** Whilst occupancy rates are rising in the best-located properties, investors' risk aversion and concerns surrounding AI are exacerbating the market's polarisation between sought-after prime buildings and secondary assets at risk of becoming obsolete. Against this backdrop, the office sector is gradually evolving into a **more operational** sector, where the quality of services, flexibility of use and the user experience are becoming key factors in differentiation and value creation.

Having long been adversely affected by the disruption caused by e-commerce and subsequently by rising interest rates, the **retail sector** is gradually regaining its place in property allocations due to a significant recovery in risk premiums and yield levels, now offering **attractive entry points.** However, the recovery is mainly benefiting prime assets, local shops and retail parks, whilst the **polarisation** between prime and secondary assets remains strong.

After the exceptional post-Covid expansion, the **logistics** sector is moving into a phase of **normalisation,** with demand now driven more by the **optimisation** of logistics networks than by further expansion. In a context of more fragmented supply chains and greater emphasis on resilience, occupiers are prioritising efficient, automatable and energy-efficient warehouses, reinforcing a **"flight to quality"** to the detriment of assets less aligned with new operational requirements. Lower levels of new completions are helping to support prime rents, while the sector shifts towards more sustainable and less expansive growth.

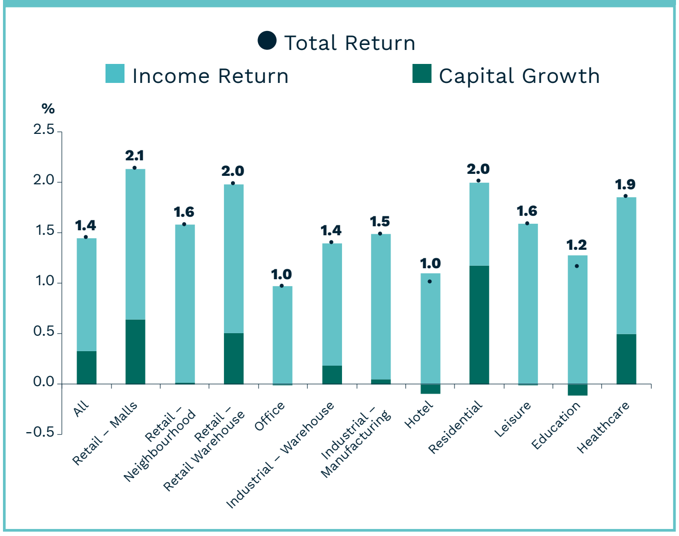
The **residential** sector continues to offer a **defensive and resilient** profile, supported by a **persistent mismatch** between limited supply and structurally strong demand. Demand is notably underpinned by the continued rise in the number of households, despite slower population growth. **Income return remains the main contributor** to performance, although its pace of growth is moderating, while capital growth prospects remain largely tied to the evolution of financing conditions and the interest-rate cycle.

The **healthcare** sector continues to benefit from attractive fundamentals, underpinned by an ageing population and the **essential nature of the services** provided. Beyond these structural drivers, the second quarter confirmed the **gradual return of liquidity** to European markets, driven by the stabilisation of financing conditions and renewed interest from institutional investors. In a more selective environment, the focus is increasingly on **the quality of operators, the sustainability of rental income and the ESG characteristics of the assets.** The asset class is now viewed by a growing number of investors as a long-term **social infrastructure.**

Finally, the **hotel** sector is benefiting from **diversified demand** supported by leisure tourism, domestic and intra-European travel and the gradual recovery of business travel. Limited new supply keeps fundamentals favourable, even as performance growth normalises after the strong post-Covid rebound. Value creation potential remains strong, driven by operational performance, where execution quality, asset positioning, brand strength and the ability to capture shifting tourist demand make the difference. Rising operating costs, wage and energy pressure, air transport costs and persistent geopolitical uncertainty, however, warrant close monitoring, as they could weigh on near-term growth.

Looking ahead, European property performance should continue to rely mainly on income return, with capital growth gradually improving as financial conditions stabilise. In this context, selectivity -by asset class and asset quality- remains key driver of performance.

TOTAL RETURN IN EUROPE (QUARTERLY Q1 2026)



OFFICES: INCREASED POLARISATION AND RESILIENCE OF CAPITAL FLOWS

INVESTMENT IN OFFICE PROPERTY IN EUROPE – Q2 2026 (6 MONTHS)	**€21 bn (-7% year-on-year)**
TREND IN JOB CREATION – Q2 2026 / Q2 2025	**+0.7% year-on-year**

Investment volumes in the European office property sector are holding up rather well, all things considered, despite the current uncertainties, and reached over €21 billion in the first half of 2026 (down 7% year-on-year). However, investors continue to favour income visibility and defensive characteristics. Consequently, capital allocated to **central locations** is continuing to rise, whilst a clear sense of mistrust has taken hold regarding secondary locations. As Europe's leading office market, the United Kingdom totalled around €6 billion in the first six months of 2026, followed by Germany and France with around €4 billion each. This momentum was largely driven by the major European capitals, particularly Paris, with large-scale transactions in central districts such as the landmark sale of Capital 8 by Invesco for €850 million. It is worth noting the strong performance of Spain (around €2 billion) and Italy (around €1 billion).

