

# SPRING 2026

# Europe Real Estate

# sector report

## Four quadrant perspectives

### Sector conditions and outlook\*<sup>1</sup>

Select a tile to access sector-specific insights.



\*<sup>1</sup> Outlook refers to the next 12 months.



## **Geopolitical risk, market resilience, and impact on commercial real estate**

Tensions in the Middle East remain top of mind for many investors, particularly given the potential implications for energy markets, global trade, and financial conditions. The recent escalation involving the United States, Israel, and Iran has heightened geopolitical uncertainty, raising questions about possible spillover effects on the broader economy and risk assets, including commercial real estate. That said, it remains early, and to date the impact on financial markets has been relatively contained, characterized more by volatility and limited repricing than by a deterioration in underlying economic fundamentals.

Near-term market dynamics have been driven primarily by concerns around energy prices, especially the risk of disruption to oil shipments through the Strait of Hormuz. A meaningful interruption to traffic through this critical route could result in higher oil prices for longer, with broader implications for inflation, global trade flows, and growth-sensitive assets. At present, however, the main transmission channel from geopolitical risk appears centred on commodity pricing rather than widespread supply chain or trade disruptions.

The ultimate economic impact will depend on the duration, intensity, and scope of geopolitical disruptions, particularly as they relate to energy markets, global trade, and interest rates. One area we are monitoring closely is the potential for heightened geopolitical risk to feed into higher long-term interest rates via increased term or risk premia. While this remains a risk scenario rather than a base case, a sustained rise in long-term rates could tighten financial conditions and weigh more broadly on asset valuations.

Against this backdrop, the overall assessment is that commercial real estate remains on a stable footing, and notably, our 2026 outlook has not materially changed. Publicly listed real estate has performed relatively well, suggesting the sector is being viewed as more defensive in the current environment. Historically, public market performance has also tended to serve as a leading indicator for private real estate valuations.

Within private markets, commercial real estate appears largely insulated at this stage of the cycle. Long-term lease structures continue to support income stability across most property types, and underlying fundamentals, remain generally solid. Investor sentiment has been gradually improving alongside early signs of recovery in capital markets activity. While a prolonged or escalating conflict could undermine confidence or slow this recovery, current conditions remain supportive.

In this environment, investors are best served by focusing on what they can control: driving net operating income growth through active asset management, operational efficiency, and sector and market selection.



# Office

## Sector rating

Neutral →

## New supply<sup>\*2</sup>

Moderately positive ↗

<sup>\*2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Neutral →

## Rent growth

Neutral →

## Capital values

Neutral →

## REIT pricing relative to NAV<sup>\*3</sup>

Negative ↓

<sup>\*3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

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## Sector overview

The office sector is the clearest illustration of a feature of this cycle: intra sector divergence and polarisation. As a whole, the sector has yet to enter a recovery phase, unlike other property types. However, high-quality offices in supply-constrained submarkets continue to benefit from strong demand, limited availability, and record high rental growth. In markets such as London West End, Paris CBD, and Milan, prime rental growth increased by double digits in 2025. Declining development pipeline is likely to support performance going forward.

## Private equity

In our [2026 Inside Real Estate Outlook](#), published in January, we argued that commercial real estate has entered a recovery phase, and that the new cycle will be defined by a growing divergence in returns across property types, regions, and strategies. The European office sector is perhaps the clearest illustration of this trend, as several indicators point to a widening polarisation.

At the European level, the office sector has yet to enter a recovery phase, unlike other property types. Valuations remain at the trough (approximately 23% below the peak reached in the first half of 2022), transaction volumes are still significantly below the ten-year average (-45%), and the vacancy rate is hovering around 10%.

However, beneath the surface, performance varies markedly across markets and asset quality, reflecting occupiers' strong preference for modern, efficient, and well-located space. Indeed, high-quality offices in supply-constrained submarkets continue to benefit from strong demand, limited availability, and record high rental growth. In markets such as London West End, Paris CBD, and Milan, prime rents increased by double digits in 2025, ranging from 10% to 13%. Conversely, secondary or outdated assets in peripheral locations continue to experience rising vacancy, value erosion, and increasing obsolescence risk. Meanwhile, new data provides evidence that office occupancy is recovering further amid stricter return-to-office mandates. A study by KONE, which tracked more than one billion lift journeys across ten cities, shows that office lift usage increased in London, Paris, and Frankfurt by 11%, 8%, and 6%, respectively.

