



EMEA

THE INVESTMENT ATLAS

YOUR STRATEGIC COMPASS
IN THE WORLD OF REAL ESTATE INVESTMENT

Q1 2026



SUMMARY

RECOVERY HOLDS AS SELECTIVITY TAKES CENTRE STAGE

The European commercial real estate (CRE) market entered 2026 on the front foot, with recovery broadening across sectors and investor confidence building on improving fundamentals. That backdrop has since been tested by the conflict in the Middle East, which has reintroduced interest rate volatility, widened inflation expectations and cooled transaction momentum.

Financing conditions have become less favourable following the conflict in the Middle East, tempering investor sentiment and slowing the pace of repricing. Even so, occupier fundamentals remain resilient across most sectors, supported by healthy labour markets, limited new supply and continued rental growth in the best assets and locations.

The latest TIME Score and Fair Value Index (FVI) reflect this more complex picture. The European All-Property TIME Score eased modestly to 3.0 in Q1 2026, remaining within the stabilisation phase of the cycle, while the FVI declined to 74 from 89, reflecting the impact of higher risk-free rates and a reduced scope for yield compression, which resulted in

softer capital growth expectations. Despite the downgrade, 56% of European markets remain underpriced.

The combined TIME Score and FVI matrix continues to highlight selective but still meaningful opportunity. Logistics and retail remain in the investment 'sweet spot', while residential and office continue to sit in the 'strategic matrix'. The emergence of fully priced markets—9 out of 119, concentrated in three countries—reflects how quickly the valuation landscape can shift when risk-free rates move significantly.

Debt capital continues to underpin market functioning. After a brief pause in response to the macro shock, lenders returned quickly to full activity, with capital availability remaining deep and diverse and margins recalibrating only modestly. The main constraint on transaction activity is not debt availability, but willingness of equity actors to transact at acceptable pricing.

As broad-based valuation upside fades, performance will depend increasingly on income growth, asset quality and selective deployment. Attractive opportunities remain, but the next phase of the recovery is likely to reward disciplined market selection, resilient locations and assets with durable cashflow potential.



01

**TIME
SCORE**

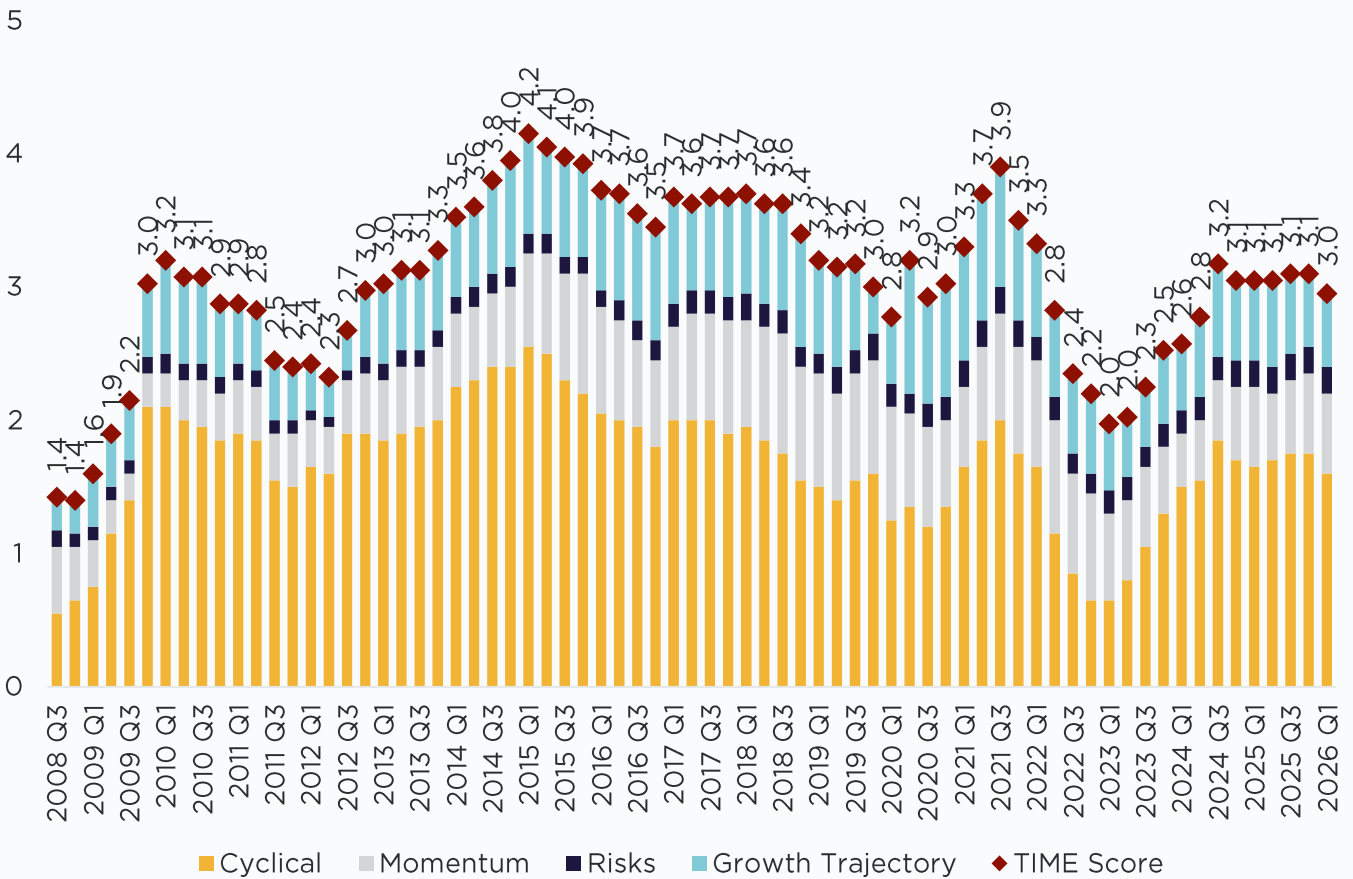




STABILISATION HOLDS AS MACRO DRIVERS SOFTEN

The European All-Property TIME Score eased slightly to 3.0 in Q1 2026 from 3.1 in Q3 2025, remaining firmly within the stabilisation phase of the cycle.

