CUSHMAN & WAKEFIELD

OUTTHINK

EUROPEAN OUTLOOK 2026





CONTENTS

NOTE FROM OUR CHIEF ECONOMIST

A Year of Extraordinary Challenges

The global economy faced extraordinary challenges in 2025. Tariffs rose to levels we haven't seen in nearly a century. Immigration limits tightened labour markets. Geopolitical tensions flared in multiple regions. And policymakers everywhere seemed locked in a constant debate over inflation, interest rates and fiscal sustainability. At one point, global equity markets lost more than $12 trillion in value in just a few weeks. Recession odds spiked to nearly 50%. And yet, through all of that, the global economy kept expanding. Once all the data is finalized, global GDP is expected to have grown by 3.2% in 2025, which is just a tick below last year's pace. Inflation eased across most regions. It drifted a bit higher in the U.S., but only modestly so far. Labour markets cooled, but unemployment remains low across most economies. And with real incomes still rising, consumers held up better than expected.

In short, the world economy absorbed a historic barrage of shocks last year and continued to push forward.

AI as a Growth Engine

One of the biggest reasons for that resilience was the AI growth engine, which really took off in 2025. Across industries, generative AI and automation began driving measurable productivity gains, new investment innovation. That growth spilled directly into commercial real estate (CRE), especially data centres, which are now one of the fastest-growing and most capitalized property types globally. AI's physical footprint and its need for power, cooling connectivity, is driving extraordinary demand for data centres and creating new requirements for both office and industrial space. We witnessed it firsthand. In London, AI-focused firms have taken an increasing share of office take-up—accounting for 22% of take-up so far in 2025, up from just 2% in 2012 and a previous high of 16% in 2023.

CRE Resilience Across European Sectors

Despite ongoing economic and geopolitical challenges, European real estate has remained resilient, with most markets stabilising or exceeding expectations as fundamentals and investor sentiment improve.

Economy: European economies are recovering, with GDP growth up, inflation easing and fiscal support strengthening demand, though labour markets are softening.

Office: Core office demand is surging, driving rental growth and investor interest, while supply shortages and stabilising yields support recovery.

Logistics: Occupier activity has stabilised, with supply tightening and prime rents rising. Investor appetite remains strong and investment volumes are set to increase as market conditions improve.

Living: Demand is outpacing supply, sustaining rental growth. Construction costs remain high, but government support is increasing.

Retail: Retail sales and confidence are rebounding, with physical stores evolving into brand experience hubs. Prime rents and investment volumes are rising, especially in top-tier locations.

Hotels: Investor appetite remains strong despite requiring agility to navigate increasingly polarised supply and demand trends, with luxury and economy hotels attracting the greatest interest.

Data Centres: EMEA data centre demand has accelerated, driven by AI and digitalisation. Regional capacity varies, shaped by power and government support.

From Resilience to Optimism

Looking ahead to 2026, the tone is shifting—from resilience to optimism. Policy uncertainty is easing. Central banks have started to lower rates. The cost of debt is coming down. Inflation has moderated in most economies. Capital is flowing aggressively again into the property sector. Investors are rediscovering that commercial real estate remains a compelling source of yield and diversification. We also expect some of the disruptions from tariffs to normalize as supply chains adjust, while AI continues to generate new demand for data centres and, by extension, office and industrial space.

Of course, risks remain. Geopolitics, tariffs uncertainty around the next Federal Reserve leadership transition will all matter. And if AI underdelivers, that could have ripple effects across equity markets and the broader economy. But compared with the uncertainty that defined 2025, the path ahead looks clearer.

If 2025 was a test of resilience, then 2026 has the potential to reward it.

We hope you find our 2026 Outlook reports both informative and actionable. If you're interested in a deeper discussion around Cushman & Wakefield's forecasts or how evolving market dynamics may impact your strategy, we welcome the opportunity to connect.

Kevin Thorpe
Chief Economist

Kevin Thorpe





ECONOMY

2026 ECONOMIC OVERVIEW

Labour Market

- Job growth is expected to soften in the first half of 2026, as several key economies have already seen weaker hiring, potentially due to productivity gains. However, we expect job growth to accelerate by year-end in both the Euro area and the UK, keeping unemployment rates relatively stable at low levels.
- Wage growth is moderating but continues to outpace inflation. This sets the stage for healthy consumer spending going into 2026.

GDP Growth

- Eurozone and UK GDP growth prospects remain relatively stable, with 2026 forecasts at 1.0% and 1.1%, respectively. Stabilising inflation, fiscal support and improving consumer sentiment will keep growth in positive territory in 2026. These will be balanced by headwinds from trade and softer global demand.
- Sectors aligned with demographic and technological shifts—such as data centres and logistics—are set to benefit most from the evolving macro environment.

Inflation & Rates

- Inflation has moderated back to the ECB's 2% target, allowing for a quick normalisation in policy rates. The Bank of England will continue to lower rates with caution in 2026, as inflation risk there remains a concern.
- Longer term bond yields are expected to remain rangebound at around 3% for the next two years. Rate stability is improving financing conditions, supporting asset valuations and unlocking capital for CRE transactions.

Risks & CRE

- Downside risks remain from geopolitics and tariff policy uncertainty, but have lessened as macro conditions stabilise. Upside potential exists: AI-driven demand, fiscal expansion and a more optimistic investment climate are supporting CRE recovery, especially for prime and ESG-compliant assets.
- Commercial property markets are broadening their recovery, with stabilising fundamentals and normalising risk premiums across geographies and asset classes.

ECONOMY

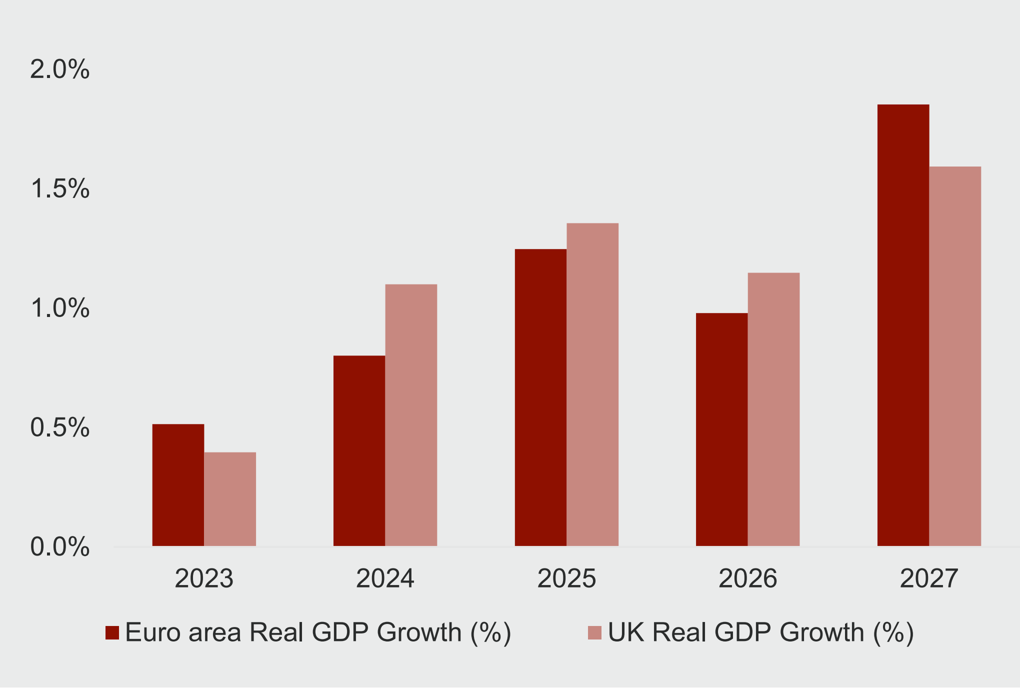
Navigating Recovery, Risk and Opportunity in 2026

The euro area and UK economies are showing signs of a modest but meaningful recovery in 2025, with GDP growth revised upward across both regions. In the euro area, GDP is projected to grow by 1.0% in 2026 and 1.9% in 2027, supported by easing financing conditions, stabilising inflation and resilient domestic demand. The UK is expected to expand by 1.1% in 2026 and 1.6% in 2027, aided by government spending and improving consumer sentiment.

However, the labour market is beginning to soften. Unemployment in the euro area is holding steady at 6.4%, but job creation is slowing and wage growth is moderating. In the UK, the unemployment rate has risen to 5.0%, up from 4.3% a year earlier. This divergence—stronger GDP growth alongside cooling labour dynamics—suggests that productivity gains and automation may be offsetting some labour demand.

Nevertheless, this deceleration in the labour market may be temporary. Structural tailwinds—including digital transformation, green investment, and fiscal support related to increased defence spending—could reignite employment growth in late 2026 and beyond. For commercial real estate, this evolving macro landscape presents upside potential, particularly in sectors aligned with long-term demographic and technological shifts.

Real GDP Growth



Source: Cushman & Wakefield Research

Central Banks Diverge in Europe

Easier monetary policy in the euro area is being made possible by stabilising inflation. After cutting from a peak level of 4.5% in May 2024 to the current rate of 2.15%, reached in June 2025, the European Central Bank (ECB) policy rate is expected to remain stable for the next two years. The UK, while easing more slowly, has implemented five 25-bps rate cuts so far to 4.0%. Having recorded stickier inflation with growing upside risk, the outlook remains cautiously optimistic that further rate cuts will continue—reaching a neutral rate of 2.75% by Q4 2026.

Labour Markets Bifurcate, Wages Ease

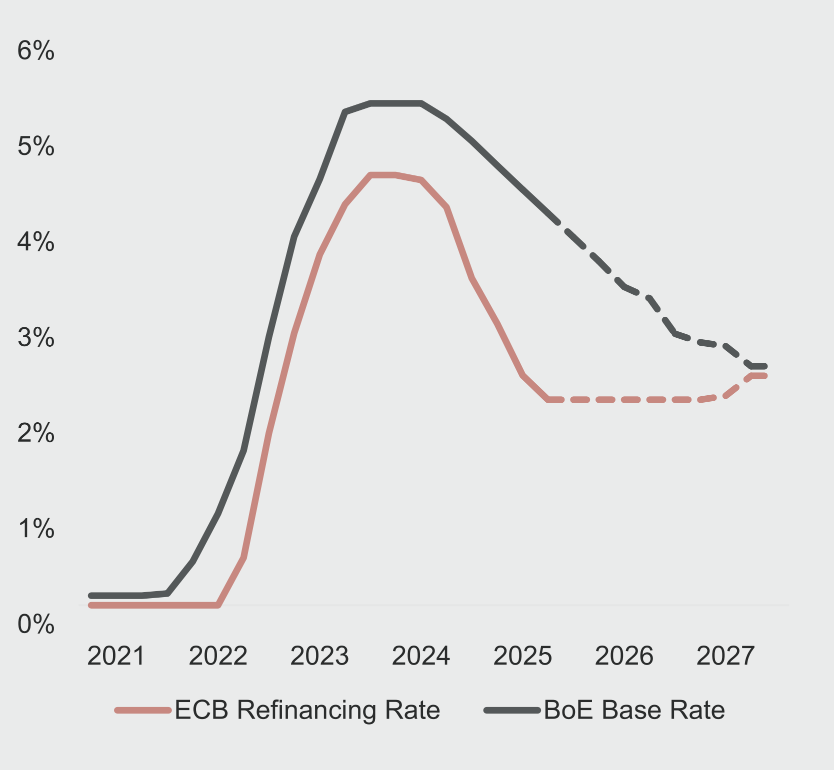
Unemployment rates across Europe continue to be at low levels in many countries, with the euro area rate stable at 6.4% and the broader European Union at 6.0%. In the UK, the unemployment rate has ticked up from 4.3% to 5.0%. The outlook calls for the unemployment rates to remain largely stable over the coming quarters.