Construction dynamics are likely to reinforce this trend. Office completions have already declined by 27% from their last peak, while space under construction fell to 0.9m square metres in 2025, the lowest level since 2016. This supports two key expectations. First, supply-side risk should ease over the coming quarters. Second, competition for high-quality space is likely to intensify. Indeed, vacancy for Grade A buildings has declined to 3.5% in Q4 2025, according to Cushman & Wakefield.



# Office

(continued)

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## Public equity

The office sector has underperformed the property index on average year-to-date (YTD) in 2026. Unlike the private market where investors can have laser focus on a specific property in a given market to deliver alpha, public listed REITs are more of a beta trade. Swiss office is the only market to outperform YTD, mostly on the back of safe-haven status, in an uncertain global macro environment. Prime London office shows the best fundamentals but underperformed on the back of macro uncertainty and concerns around UK government fiscal policy. In Continental Europe, Paris office has been particularly weak YTD with concerns around rising vacancy rates and slowing rental growth, even as we note certain Paris submarkets are compelling in the private market. Swedish office has also underperformed YTD on weak tenant demand.

Despite employment levels now above pre-COVID levels and at multi-year highs (apart from the notable exception of the UK), working from home remains widespread, at least for part of the week, resulting in daily office occupancy still below pre-pandemic levels in most markets. Vacancy has been rising but there is substantial bifurcation within these markets. Prime buildings in the best locations are noticeably stronger than secondary assets and locations in almost all markets, and secondary vacancy rates are substantially higher than prime. Newer, well-located, high-quality assets are favoured as both tenants and landlords increasingly value energy efficiency, while tenants value their flexibility. Lower quality offices risk becoming stranded assets unless owners invest substantial capex to counter the risk of obsolescence, and falling values reflect this. The transaction market is improving for higher quality/newer assets but remains challenged for secondary/value add assets.

The listed office sector is trading at a discount to NAV of approximately 30% and typically owns assets at the better end of the quality spectrum, where tenant demand has been more resilient.





# Industrial/ logistics

## Sector rating

Moderately positive ↗

## New supply<sup>\*2</sup>

Moderately positive ↗

<sup>\*2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Neutral →

## Rent growth

Moderately positive ↗

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV<sup>\*3</sup>

Neutral →

<sup>\*3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

## Sector overview

Investment sentiment towards the European industrial sector remains strong, although underlying indicators point to a more moderate return profile compared to the previous cycle, in line with a softer economic outlook and slower e-commerce penetration growth. Fundamentals are broadly balanced. Occupier demand has normalised from past peaks, but declining completions should ease upward pressure on vacancy while intensifying competition for modern, sustainable assets, which are expected to outperform. Defence and infrastructure fiscal spending should provide an additional tailwind.

## Private equity

Despite geopolitical headwinds and global trade uncertainty, transaction volumes reached €44bn in 2025, slightly above the prior year and broadly in line with the ten-year average. Capital flows were particularly strong in the UK, France, and Germany, partially offset by weaker activity in Southern Europe and the Nordics.

Fundamentals, as measured by take-up and availability, are broadly balanced. Occupier demand has normalised from the outsized levels seen during the pandemic but has remained resilient despite trade related disruption during parts of last year. In 2026, we expect leasing activity to remain solid, increasingly driven by supply chain optimisation and efficiency gains (investment in modern assets can help offset operating costs) rather than by aggressive space expansion. Furthermore, increased fiscal spending on defence and infrastructure projects will provide an additional tailwind to the logistics sector.

Meanwhile, the development boom seen in previous years has come to an end. Completions are at their lowest level in five years, and new starts suggest this trend will continue, reducing upward pressure on vacancy rates, which stood at 6.8% in Q4 2025, according to Savills. Vacancy is notably tighter for Grade A assets, as occupiers increasingly favour future-proofed space with high eaves, multiple dock doors, and robust power capacity.

Against this backdrop, asset-level total returns reached 6.65% in 2025, marking the third consecutive year of improvement, although still below the ten-year average of 9.1%. Performance was primarily driven by income, also supported by positive capital value growth of 1.79%. Indeed, values have recovered by around 300bps over the past two years following a peak-to-trough decline of 21%, according to INREV.