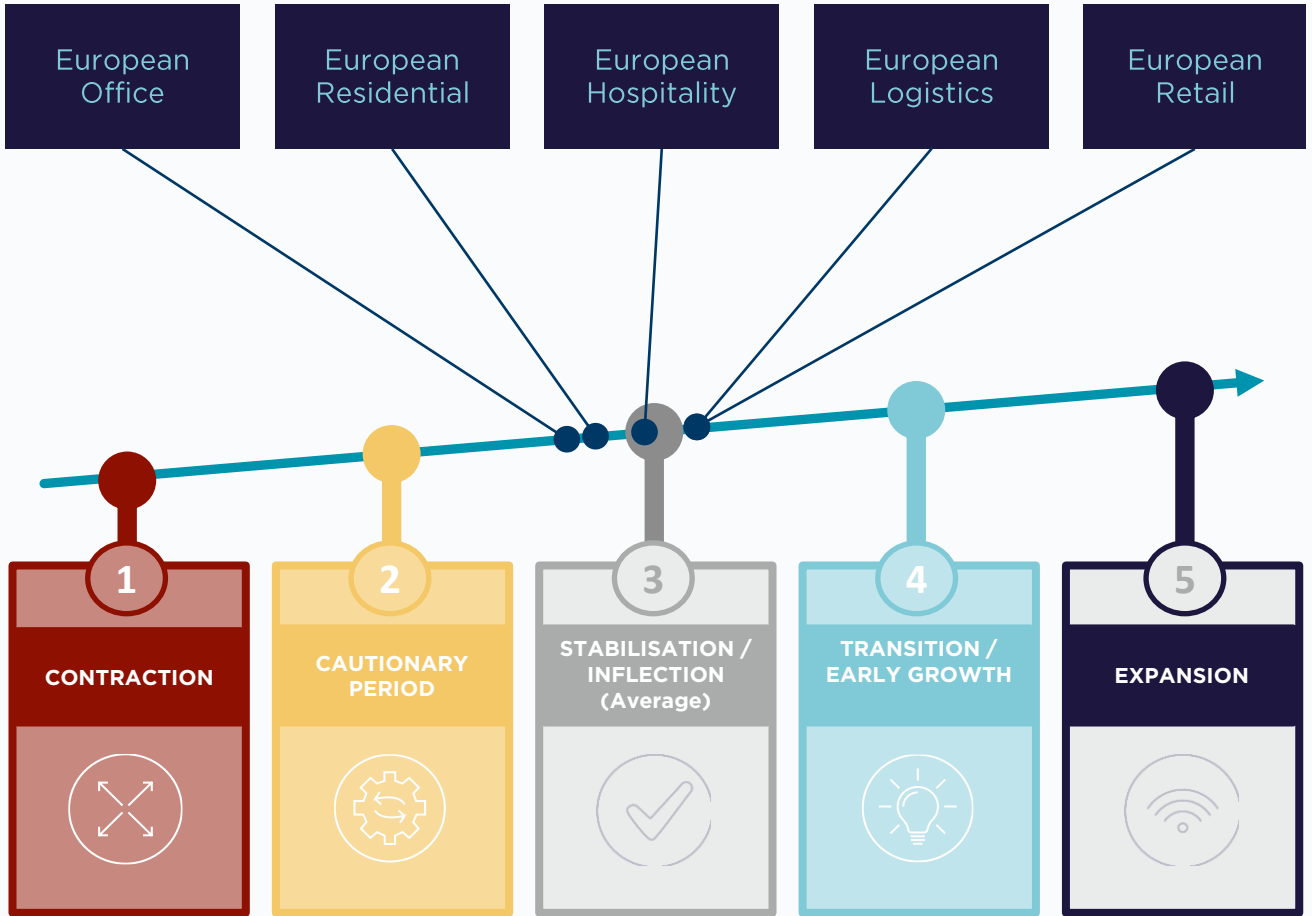
The modest downgrade was mainly driven by weaker cyclical drivers, reflecting tighter financing conditions. Credit availability weakened and swap rates moved higher across Europe, offsetting stability in the remaining components. Growth trajectory indicators also softened as economic forecasts moderated across several core economies.



Source: Cushman & Wakefield Research



STABILISATION PHASE MAINTAINED ACROSS ALL SECTORS



The TIME Scores declined modestly across all sectors and all geographies over the last six months, reflecting the impact of weaker growth expectations and elevated uncertainty amid the conflict in the Middle East. Despite these declines, all sectors remain firmly within the stabilisation phase of the cycle, with scores clustered around the 3.0 mark.

The office sector continues to trail other sectors, at 2.7, reflecting persistent caution around the sector, while logistics and retail remain marginally ahead, at 3.1.



