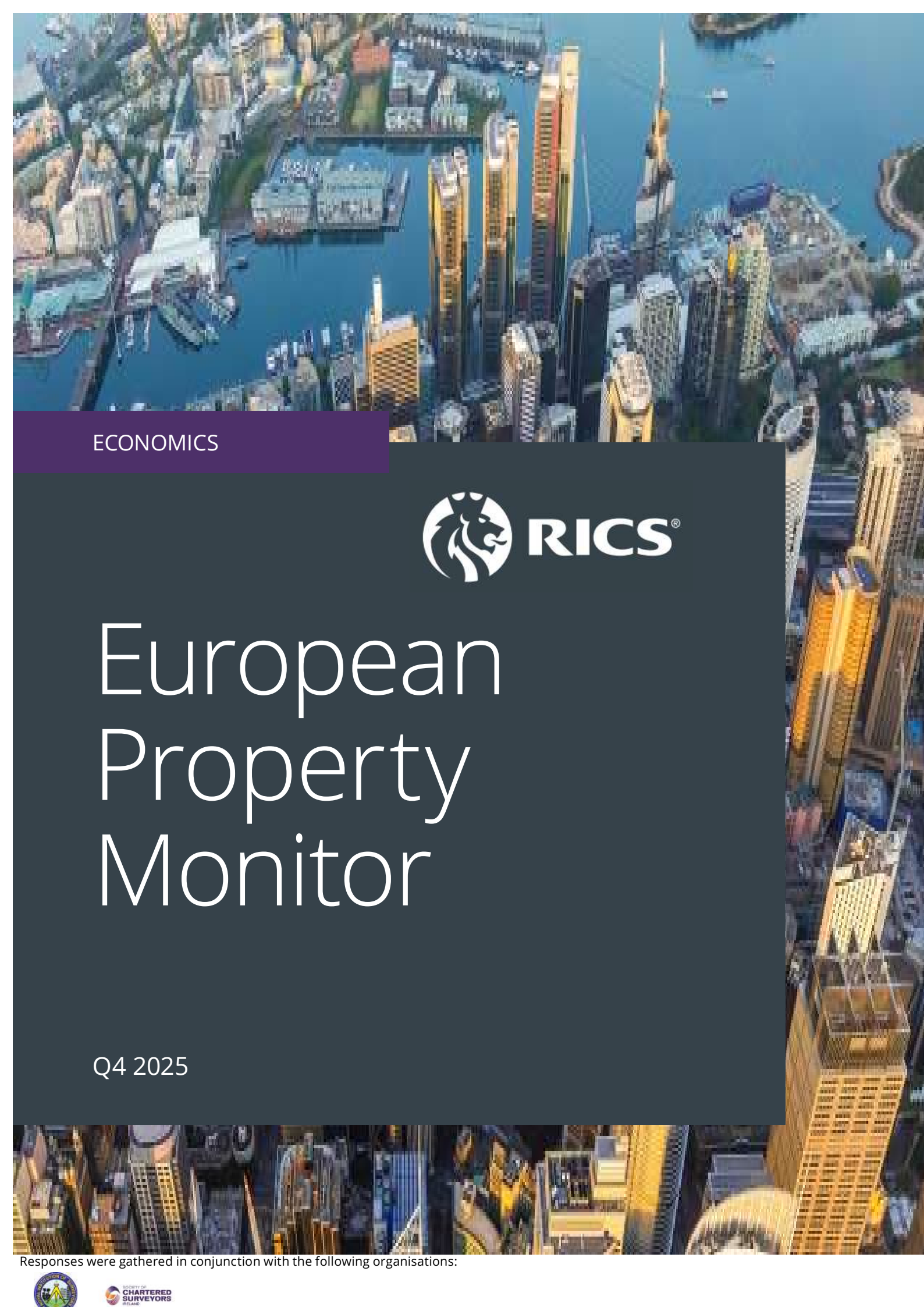




ECONOMICS



European Property Monitor

Q4 2025

Responses were gathered in conjunction with the following organisations:



ECONOMICS

Global

- Headline RICS Global Commercial Property Sentiment Index (CPSI) edges to best level since Q1 2022
- Lowest proportion of respondents view real estate as 'expensive' since the series was initiated in 2015
- Improvement in sentiment particularly marked in USA with CPSI jumping from +9 to +17

Notwithstanding ongoing concerns about both the macro environment and geopolitics, feedback to the Q4 RICS Global Commercial Property Monitor was a little more encouraging than previously. Indeed, the headline reading for the CPSI of -1 represents the best outcome since the early part of 2022. Chart 1 tracks the direction of this indicator for the four broad regions covered in this survey. It shows the Americas (driven by the USA) to have the most positive trend with the CPSI climbing from +9 to +14. Feedback from MENA (led by the UAE and South Africa) also generally remains upbeat.