Meanwhile, wage growth remains elevated across key large European countries—3.6% YOY in the euro area, 4.0% in the EU and 4.6% in the UK—but is gradually moderating as inflation eases. Real wage growth has now been positive for over two years, which combined with higher structural savings rates, has been a positive for consumer resilience. In the aftermath of inflation, consumers continue to prioritise value, durability and reliability over price alone, especially in discretionary categories.

Fiscal Firepower Forthcoming

Germany's economy has lagged recently as the export- and manufacturing-dependent nation adjusts to the ongoing challenges that higher interest rates and reduced external demand generate. Germany has recently adopted a more expansionary fiscal stance, easing its constitutional debt brake to fund large-scale investments in infrastructure, defence and climate-related initiatives. Combined with the European Commission's broader push for higher defence and infrastructure spending across member states, this shift toward coordinated fiscal expansion is likely to amplify domestic demand, support industrial capacity and provide a counterweight to external headwinds, particularly in export-reliant economies.

Interest Rate Outlook



Source: ECB, BoE, Moody's Analytics

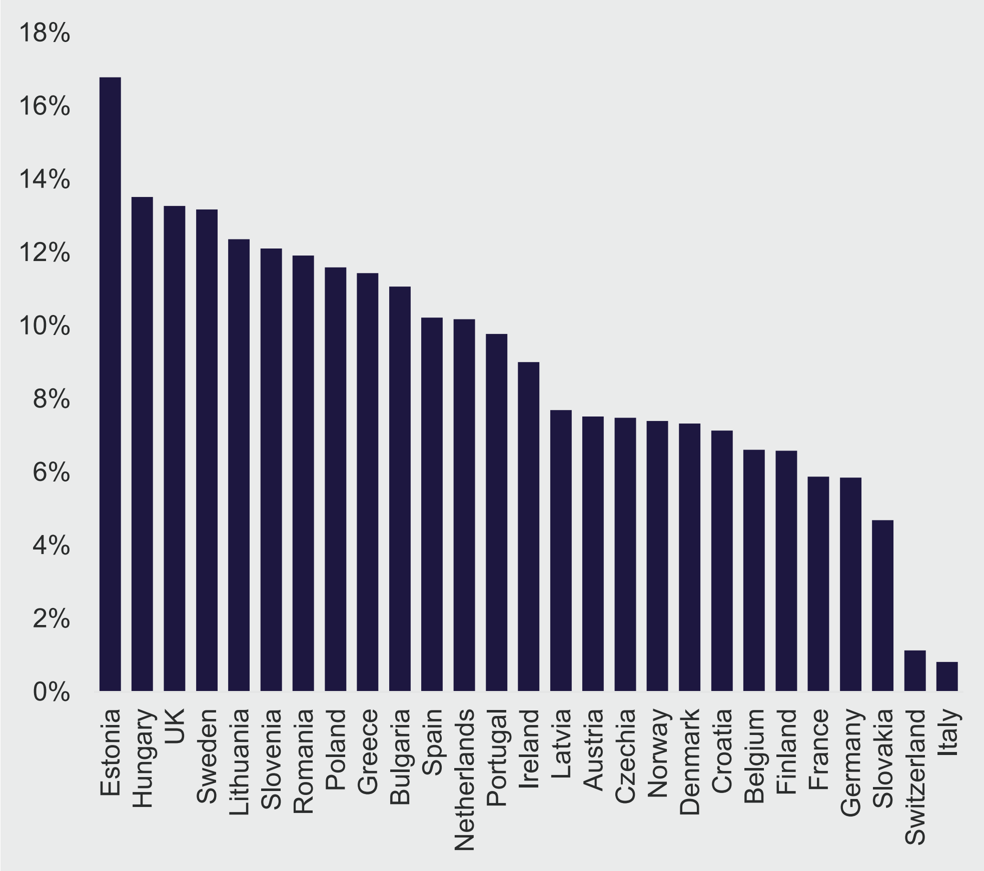
Consumption

In the euro area, consumption is projected to remain a key driver of growth as labour markets stay resilient and household incomes recover. In the UK, improving consumer confidence and a rebound in discretionary spending are expected to support retail sales, especially in services and experience-led categories. Physical retail continues to regain momentum, particularly in urban centres, as retailers invest in experience-led formats and omnichannel integration. E-commerce growth is stabilising, with online penetration rising modestly as consumers seek convenience and variety. While margin pressures from labour and occupancy costs persist, many retailers are offsetting these through portfolio optimisation, supply chain efficiencies and digital transformation. Overall, the retail sector is positioned for steady growth—anchored by a more stable macroeconomic environment and evolving consumer preferences.

Investment

Business investment in the euro area is expected to remain subdued through to 2027, with many firms signalling flat (±5%) capital expenditure plans, while those with declining or increasing spending roughly balance each other out. One reason for the intra-regional outlook is that firms expect to increase investment elsewhere across emerging and developed nations, as they evolve strategies to factor in technological change and geopolitics. In contrast, UK business investment is projected to accelerate modestly, supported by improving financing conditions, fiscal incentives and a rebound in services and tech-related sectors. Across both regions, investment is increasingly being directed toward digitalisation, energy transition supply chain resilience. This has created second-order benefits for portions of the real estate market throughout Europe—a trend that is expected to continue.

Retail & Food Services Sales Growth (2025-2027 % Change), by Country*



Source: Cushman & Wakefield Research.
**Based on local currency units.*

Trade Clarity Emerges

Considerable trade uncertainty persists, but the volatility of U.S.-European tariff policy has likely seen its peak and more stable days lie ahead. Most of the unknowns for the transatlantic relationship have become “known unknowns” in that President Trump has signalled some specific tariffs that are on the horizon. Conversely, the temporary suspension of rare earth export controls from China to Europe remains in limbo.

UK Leads the Pack: May 8, 2025

The UK led the world in securing a trade deal with the U.S. in early May 2025. At 10%, the negotiated tariff rate is also among the lowest globally. Some quotas (autos, steel and aluminium) exist, while some sectors/products are exempted (aerospace, semiconductors, pharmaceuticals). The negotiations also led to investment and other purchase commitments (e.g., agricultural and ethanol purchases). The UK has made up a small share of U.S. imports, though (~2%).

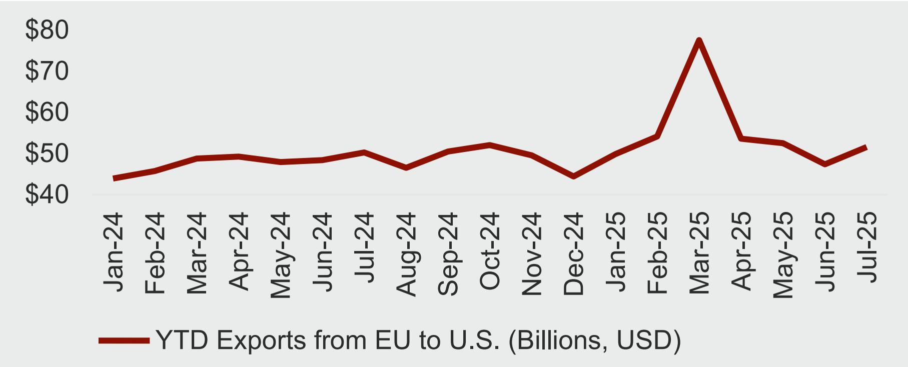
European Union: July 29, 2025

The EU is a much larger trading partner and is the source for ~18.5% of U.S. imports. A trade deal was finally landed in July 2025, which resulted in a 15% flat tariff. Steel, aluminium and copper (all 50%) and autos (15%) are exceptions. Exemptions included aerospace and select chemicals/pharmaceuticals. Like other deals, investment and purchase agreements were also made ($750 billion of energy purchases).

New “Norm” Looks Decent in Summer 2025

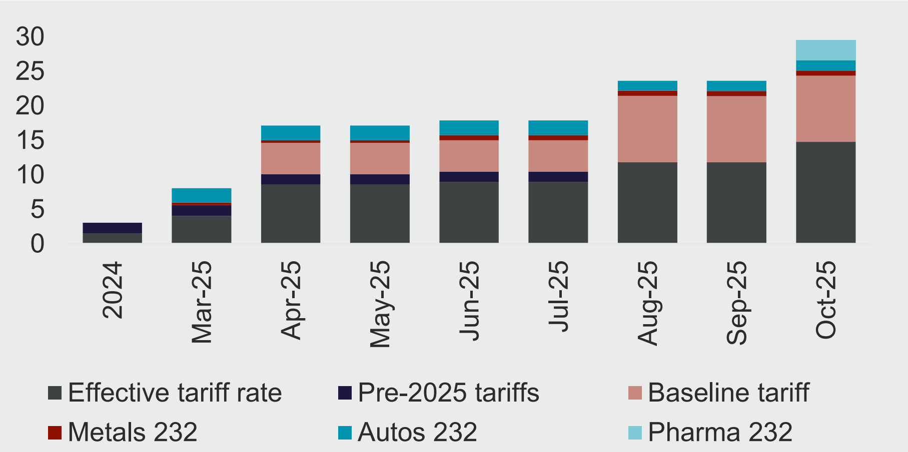
Despite the whiplash in trade data in the spring of 2025 from front-loading exports to the U.S., the reality is that trade flows in recent months have trended above prior year totals. As global growth accelerates in late 2026 and 2027, trade volumes should rise.

European Exports to the U.S.



Source: IMF

U.S. Effective Tariff Rate on Imports from EU (Contributions, %)



Source: Eurostat, Moody’s Analytics

More Economic Growth

Resilient GDP growth across the euro area and UK is expected to support occupier demand, particularly in sectors tied to consumer activity, logistics and professional services. As business confidence improves, leasing activity and development pipelines are likely to expand in growth-oriented markets.

Job Gains Bottom Accelerate

After a period of labour market softening, employment growth is projected to reaccelerate in late 2026–2027, driven by fiscal support, digital transformation and green investment. This rebound will reinforce demand for office space, urban retail, and housing in talent-concentrated cities.

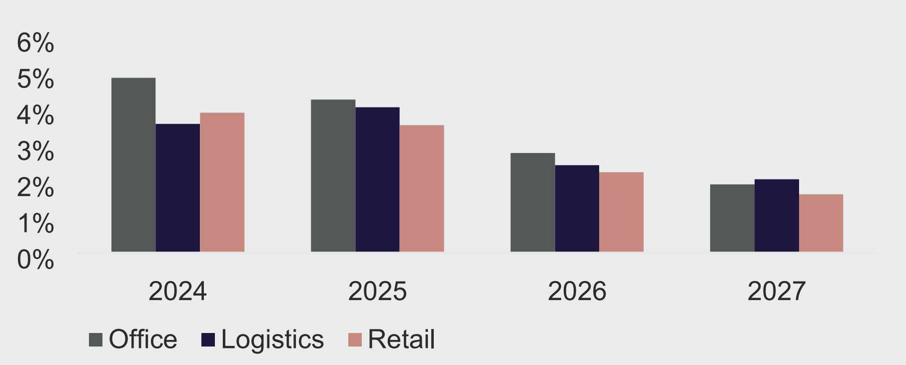
Rate Stability on Horizon

With inflation stabilising and central banks at or nearing the end of their loosening cycles, interest rates are expected to remain steady or decline modestly. This environment will improve financing conditions, support asset valuations and unlock pent-up capital for CRE transactions and refinancing.

