

2027 Europe

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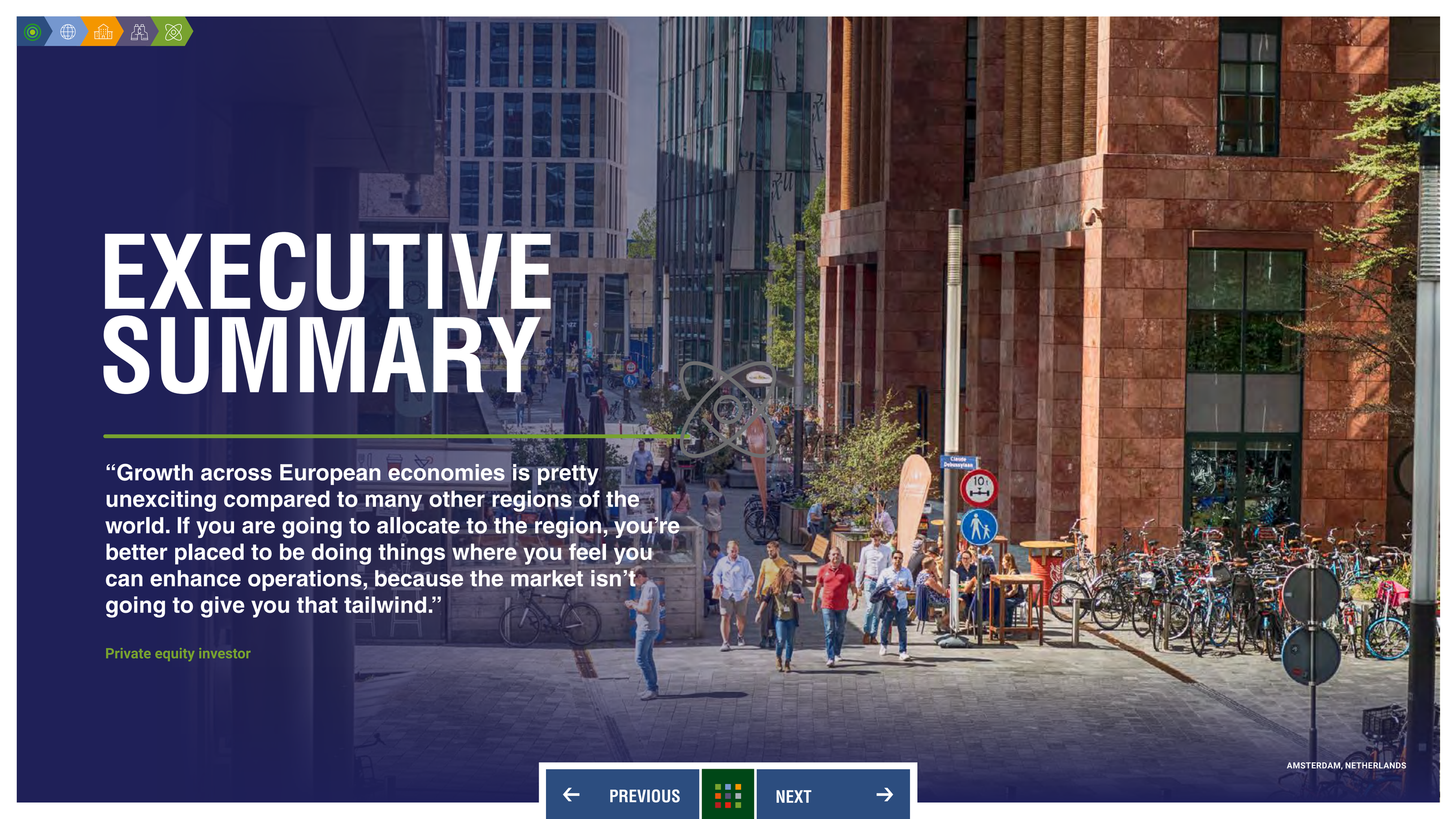
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EXECUTIVE SUMMARY

“Growth across European economies is pretty unexciting compared to many other regions of the world. If you are going to allocate to the region, you’re better placed to be doing things where you feel you can enhance operations, because the market isn’t going to give you that tailwind.”

Private equity investor



AMSTERDAM, NETHERLANDS

Europe's property industry finds itself dealing once again with the uncertainty from higher bond yields, prolonged geopolitical instability and persistent questions around real estate's appeal over other asset classes.

The consensus view in this 2027 edition of *Emerging Trends in Real Estate® Europe* is that recovery will be delayed over the coming year and beyond, meaning successful investment will be underpinned by resilient income and operational improvement rather than market-wide capital appreciation.