02

**FAIR VALUE
INDEX**



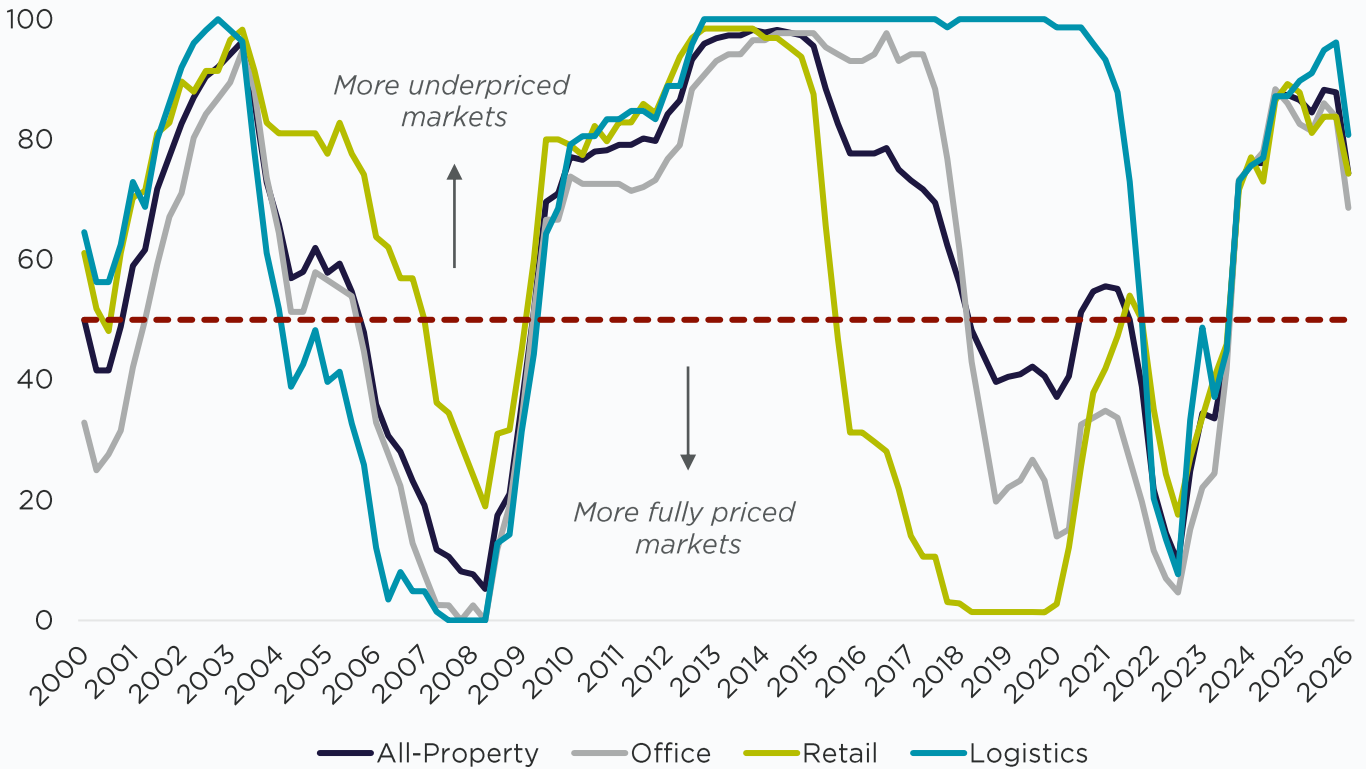
VALUATION UPSIDE MODERATES AS BOND YIELDS RISE

The European Fair Value Index (FVI) fell to 74 in Q1 2026, from 89 in Q3 2025, signalling a reduction in the degree of market underpricing across the region.

While European commercial real estate continues to offer attractive opportunities on a risk-adjusted basis, valuation gaps have narrowed across a growing number of markets. The correction was driven by a combination of higher government bond yields and softer growth expectations.

Average 5-year government bond yields increased by approximately 40 basis points over the period, with Hungary and Italy recording the largest increases.

At the same time, rising interest rate expectations—reinforced by the ECB’s rate hike in early June—have reduced the scope for yield compression across Europe, weighing on forecast capital growth and lowering total return expectations as a consequence.



Source: Cushman & Wakefield Research



UNDERPRICING REMAINS DOMINANT DESPITE BROAD DOWNGRADES

The moderation towards fair value was broad-based, with all sectors recording lower scores. Logistics experienced the largest decline, reflecting the reduced scope for yield compression following several years of strong performance. Despite this correction, logistics remains the most underpriced, continuing to offer the largest concentration of opportunities.

The latest update resulted in 32 market downgrades (27% of all markets covered)—the majority of these were from “underpriced” to “fairly priced”—while 87 markets maintained their classification. As a result, the number of fully priced markets increased from zero in the previous iteration to nine in Q1 2026.

Despite these movements, underpricing remains the dominant classification across Europe, with approximately 56% of markets still classified as underpriced. This suggests that, although the growth outlook has changed, investors can still identify attractive opportunities through selective market and sector allocation.