Commercial Property Recovery Cements Further

Capital markets are stabilising investor sentiment is improving, particularly for prime and ESG-compliant assets. As fundamentals strengthen and risk premiums normalise, the recovery in commercial property is expected to broaden across geographies and asset classes.

European Prime Rental Growth



Source: Cushman & Wakefield Research

Baseline All-Property Outlook

	2023	2024	2025	2026	2027
Prime Rental Growth (%)	5.3	4.1	3.9	2.5	1.9
Prime Yields (%)	5.1	5.1	5.1	4.9	4.8
Prime Capital Value Growth (%)	-7.9	4.2	5.9	5.0	4.5
Prime Total Return (%)	-3.1	9.5	11.2	10.1	9.6

Source: Cushman & Wakefield Research





OFFICE

OFFICE

Core Office Demand Surges

Centrally located assets are generating greater tenant demand and piquing investor interest. Nearly 75% of leasing activity across European markets through Q2 2025 focused on city CBD locations, driven by occupiers' intent on securing high-quality, well-connected office spaces.

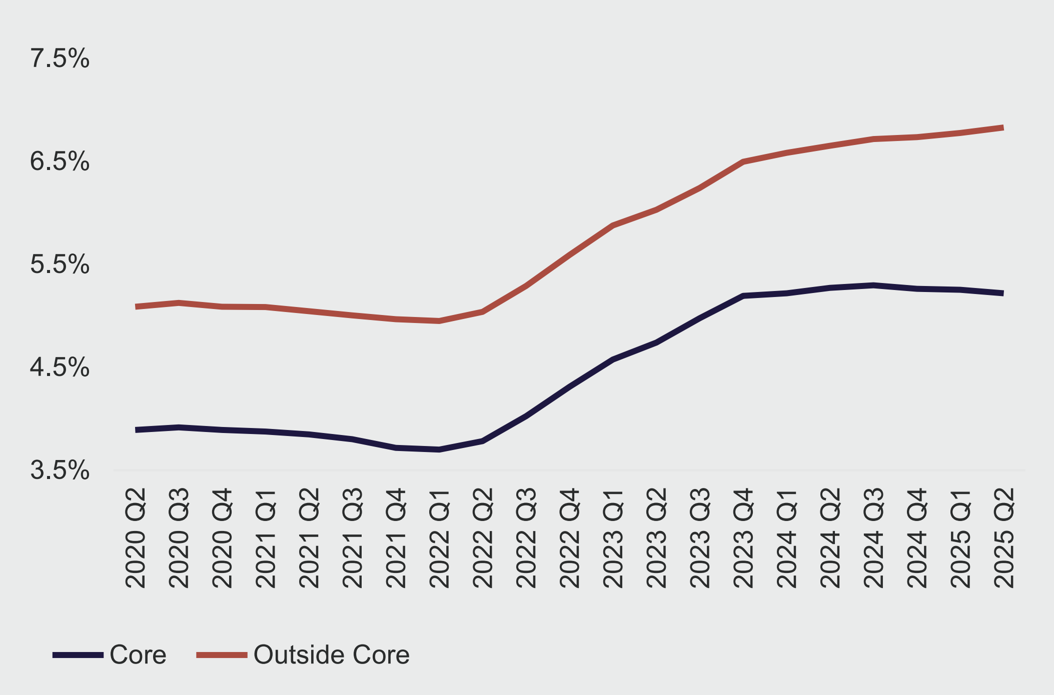
Concentrated demand has led to an erosion of supply in core areas, with vacancy decreasing to 7.1% in Q2 2025. Consequentially, core rents have also risen, with 3.7% growth over the previous year and 13.2% in the last three years.

Supply Shortages Boost Investor Interest

Rising rents amid falling supply are attracting investors. Yields for core locations compressed to 5.2% in Q2 2025. Values are also up 5% in core areas on an annual basis, marking the fourth consecutive quarter of positive growth.

Just 10.1 million square meters (sqm) of space was under construction at the close of Q3 2025—the lowest figure in the last 10 years—suggesting supply shortages are likely to become entrenched in core markets. This indicates that the drivers behind improving investor sentiment for core assets will also continue on a positive trajectory over the medium-term.

Prime Yields – European Offices Core Markets



Source: Cushman & Wakefield Research

Rising Rents Expected Across European Markets

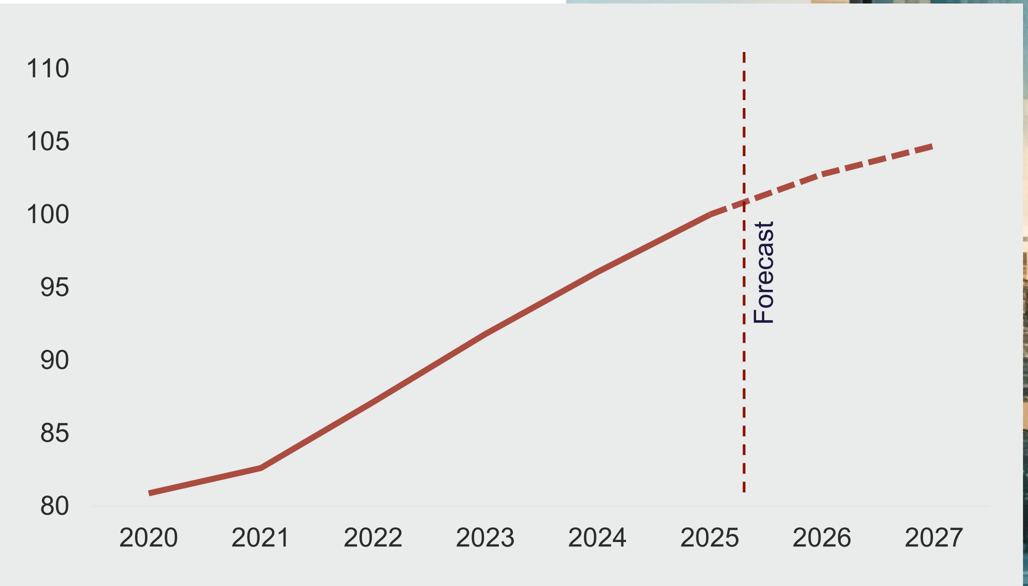
In the near term (2025 to 2027), all core office markets across Europe are expected to see rental growth, averaging 4.7% over the two-year period. London's City and West End markets are expected to lead with 9.9% and 10.3% growth, respectively, while Paris CBD is also expected to show strong growth with a 6.1% increase.

Yields and Investment Set to Rise

From an investment perspective, rental growth and reasonably healthy economic growth across Europe are expected to bring selective yield compression. Prime yields in core locations are forecast to decrease by 25 bps from 2025 to 2027, to 5.0%.

The European Fair Value Index improved to 87 for the office sector in Q3 2025, suggesting more markets are underpriced rather than fully priced. With the positive occupational picture and impending development drought, there are several catalysts primed to boost activity going into 2026.

Rental Growth Index Forecast



Source: Cushman & Wakefield Research

TIME Score Reflects Market Resilience

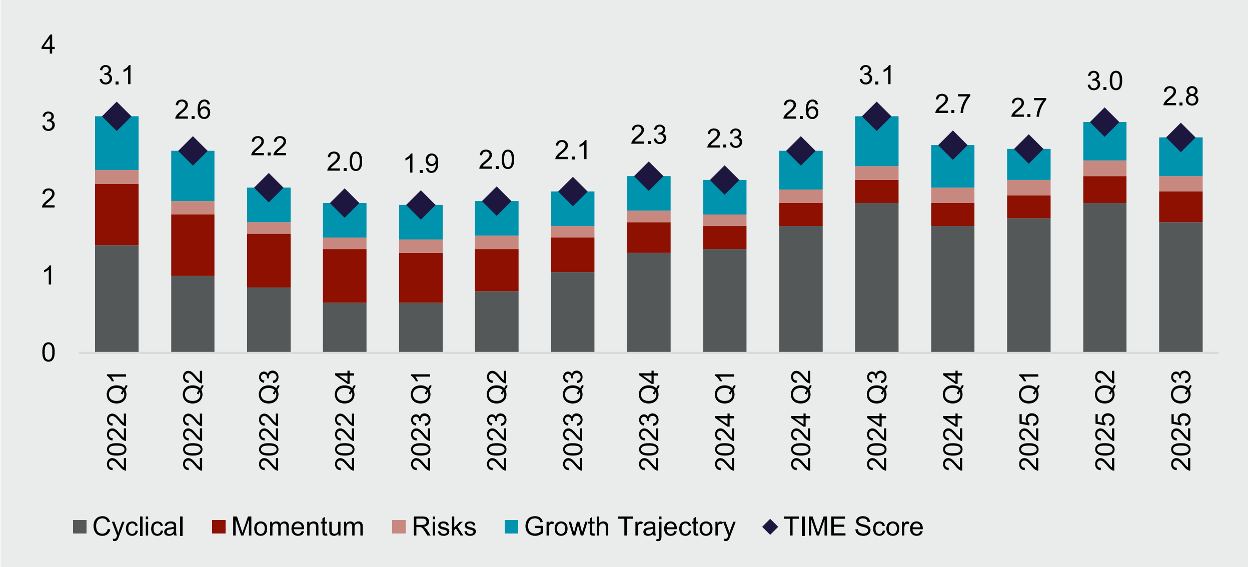
Our European office's TIME Score recorded a slight decrease to 2.8 in Q3 2025 from 3.0 in Q2 due to a decline in some cyclical factors. Nonetheless, the Q3 figure is the third highest recorded in the last two years.

For reference, The TIME Score offers a streamlined method for illustrating key changes in several crucial indicators of the investment market for the near-term outlook. A score close to 0 means most indicators are underperforming while a score near 5 means conditions are favourable

The components within the model which illustrate momentum in the market showed positive movement, with liquidity and average deal size increasing to their highest levels since the end of 2023.

Business investment and GDP growth expectations—which are both included within the Growth Trajectory segment of the TIME Score—have improved during 2025. As a result, there has also been an improvement in the Growth Trajectory component of the Score over the year.