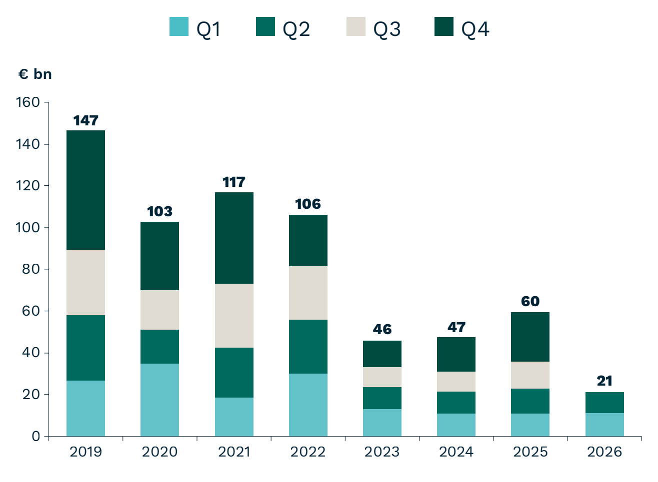
Office yields remained largely stable between the end of 2025 and the first half of 2026. At the same time, yield compression of between 5 and 75 basis points was recorded in less than a third of the European markets analysed, notably in Spain, Italy, the Netherlands, and Ireland. Yield expansion of between 5 and 75 basis points was observed in France, Germany and Austria. Office properties located in central districts and offering yields of less than 5.0% are concentrated in cities such as London, Paris, Milan, Munich, Berlin, Madrid, and Barcelona. However, **the yield spread between prime and secondary assets continues to widen** (between 50 and 200 basis points). Yields are expected to remain broadly stable across Europe for the rest of 2026, though some markets, notably France, may see further expansion. Looking beyond, easing risk-free rates could **yield compression in office markets,** in the order of 5-50 basis points across most European markets by end-2027.

European occupiers have remained cautious, with an estimated 4-5 million m² take up in H1 2026. As continental Europe's leading market, Paris is improving slowly with 750,000 m² let in H1 2026, a modest 5% year-on-year decline. The GBD (Global Business District) in La Défense was the standout performer (+52% year-on-year), while Paris outside the Central Business District (CBD) also exceeded 2025 levels on the back of several large deals.

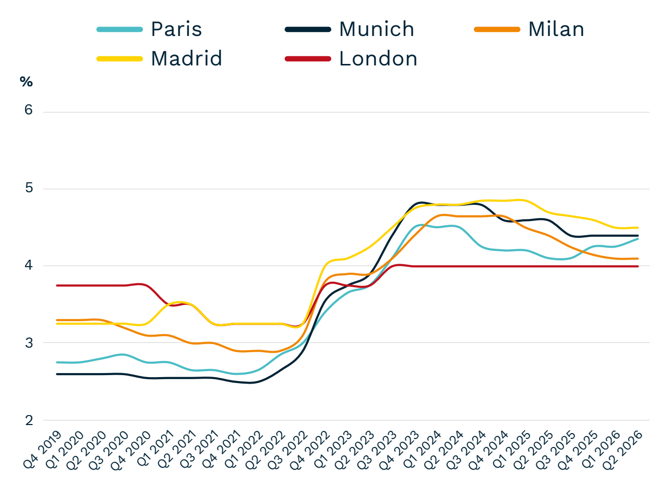
Whilst available supply remains abundant, the development pipeline is shrinking sharply, deepening the shortage of prime assets, while vacancy stays concentrated in secondary properties. Vacancy rates remain high across most European markets, at around 10%, reflecting the rise in available space since 2022. Yet the sharp pullback in new development is constraining future supply, fuelling growing polarization between scarce prime assets and secondary assets that face persistent vacancy.

Office rents increased in Q2 2026 compared with Q2 2025. Paris CBD's prime headline rent stabilised for the first time at €1,250 per sqm pa for top-tier properties. Paris la Défense, Munich, Milan, and Rome range between €600 and €800 per sqm pa, while central Berlin, Madrid and Barcelona sit around €380 to €560 per sqm pa. Incentives, including rent-free periods, vary widely by market. **Average nominal rent growth across Europe is expected to exceed 2% in 2026,** driven by resilient service-sector demand, short-term growth in tech/AI activity, the stabilisation of remote working, and the sharp contraction in the development pipeline, which is no

VOLUME OF INVESTMENT IN OFFICE PROPERTY IN EUROPE



PRIME NET INITIAL YIELDS IN OFFICE PROPERTY



OFFICES: INCREASED POLARISATION AND RESILIENCE OF CAPITAL FLOWS

longer feeding oversupply.

The key lesson from 2026: the debate has shifted from whether employees return to the office to how the office is actually used. Return-to-office policies are tightening at large companies, and most surveys show peak attendance days are nearing pre-pandemic levels. Yet average space utilisation rate remains well below contractual occupancy, pushing companies to rationalise footprints in favour of higher-quality, better-serviced, more flexible space. In Europe, CBRE[1] reports average weekly occupancy of 46% versus a peak of 71%, confirming this gap. **This divergence is deepening market polarisation: prime assets attract tenants, talents and higher rents, while secondary assets face prolonged vacancy and accelerating obsolescence risk.**

(1) Source CBRE 2025 European Office Occupier Sentiment Survey.
(2) Source CWHB 2026 European Offices: Shrinking Supply.
(3) Source CWHB 2023 Obsolescence Equals Opportunity.

The office is gradually evolving from a property product **to a service-driven model,** where occupiers' experience and operations increasingly drive value creation.