Source: Cushman & Wakefield Research

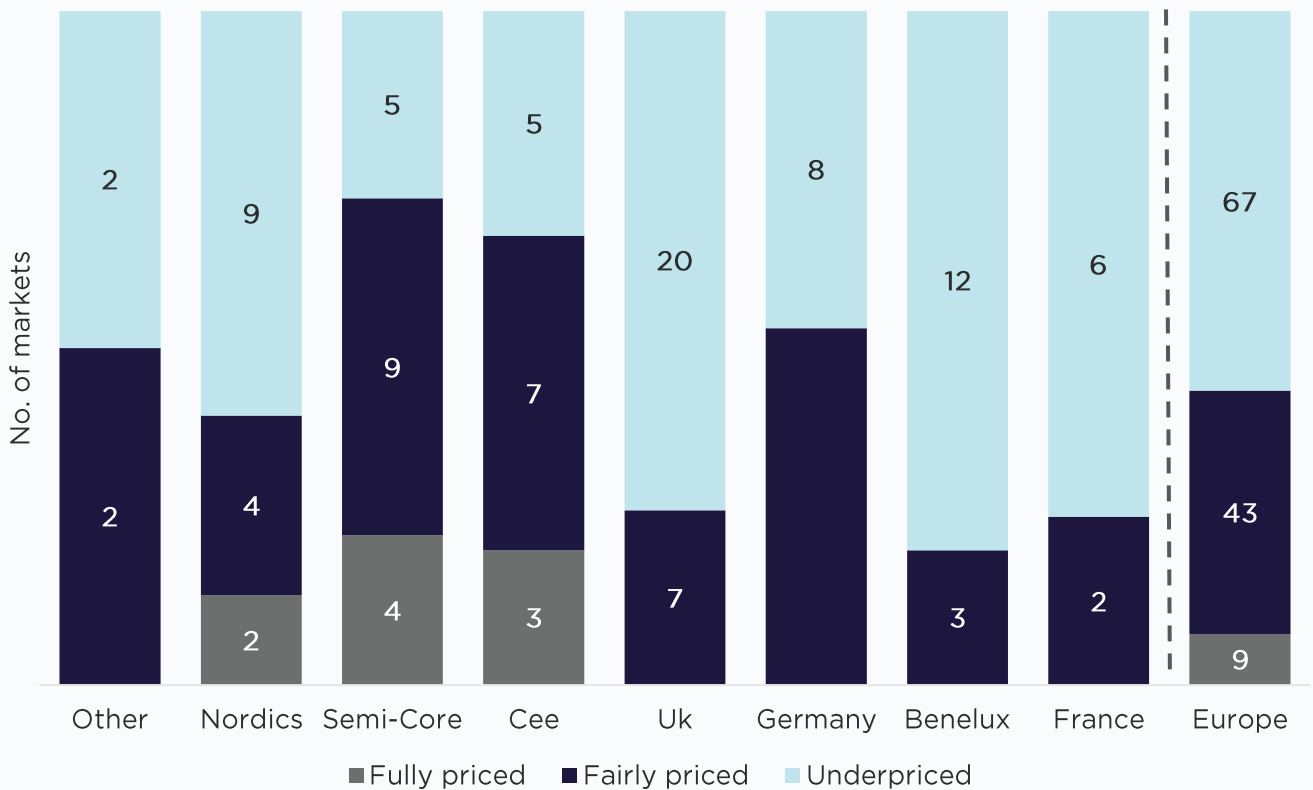




GERMANY NO LONGER UNIVERSALLY UNDERPRICED

Following over a year of being entirely underpriced, the latest update marks a notable shift in Germany. Approximately half of German markets are now considered fairly priced, reflecting the gradual adjustment of valuations and expected outward pressure on yields.

More broadly, higher bond yields have pushed several markets—namely in Hungary and Italy—closer to fair value, producing some of the largest classification changes in this iteration. Of the nine fully priced markets identified in Q1 2026, seven are located between Hungary and Italy, while the remaining two are in Norway. The significant increase in risk-free rates, compounded by a less supportive outlook for capital value growth, has reduced forecast for total returns.