The APAC story continues to be rather more divergent with the aggregated negative CPSI (-15 compared to -18 in Q3) being heavily influenced by the ongoing real estate woes in China and Hong Kong. At the other end of the spectrum, sentiment in both Japan and India is reflective of a firmer picture. The results for Europe will be discussed in more detail further into the report but it is noteworthy that the CPSI for the region was actually little changed over the quarter at -6 as against -7 in the last iteration of the survey.

A second metric providing some reason for comfort is the one that asks respondents to indicate the valuation they would place on their local market. The results at a global level are captured in Chart 2. The proportion of contributors suggesting their market is either 'expensive' or 'very expensive' has slipped to 31% compared to 36% in each of the preceding two quarters (and over 40% in the first three months of the year). This is the lowest share since the series began in 2015. Meanwhile, the proportion taking the view that the market now represents 'fair value' has increased

from 44% in Q1 to 55%.

The cautiously more optimistic mood amongst survey participants is also reflected in the insights provided around demand at a global level for both occupying and investing in real estate. As far as the former is concerned, the metric capturing tenant appetite to take up space (at an aggregated level) recorded its fourth successive positive reading climbing to a net balance of +11%. As far as investors are concerned, the latest result marks the sixth consecutive quarter the series has been in positive territory (+10% in net balance terms). In both cases, the indicators are consistent with a modestly improving trend.

This pattern is also visible in the feedback around twelve-months expectations for both rental and capital values. Chart 3 graphs the net balances for these indicators at a country level. The UAE is the standout in terms of these forward-looking series with India, Japan, South Africa and Sri Lanka also well placed in the top right hand quadrant. Significantly, the number of countries placed in the bottom left hand quadrant (which implies a downbeat outlook) continues to diminish with China and Hong Kong still firmly placed in this territory alongside, to a lesser extent, some European markets.

Chart 4 shows the results regarding where in the cycle respondents perceive their local real estate market. Despite the better tone to many of the other series already discussed, the numbers here are broadly aligned to those provided by contributors in Q3 with close to 30% still reporting markets to be in a downturn and close to 20% indicating they are in the bottom phase of the cycle.