Cushman & Wakefield European Offices TIME Score



Source: Cushman & Wakefield Research





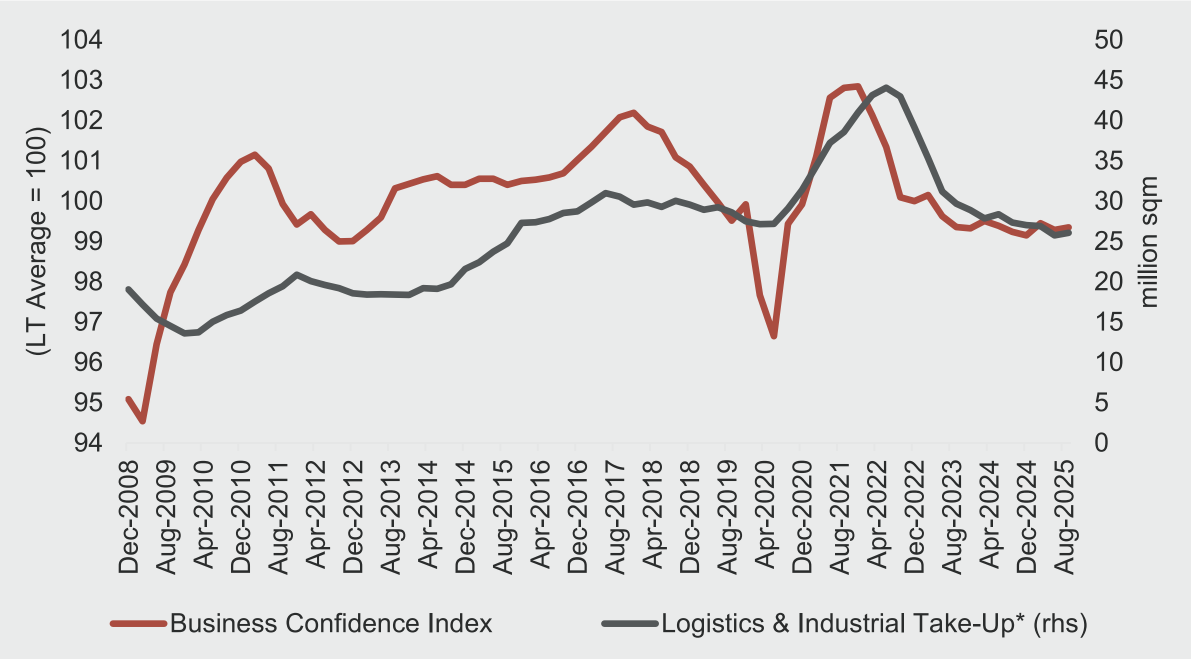
LOGISTICS

LOGISTICS

Stabilising Occupier Activity with Recovery Ahead

Across Europe, occupier take-up has stabilised in Q3 2025, remaining just below pre-pandemic levels. Occupier decision-making remains protracted in an environment of ongoing economic and geopolitical uncertainty. Business confidence as a leading indicator of occupier activity continues to hover just below the neutral position, indicating a further period of subdued occupier activity in the next 6-12 months. However, some markets across Europe have shown signs of early recovery with occupier activity having rallied in the second half of the year. Further positive signals—such as boosted appetite for space from defence and clean energy tech businesses, as well as Chinese businesses investing in Europe—continue to bode well for improved occupier activity in 2026 and beyond.

European Business Confidence Index vs Logistics Take-up*



Source: OECD Leading Indicators, Cushman & Wakefield Research
**Rolling four-quarter total*

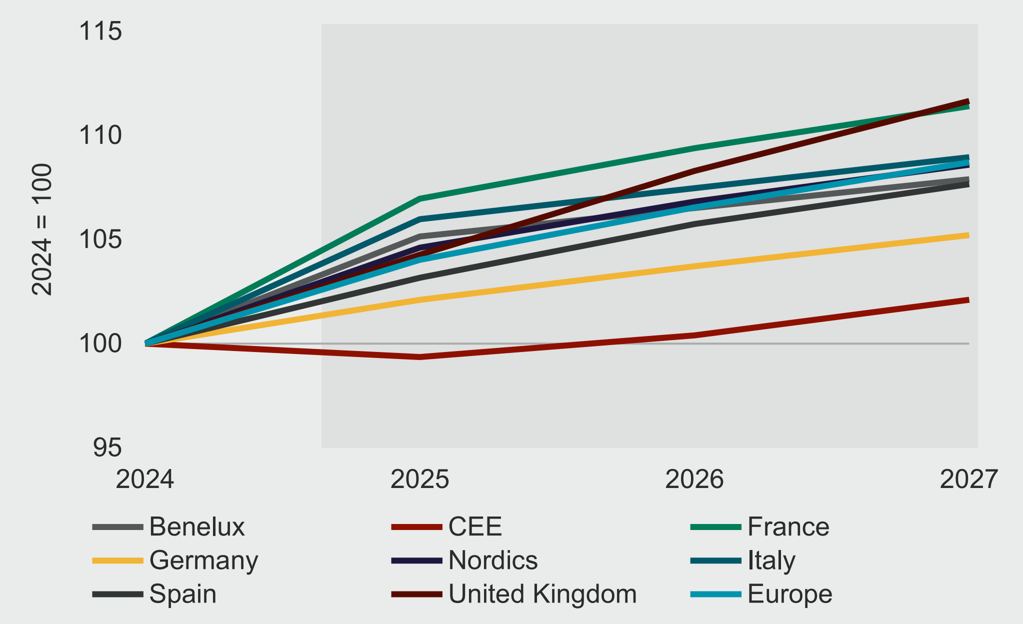
Construction Pipeline Slowing

Availability in many locations across Europe—including Barcelona, Prague, Dublin and the UK's West Midlands—continues to moderate—with some now below pre-pandemic levels—as developers slow the delivery of new space. However, in some markets such as parts of Northern Italy and of Central and Eastern Europe, new supply and the return of existing space have driven vacancy rates higher, though these are expected to moderate as steady demand catches up with waning construction. Logistics vacancy is projected to stabilise in 2026 before trending lower in 2027.

Steady Prime Rent Growth in Europe

Prime rents have continued to track upwards, although at a more modest rate than during 2021-2023. Some markets have experienced small corrections in prime rental levels, representing minor adjustments following a period of significant growth. Prime headline rents are expected to continue to increase, with average annual growth rates of 2.2% per year forecast between 2026 and 2027. The UK is projected to see average annual growth of around 3.5% during this period, with locations in Spain, Sweden and France also expected to post strong growth.

Prime Logistics Rental Growth Forecasts



Source: Cushman & Wakefield Research

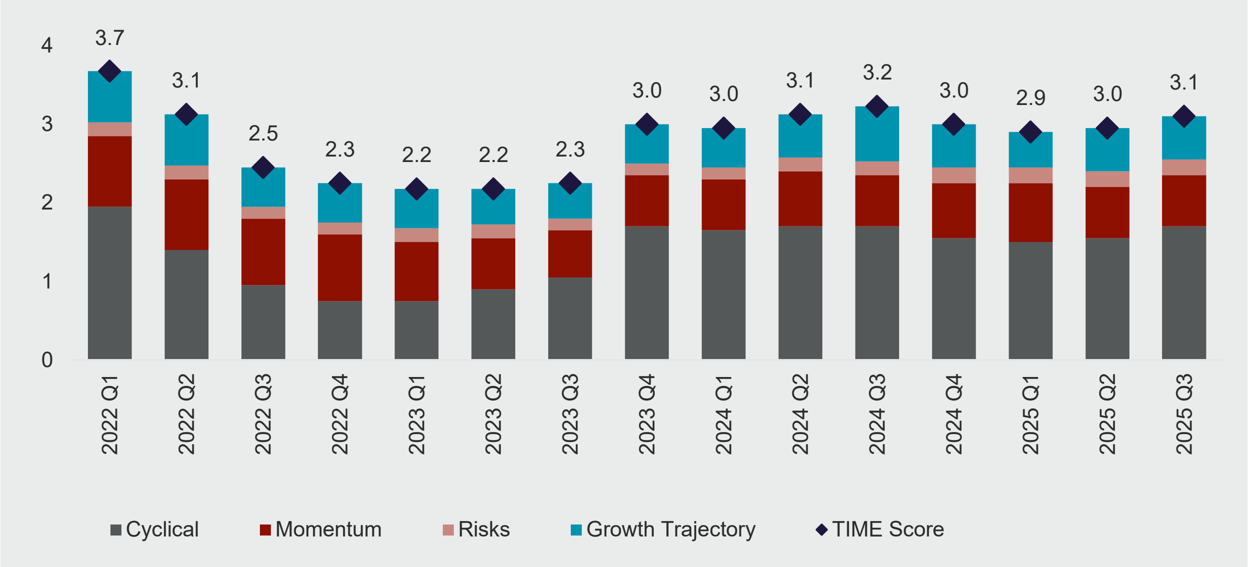
Investor Demand Fuels Logistics Growth

Investor appetite for logistics remains high with many investors either actively capital raising or are ready to deploy previously-raised capital specifically earmarked for the sector. In addition, lending conditions for logistics and industrial asset acquisition are currently amongst the most attractive for all asset classes, further bolstering capital availability. Core investors are slowly starting to return to the market as pricing has stabilised. Pricing increases are driven by core-plus and value-add buyers leveraging higher debt to boost returns. The Cushman & Wakefield Fair Value Index in Q3 2025 shows that 37 of the 39 markets covered are currently underpriced, with the remaining two fairly priced. Yields are expected to tighten by 40 to 75 bps by 2029 across most markets.

Growth in Logistics Investment

Investment volumes are expected to increase in 2026 and beyond as more product is being brought to market and as investor conviction in the sector, particularly for the mid-to-long-term drivers, remains high. Lot sizes have been increasing with more product in the €100-200 million range finding interested parties. Investors remain selective with activity continuing to be concentrated on individual assets or single-jurisdiction portfolios. The Cushman & Wakefield TIME Score for logistics & industrial assets has reached its highest level in a year, signalling improving acquisition conditions in the sector.

Cushman & Wakefield Industrial TIME Score



Source: Cushman & Wakefield Research

RETAIL

RETAIL

Tourism Rebounds with Stabilising Confidence

As inflationary pressures have eased, consumer confidence has stabilised, though it remains fragile. Appetite for discretionary spending is growing, though consumers remain wary of the potential resurgence of inflation. Tourism to Europe continues to grow, with visitor numbers reaching or exceeding pre-pandemic levels in many countries. Travel from the U.S., Middle East and within Europe has surged well beyond pre-pandemic levels, whilst high-spending Chinese travellers remain around 20% below previous levels, with full recovery expected by the end of 2026.

Retailers Expand Strategically Across Europe

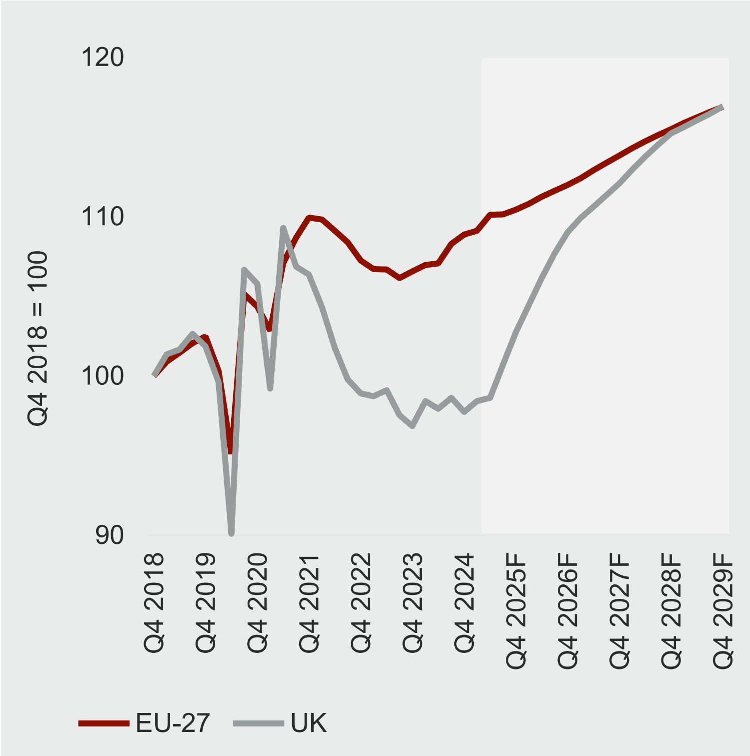
Many retailers are now in expansion mode; the level of cross border activity is exceptionally high with many brands strategically growing across Europe. All are using data-driven insights to identify the right locations and are prioritising quality locations and stores. Whilst some brands continue to expand on a country-by-country basis, others are now adopting city-led strategies, prioritising fewer stores with greater strategic significance.