Looking ahead, we expect intra-sector performance to diverge across locations and asset types. Markets such as Amsterdam, Rotterdam, Frankfurt, Munich, Milan, Paris, and Barcelona are likely to outperform, supported by healthy demand and limited space availability. Similarly, modern logistics facilities are expected to generate stronger returns, given two factors. First, occupier demand is expected to continue shifting towards high-specification, sustainable, and tech-enabled assets, a trend that could accelerate amid the current energy crisis. Second, modern assets remain relatively scarce in Europe, with approximately 40% of total stock built more than 17 years ago. However, the whole sector outlook remains sensitive to the evolution of the Middle East conflict, whose impact has already started to emerge: Eurozone consumer confidence fell in March to its lowest level since late 2023, while the S&P Global flash Eurozone Composite PMI declined to 50.5, its lowest level in ten months.



# Industrial/ Logistics

*(continued)*

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## Public equity

The performance of industrial property has been mixed so far this year, with more development focused/Eastern European heavy names underperforming and those with more Western European focus and less development exposure outperforming. Tenant demand improved through Q4 2025 and Q1 2026 after having faltered in the middle of 2025 due to the imposition of U.S. trade tariffs and uncertainty around the global growth outlook. Tenants continue to take longer to sign new leases. Overall supply levels remain relatively tight, with speculative demand continuing to slow. Valuations have bottomed and are returning to growth after a period of rapid yield expansion. The investment market remains active and stronger compared to other property sectors.

Within the industrial sector, companies with high occupancy, stable income, and solid medium term growth plans have outperformed, while companies with large speculative development pipelines have underperformed amid the uncertain macro environment. Concerns around smaller, last mile logistics assets also remain as rental growth continues to slow. Industrial REITs typically trade at a 10-20% discount to NAV, wider in the UK.





# Residential

## Sector rating

Moderately positive ↗

## New supply<sup>\*2</sup>

Positive ↑

<sup>\*2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Neutral →

## Rent growth

Moderately positive ↗

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV<sup>\*3</sup>

Negative ↓

<sup>\*3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

## Sector overview

Residential is increasingly attracting investor interest, driven by structural imbalance, persistent housing affordability and availability challenges, and a counter-cyclical investment nature. Demand is expected to remain robust driven by international migration, urbanisation, and positive household formation trends. Conversely, construction activity is likely to remain constrained. We expect stronger performance in markets with limited rental regulation, such as London and Bristol, as well as in cities where rental levels remain relatively affordable, including Berlin and Leipzig.

## Private equity

The European residential sector remains in an embryonic phase. It is highly fragmented, with significant variation across countries. Institutional penetration is still materially lower than in the U.S., and the built-to-rent stock remains relatively limited. However, the sector is attracting increasing investor interest, driven by structural supply–demand imbalances, persistent housing affordability and availability challenges, and its counter-cyclical characteristics. Indeed, capital targeting the sector increased by 9% in 2025, supported by higher transaction volumes in France, the Nordics, Spain, and the Netherlands, according to RCA.

Fundamentals remain very strong. At the European level, housing vacancy stood at 3.0% in Q4 2025, close to the 15-year low of 2.0%. Demand is expected to remain robust. Although the European fertility rate is below replacement level, demand in large metropolitan areas should continue to increase, supported by international migration, urbanisation, and positive household formation trends.

On the supply side, housing delivery is likely to remain constrained. Following the pandemic and the energy crisis, developers have faced several headwinds, including higher construction costs and shortages of skilled labour. The outbreak of the Middle East conflict is likely to exacerbate these pressures, as higher fossil fuel prices feed through into energy-intensive sectors such as manufacturing and construction. Conversely, demand should remain resilient even assuming a prolonged conflict, for two main reasons. First, European labour markets tend to be relatively rigid, and even in a scenario of economic stagnation, we do not expect a significant deterioration in unemployment. Second, should inflationary pressure spike again, a higher-for-longer interest rate environment is likely to make renting more attractive than buying a home.

Looking ahead, performance will be increasingly driven by income growth, as residential yields are the tightest across property types, as low as around 3% in markets such as Paris, Milan, and Frankfurt. Thus, we expect stronger performance in markets with limited rental regulation, such as London and Bristol, as well as in cities where rental levels remain relatively affordable on a pan-European basis, including Berlin and Leipzig. Conversely, we are more cautious on Southern Europe, where both prices and rents have already increased significantly in recent years, limiting further upside potential for future rental growth.