Obsolescence of the existing building stock remains a major challenge. Per CWBH estimates, only 14% of existing and recent building stock has been significantly modernised, and up to 76%[2][3], of the existing stock could face functional, financial or regulatory obsolescence risk by 2030/ Though the source dates from 2023, we consider the estimate still valid. Secondary stock obsolescence is becoming a central challenge for value creation and preservation. For asset managers, identifying assets secondary assets will hinge first on **location quality – the key driver of future liquidity – and second on repositioning or conversion potential.**

RESIDENTIAL: RISING PRICES, A DEFENSIVE ASSET CLASS

RESIDENTIAL PROPERTY INVESTMENT IN EUROPE – Q2 2026 (6 MONTHS)	€26 bn (+15% year-on-year)
TREND IN TOTAL HOUSEHOLD INCOME IN THE EUROZONE – 2026 / 2025	+3.7%

House prices in the eurozone rose by 3.9% year-on-year at end of Q2 2026, with sharp divergence across countries: strong growth in Spain (+12.4%), Ireland (+5.8%), the Netherlands (+4.0%), and Italy (+3.8%), versus below-average gains in Germany (+1.0%) and France (+0.7%). Recent trends point to continued upside. By end-2026, **major European cities such as Valencia, Madrid, Barcelona, Milan and Dublin are expected to see prices rise by around +5% year-on-year.** Demand remains underpinned by household formation and improving creditworthiness, while construction headwinds are curbing new supply – both factors supportive of continued price growth.

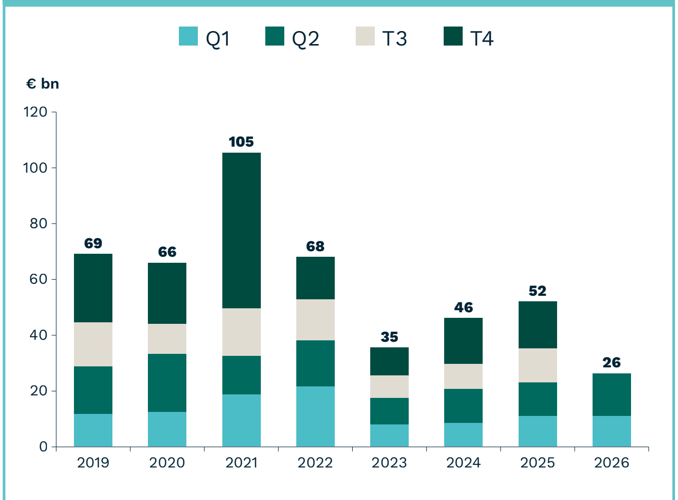
Student accommodation and co-living, two dynamic segments of the managed residential sector, have been drawing growing investor interest on the back of attractive yields, strong demand and durable long-term growth. Institutional appetite for European student accommodation market is rising, supported high investment volumes and high occupancy rates that often exceed 95%, ensuring predictable rental performance. Persistent supply-demand imbalances in Europe's most attractive cities, combined with sustained international student mobility, are fuelling demand for more flexible, connected and community-oriented accommodation. **In 2026, the European average growth in headline rents in the markets analysed stands at around 3.0%, driven by this imbalance.** Yet the sector's success, alongside mounting pressure housing access could prompt tighter regulation in some markets – notably on rent indexation, rent controls or operational standards. **Regulatory risk is therefore becoming an increasingly important factor to monitor, particularly in cities under acute housing pressure.** Still, robust structural demand, supply shortage, and shifting student preferences toward flexible, service-led, community-based living continue to underpin the sector's long-term appeal.

European building construction fell sharply by 6.6% in May 2026 versus May 2025. While the decline was steep early in the year, it has gradually eased toward the end of Q2 2026, though weakness persists in several countries, notably Spain and France.

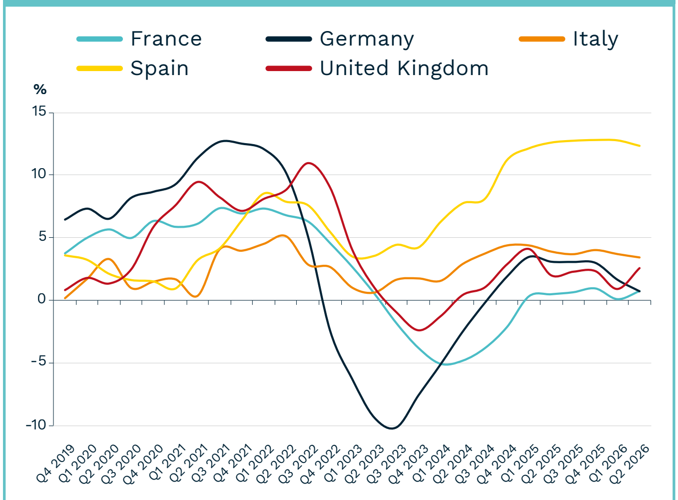
Investment volumes in "en bloc" residential property in Europe totalled more than €26 billion in H1 2026, up 15% year-on-year. The United Kingdom (ca €6 billion), Germany (ca €5 billion), and Spain (ca €4 billion) lead Europe's top 10 markets, with France, Sweden, the Netherlands, and Denmark ranging between €1 billion and €4 billion.