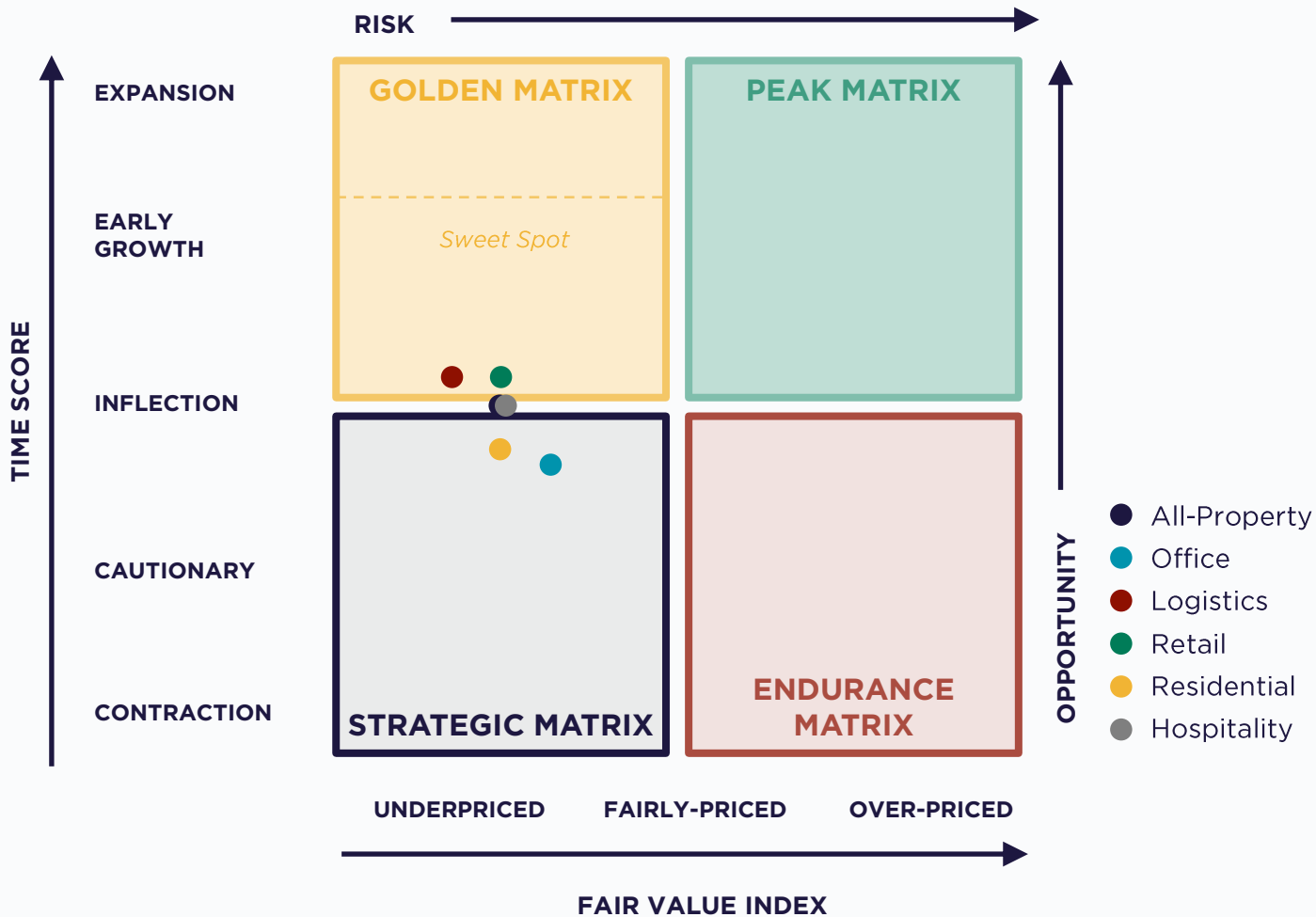
Source: Cushman & Wakefield Research



COMBINED TIME SCORE & FAIR VALUE INDEX

The combined analysis of the TIME Score and FVI continues to highlight attractive opportunities across sectors, although valuations have moved closer to fair value. Logistics and retail maintain the highest classification, still positioned within the 'sweet spot' for investment. Residential and office assets remain within the 'strategic matrix', while hospitality and all-property occupy an intermediate position between the 'golden matrix' and the 'strategic matrix'.

The office sector remains the most selective opportunity set, with performance increasingly dependent on asset quality, location and leasing prospects. Despite being highly bifurcated, prime office space continues to deliver strong rental performance and sustained demand.



Source: Cushman & Wakefield Research

*Residential and Hospitality sectors' Fair Value Index correspond to All-Property



WHAT'S NEXT?

RECOVERY MATURES WITH VALUATION HEADWINDS

The European investment market was clearly entering a more mature stage of recovery with investors expecting a pickup in transaction activity on the back of growing investor confidence. However, the recovery has been checked by the war in the Middle East, which has dented confidence and increased borrowing costs.

Financing conditions have become less favourable as bond yields and swap rates have moved higher. Growth expectations have also moderated slightly. Despite these headwinds, CRE fundamentals remain resilient, with occupier markets continuing to benefit from healthy labour markets and constrained supply. Should geopolitical uncertainty ease, investment activity could regain momentum relatively quickly, allowing the recovery trajectory observed earlier in the year to re-establish itself.

SELECTIVITY BECOMES INCREASINGLY IMPORTANT

Opportunities remain widespread, with most markets still classified as underpriced. However, the emergence of fully priced markets and the increase in fairly priced classifications suggest that the window for broad-based repricing is gradually narrowing. The drivers of performance are gradually shifting away from valuation recovery and towards income growth, asset selection and operational execution.

Markets with resilient income growth prospects, supportive supply-demand dynamics and attractive relative pricing are expected to continue outperforming, while returns driven purely by yield compression are likely to become less common than they were during the early stages of the market rebound.

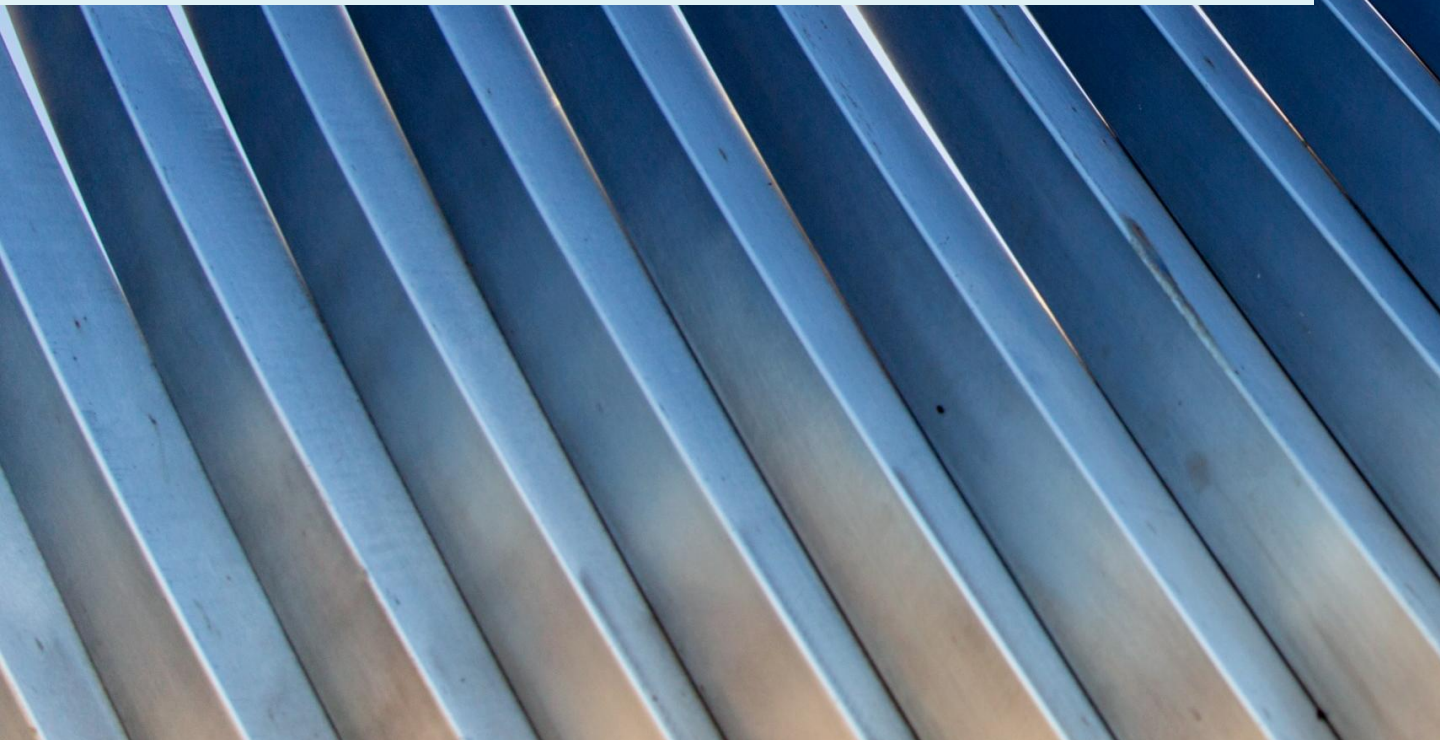
“European markets remain broadly attractive, but as they move closer to fair value, conviction and asset selection become increasingly important drivers of returns.”