# Residential

(continued)

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## Public equity

The European housing sector has continued underperforming this year, primarily due to its pronounced sensitivity to interest rates, which has left it exposed to the impact of rising bond yields. Since the start of the war in Iran, the residential sector has been the weakest sector. Recent results from listed companies show market rental growth decelerating slightly as demand moderates after a period of unusual strength. However, the structural delay introduced by rental indexation mechanisms in regulated markets, such as Germany, mean that regulated passing rents will continue rising there, supported by strong reversionary potential, persistent demand, and constrained supply of affordable housing. In the Nordics, Sweden reported stable vacancy levels with decelerating rents, while Finnish occupancy is now improving and falling rents decelerating and stabilizing. The UK's unregulated rental market continues decelerating after the post-COVID period of exceptional growth, and recent results show slowing rental growth.

After falling 15%-20% from peak, initial company results show property values have been rising over the past year. However, recent sharp rises in bond yields and energy costs have introduced some uncertainty into whether this positive trend can continue. With most balance sheets now repaired, companies have restarted previously frozen growth initiatives and resumed dividend payments. The sector trades at an average discount of approximately 46% to last published NAV.





# Hotel

## Sector rating

Neutral →

## New supply<sup>\*2</sup>

Neutral →

<sup>\*2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Moderately positive ↗

## Rent growth

Moderately positive ↗

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV<sup>\*3</sup>

Neutral →

<sup>\*3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

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## Sector overview

Market conditions remained positive in 2025, although performance moderated amid a normalisation of occupancy levels, easing pricing power, and more modest travel demand growth in line with its long-term average. In the short term, European hotels could benefit from a reallocation of demand, as holidaymakers shift away from the Middle East towards destinations deemed as safer. However, a prolonged conflict could erode household disposable income and discretionary spending, including leisure travel.

## Private equity

The hotel sector's recovery has been very strong over the past three years, with occupancy and average daily rates (ADR) rebounding sharply from a low base. Conditions remained positive in 2025, although performance moderated amid a normalisation of occupancy levels, easing pricing power, and a more modest travel demand growth in line with its long-term average.

Nevertheless, European flight activity exceeded 2019 levels, with air traffic reaching a record 10.2m flights in 2025, approximately 5% above pre-pandemic levels, according to Eurocontrol. Leisure travel remained the primary demand driver, supported by a well-balanced mix of domestic and international tourism. Meanwhile, corporate and group travel continued to recover, approaching pre-pandemic levels in several European markets. Across segments, luxury and upper-upscale hotels in key gateway cities outperformed midscale and economy operators, supported by less price-sensitive demand and sustained ADR growth.

In the short term, the sector outlook is clouded by geopolitical and economic headwinds stemming from the conflict in the Middle East. On the one hand, Europe could benefit from a reallocation of travel demand, as holidaymakers shift away from the Middle East and parts of Africa towards destinations deemed as safer, including Europe. On the other hand, a prolonged conflict could reignite inflationary pressures and interest rates, eroding household disposable income and discretionary spending, including leisure travel. The profit margins for hotel operators with limited pricing power may also come under pressure from rising utility and financing costs. In this scenario, we believe the most attractive opportunities lie in acquiring assets that have suffered from suboptimal management and prolonged underinvestment, where targeted repositioning can unlock both income growth and capital value upside.

## Public equity

Hotels are a relatively small listed sector in Europe, with only one index play available (a Swedish listed pan-European player, an asset-heavy non-REIT) while other non-index plays are mostly through asset light operators. The sector has underperformed the broader property index YTD in 2026 on the back of broader macro concerns, and potential for slowing economic growth. Leisure transient has been relatively resilient in Europe YTD, relative to other regions, with inbound tourism still strong and travel within the region holding up well despite the geopolitical uncertainty. Hotels have benefitted from falling inflation with less pressure on expenses, particularly utilities and staffing cost pressures which have been high over recent years. Growth YTD has been more focused on occupancy improvements, with rate growth more flat-ish, driving low single digit RevPAR improvements. Midweek occupancy continues to benefit from increased business and group demand, while shoulder periods continue to benefit from combined business and leisure trips.

Hotel NAV estimates are gradually pushing higher due to occupancy gains. Asset heavy hotel stocks currently trade at approximately 10% discount to consensus NAV reflecting recent macro-economic concerns combined with current positive operating fundamentals. Asset light players have generally performed in-line with asset heavy peers YTD in 2026.



# Retail

## Sector rating

Moderately positive ↗

## New supply<sup>\*2</sup>

Positive ↑

<sup>\*2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Neutral →

## Rent growth

Neutral →

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV<sup>\*3</sup>

Neutral →

<sup>\*3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

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## Sector overview

Retail appears to be on a much firmer footing compared to the value degradation experienced in the previous cycle. Indeed, retail assets outperformed all other property types in Q4 2025, closing the year at 7.9% annualised returns, only slightly below the residential sector. However, occupier demand varies significantly across markets and segments, making careful asset selection critical to a successful investment strategy. In Germany and the UK markets we favour retail parks, discounters, and supermarkets, while in Southern Europe we see positive prospects for top tier shopping centre schemes.