Residential initial yields were broadly stable across most markets. In both multifamily and student accommodation, yields expanded in Germany and the United Kingdom during H1 2026 (by 10-50 bps), while the Nordics were the only region to see compression (5-30 bps). Multifamily prime yields range between 3% to 4.5% in Amsterdam, Paris, Milan, and Munich, while student accommodation prime yields span 4%-6.35% across the United Kingdom, France, Germany, Italy, and Spain. **For 2026, further compression of between 5 to 20 bps is expected in many attractive markets, driven by sustained investor demand for the asset class.**

INVESTMENT VOLUMES IN "EN BLOC" RESIDENTIAL PROPERTY IN EUROPE



TRENDS IN RESIDENTIAL PROPERTY PRICES (ANNUALISED DATA)



HEALTHCARE: RECOVERY IN LIQUIDITY CONFIRMED

INVESTMENT IN HEALTHCARE PROPERTY IN EUROPE – Q2 2026 (6 MONTHS)	**€6 bn (+64% year-on-year)**
TREND IN THE NUMBER OF PEOPLE AGED OVER 65: 2026 H1 / 2025 H1	**+0.8% year-on-year**

The eurozone's 65+ population continued to grow in H1 2026 (+0.8% year-on-year). This ageing trend is straining care home supply across Europe. In France, the 75+ population is set to rise from 7.7 million in 2026 to 8.5 million by 2030, in Germany, from 9.3 million to 9.5 million; in Italy, from 7.7 million to 8.5 million; and in Spain, from 5.2 million to 5.6 million, placing growing pressure on healthcare systems and on bed capacity.

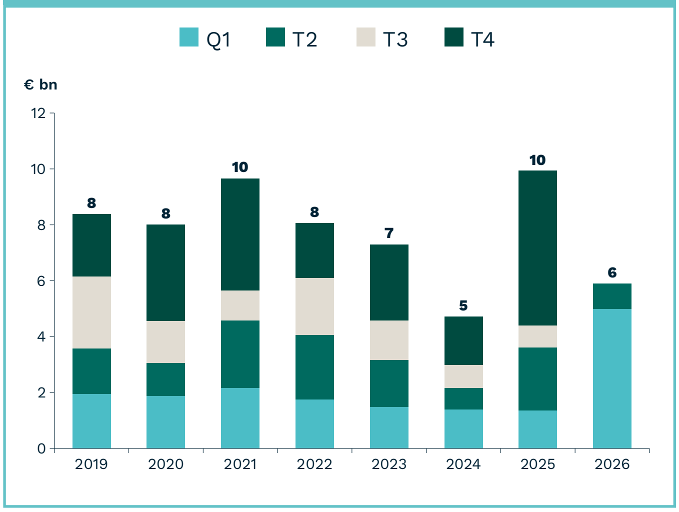
The European stock of senior care homes stands at around 4 million beds, expanding by roughly 20,000 beds a year (ca 10,000 per half-year). Yet rising numbers of over-75s are already exposing a clear supply shortfall, with Germany, France, Italy and Spain facing the sharpest pressure. This growing gap is now a key driver of investor interest in the sector. As public finances face mounting constraints, limiting governments' capacity to fund the infrastructure needed to meet rising demand alone, **private capital is playing an increasingly critical role in developing, modernising and renewing accommodation and care provision.**

Investment in European healthcare real estate (senior living and senior care homes) reached €6 billion in H1 2026, up from €3.5 billion in H1 2025. Including broader healthcare assets (hospitals, medical offices, laboratories and research facilities), total investment reached around €7.5 billion. The sector is benefiting from a liquidity **recovery,** led by the United Kingdom, Europe's largest market, but also gaining momentum in continental Europe, with German transaction volumes exceeding €1 billion. This was driven largely by portfolio sales, notably the sale of Nightingale by NorthWest Healthcare Properties REIT to TPG Real Estate, comprising assets in Germany and the Netherlands. The **investor base is broadening to include institutional funds, insurers, infrastructure funds, private investors and international capital. Consolidation among listed players is a further sign of the sector's maturing:** Aedifica's acquisition of Cofinimmo created Europe's largest listed healthcare platform, with over 1,000 assets and €12 billion in assets under management.

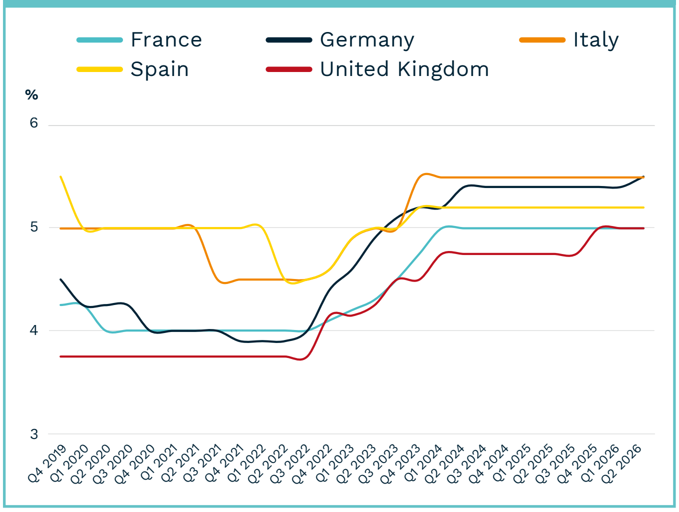
Prime initial yields held broadly stable across most markets, ranging from 4.5%-5.5% for senior care homes and 5.0%-6.0% for clinics. Slight expansion (10 bps) was seen in Austria, Germany and Ireland in H1 2026, while Sweden compressed by 15 bps. **For 2026-27, modest downward pressure on prime yields is likely reflecting investors' growing appetite for the sector.**