Chart 1 - Commercial Property Sentiment Index by Region

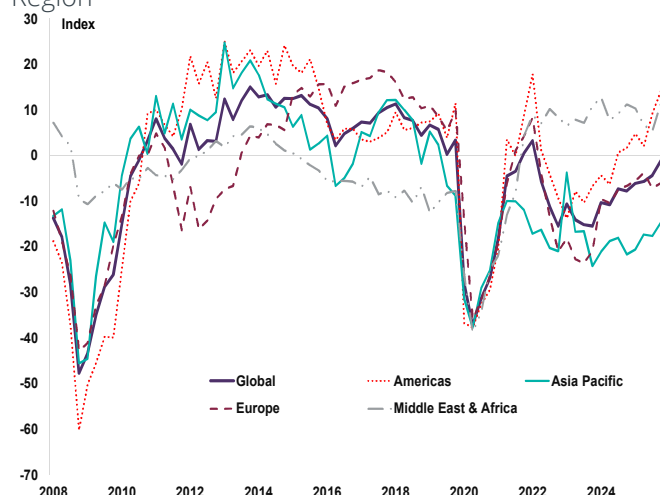


Chart 2 - Global Perceptions on Current Market Valuations

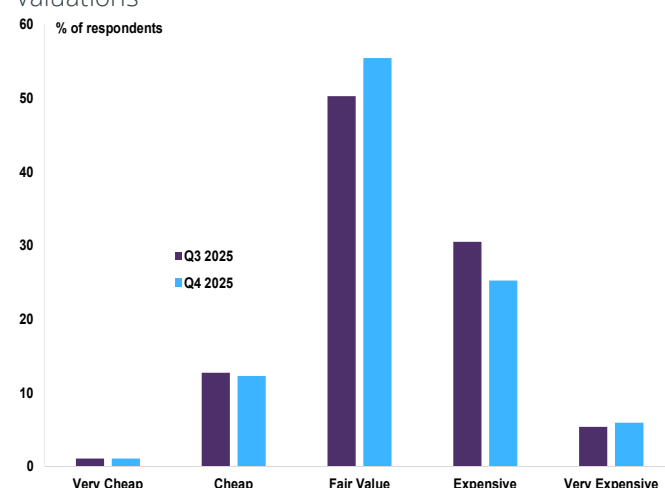


Chart 3 - Twelve-month Capital Value and Rental Growth Expectations

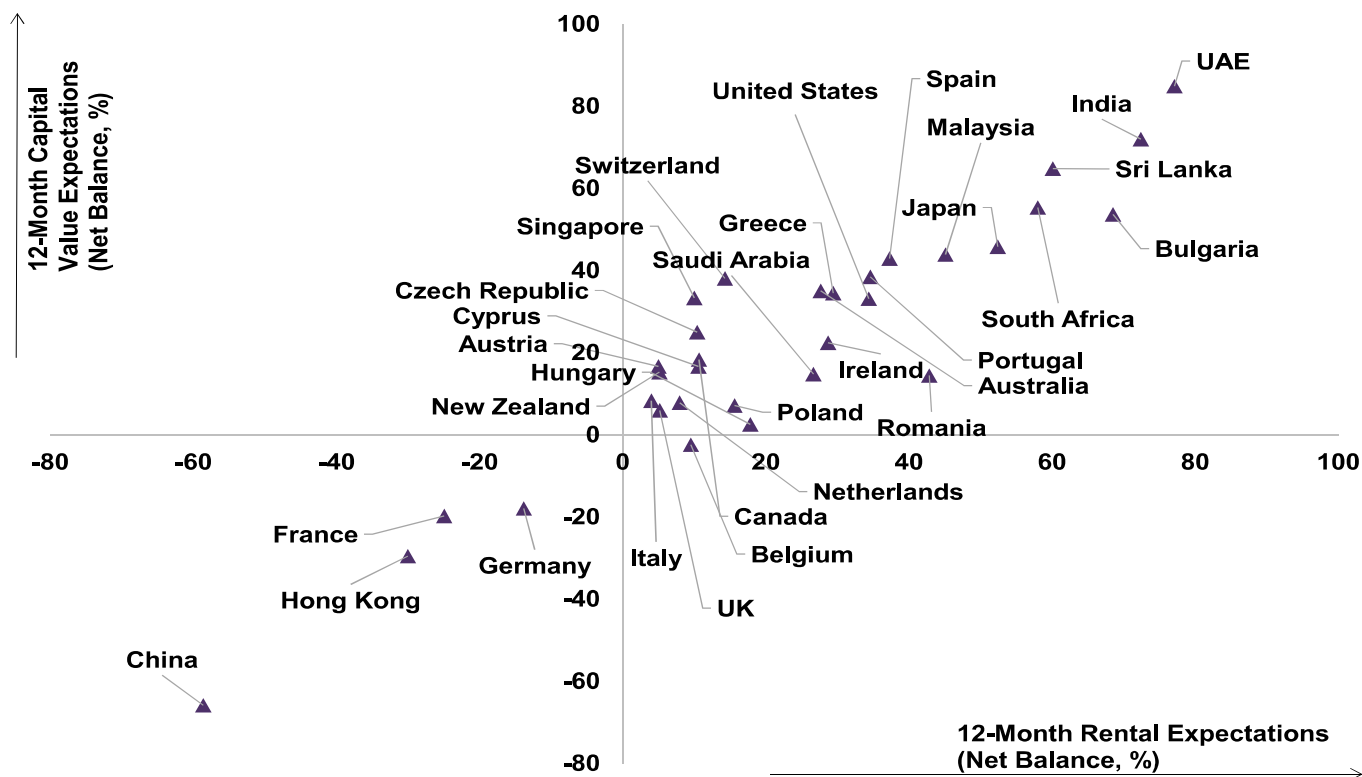
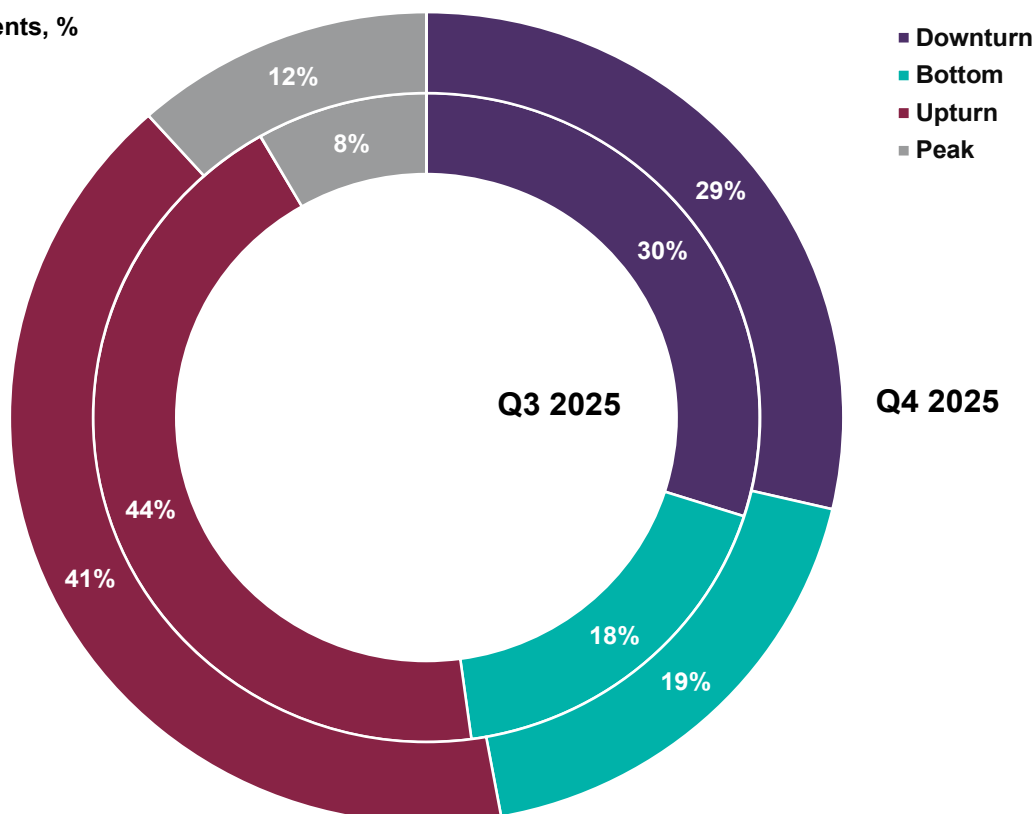