**Guilherme Neves,
Senior Research Analyst, EMEA Forecasting**

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03

DEBT





DEBT LENDING LANDSCAPE FINANCING MARKET HOLDS THROUGH THE SHOCK

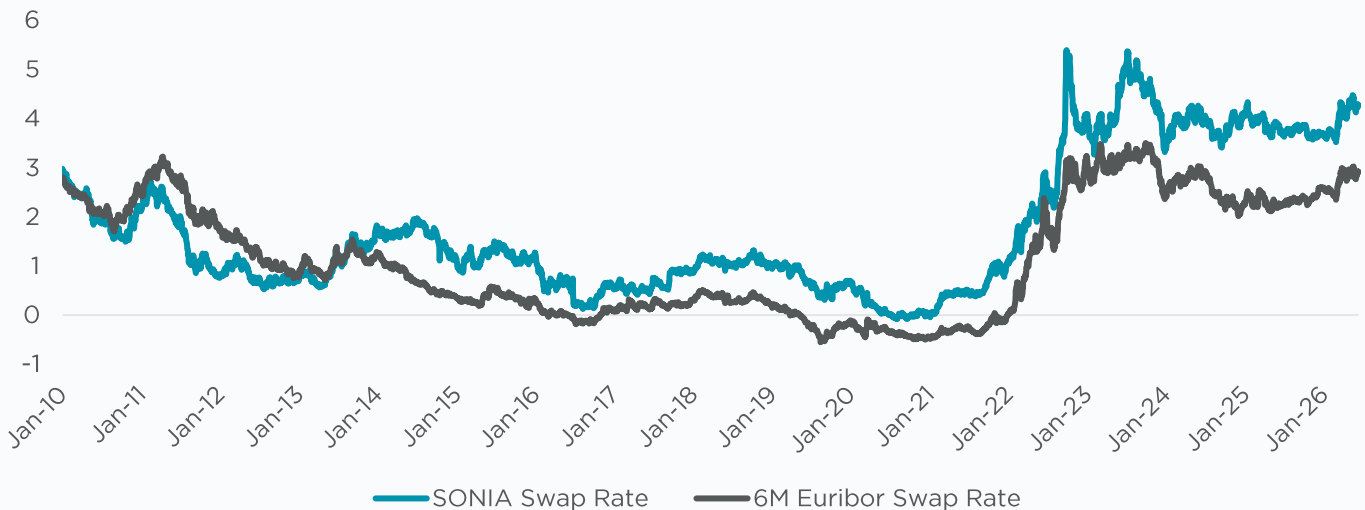
2026 is a case study in how quickly things can change: one of the largest oil-supply shocks, precipitating a rapid spike in rates, geopolitical risk and inflation expectations.

After an initial slow-roll and pause in activity, lenders have picked up right where they left, with all major lenders actively quoting, winning and closing business. Yes, there has been a mild recalibration to loan-sizing — mainly a reflection of the debt-carrying capacity of higher base rates — but after that, margins now reside within 10–20 bps of where they were previously.

In a slightly counter-intuitive twist, a momentary pause in sales activation has led to more near-term financing opportunities for lenders. This contrasts with 2025, where all but the rarefied few hit their origination goals for the year: a welcome reprieve indeed.

The juxtaposition between the macro environment and real estate financing sentiment is worthy of further inspection. Lending activity has inertia: allocations and targets for 2026 had already been set, with money raised or apportioned specifically. What holds in 2025 still holds today — if there was liquidity before, there is still liquidity now. Sponsorship, strategy and underlying cashflow fundamentals all factor into lender decision-making.

Following a stable start of the year, 5-year EURIBOR and SONIA swap rates have risen 57 bps and 75 bps respectively, to 3.0% and 4.3%, since the start of the Middle East conflict on 28th February. Rate volatility was also elevated during the initial phases although this has also now moderated.



Source: Bloomberg



DEBT LENDING LANDSCAPE

THE KEY TO TRANSACTIONS IS STILL A WILLING EQUITY ACTOR

In spite of renewed turbulence in market waters, the defining constraint on transaction activity continues to be equity. More specifically, it is not the availability of equity capital in aggregate, but the willingness of equity actors to engage at pricing levels acceptable to a vendor.

Over the past 12-18 months, debt has led the recovery cycle — providing liquidity through refinancing, recapitalisation, and restructuring. As highlighted in our last Investment Atlas, this liquidity has allowed many owners to defer forced sales whilst increasingly revealing where market-clearing values truly lie.

Heading into the year, an increasingly benign and transparent investment market, a strong underlying occupational story and large debt

liquidity meant 2026 was shaping up to be a vintage year for European transaction volumes. Fast forward to today: whilst debt liquidity and the occupational story still stack, the investment market has become more opaque once again.

This dynamic is not unique to any single market or sector. Across European real estate, debt terms are available, the financing case can be made. However, the gap between vendor and buyer on equity remains the principal friction, with transaction volumes being the casualty.

Finding a willing equity actor to transact is now, more than ever, the key to activity — rather than debt.

“Debt has done its part – liquidity is there, the financing case is made. The question now is whether equity too finds the market conviction.”

David Gingell,
Co-Head of Equity, Debt & Structured Finance



DEBT LENDING LANDSCAPE STRONG LENDER APPETITE, WITH CAUTION

Lender appetite remains one of the defining features of the post-2022 environment: capital availability is deep and diverse, spanning traditional banks, insurance companies, and an expanding universe of debt funds and alternative lenders. Competition is intense, margins are compressed, and borrowers continue to benefit from increasingly flexible structures.