After the difficulties of 2022–24, the fundamentals of the leading healthcare operators have broadly improved, supported by stabilising inflation, tariff increases and rising occupancy. Staff recruitment pressures and sustained labour cost growth, however, remain key challenges across most European markets. This improvement is boosting investor confidence, while **interest is broadening** beyond senior care homes into higher-acuity segments such as private hospitals, outpatient centres, mental health facilities and rehabilitation clinics. This reflects both the shift of European healthcare systems toward outpatient and specialist care, and rising investor appetite **for more operationally intensive segments.** It is also visible in the emergence of **hybrid lease structures** combining a fixed rent with a variable component indexed to operator performance; as seen in Spain. Healthcare real estate is thus gradually moving from a pure secure-income focus toward greater operational value creation, offering stronger performance potential but requiring deeper expertise in assessing operator risk. **The defining shift of 2026 is no longer purely demographic: healthcare property is evolving from a defensive sector to a leading institutional asset class, propelled by a surge in capital platform consolidation and improving operational fundamentals.**

INVESTMENT VOLUME IN RETIREMENT AND CARE HOMES IN EUROPE



PRIME NET INITIAL YIELDS FOR HEALTHCARE PROPERTY



HOSPITALITY SECTOR: TOURISM REMAINS ROBUST DESPITE GEOPOLITICAL TENSIONS; INVESTORS REMAIN CAUTIOUS

INVESTMENT IN HOSPITALITY PROPERTY IN EUROPE – Q2 2026 (6 MONTHS)	€9 bn (-20% year-on-year)
TRENDS IN TOURIST ARRIVALS IN EUROPE AS AT MARCH 2026	+4% year-on-year

Investment volumes in the European hospitality sector totalled around €9 billion in 2026 (down 20% year-on-year), reflecting selective but strongly committed investor appetite. The United Kingdom remained a safe-haven market with over €2 billion invested, led by London and several major landmark deals above €250 million, such as the Riu Plaza Hotel and the St Giles Hotel. Spain and France each attracted over €1 billion in capital, while Germany and Italy saw more modest volumes.

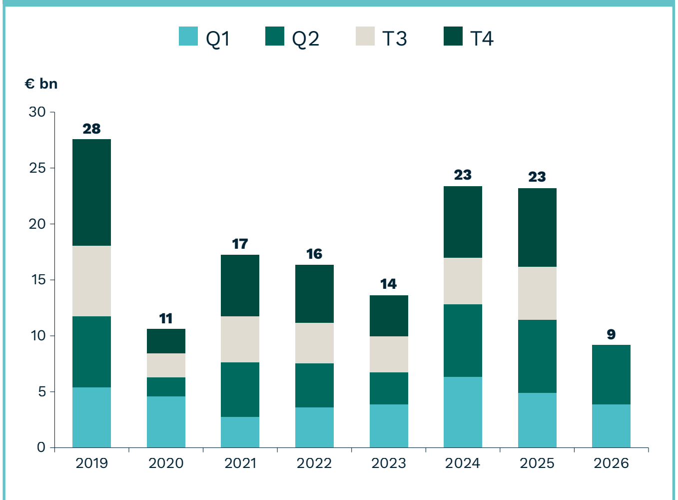
Hotel yields remained stable across most markets. Prime yields on leased hotels remained largely flat, though some Eastern European and Nordic markets saw compression of 10-25 bps in H1 2026. Prime net initial yields for leased hotels range from 4.5% to 5.0% in London, Milan, Madrid, and Paris, while management contracts continue to command a ca100 bps premium exchange of greater exposure to operational performance. With limited scope for further rate cuts, **value creation now relies more on revenue growth, operational optimisation and operator quality than** on valuation uplift. Persistent geopolitical tensions are, for now, keeping prime yields stable across most markets.

Europe has reaffirmed its status as the world's leading tourist destination, with over 130 million international arrivals in Q1 2026, (+4% year-on-year) – well ahead of Asia Pacific (76 million) and the Americas (55 million). Growth was broad-based, spanning Southern and Northern Europe (+4%) and Central and Eastern Europe (+6%). Despite Middle East tensions, rising transport costs and air travel uncertainty, the sector is proving resilient, aided by shifting tourist flows and travellers' growing preference nearby destinations. In February 2026, Spain (€11.8 billion, +6% year-on-year), and France (€10.4 billion, +9%) generated the highest tourism revenues in Europe, followed by Italy (€6 billion, +9%), Germany (€5 billion, +8%), and Portugal (€3.1 billion, +2%).