Chart 4 - Global Perceptions Regarding Point in the Cycle

Share of respondents, %



Europe

- Striking divergence in feedback between better and worst performing markets
- Prime assets expected to display resilience even where broader narrative is negative
- Alternatives such as data centres and multifamily to be the strongest performers

As mentioned previously, the European Commercial Property Sentiment Index (CPSI) was little changed in the final three months of the year (-7 to -6). This flat picture broadly chimes with data showing that European deal volume was little changed in 2025 (Real Capital Analytics points a 1% increase).

Disaggregating the numbers to country level continues to show a stark divergence between those markets registering more positive feedback and others where the insights remain much more downbeat. This is clearly highlighted in Chart 5. As has been the case for a while, it is the southern European markets where the mood music appears most positive with Spain continuing to lead the way. At the other end of the spectrum, sentiment remains most cautious in France and Germany.

Returning to the European headline numbers, although both occupier demand and investment enquiries continue to report similar results to those recorded in Q3, it is worth noting that the latter is modestly in positive territory while the former is still in negative terrain. Within the traditional sectors, industrial continues to show the more encouraging trend for these metrics with net balance readings of +12% for investment appetite and +5% for the occupier side. For offices, the respective numbers are 0% and +4%.

Meanwhile, the aggregate twelve-months expectations series for both rents and capital values strengthened very marginally in the final part of the year with the former edging up from +2% to +m4% (net balances) and the latter from +1% to +7%. Chart 6 shows regional average capital value and rental growth projections for the coming twelve months broken down at a sector level (in percentage terms).

Of particular note, respondents slightly upgraded expectations for capital value gains across the prime office sector and there was also a marginally less negative projection for secondary offices. Nevertheless, the divergence in performance between best-in-class and the rest remains a feature of the feedback (and not just in Europe). Alongside this, data centres remain the area where the outlook is most upbeat and indeed the forecasts have been revised upwards a little compared with Q3 (approaching 5% compared with nearer 4% previously).

Chart 7 breaks these numbers down to a country level. As might be expected, the expectations in Spain are generally most robust with firmly positive feedback across a broad range of sectors. Perhaps unsurprisingly, it is also one of the few countries in the survey showing a positive (albeit modest) read for development starts; the net balance percentage has actually been positive in five of the six last quarters. It is worth noting that in those markets where the tone to sentiment is more cautious, there is still an expectation that better quality (offices and retail) will remain

relatively resilient and could post further modest gains.

Significantly, despite its recent strong performance the Spanish market is still largely seen as 'fair value' by respondents with almost 80% taking this view (Chart 8); the results for the Netherlands and the UK paint a similar picture. By way of contrast, over 40% of French and German contributors indicate their markets are, at least to some extent, still 'dear'. Moreover, four fifths of the former and two-thirds of the latter continue to perceive their market to be in either the downturn phase or at the bottom of the cycle.

More positively, credit conditions continue to improve steadily reflecting in part the policy approach being pursued by the ECB. The Q4 net balance across Europe shows the proportion of respondents seeing an improvement, as against those signalling a worsening, at +15%, the same as in the previous three month period.