Lenders are not retreating. Instead, the last three months in particular have shown a renewed appreciation of risk, with lenders becoming more selective in how and where they deploy capital. This selectivity manifests itself in a multitude of ways, with the overarching theme being a pause on ‘leaning in’ too heavily on a given risk simply to win business: a binary lease roll; a sponsor’s commitment to the asset; occupancy projections on operating assets.

Importantly, this cautious approach is not inhibiting activity. Rather, it reflects a maturing phase of the cycle, where lenders are balancing the desire to continue deployment to maintain or grow market share with the need to maintain credit quality. In a market where macro uncertainty has returned, credit discipline is becoming a point of differentiation — not a constraint.

The structural characteristics underpinning lender confidence remain intact. Banks remain well capitalised; instances of insolvency or lender-driven enforcement remain isolated and infrequent. Debt funds, continue to provide deep liquidity across ticket sizes and risk profiles.



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04

STRATEGY





STRATEGY IN FLUX? CAPITAL STACKED

Strategy towards European real estate has faced considerable changes so far this year, from a positive start, to a pause when war broke out, to a desire to find the right places to act regardless, and now to a further shift as hopes rise that conflict may be behind us.

It remains unclear if we'll see a return to where we were in Q1: a market gearing up for recovery, supported by improved sentiment and capital raising across the risk spectrum.

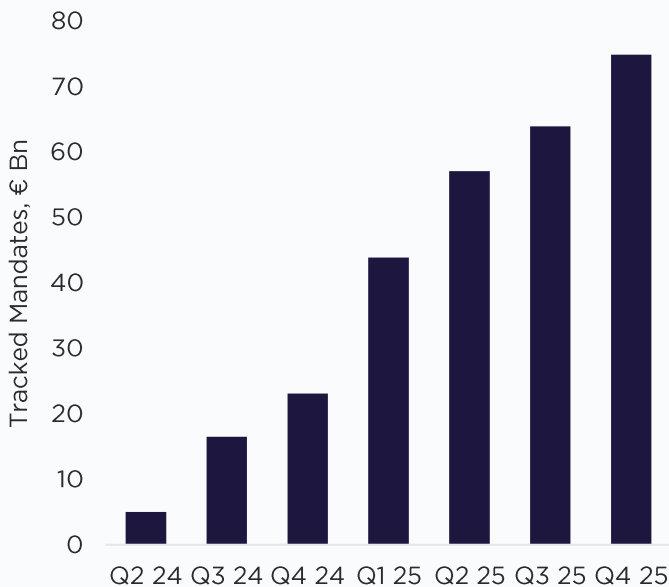
However, led by debt and opportunity fund offerings, as well as a three-fold increase in core and core plus CRE requirements from direct institutional buyers last year, capital is clearly stacking up on the sidelines.

As a result, investor strategies have already been adapting, with risk tolerances adjusting despite the increased uncertainty over economic growth, interest rates and inflation.

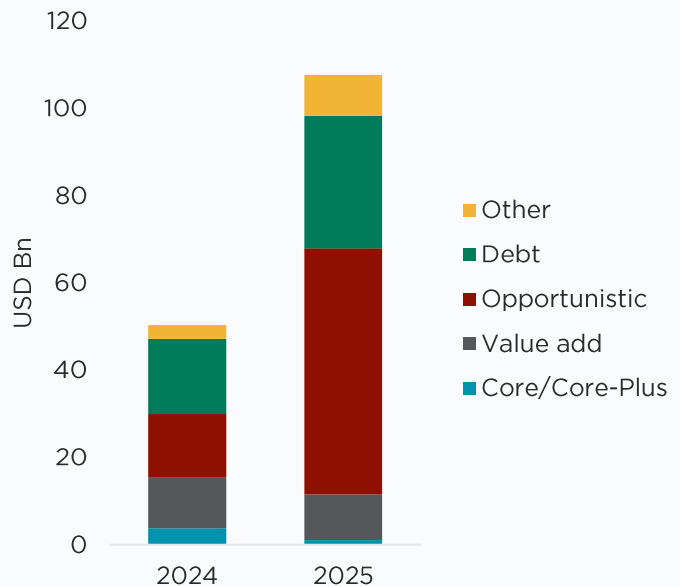
Indeed, while the urgency to invest may have cooled, the market was already stirring even before a peace deal was reached. Buyers recognise the value of the right property in an uncertain environment while sellers remain motivated to act when liquidity is needed.

Hence, while caution will remain, more investors are now seeking to actively adjust their strategies to capitalize on emerging opportunities. The motivation to buy, sell or refinance remains compelling.

Core/Core-plus Mandates for European Real Estate



Fund Capital Raising for European Real Estate



Source: Cushman & Wakefield Capital Markets, RealFin



MARKET DYNAMICS

IMPROVING SUPPLY & DEMAND

Despite a slowing in new stock being marketed since the Middle East conflict began, a steady flow of new opportunities is likely later this year, both openly on-market and off-market in some cases, as owners and financiers probe the market for the best structures and areas of liquidity.