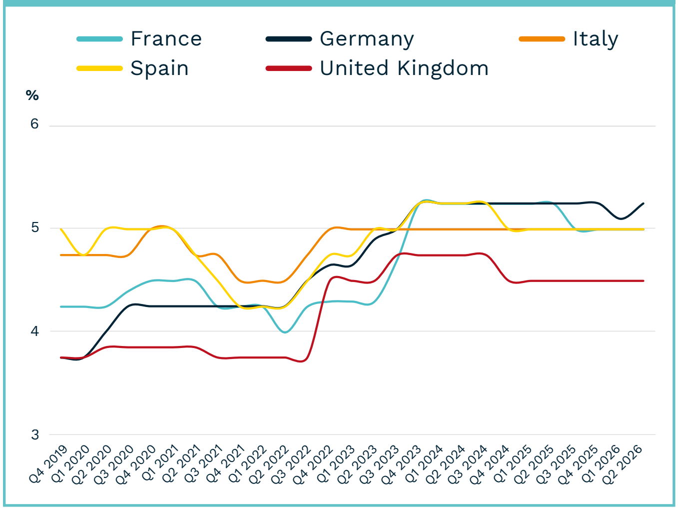
RevPAR rose significantly at the end of June 2026, driven by strong occupancy rates and growth in the average rate. RevPAR, which combines occupancy rates and the average rate, reached €117 (+3.4% year-on-year), while the average daily rate stood at €148 (+1.7% year-on-year), though it remains sensitive to local supply, seasonality and events. Hotel occupancy rates in Europe remain steady at a high 79.2% (+ 1.3 percentage points year-on-year), with notable disparities by country. Germany rebounded strongly after a weak start, helped by the gradual return of business and conference/trade-fair travel; Spain, Greece, and France continue to post solid growth on resilient international and leisure demand plus limited new supply; while Italy and Portugal lag due to slowing momentum and high base effects. By category, the luxury and upscale hotels are outperforming. **Looking to H2 2026, a packed calendar of major sporting, trade, cultural, leisure and fashion events should further stimulate demand.** Upscale/luxury, leisure hotels, resorts and coastal destinations are expected to keep outperforming, while the budget segment stays more exposed to labour market dynamics. With supply set to remain moderate, operators should retain pricing power, reinforcing the positive outlook for the year.

For 2026, growth is expected to stay positive but moderate versus the post-Covid catch up years, with RevPAR projected to grow by under +1.0% across Europe. In this new cycle, performance will depend more on **operational excellence, revenue management, asset positioning and the ability to capture the most dynamic customer segments** than on demand growth alone. Barcelona, Lisbon, Madrid, Milan, and Paris are among the best-positioned markets to outperform.

HOSPITALITY INVESTMENT VOLUME IN EUROPE



PRIME NET INITIAL YIELDS IN HOSPITALITY



RETAIL: GRADUAL RECOVERY IN LIQUIDITY DRIVEN BY MORE ATTRACTIVE VALUATION LEVELS

INVESTMENT IN RETAIL PROPERTY IN EUROPE – Q2 2026 (6 MONTHS)	**€15 bn (-15% year-on-year)**
TRENDS IN PRIVATE CONSUMPTION IN THE EUROZONE – Q2 2026 / Q2 2025	**+1.0% year-on-year**

With just over €15 billion invested in H1 2026 (down 15% year-on-year), European retail property investment continues its recovery but remains highly selective. Capital is concentrated on prime assets, well-located city-centre retail units, retail parks, and neighbourhood formats, while secondary assets with high vacancy or weak commercial positioning remain out of favour. France, the United Kingdom, Germany, Italy, and Spain led the market with €1-€2 billion each, while the Netherlands, Sweden, and Poland, each attracted around €1 billion.

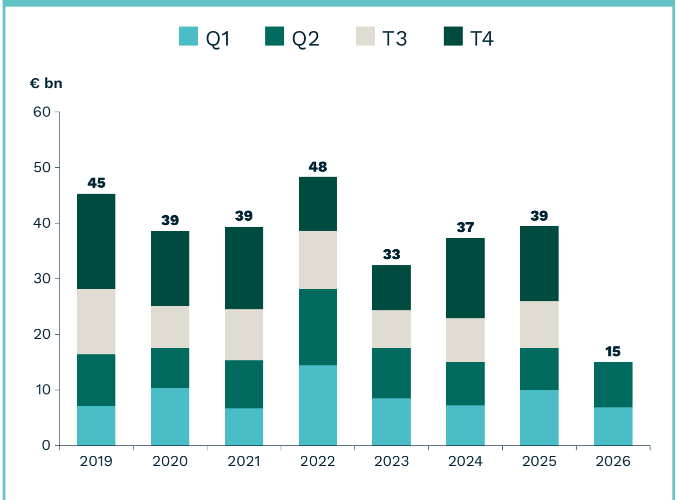
Prime initial yields for high street retail, shopping centres and retail parks stayed broadly stable in H1 2026, with declines in around 20% of markets analysed, notably the United Kingdom, Italy, Spain, and France. Europe's average prime yields stand at 5.6% for high street units, 7.1% for shopping centres and 6.5% for retail parks, reflecting investors' gradual return to a long-underweighted sector. **With valuations already largely pricing in structural risk; further compression of 5-50 bps is expected across most European markets by year-end.**

Rental fundamentals keep improving but reveal a growing market polarisation. Retailers remain committed to expansion, with a clear focus on prime locations. Sustained demand, limited supply and low vacancy in the best high streets and retail parks are driving rent growth where it matters most. **Prime high street rents are expected to grow by more than 2% in 2026, with** the sharpest gains likely Rome, Milan, Barcelona, London, Paris, and Munich. **Shopping centre momentum should be softer, closer to 2%,** though Milan, Rome, Lyon, and central London could perform with growth over 3%. **Retail parks stand out for combining accessibility, essential retail, and strong fit with retailers' omnichannel strategies, making them one of the market's most sought-after segments today.**