Chart 5 - Commercial Property Sentiment by Country

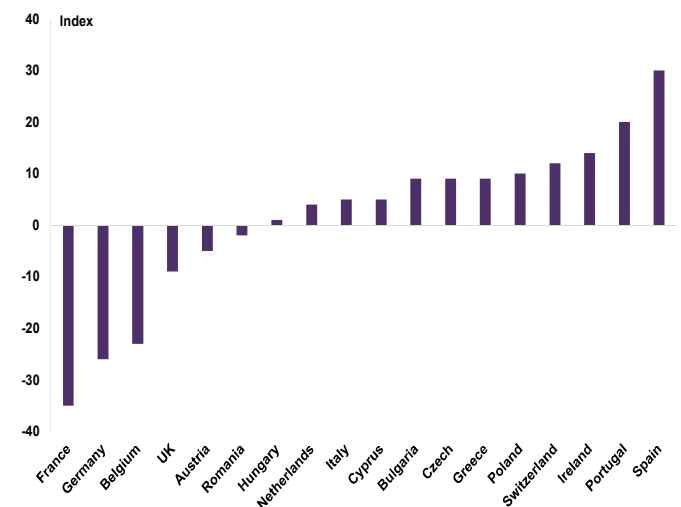


Chart 6 - Twelve-month Capital Value and Rental Growth Expectations by Sector