Stores Become Brand Experience Hubs

Physical stores are now being positioned as strategic destinations, offering immersive "brand universe" experiences to enhance customer engagement. This shift prioritises high-quality, larger spaces with significant investment in design and fit-out.

However, top-tier schemes and prime locations across asset types often face supply constraints. Coupled with strong demand, this is intensifying competition and driving up prices across asset classes.

Retail Sales Index, EU-27 and UK



Source: Moody's Analytics

Prime Retail Rents Keep Rising

Prime retail rents continue to rise, driven by the best locations and schemes. Rents for retail parks are now 14% higher than they were in 2018, shopping centres have now returned to 2018 levels and high street stores are just 4% below. Rental growth is expected to continue over the forecasting period. The average annual rental growth should stay at 1.9% over the next 2 years.

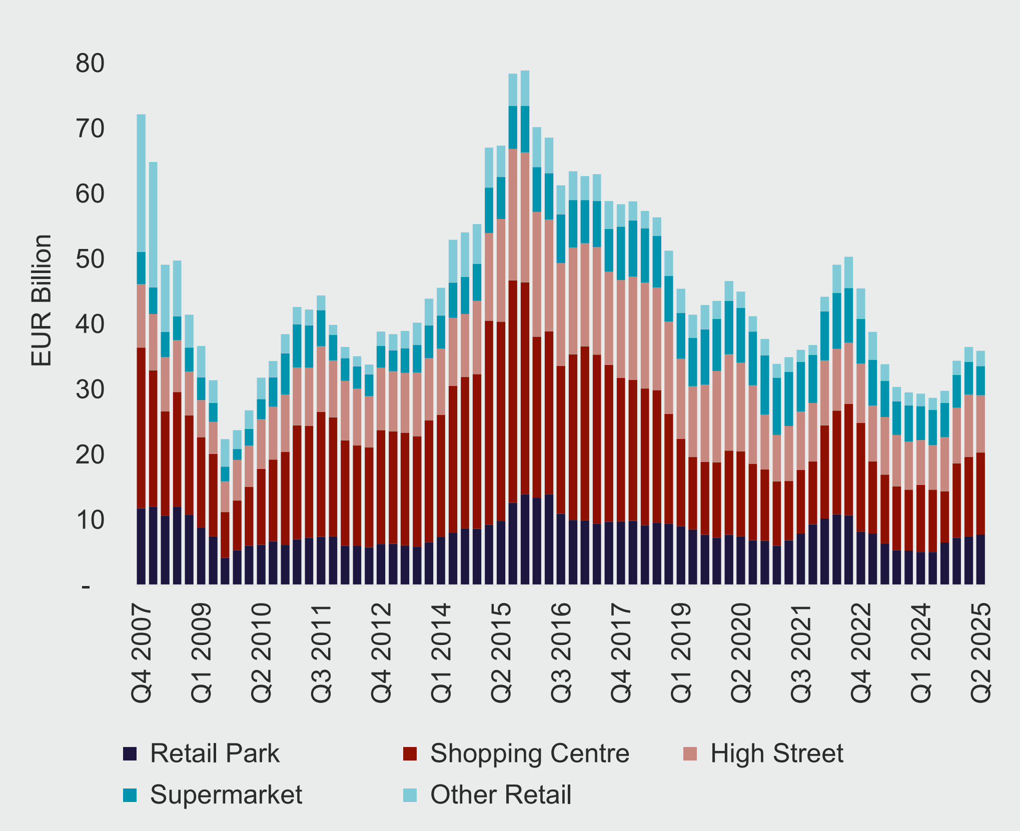
Investor Confidence in Retail Grows

Investor demand for retail assets is rising, driven by growing confidence in the sector. Volumes continue to edge up—retail now accounts for about 16% of total European investment volumes, up from 12% in 2021 – and volumes are expected to increase in 2026. Investors are actively raising capital, with recent fund launches focusing particularly on retail parks. In addition, the availability of accretive debt with favourable costs and conditions tailored for retail investments is further boosting sector liquidity. Interest in larger lot sizes has grown—larger deals of €250 million and above are now being negotiated or have been recently concluded with more expected in 2026. Recent investor interest for Southern Europe remains keen and is growing for other geographies including Central and Eastern Europe.

Retail Pricing Tightens Across Europe

Pricing is starting to tighten in some regions, with retail parks and shopping centres seeing inward yield shifts in recent quarters—a trend expected to continue, with prime yields across Europe projected to compress by 15 to 55 bps from 2026 to 2029. Investors are prioritising well-priced assets, particularly with asset management opportunities to drive value and income growth.

European Retail Investment Volume* by Type



Source: MSCI Real Capital Analytics, Cushman & Wakefield Research
**Rolling four-quarter*

LIVING

LIVING

Supply-Demand Gaps to Sustain Rents in 2026

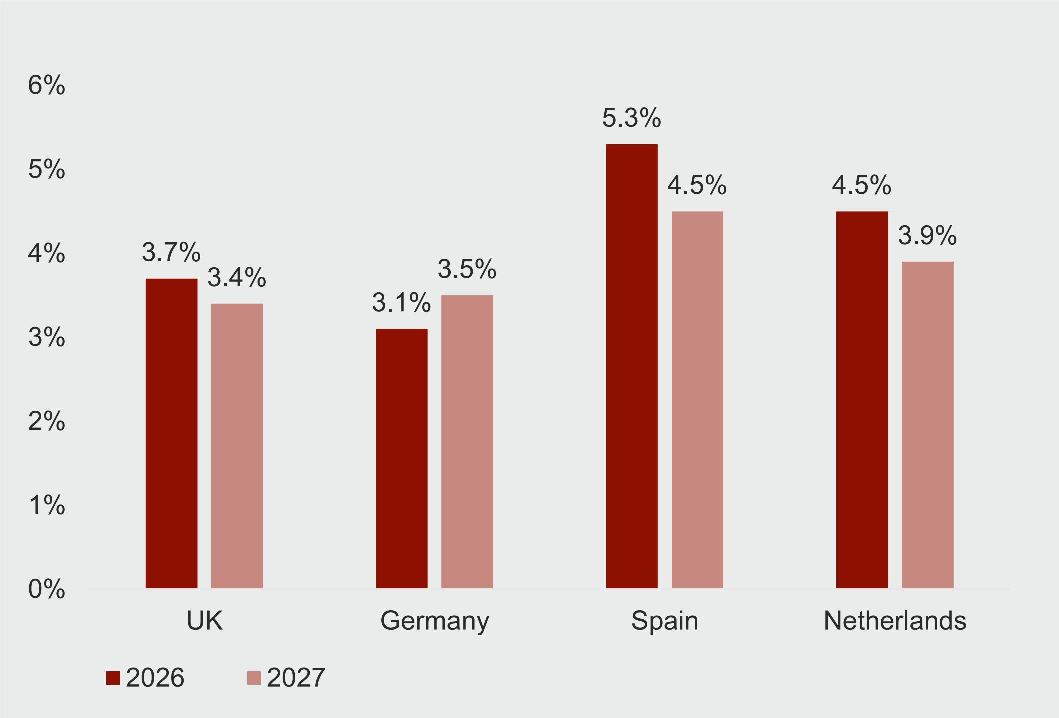
Demand across the living sector will likely remain strong in 2026, underpinned by demographic and societal shifts, with demand expected to continue to exceed supply.

Supply remains under pressure—recent permit data suggests little chance of a significant housing rebound in early 2026, let alone narrowing the gap with demand. In countries like the UK and Germany, permits levels in 2025 have hit multi-year lows.

European student-to-bed ratios vary but remain very high in countries like France, Germany and Portugal—highlighting a still very undersupplied student market with numbers of 18–25-year-olds forecast to continue to grow into the next decade.

Most markets have seen steady low-to-mid-single digit increases in rents in 2025, with standout performances in countries like Spain and the Netherlands. Private sector rents across Europe are expected to continue to climb steadily in 2026, as shown in our latest rental growth forecasts for a sample of Western European countries.

Residential Rents Forecast to Climb Again in 2026 and 2027



Source: Cushman & Wakefield Research

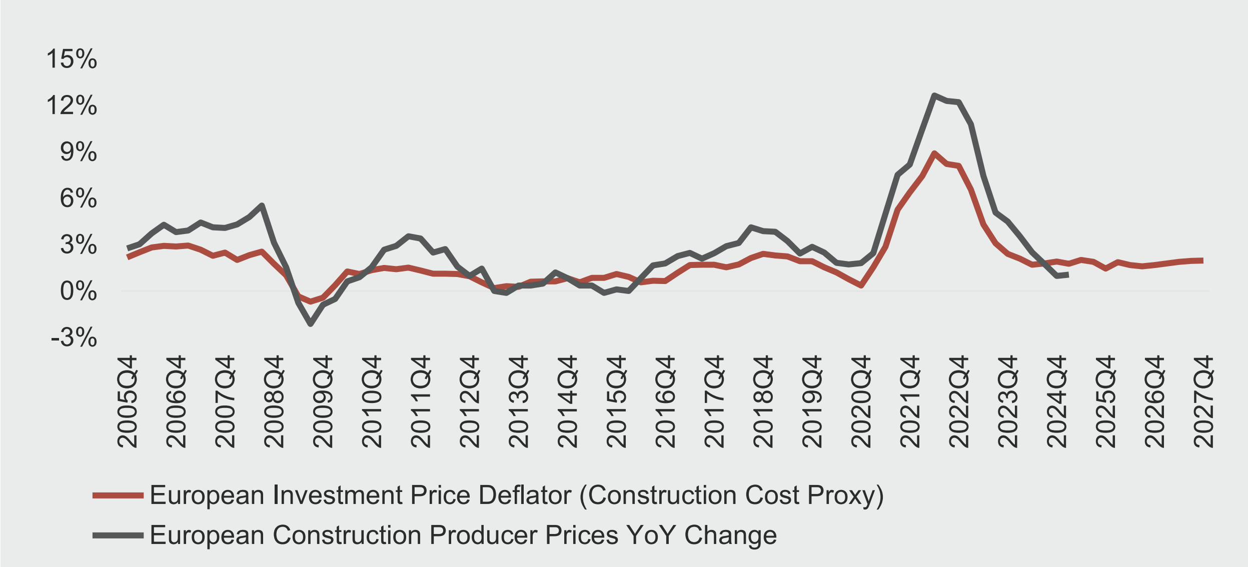
Cost Inflation Persists, Government Support Grows

Lower interest rates will help viability, but challenges will remain in 2026 thanks to sticky construction inflation rates and ongoing regulation and building standards. Estimates of construction cost inflation vary—investment price deflator indexes for Europe (a proxy for construction cost inflation) are pointing to inflation of around 2% per year in 2026 and 2027 (see chart).