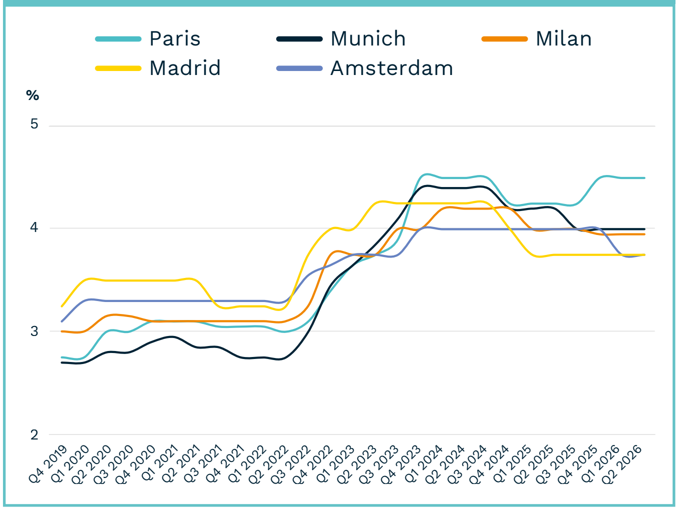
Eurozone household consumption grew moderately (+1% year-on-year) at the end of Q2 2026, held back by consumer caution and an elevated savings rate. Despite an uncertain economic climate, job creation has held up, unemployment has stabilised and wages continued to rise at a normal rate. Confidence surveys point to a gradual normalisation, but concerns are not fully allayed and could resurface quickly depending on geopolitical tensions.

Eurozone retail turnover is expected to grow by more than 2% year-on-year, by consumer spending, though risks remain. Business insolvencies across all sectors continued rising in Q1 2026 in major European countries, albeit unevenly, and could weigh on retailer turnover if conditions deteriorate. **More broadly, the retail sector is benefiting from the normalisation of e-commerce's impact: online sales keep growing but at a more sustainable pace, as retailers adapt business models and optimise physical networks.** Once among the hardest hit by e-commerce disruption, retail is regaining appeal as an investment strategy, with the best locations offering strengthening fundamentals and attractive returns. **Value creation now relies more on location selection, catchment area quality and identifying winning formats** (retail parks, neighbourhood shops, prime high streets, well-located outlets) than on broad sector exposure. Asset management is a key performance driver, where the **ability to optimise the retailer mix, leverage omnichannel strategies and reallocate space to the most profitable uses is a critical differentiating.** The best assets combine stronger rental growth potential with greater resale liquidity.

VOLUME OF INVESTMENT IN RETAIL IN EUROPE



PRIME NET INITIAL YIELDS FOR HIGH STREET RETAIL



LOGISTICS: THE LOGISTICS SECTOR CONTINUES ITS SHIFT FROM EXPANSION TO RESILIENCE

INVESTMENT IN LOGISTICS PROPERTY IN EUROPE – Q2 2026 (6 MONTHS)	**€15 bn (-28% year-on-year)**
PROJECTED TREND IN E-COMMERCE TURNOVER IN EUROPE FOR 2026 / 2025	**+5% year-on-year**

Logistics investment reached €15 billion in H1 2026, down on H1 2025, yet remains one of Europe's leading institutional asset classes. Capital was concentrated in the United Kingdom, Germany, and Sweden, (€2-€5 billions each), while France, the Netherlands, Italy, Spain, and Poland each attracted around €1 billion. Despite the cyclical slowdown in transactions, investor appetite remains supported by strong structural fundamentals and the view that recent valuation may offer more attractive entry points than in prior years.

Prime net initial yields across European logistics remained broadly stable, though they expanded in Austria, Belgium, Germany, and the United Kingdom (5-25 bps). Yields in the United Kingdom, Germany, the Netherlands, France, Spain, and Italy range from 4.5% to 6.25%. Compression of 5-40 bps is expected in 2026, though this outlook remains subject to geopolitical uncertainty. France should see stable yields, while the Netherlands, Spain, and Poland are expected to see compression over the year.

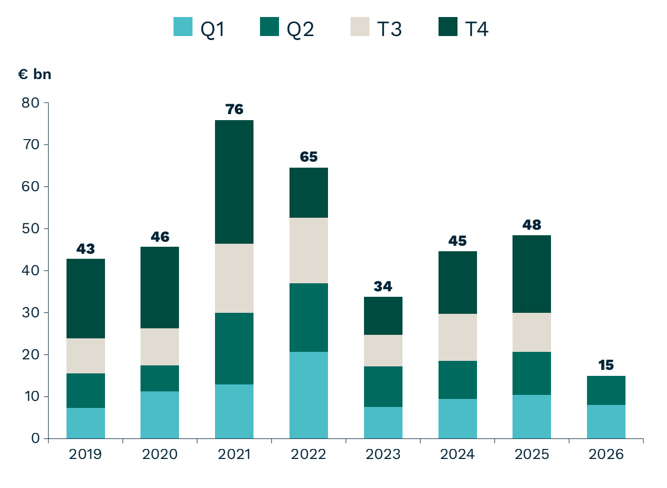
The key shift in this cycle is in occupier demand. After the post-Covid expansion boom, occupiers now prioritise supply chain resilience and optimisation over pure space growth. Nearshoring, supplier diversification, higher strategic stock levels and secured logistics flows continue to underpin long-term demand. E-commerce remains a key driver too, though a more mature one, increasingly favouring urban warehouses, regional distribution hubs and last mile logistics assets, needed to speed up delivery in major cities. This is reinforcing **market polarisation:** occupiers want modern, automatable warehouses, well connected to transport networks and with sufficient power capacity for automation and digitalisation. This **"flight to quality"** benefits best-in-class assets, while part of the existing stock risks technical or environmental obsolescence. Growing automation and digital infrastructure needs are reinforcing the preference for modern, well-located assets offering high-specification assets.