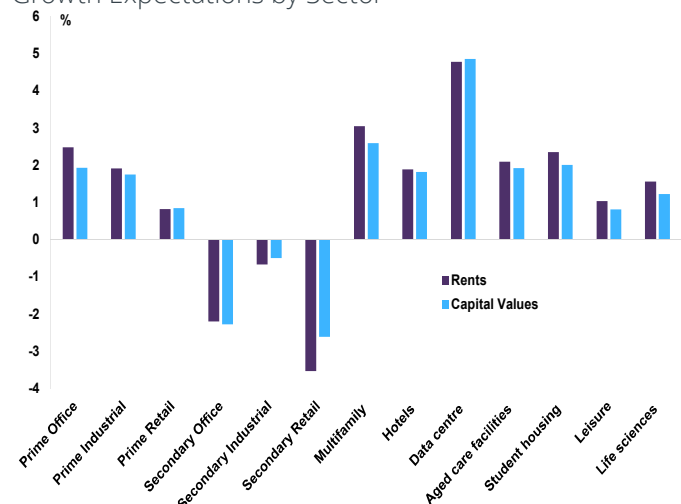


Chart 7 - Twelve-month Capital Value and Rental Growth Expectations by Country

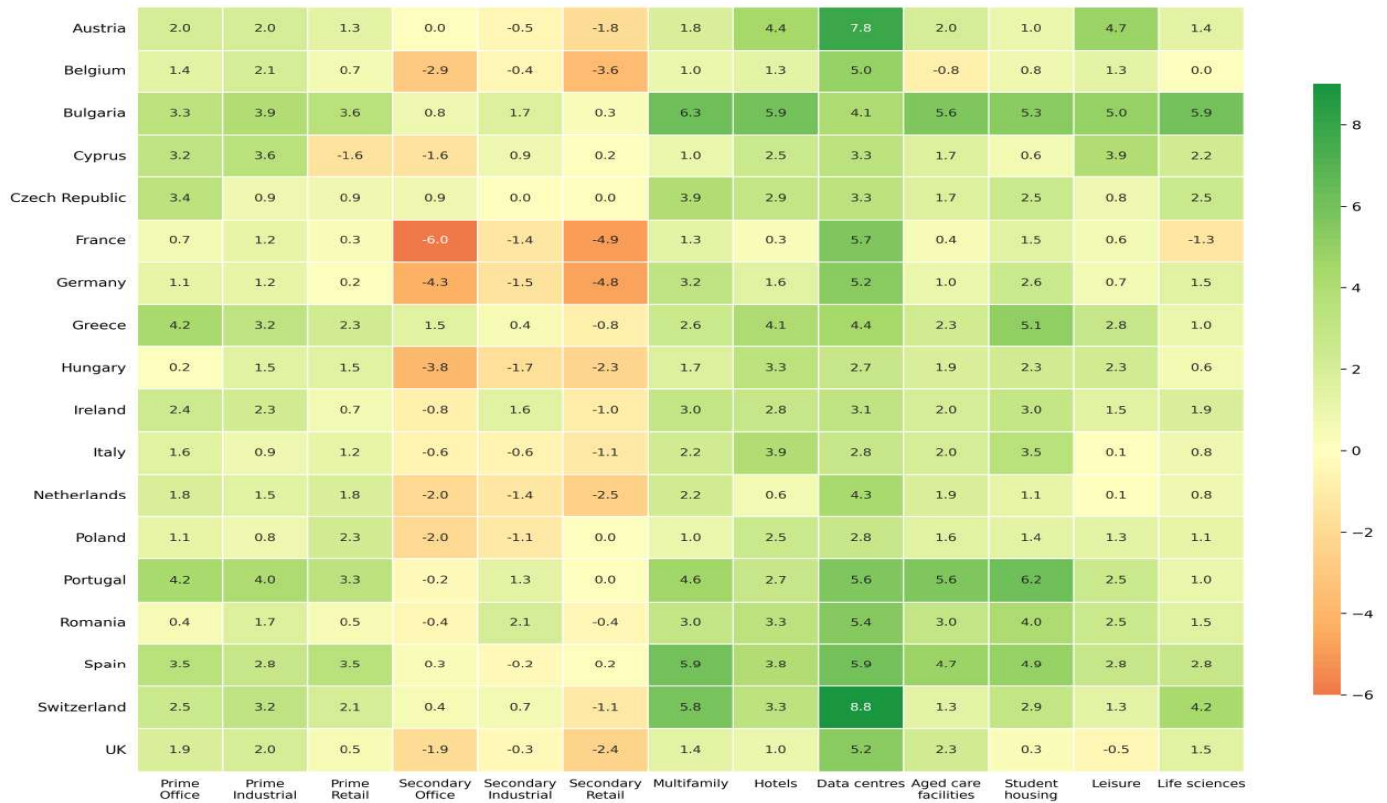
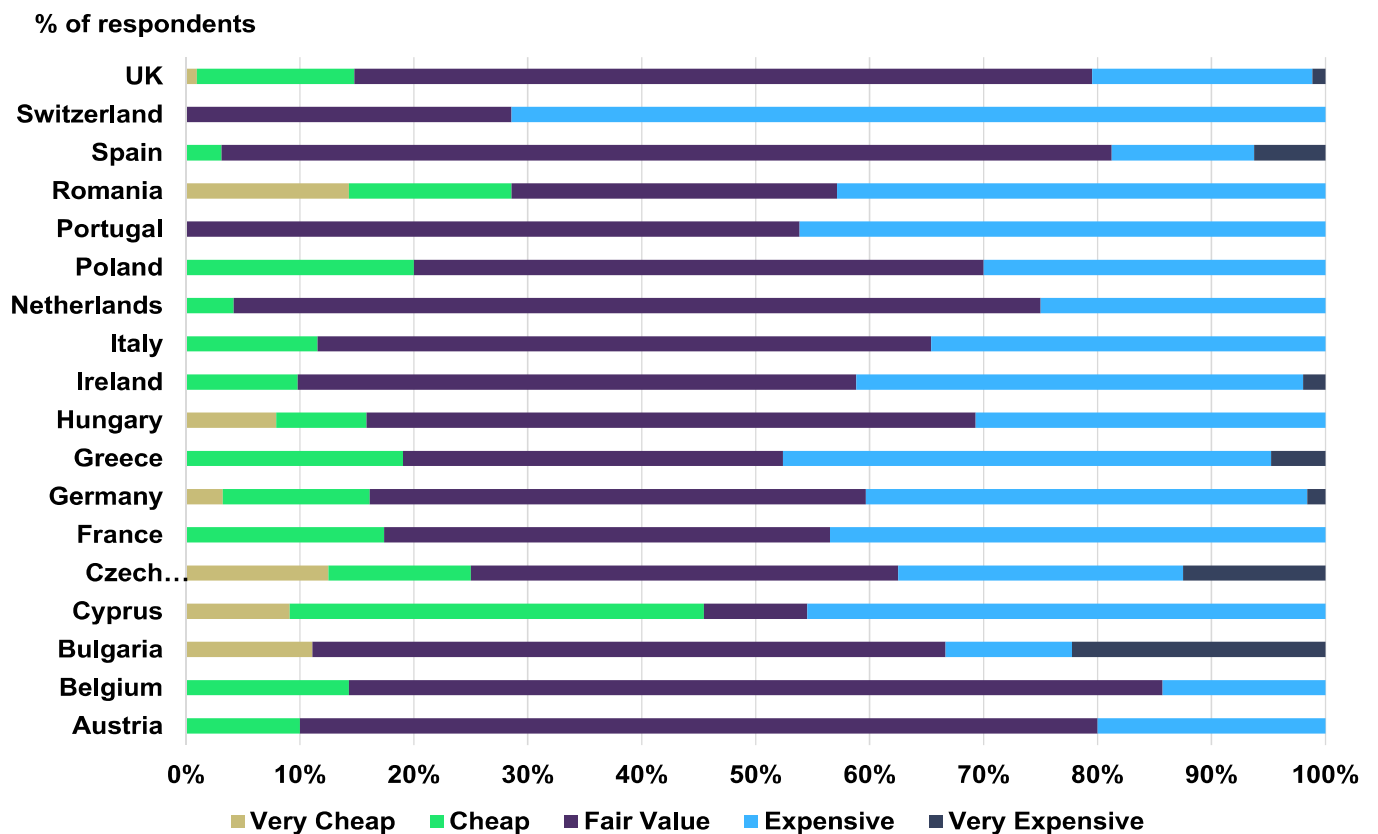