However, we are seeing more evidence of much-needed government action to help the private sector contend with viability challenges:

- In the UK, notable measures from the recent "Homes for London" policy include relief from community infrastructure levies until 2028, changes to design standards reduced affordable housing allocations.
- In Ireland, the government has reduced the VAT rate on newly built apartments and purpose-built student accommodation from 13.5% to 9%, effective through 2030.
- In Portugal, the government is seeking parliamentary approval to cut VAT from 23% to 6% on build-to-rent and build-to-sell properties that meet qualifying sale price and rent thresholds.

Construction Costs Expected to Rise by at Least 2% per annum in 2026 and 2027



Source: Eurostat, Moody's Analytics

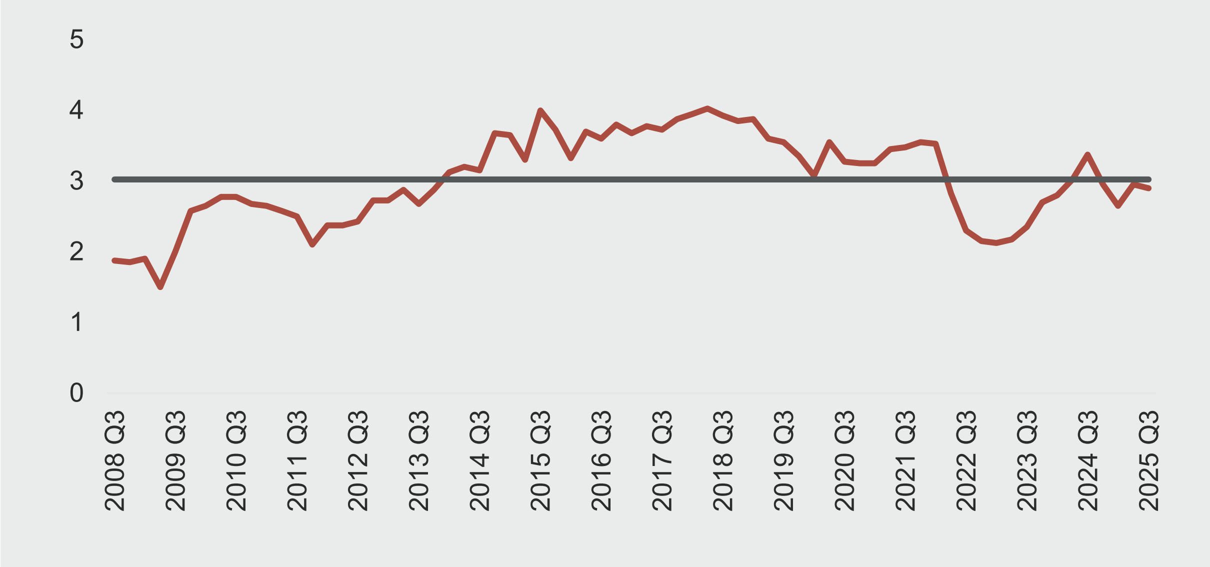
TIME Score Aligns with Long-Term Average

Our Residential TIME Score for the near-term outlook of the living market declined in early 2025, driven primarily by heightened capital market and economic uncertainty, particularly in Q1.

Since then, it has recovered to near its long-term average. Over the past year, MSCI data for the living (residential) sector has shown mixed capital value trends—down 0.6% in the UK but up 3.7% across Europe. However, the overall trajectory has improved in this period, signalling optimism for 2026. This positive trend aligns with the upward movement in the TIME Score over the past two years (see chart), reinforcing its validity.

The TIME Score offers a streamlined method for illustrating key changes in several crucial indicators of the investment market for the near-term outlook. A score close to 0 means most indicators are underperforming while a score near 5 means conditions are favourable, most variables align positively.

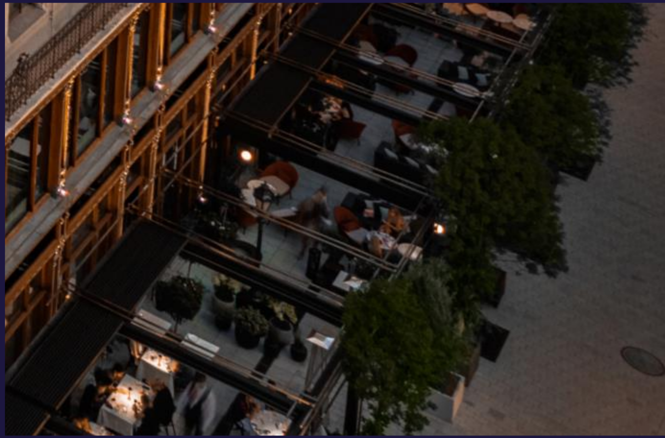
Cushman & Wakefield Residential TIME Score Close to Long-term Average in Q3 2025



Source: Cushman & Wakefield Research







HOTELS

HOTELS

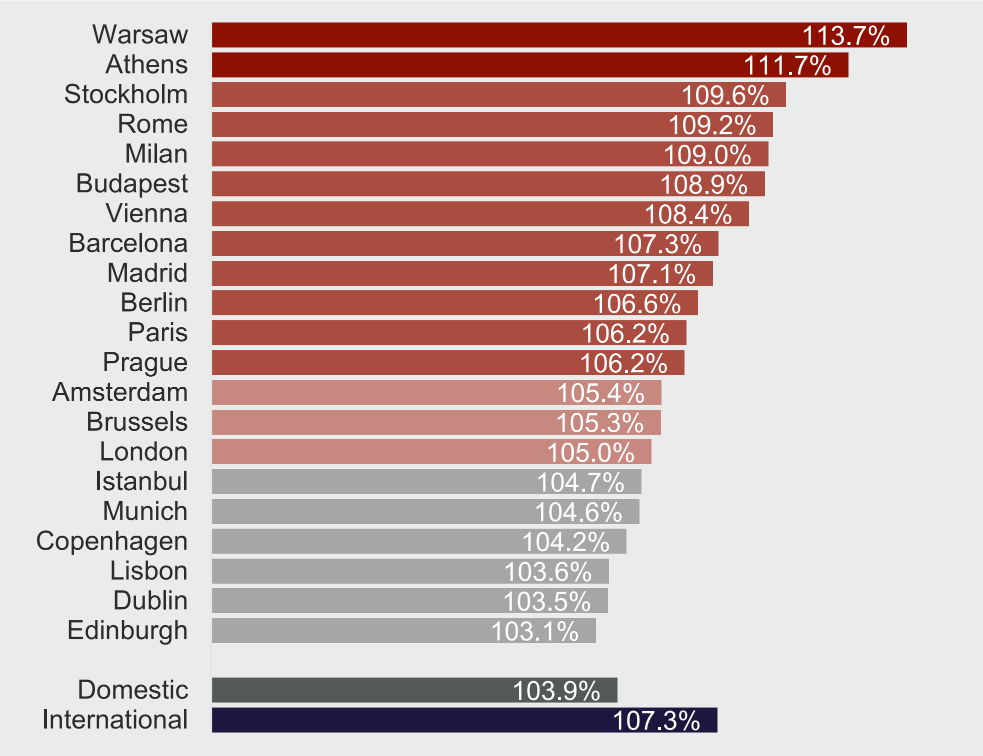
Persistent but Uneven Demand

Despite economic and geopolitical headwinds, European tourism is set for healthy growth in 2026 as consumers prioritise spending on experiences like travel. The European Travel Commission (ETC) reports steady U.S. interest, despite tariff concerns, and visits from China and India are expected to rise 23% and 9% next year. Oxford Economics forecasts a 5.6% increase in European hotel stays, driven by international markets. However, not all destinations will benefit equally. Warsaw, Athens and Stockholm are expected to see the strongest growth, while demand may slow in Lisbon, Dublin and Edinburgh after a strong 2025.

Taxes and Regulations on the Rise

Rising tourism and overcrowding are driving higher taxes on accommodation. Edinburgh will introduce a 5% overnight stay levy in July 2026, while Brussels' tourism tax will rise 25% to €5 per room per night next year. Hoteliers in Belgium will face a VAT increase from 6% to 12%, while an even steeper rise—from 9% to 21%—is planned in the Netherlands. Similar measures are being considered elsewhere, with high-demand markets expected to pass costs to consumers. Meanwhile, stricter short-term rental rules, like Barcelona's plan to phase out tourist apartments by 2029, limits new hotel developments and should boost performance of existing hotels.

2026 Accommodation Demand Index (2025 = 100%)

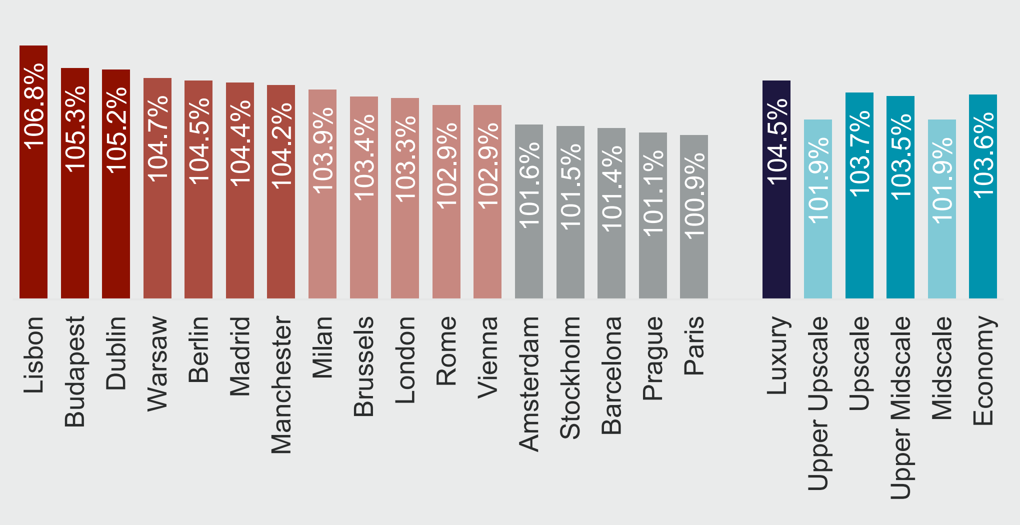


Source: Oxford Economics (nights in paid accommodation forecast)

Paced Supply Growth amid Rising Hotel Values

Rising hotel values are spurring new development, though most projects are 2-3 years away and limited in scale. CoStar's October 2025 data shows Europe's hotel pipeline growing, but 60% of rooms are still in planning, with many delayed due to high financing and construction costs. Supply growth in 17 key urban markets is expected to remain moderate, with increases of 2% in 2025 and 3.1% in 2026. Lisbon, Manchester, Budapest, and Dublin will see stronger expansion, while Paris, Prague, and Amsterdam face constraints. Luxury hotels lead growth (4.1% in 2026), with extended-stay properties rising to 11% of the pipeline.

2026 Hotel Supply Index (2026 vs 2025)



Source: Cushman & Wakefield Research

Moderating and Diverging Performance

Gross Operating Profit (GOP) per available room in European full-service hotels is slowing, dropping from 7.2% growth in 2024 to 1.5% by September 2025, according to HotStats. Rising costs, especially labour (+4.9%), outpaced revenue growth (+2.5%), with eight of 18 key markets, including Manchester and Berlin, seeing profit declines. Meanwhile, Budapest, Bucharest, and Milan remain strong performers, with this divergence expected to grow in 2026. Investors must now focus on local supply-demand dynamics, labour and tax pressures as well as CapEx needs for sustainability and technology upgrades. For those able to adapt, there are opportunities for superior returns through active asset management.