This is an industry adjusting to long-term structural trends while dealing with weak economic growth and a longer-than-anticipated cyclical recovery – and the wait goes on. A short-lived uptick in investment activity in early 2026 has given way to "pervasive geopolitical uncertainty" – mainly from the conflicts in Ukraine and the Middle East – feeding through to rising energy and construction costs, inflation generally and higher-for-longer interest rates.

Though expectations around profitability remain largely unchanged from last year, such familiar macro and business headwinds have inevitably affected sentiment among the 1,498 senior property professionals canvassed for this year's report.

"Some investors were hoping for things to get better. They might now think they're as good as they're going to get," says one global investment manager, reflecting the pragmatism taking precedence over wish-fulfilment as the industry takes care of business.

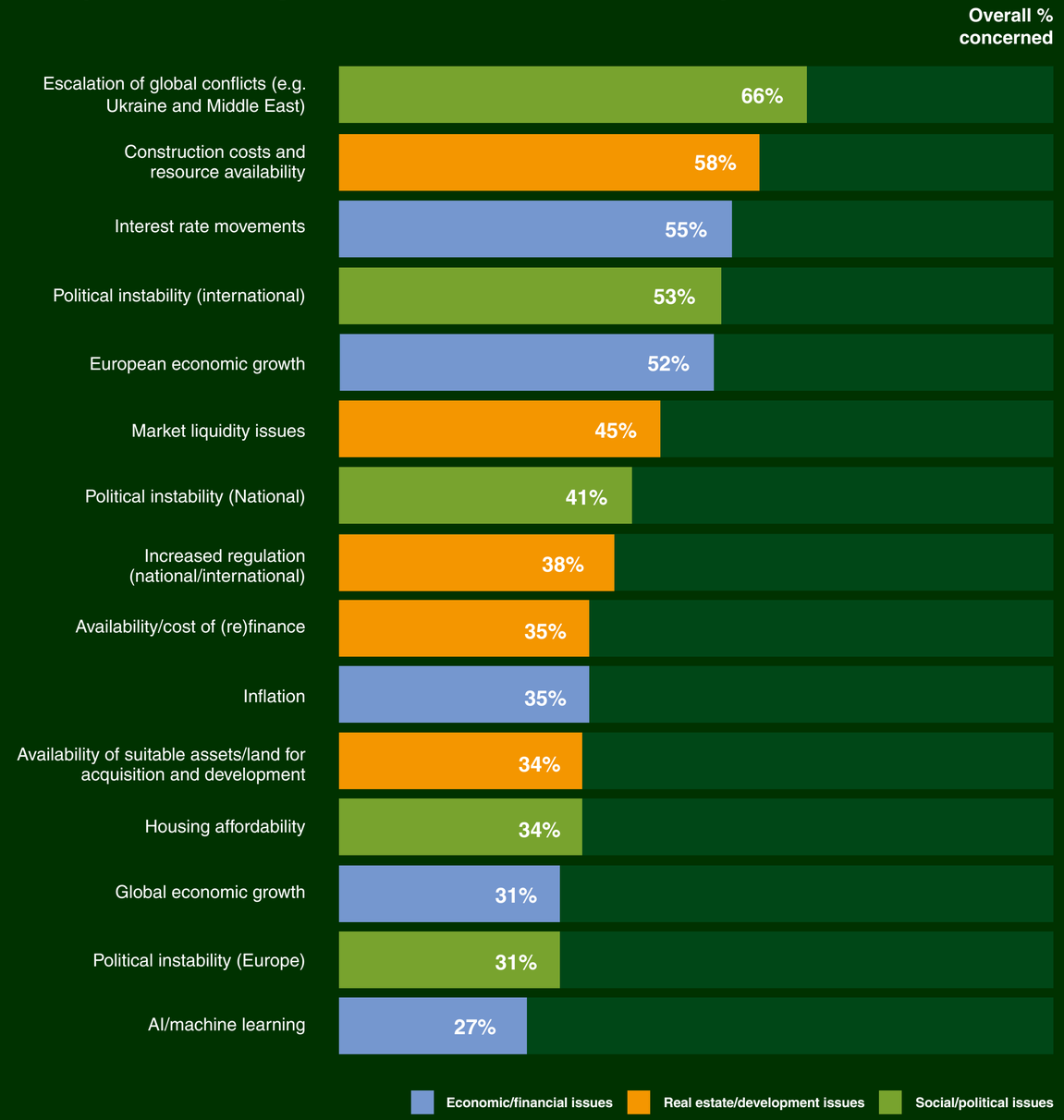
The short-term outlook remains challenging. Thin transaction markets and lingering doubts over valuations indicate that buyer and seller pricing as well as return expectations for core investments are unlikely to be fully aligned in 2027. As a result, market liquidity is an important consideration for exit strategies and a key factor behind London retaining its position at the top of the city rankings, followed by Madrid, Paris and Munich.