Chart 8 - Perceptions of Market Value by Country



Regional comments from survey participants in Europe

Austria

Further development of the war in Ukraine may have negative impact on current market recovery. - Vienna

Bulgaria

Market is driven mostly by local developers, yet level of property Management Services remains low quality. - Sofia

Cyprus

Nicosia has a lot of supply of old stock (grade b, grade c) and majority remains vacant. There is a growing need for smaller grade-A energy efficiency spaces, that provide flexibility, adaptability, with amenities and ICT provisions. - Nicosia

Political variations and highly sensitive issues in the region affect foreign investment resulting in fluctuations. - Nicosia

Czech Republic

Our market is seeing the replacement of international capital with local capital. - Prague

Stagnant. - Prague

Finland

Early recovery signs can be seen in the Finnish property market. Property transaction volumes are picking up. - Helsinki

France

Much of the European property market is adversely affected by inflation spikes and higher energy prices linked to sanctions against affordable Russian oil and gas and a greater dependency on US energy exports. As a result property rents and capital values are steadily rising but rather in reaction to much higher energy costs and inflation than real economic growth. In short, the war in Ukraine is plundering national treasury coffers and depriving government's from taming rising costs. - Paris

The US (Trump / Epstein / Project 2025 / import taxes) issues come at the same time as the continued occupation of part of Ukraine by Russia. These combine to boost inflation forces as in addition, investment is speculatively entering AI. None of the above is helpful for economic growth. - Paris

The French market is still in a bear market cycle where political uncertainty is pushing recovery further away. - Paris

Germany

The banking situation for new financing is very cautious, for renewals it is somewhat more positive, provided it concerns central locations or, in the case of residential properties, good quality. - Berlin

Economic picture still troubling - Berlin

I work in the retail shopping centre sector nationwide and feel strongly that some of the open ended funds have high capital values in their books and hence cannot sell. Bigger property companies, such as URW are overvalued, a large question on our profession, but need to sell and the only buyers are PE driven money people looking for high returns. Some funds are looking to acquire out of town food led properties but due to higher interest rates the yields here have moved out. - Dusseldorf

The bottom of the cycle has been slightly passed and we are seeing a gentle recovery in the real estate markets. - Frankfurt am Main

The market has become harder to read. Lack of economic growth is becoming more of a problem. - Munich

Greece

In Greece after the economic crisis, a two tier market is being formed. The high-end part of the market is growing fast with foreign investors leading the way and resulting in growing capital values and the low-income segment of the market that involves high volume of built environment, struggling to be repurposed, most commonly left vacant for more than a decade, demanding for strategic policy making in order to improve current disparities. - Athens

Hungary

We have been waiting for the Landlord market to come in office leasing but it is still tenant market. Bigger tenants are still giving back spaces. There are only a few expansions. Tenants rather stay and extend their leases. - Budapest

CEE companies are getting stronger and invest more in other parts of Europe. ESG, AI. - Budapest

Unstable geopolitical situation as well as fluctuating market sentiment. - Budapest

Ireland

General activity levels expected to improve over the next 12 mths in the prime Office, Retail, Industrial and Logistics sectors, however both rental & capital growth very much dependant on Interest rate/ inflation and Geo political events. - Dublin

Most notable trends are lack of new office developments being started leading to an impending shortage of prime new office stock. Office rents are set to increase following some healthy take up and this will feed into a recovering investor sentiment for the best quality buildings in core locations. - Dublin

Office vacancy levels falling for modern well located, ESG compatible, space. Very little office accommodation being constructed yet growing obsolescence challenges for older space. ESG conversion cost and change of use challenges for older office buildings, particularly suburban Dublin. Latest budget (2026) attempts to encourage international residential investors back into the market by easing some restrictions - shortages in the housing market reflect a 31% population growth over 20 years. - Dublin

Recovery in prime office sector off limited stock provision in recent years. Secondary office values in decline due to age, sustainability credentials and lack of fit for purpose. Secondary retail faltering, prime retail in recovery along with shopping centre and retail warehouse schemes. Residential development values falling except for prime PBSA sites where strong demand when priced correctly. Government intervention in market sectors still a major issue, creating uncertainty for investors. - Dublin

Patchy market but feels like it's getting stronger. - Dublin

Slight improvement with EU/US trade agreement reached - pressure from China but been managed. - Limerick

Mid downturn. - Merville

Regional comments from survey participants in Europe

Italy

Market stable - Brindisi

Investors are generally still positive although cautious. Retail sector continues to rebound after long period out of favour with yield compression expectations as part of the underwriting premise. Offices are returning to favour. All forms of residential are attractive although difficult to transact. Emerging sectors such as Self Storage also gaining favour amongst platform builders with PE funds competing to establish themselves. - Milan