Hotel Profitability Trends – Europe (Full-Service Hotels)

	YE December			YE September		2025 vs 2024
	2019	2023	2024	2024	2025	
Occupancy %	75.6	71.0	73.0	72.3	74.3	2.8%
ADR (€)	139.7	162.8	167.0	166.7	166.1	-0.3%
RevPAR (€)	105.6	115.6	121.9	120.5	123.4	2.4%
Total Revenue (€ PAR)*	149.9	159.8	168.0	166.0	170.2	2.5%
Total Expense (€ PAR)*	92.7	101.5	105.6	104.5	107.8	3.1%
GOP PAR (€)	57.3	58.3	62.5	61.6	62.5	1.5%
GOP Margin %	38.2%	36.5%	37.2%	37.1%	36.7%	

Source: HotStats
**PAR - Per Available Room*

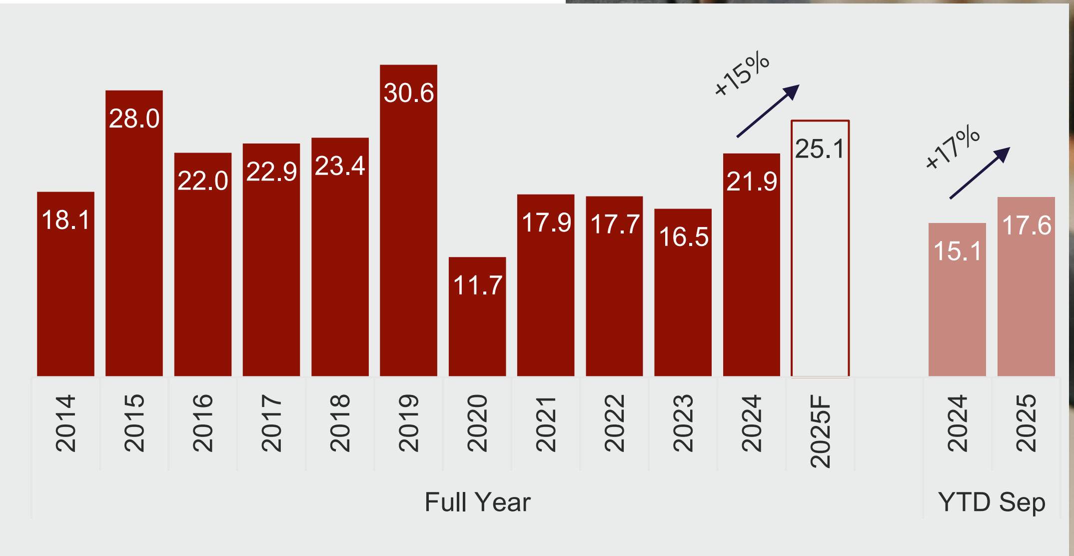
Sustained Investor Appetite

Hotel investment in Europe is growing, with a 17% rise in the first nine months of 2025. Total volume is expected to reach €25 billion by year-end and to exceed €27 billion in 2026. The UK, Spain, France, and Italy lead capital inflows, while the DACH region surged 71% YTD September, driven by the return of core buyers. Scandinavia and CEE regions saw investment volumes more than double. While European investors remain dominant, overseas investors are returning, especially from the Americas (+121%). Key targets are luxury properties (+72% in H1 2025), underpinned by their strong performance, and economy/midscale hotels (+50%), valued for efficiency and lower labour cost exposure.

Prime Yields on the Verge of Compression

The C&W Hotel Investor Compass 2025 shows most investors plan to increase funding for hotels, resorts, and serviced apartments. With many becoming net buyers and lowering equity return expectations, demand is set to outpace supply, driving yield compression in 2026. This trend is supported by falling interest rates and better capital availability. Italy and the Iberian Peninsula are expected to see the highest price growth, followed by the UK, Ireland, and France. Investors are also expanding into eastern and northern regions to capture higher-return opportunities.

European Hotel Investment Volumes (EUR, billions)



Source: Cushman & Wakefield Research

DATA CENTRES

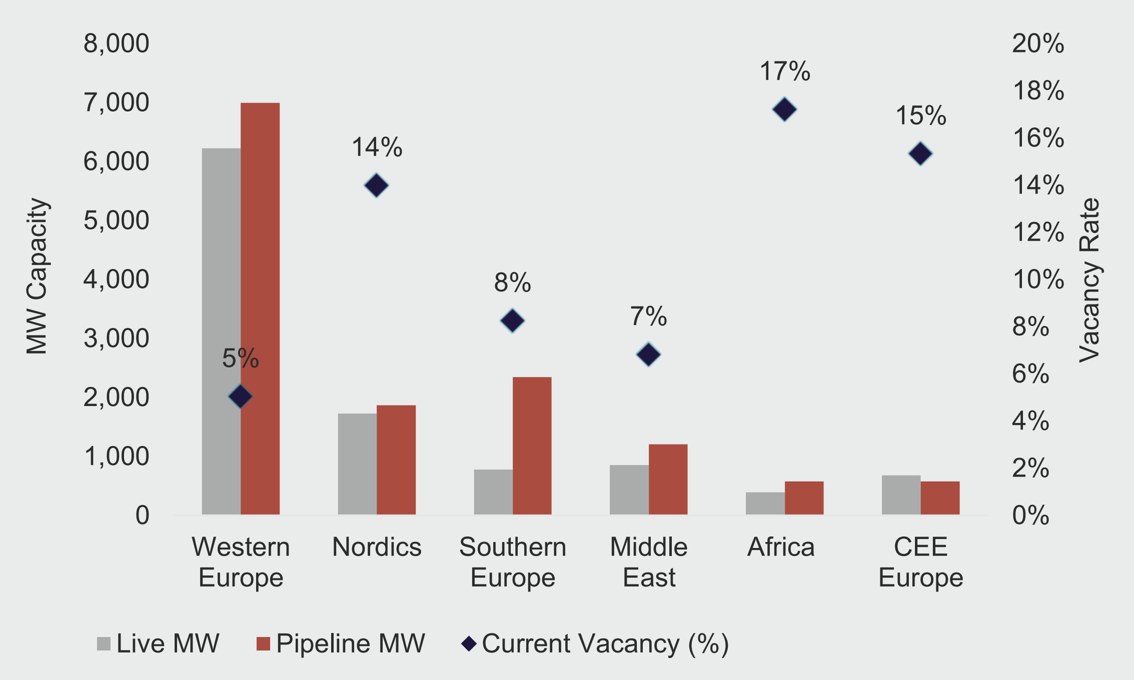
DATA CENTRES

Diverging Trends in EMEA Data Centres

Demand for data centre services across EMEA continues to accelerate, driven by cloud adoption, digitalisation and competition for AI capacity and capability. Government positioning has fundamentally reset investment parameters through data residency requirements, critical infrastructure and designation direct hyperscale cooperation frameworks supporting national digitalisation.

The EMEA market is highly divergent. Western Europe faces tight capacity due to power constraints, while the Nordics thrive with strong demand and supply, driven by hyperscale presence and digitalisation. Regions with expandable power and available sites will likely see rapid supply development and swift absorption, though challenges persist. Central and Eastern Europe and Africa are experiencing higher vacancy rates and slower absorption, except for Poland and South Africa, which benefit from large-scale deployments and targeted infrastructure investments. Regulatory frameworks, government support, and occupier concentration further shape distinct regional capacity profiles, highlighting the complexity of the EMEA market.

Regional Capacity and Vacancy Dynamics



Source: DCByte, Cushman & Wakefield Research

Power Infrastructure Driving EMEA Growth

Power infrastructure is the primary determinant of EMEA capacity geography. Regional development and occupier strategies align with areas where power can be sourced and expanded efficiently, affordably, and reliably.

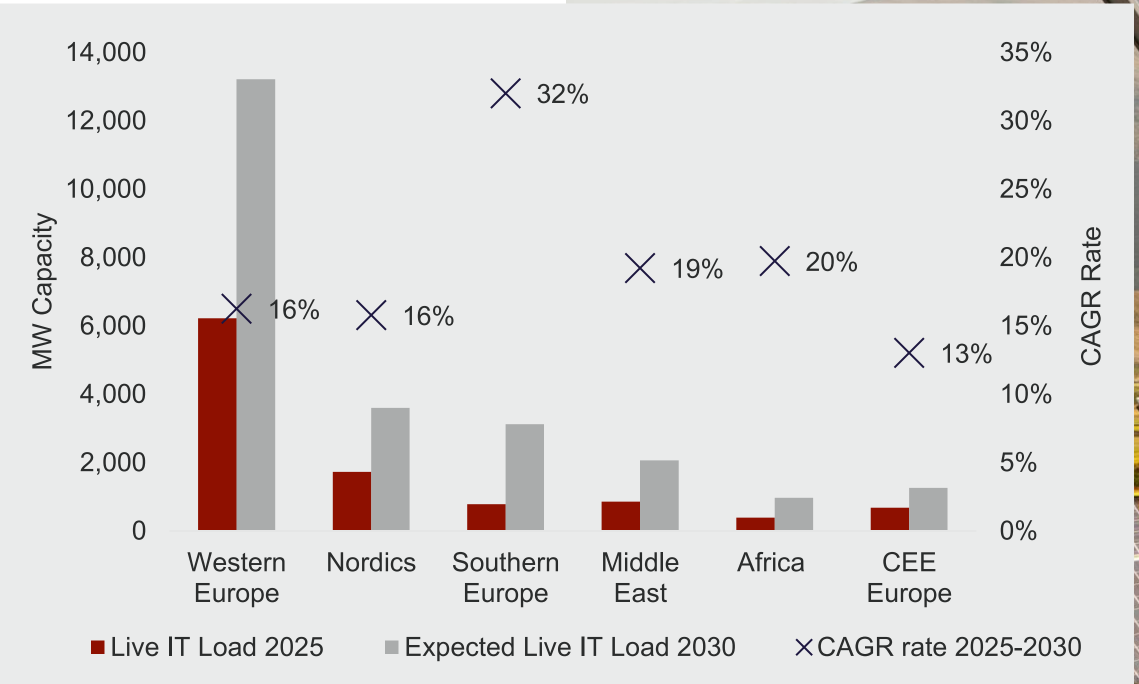
Western Europe

Tier 1 cities are facing power constraints and the markets are adapting. Large brownfield sites with available power are becoming a key development focus. Large-scale capacity is increasingly developed through operator and infrastructure funding partnerships. Government commitment to technological sovereignty in the race to control AI, particularly in the UK and France, is shaping capital deployment. Secondary and tertiary locations are being developed in parallel to traditional metros.

Nordics

Carbon-free energy and ample land have established the Nordics as Europe's main AI cluster. Neocloud HPC demand fundamentally alters competitive dynamics by requiring high-density GPU clusters across multiple sites rather than single mega-sites. This shifts the advantage toward regions with multiple power sources and development flexibility. Strong government support reinforces expansion.

Live Capacity and Projected Growth



Source: DCByte, Cushman & Wakefield Research

Southern Europe

The region's high growth from a low base reflects its role as a connectivity gateway to African and Middle Eastern markets, alongside the emerging prominence of Milan and Madrid. Low-latency access to these regions is becoming operationally essential for occupiers, driving core cloud infrastructure positioning rather than supplementary capacity.

Middle East

Government-backed initiatives in the UAE and KSA position data centres as core assets for technological and AI leadership. Government backing removes typical demand-side uncertainty, while ensuring stability against geopolitical and policy fluctuations.