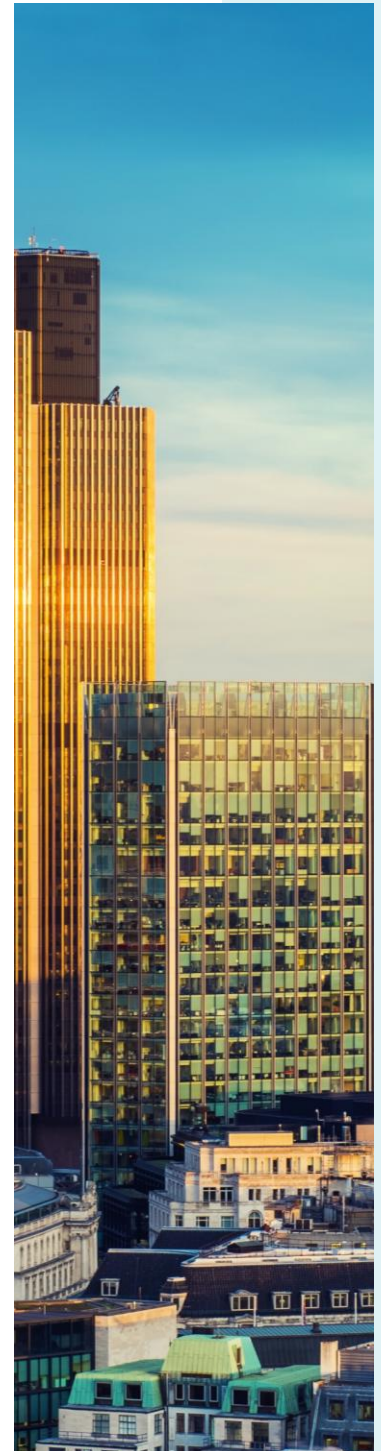
On the demand side, current relative income yields and historic performance patterns are both encouraging more real estate interest. According to research by Cornell University and Hodes Weill & Associates, institutions globally have increased their 2026 target allocation to real estate after a fall in 2025.

The fact that different properties will react to different drivers means that diversification offers protection against changing economic scenarios. This has been reflected in a further shift towards “beds and sheds” from some investors as they rebalance their portfolios. For others, however, delivering sustainable, long-term income is the priority, resulting in demand across all sectors, with a further increase in interest in retail and now offices, for the right assets.

Locational quality and liquidity are key concerns for most investors and with construction costs up and development activity down, prime rental growth expectations have increased. However, whilst the market will remain polarised between prime and secondary, falling grade A availability and affordability concerns must bring better demand conditions in some parts of what are currently viewed to be non-prime markets.

That of course is not the only change in tenant and investor preference that could emerge if we are indeed set to evolve away from an environment of low inflation, interest rates, security costs and barriers to trade.

A world of greater volatility, supply chain fragility and higher defence spending, will see increased competition for capital and higher risk premiums. It may also see an increased role for geopolitics to be embedded in investor strategies as well as the growth of specific sectors of opportunity for the private sector, in social infrastructure and technology & innovation for example.

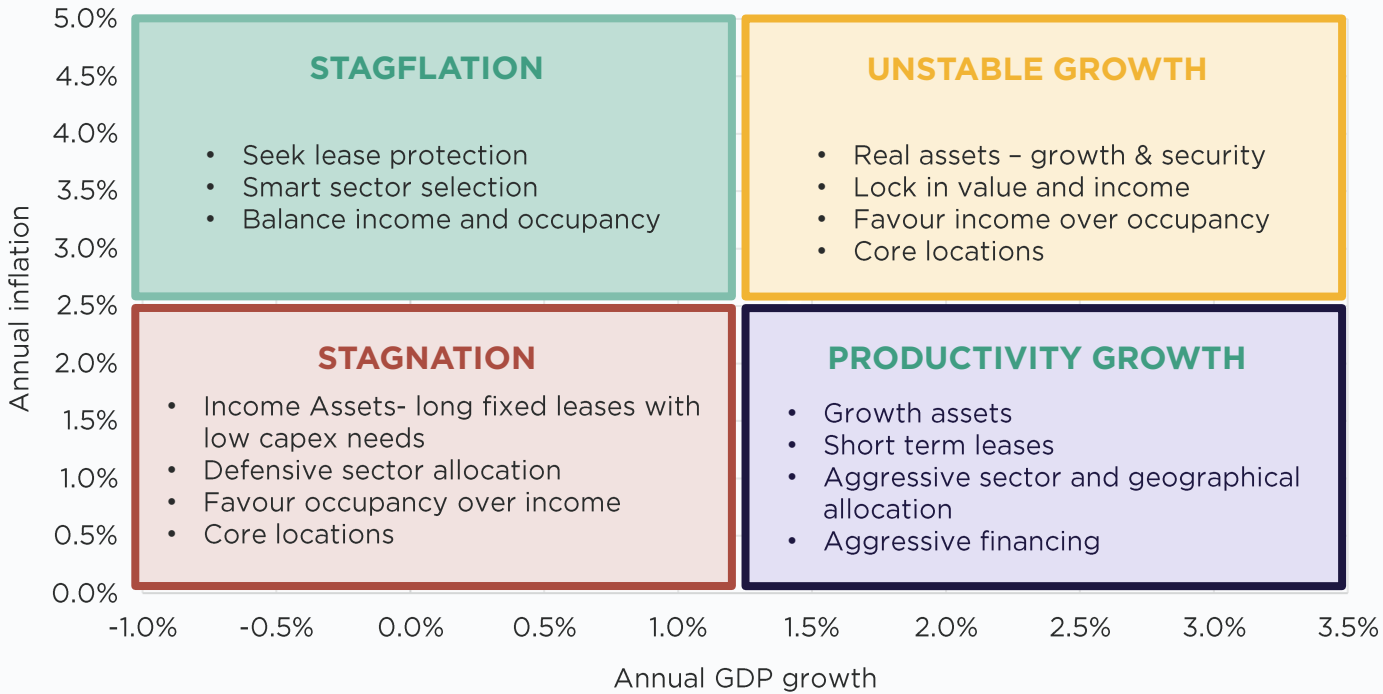




DIVERGING ECONOMIC FUTURES

TACTICAL RESPONSES

Depending on the inflation and growth mix expected, asset choices can be flexed



Source: Cushman & Wakefield Capital Markets

“Volatility is nothing new but the speed of change in the macro environment is a new reality that requires a strategy response. The positive news for investors is that property offers a number of levers to exploit to smooth portfolio performance – but only if you choose the right assets that match occupier needs.”

David Hutchings,
Head of EMEA Investment Strategy

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