Take-up is expected at around 5 million sqm in H1 2026. Vacancy rates across Europe range from 2% to 13% and have generally trended upward in recent quarters, reflecting a cyclical adjustment rather than a structural imbalance. Occupiers favour built-to-suit or pre-let projects, while speculative development has slowed sharply. Vacancy should rise slightly further this year before stabilising from 2027.

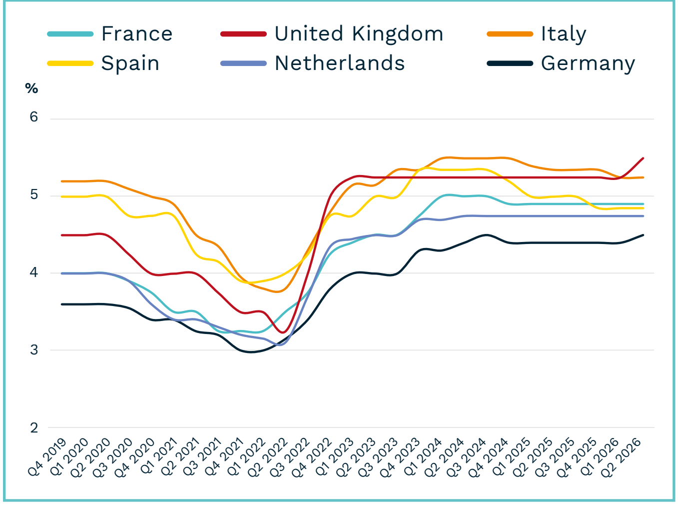
Rents rose slightly in H1 2026 across most markets analysed. Headline warehouse rents in Germany, Italy, Spain, France, the Netherlands, and the United Kingdom, rose by around 1% on average by end of Q2 2026, ranging from €57 to €135 per sqm pa across these markets. **In 2026, rent growth across the markets analysed is expected to outpace inflation, with the strongest gains (above 2.5%) concentrated in Europe's main logistics hubs, reflecting economic dynamism, catch-up effects, low vacancy, hub status and rental demand potential.** Going forward, rent growth will depend more location and asset quality than on broad sector performance. **Logistics remains a high-conviction sector, with demand sustainably underpinned by the reconfiguration of supply chains.** Value creation increasingly depends on the ability to modernise assets, improve energy efficiency, integrate automation and meet evolving occupier requirements.

As part of our monitoring of emerging sub-sectors, we had flagged strong momentum in data centres, initially driven by digitalisation, now increasingly by AI. The sector continues to attract institutional capital, infrastructure ▶

VOLUME OF INVESTMENT IN LOGISTICS IN EUROPE



PRIME NET INITIAL YIELDS IN LOGISTICS



LOGISTICS: THE LOGISTICS SECTOR CONTINUES ITS SHIFT FROM EXPANSION TO RESILIENCE

funds, sovereign wealth funds, and private equity[1]. The main bottleneck is no longer financing but access to power. Investors increasingly favour platforms capable to secure energy supply, deliver new capacity quickly and operate increasingly complex infrastructure. Sitting at the intersection of real estate, energy and technology infrastructure, data centres now look less like a sector-specific trend and more like a signal of broader shifts reshaping real estate as a whole: **value creation is moving from assets to income, with performance increasingly driven by operations, technology, and service quality rather than ownership alone.** Institutional capital is increasingly flowing towards sectors offering structural revenue growth, at the expense of more mature sectors, cycle-dependent sectors.

(1) Source: Colliers 2026 Global Investor Outlook.

About Praemia REIM

Praemia REIM brings together **450 employees** in **France, Germany, Luxembourg, Italy, Spain,** the **United Kingdom** and **Singapore.** The company leverages its values of conviction and commitment as well as its European-scale expertise to design and manage real estate funds for its national and international clients, whether individuals or institutions.

Today **Praemia REIM** holds more than **€33 billion** in assets under management.
Its portfolio allocation is as follows:

- **52%** healthcare/education;
- **28%** offices;
- **8%** residential;
- **5%** retail;
- **6%** hospitality;
- **1%** other (logistics...).

Its pan-European platform manages **73 funds** and comprises more than **96,000 investor customers,** including **58% institutional** and **42% individual.** Its real estate portfolio includes more than **1,500 buildings** spread across the main asset categories and located in **12 European countries.**

www.praemiareim.com

CONTACT

RESEARCH & STRATEGY DEPARTMENT

Guy-Young Lame • Head of Research & Strategy
guy-young.lame@praemiareim.com

Henry-Aurélien Natter • MRICS, Head of Research
henry-aurelien.natter@praemiareim.com

Régis Castor • Research Analyst
regis.castor@praemiareim.com

Sources used throughout the document: Praemia REIM Research & Strategy data based on Allianz, national e-commerce associations (FEVAD, BEVH, etc.), BCE, BNP, BFS, CBRE, CBS, Codata, Colliers International, CSB, CSO, CZSO, Destatis, DST, DZS, Eurostat, FED, FMI, Green Street, IEIF, Immostat, INE, INSEE, INREV, ISTAT, JLL, Knight Frank, KSH, MKG, MSCI, OECD, UNWTO, ONS, Oxford Economics, PMA, UN Tourism, RCA, Savills, SCB, SSB, Stat Poland, Statbel, Statista, Statistik Austria, Statistics Finland, Statistics Lithuania, STATEC, STR.

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