Volatility, uncertainty and focus on prime locations only remain the three main topics which affect rental and property values. - Milan

The market in the city of Milan has been steadily growing for several years, and prices (real estate values and rents) have now reached high levels for most people. Therefore, an average person or family has difficulty sustaining these values and rents, so consider opportunities in the hinterland or nearby provincial cities. - Milan

Weak economic growth and geopolitical instability. - Milan

Very uncertain market - Milan

Netherlands

The Greater Alkmaar market shows extreme polarization in Q4 2025. Industrial demand is robust, but grid congestion ('netcongestie') and nitrogen rules halt new supply, driving rental growth. The office sector sees a sharp bifurcation: strong demand for ESG-compliant, station-based assets versus obsolescence for secondary stock, which is increasingly targeted for residential transformation. Retail values have bottomed out, with selective recovery in the historic city center. - Alkmaar

I see on one side retailers struggling with high level of costs, on the other hand highest demand in years. Less vacancy in the big cities. - Amsterdam

As long as unemployment is low, the market is staying stable. - Amsterdam

I see positive vibe in A1 retail, and on the other hand more vacancies in little villages, and decline of number of supermarkets. - Amsterdam

Volatile. - The Hague

Romania

Bucharest is blocked urban planning point of view and on top of this the economic climate is influenced by the gross stupidity and lack of understanding of the reality coming from politicians. - Bucharest

Spain

Generally good. - Barcelona

This past period has been marked by clear stability. We haven't seen any favorable movements that would suggest significant appreciation, nor any sharp declines. The stability is complete, which is good (because no problems are on the horizon) but also bad (I don't see any upward pressure). - Madrid

Undisputed bullish cycle - Madrid

Increased investment in Retail, stagnation of Offices in secondary areas and turnkey growth in Industrial. - Madrid

Office recovery. Following the increase in office take up, and destruction of stock due to reconversion into residential, the investment demand in offices is increasing both in CBD and

secondary markets. - Madrid

We are in a period of prosperity, but we must be cautious; there are too many threats of all kinds. - Madrid

The market is in its final stages, with both selling prices and investment opportunities showing signs of exhaustion. There are no forecasts for further increases; the market simply won't allow it. - Murcia

United Kingdom

The slowing economy is having an effect on the Commercial Market across all sectors and 2026 could see difficult market conditions. - Birmingham

Cambridgeshire's commercial property market is ticking along steadily right now. Industrial and warehouse space is still in strong demand, especially around tech and science hubs, while offices are moving more slowly unless they're good quality and flexible, so overall it feels cautious but positive. - Cambridge

There has never been a market with so many structural changes to the investment and occupier sectors. - Edinburgh

"Flight to quality" remains a key trend and the supply of prime office stock remains limited with little sign of any new speculative built stock coming to the market during 2026. - Leeds

There appears to be more transactional activity illustrating cautious optimism with a view to short term interest rates cuts which will further stimulate demand as borrowing costs ease. - London

Prime offices and data centres remain strong, driven by ESG demand and AI-led growth, while secondary offices stay weak. Retail is mixed, with retail parks outperforming weaker high streets. Industrial remains resilient due to limited supply and steady logistics demand. - London

Difficult market with deals taking much longer than previously. Having to corral all parties in the transaction to move forward. - London

Over the next 12 months, London retail is likely to continue with prime, well-located units showing relative resilience and secondary stock remaining under pressure. Occupier demand in core locations has stabilised, supported by returning footfall, tourism etc, which is expected to produce modest rental growth. Capital values, however, are likely to remain broadly flat overall. - London

The West End Commercial Market as at Early December has recorded £4.73bn of volume across 85 transactions – almost £1Bn ahead of the total for 2024 and way ahead of 2023 (£3bn). The 15-year average is slightly over £6Bn. We estimate there is in excess of £1Bn of further property under offer, some of which is likely to exchange in 2025 - in 2025 the avg deal size was £55M. The theme for the year is the return of larger lot sizes, and greater depth of office buyer - spurred on by strong rental growth. - London

While prime office and retail rents and values are growing with strength, oversupply and new work patterns are still preventing any growth in secondary locations. - London

General feeling of doom and gloom with little incentive for entrepreneurial culture. - Manchester

Little investor confidence and stagnant property market. High street retail via auction sales and popular for repurposing. Manchester

The difficult market continues with some brighter spots around life sciences and student housing. - Oxford

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 6 December 2025 with responses received until 19 January 2026. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1610 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole. Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale. The Commercial Property Sentiment Index is an unweighted average of the OSI and ISI. Regional indicators are weighted using estimates of the stock of commercial property provided by LaSalle Investment Management, and are adjusted on an annual basis.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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