## Private equity

The structural headwinds that have affected the sector in recent years have driven consolidation, curtailed new development, and resulted in a smaller pool of high-quality, resilient assets, which performed well in 2025. As a result, retail appears to be on a much firmer footing compared to the value destruction experienced in the previous cycle.

The INREV Asset Level Index provides further evidence of this trend: retail assets outperformed all other property types in Q4 2025, delivering total returns of 1.88% and closing the year at 7.85% annualised returns, only slightly below the residential sector. Similarly, retail ranked as the most preferred sector in the INREV Consensus Indicator as of March 2026, with a net sentiment reading of 23%.

However, occupier demand varies significantly across markets and segments, making careful asset selection critical to a successful strategy. In Germany, for example, high streets and shopping centres continue to face elevated vacancy rates, with international brands rationalising their footprint and several tenants at risk of insolvency amid weak economic conditions and subdued consumer confidence. By contrast, retail parks, discounters, and supermarkets have performed strongly, as consumers have become more price-sensitive and shifted towards value and convenience.

Meanwhile, in Southern Europe, prime dominant shopping centres are experiencing robust occupier demand and positive rental growth, as tenants become more selective and gravitate towards top-tier schemes, widening the performance gap with the broader market. Secondary assets, remain higher risk and are more suited to opportunistic or redevelopment strategies.



# Retail

(continued)

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## Public equity

Retail REITs have outperformed slightly but performance has been more disparate than last year. REITs owning high street portfolios have been weakest, while smaller food-anchored neighbourhood and sub-regional shopping centre REITs have shown the strongest performance so far this year. REITs owning larger high-quality malls and shopping centres have performed closer to the European index, but still ahead of their country peers in most other sectors. Retail sales had been solid, supported by rising real disposable incomes and easing inflation and interest rates, but early signs show this may have changed in March. Rental growth has been tracking broader property market trends, with reversionary potential gradually strengthening. Stable yields are underpinning improving capital values as rental income continues growing. Higher quality assets are outperforming operationally, as they should.

Retail REITs now trade at an average discount to last published NAV of approximately 11% (and have traded at similar levels for most of the past year). Rising investor appetite has allowed companies to reduce debt through asset sales while also providing transactional evidence of values. Retail property owners with stronger balance sheets are investing again, either in their own assets or through acquisitions, and companies continue repurposing excess space for alternative uses. Those REITs now trading at premiums to NAV have the potential to fund accretive acquisitions through equity issuance.





# Data centres

## Sector rating

Positive ↑

## New supply\*<sup>2</sup>

Negative ↓

<sup>2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Positive ↑

## Rent growth

Positive ↑

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV\*<sup>3</sup>

Not applicable

<sup>3</sup> REIT pricing relative to NAV: Red/ downward yellow signifies prices are trading at a discount, upward if trading at a premium.

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## Sector overview

While the broader commercial real estate sector experienced a sharp construction activity decline, the data centre pipeline continues to expand. Nevertheless, take-up is set to exceed new supply, and vacancy rates are projected to continue trending lower, underpinned by the rapid adoption of cloud computing and artificial intelligence. Against this backdrop, execution risk is likely to drive a widening dispersion in investment performance due to an increasingly complex power procurement and regulatory landscape.

## Private equity

The European data centre sector continues to benefit from exceptionally strong structural demand, underpinned by the rapid adoption of cloud computing and artificial intelligence. Notably, when compared to other property types, data centres stand out in terms of development activity. While the broader commercial real estate sector is experiencing a sharp decline in completions and new starts (ranging from -50% in industrial to -20% in retail from their respective peaks), the data centre pipeline continues to expand, with completions expected to increase by 17% in 2026 year-on-year.

Nevertheless, take-up is expected to exceed new supply in 2026, and vacancy rates are projected to continue trending lower, as strong demand persists and power constraints limit operators' ability to expand, particularly in core markets. This, in turn, reinforces pricing power and supports rental growth.

However, as new entrants and fresh capital continue to flow into the sector, execution risk is likely to drive a widening dispersion in investment performance. In our view, experienced platforms with established track records are best positioned to outperform, particularly in an increasingly complex environment characterised by greater technical specialisation, larger lot sizes, tightening regulatory frameworks, and more sophisticated requirements around power procurement, permitting, and product design.