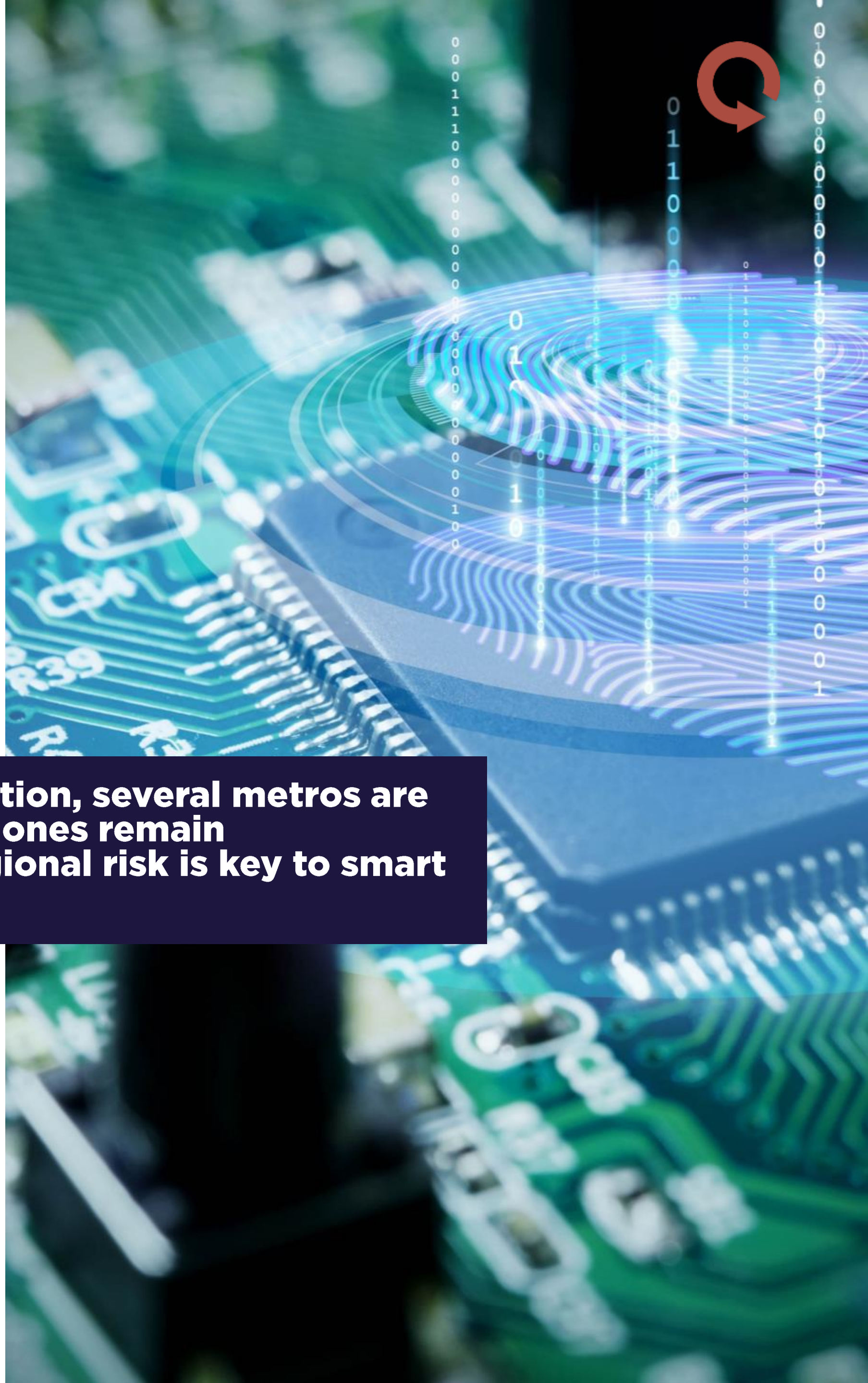
Africa

The continent is at an early stage of substantial growth, driven by expanding connectivity. South Africa and Nigeria are primary markets. Expansion requires coordinated advancement in power and connectivity infrastructure.

Central Eastern Europe (CEE)

The region remains underserved, with CEE still lacking major hyperscale availability zone deployments. Geopolitical risks, especially near the Russia-Ukraine conflict, have further impacted investor confidence. Poland and select markets are deploying government-backed capacity ahead of demand, while positioning for absorption post-normalisation. Current development is speculative, contingent on geopolitical stabilisation.

Mature markets are near saturation, several metros are growing rapidly, and emerging ones remain speculative. Understanding regional risk is key to smart capital allocation.



What It Means for Occupiers & Investors

Occupiers

- **Be ready to capitalise on improving economic conditions:** With confidence stabilising, trade uncertainty easing and monetary policy supportive, the economic cycle is turning—act decisively to secure prime space while markets are still accommodating.
- **Target high-quality assets and locations:** Premium locations continue to see robust demand; secure key spaces now to benefit from tightening availability and market re-pricing.
- **Prioritise flexibility:** Leverage dynamic lease terms and flexible workspaces to ensure your workplace strategy and global footprint can quickly respond to changing business and market needs.
- **Embed ESG and sustainability:** Prioritise energy-efficient, green-certified assets and operational practices to ensure cost efficiency and to meet regulatory and market expectations. Consider refurbished space to cut delivery time and make use of embodied carbon.
- **Stay ahead of evolving AI trends:** Monitor how AI adoption is reshaping productivity, workforce needs space requirements. Partner with landlords on shared technology investments for occupancy optimisation, predictive maintenance and cost forecasting.
- **Prepare for cost pressures:** Construction and fit-out costs may remain elevated near term, so develop a procurement strategy to drive lower cost and minimise lead time exposure on projects.

Investors

- **Focus on the long-term:** Prioritise real estate with durable income streams and secular growth themes, as value appreciation typically accrues over time and sustainable income currently tends to be undervalued.
- **Leverage market volatility:** Capitalise on short-term dislocations by acquiring assets strategically from sellers motivated by uncertainty, by the need to distribute capital to their investors or to reweight their portfolio allocations.
- **Follow the people:** Target markets with strong quality of life, high population growth, growing talent pools and transport connectivity, as well as desirable locations for retirees, as these dynamics drive CRE demand and long-term growth.
- **Capitalise on supply constraints:** Best-in-class office vacancy is tight the construction pipeline is the lowest in over a decade; demand is likely to trickle to the next best thing, well-located Grade A space.
- **Target resilient asset classes:** Needs-based and mixed-use properties, including healthcare, grocery-anchored retail residential offer stability through economic cycles.
- **Think creatively about the capital stack:** Opportunities exist in recapitalisations, loan sales repositioning distressed or underperforming properties for outsized returns.

EUROPEAN FORECAST TABLES

Baseline Economic Outlook

European Economy	All Property	Office Sector	Logistics Sector	Retail Sector

	2023	2024	2025	2026	2027
Euro Area					
Real GDP (annual avg, YOY%)	0.5	0.8	1.2	1.0	1.9
Employment Growth, (year end diff, mils)	2.3	1.3	0.0	0.3	0.8
Unemployment Rate (year end, %)	6.6	6.3	6.3	6.3	6.1
Inflation (annual avg, YOY%)	5.4	2.4	2.1	1.9	1.9
10-year Gov't Bond (year end, %)	3.4	2.9	3.2	3.1	3.0
United Kingdom					
Real GDP (annual avg, YOY%)	0.4	1.1	1.4	1.1	1.6
Employment Growth, (year end diff, mils)	0.3	0.4	-0.3	0.0	0.1
Unemployment Rate (year end, %)	3.9	4.4	4.8	4.8	4.8
Inflation (annual avg, YOY%)	7.3	2.5	3.4	2.4	2.0
10-year Gov't Bond (year end, %)	4.2	4.3	4.6	4.5	4.2

Source: Eurostat, ONS, Cushman & Wakefield Research

Baseline All-Property Outlook

European Economy	**All Property**	Office Sector	Logistics Sector	Retail Sector

	2023	2024	2025	2026	2027
Europe (exc. UK)					
Prime Rental Growth (%)	4.7	3.5	3.3	2.0	1.6
Prime Yields (%)	5.0	5.0	4.9	4.8	4.6
Prime Capital Value Growth (%)	-11.0	3.7	5.7	4.4	4.4
Prime Total Return (%)	-6.5	8.9	10.9	9.4	9.2
United Kingdom					
Prime Rental Growth (%)	7.3	6.4	6.2	4.2	2.8
Prime Yields (%)	5.7	5.7	5.7	5.6	5.5
Prime Capital Value Growth (%)	2.7	5.8	6.3	6.8	5.1
Prime Total Return (%)	8.5	11.8	12.4	12.7	10.9

Source: Cushman & Wakefield Research

Baseline Office Outlook

European Economy	All Property	Office Sector	Logistics Sector	Retail Sector

	2023	2024	2025	2026	2027
Europe (exc. UK)					
Prime Rental Growth (%)	4.8	4.4	3.2	2.2	1.6
Prime Yields (%)	5.1	5.1	5.0	4.9	4.8
Prime Capital Value Growth (%)	-14.3	4.3	5.3	4.6	4.3
Prime Total Return (%)	-9.9	9.6	10.6	9.7	9.3
United Kingdom					
Prime Rental Growth (%)	9.3	6.8	8.6	5.3	3.0
Prime Yields (%)	6.1	6.3	6.3	6.1	6.0
Prime Capital Value Growth (%)	-3.4	3.5	10.6	8.0	5.5
Prime Total Return (%)	2.5	10.0	17.5	14.6	11.8

Source: Cushman & Wakefield Research

Baseline Logistics Outlook

European Economy	All Property	Office Sector	Logistics Sector	Retail Sector

	2023	2024	2025	2026	2027
Europe (exc. UK)					
Prime Rental Growth (%)	7.7	3.0	3.9	1.8	1.6
Prime Yields (%)	5.2	5.2	5.0	4.9	4.7
Prime Capital Value Growth (%)	-7.0	3.1	7.1	5.0	4.8
Prime Total Return (%)	-2.1	8.4	12.5	10.2	9.8
United Kingdom					
Prime Rental Growth (%)	9.2	4.8	4.3	3.9	3.1
Prime Yields (%)	5.3	5.3	5.3	5.2	5.0
Prime Capital Value Growth (%)	8.5	5.8	3.1	6.8	5.9
Prime Total Return (%)	14.3	11.3	8.6	12.4	11.3

Source: Cushman & Wakefield Research

Baseline Retail Outlook

European Economy	All Property	Office Sector	Logistics Sector	Retail Sector

	2023	2024	2025	2026	2027
Europe (exc. UK)					
Prime Rental Growth (%)	1.9	2.8	2.7	1.9	1.5
Prime Yields (%)	4.6	4.6	4.5	4.5	4.3
Prime Capital Value Growth (%)	-10.7	3.7	5.0	3.7	4.0
Prime Total Return (%)	-6.5	8.5	9.7	8.3	8.5
United Kingdom					
Prime Rental Growth (%)	1.8	8.4	7.0	3.5	1.9
Prime Yields (%)	5.8	5.8	5.8	5.7	5.6
Prime Capital Value Growth (%)	-0.2	8.4	7.0	5.3	3.4
Prime Total Return (%)	5.5	14.6	13.1	11.3	9.1

Source: Cushman & Wakefield Research

CUSHMAN & WAKEFIELD

OUTTHINK

EUROPEAN OUTLOOK 2026

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Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.