# Health care

## Sector rating

Neutral →

## New supply<sup>\*2</sup>

Neutral →

<sup>\*2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Moderately positive ↗

## Rent growth

Moderately positive ↗

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV<sup>\*3</sup>

Neutral →

<sup>\*3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

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## Sector overview

Market conditions continue to improve following a period characterised by operational pressures, rising insolvencies and restructuring. Recent financial results from care operators indicate that the sector is now on a more solid footing, with positive revenue growth and a renewed focus on cash generation and deleveraging. Total returns remained positive for the fourth consecutive quarter as of Q4 2025, driven by income growth and partially offset by a modest decline in capital values.

## Private equity

Conditions in the healthcare sector continued to improve, with momentum building following a multi-year post-pandemic period characterised by operational pressures, rising insolvencies and restructuring. Recent financial results from care operators indicate that the sector is now on a more solid footing, with positive revenue growth and a renewed focus on cash generation and deleveraging.

Capital markets activity provides further evidence of renewed confidence in the sector. Investment volumes reached a record €20.9bn in 2025, according to JLL, more than doubling year-on-year and significantly exceeding the five-year average. Transaction activity was largely driven by portfolio deals in the UK, which accounted for approximately 60% of total volumes.

Total returns for European healthcare real estate remained positive for the fourth consecutive quarter as of Q4 2025, driven by income growth and partially offset by a modest decline in capital values, according to the INREV All Asset Index.

The sector outlook 2026 is constructive and positive, although renewed cost pressures and rising utility costs due to the outbreak of the conflict in the Middle East represent a new downside risk.





# Student housing

## Sector rating

Moderately positive ↗

## New supply\*<sup>2</sup>

Moderately negative ↘

<sup>2</sup> New Supply: Red downward signifies new supply is currently high.

## New demand

Positive ↑

## Rent growth

Moderately positive ↗

## Capital values

Moderately positive ↗

## REIT pricing relative to NAV\*<sup>3</sup>

Negative ↓

<sup>3</sup> REIT pricing relative to NAV: Red/downward yellow signifies prices are trading at a discount, upward if trading at a premium.

For Public Distribution in the United States. For Institutional, Professional, Qualified, and/or Wholesale Investor Use Only in other Permitted Jurisdictions as defined by local laws and regulations.

## Sector overview

Student housing continues to rank among investors' preferred sectors. Mainland Europe is emerging as an increasingly attractive opportunity, underpinned by stronger operating fundamentals and a more favourable outlook. Markets such as Spain, the Netherlands, and Germany continue to record rising international enrolments, driven by expanding university course offerings, alongside relatively lower tuition fees and cost of living. Conversely, tighter visa requirements for international students and their dependants, alongside mounting affordability pressures cloud the outlook of the UK market.

## Private equity

Student housing ranks among investors' preferred sectors, with a net positive sentiment of 12%, second only to retail, according to the latest INREV Consensus Indicator survey released in March 2026. Similarly, Cushman & Wakefield reported that 75% of surveyed investors identified student housing as a key investment target over the next one to three years.

Transaction volumes increased by 50% in 2025 compared to the previous year, reaching the second-highest level of the past decade, as capital continues to rotate towards the sector, supported by a persistent supply-demand imbalance and strong structural drivers. However, investors are no longer concentrating their strategies solely on the UK market, whose share of capital flows declined from a peak of 68% in 2019 to a record low of 35% in 2025.

Mainland Europe is emerging as an increasingly attractive destination for capital, underpinned by stronger operating fundamentals and a more favourable growth outlook. In the UK, leasing demand and rental growth moderated in 2025, reflecting tighter visa requirements for international students and their dependants, alongside mounting affordability pressures. By contrast, markets such as Spain, the Netherlands, and Germany continue to record rising international enrolments, driven by expanding university course offerings, alongside relatively lower tuition fees and cost of living. Furthermore, European universities could benefit from international students shifting away from the U.S., where stricter visa rules and political uncertainty are creating some demand headwinds. Indeed, U.S. new international enrolments fell by 17% in 2025, according to Reuters.



## Risk considerations

Investing involves risk, including possible loss of principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed. Potential investors should be aware of the risks inherent to owning and investing in real estate, including value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk. All these risks can lead to a decline in the value of the real estate, a decline in the income produced by the real estate and declines in the value or total loss in value of securities derived from investments in real estate.

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