Yet the story around European real estate in 2027 is complex rather than simply one of stalled recovery. Occupier demand remains comparatively resilient despite the weak economic outlook. Debt is widely available albeit lenders remain "disciplined". The growing influence of family offices and other sources of private capital is an encouraging counterpoint to the prevailing caution exercised by core institutional investors. And there is a sizeable cohort among the interviewees who see opportunity amid market dislocations and regard "the ability to invest long-term across volatile economic cycles" as a competitive advantage.

Above all, the industry is still coming to terms with a prolonged transitional period for real estate, increasingly favouring scale, resilience, operational cashflow and infrastructure-like characteristics over traditional property exposure.

One important consequence of an industry in transition is the current wave of mergers and acquisitions (M&A).

Key issues causing concern for the real estate industry in 2027



Note: Percentage of respondents ranking it within their top three issues
Source: *Emerging Trends Europe survey 2027*

The research for *Emerging Trends Europe* highlights market inefficiencies reinforcing this trend, including “the need to scale” among investment and asset managers as well as the persistent discounts to net asset values (NAV) in listed property companies. For some interviewees, this round of M&A activity points to a reset of property in the wider real assets environment, paving the way for even more scrutiny on valuations and further blurring of the lines with infrastructure.

The industry’s shifting priorities are also evident in the 2027 sector rankings, which reflect clear themes, including energy transition, digital infrastructure, housing need, and ageing demographics. Data centres and new energy infrastructure are once again ranked first and second for overall prospects. Data centres are rated top for investment, development and income growth by some margin, despite the growing controversy they provoke among the general public, not least over their environmental impact.

As for the industry’s own environmental, social and governance (ESG) agenda, the survey responses indicate a change of focus, with the conventional push for decarbonisation giving way to a more balanced approach that prioritises climate adaptation and energy resilience.

One issue that cuts across the industry’s entire sphere of interest is housing affordability, now acknowledged as one of the most serious political, economic and social issues in Europe.

For many years, *Emerging Trends Europe* has highlighted the social consequences of the housing crisis as well as the industry’s growing appetite for investing in the sector. Once again, the various forms of housing rate highly in the sector rankings. But there is a deepening sense of concern over the social impact of the shortage of affordable housing, as seen most vividly in the recent protests across Spain.

The latest research suggests the housing crisis will also hamper Europe’s economic competitiveness over the long term. According to survey respondents, housing affordability and supply will be the biggest challenge facing cities in Europe over the coming decade, ahead of such issues as climate adaptation, provision of infrastructure and social cohesion.

The industry recognises its role in providing more social and affordable homes but warns that the regulatory and cost barriers to development are too high. As one interviewee says: "Without some form of public intervention, whether grants or other support mechanisms, they simply won’t be delivered.”

Finding the value in AI-enabled real estate

Few issues are considered of greater importance to European real estate over a five-year window than over the coming year. Yet artificial intelligence (AI) bucks the trend.

For an industry that has long grappled with digital transformation, ubiquitous AI has become a subject of viral significance, both in terms of public responses to its promise and professional views on how it might affect real estate. The negative impacts invariably grab the headlines, whether around data centre development or the risk of an “AI bubble” bursting and sending stock markets into turmoil. But in Chapter 4, we also examine the positive impact of AI as it helps real estate shift from risk-management of physical assets to a data-driven, technology-enabled and increasingly operational industry.

Without exception, industry leaders see a huge opportunity from AI unlocking the vast stores of existing data trapped in legacy systems, historical performance records and paper archives, and generating new data through Internet of Things sensors, smart systems and digital twins. This will drive cost savings, smarter resource use and asset management. More importantly, it will inform future development and investment decisions.

The winners will not necessarily be those who buy the most AI tools, but those who successfully combine technology with operational expertise, human judgement and high-quality data and are able to embrace the lessons from other asset classes.

Yet as the interviews suggest, AI could do far more than boost productivity. AI is the potential catalyst that transforms real estate from a relatively passive financial asset into a dynamic, intelligent platform for value creation. In that world, real estate is no longer simply the container in which economic activity happens, it becomes part of what determines the value of that activity.

Key findings

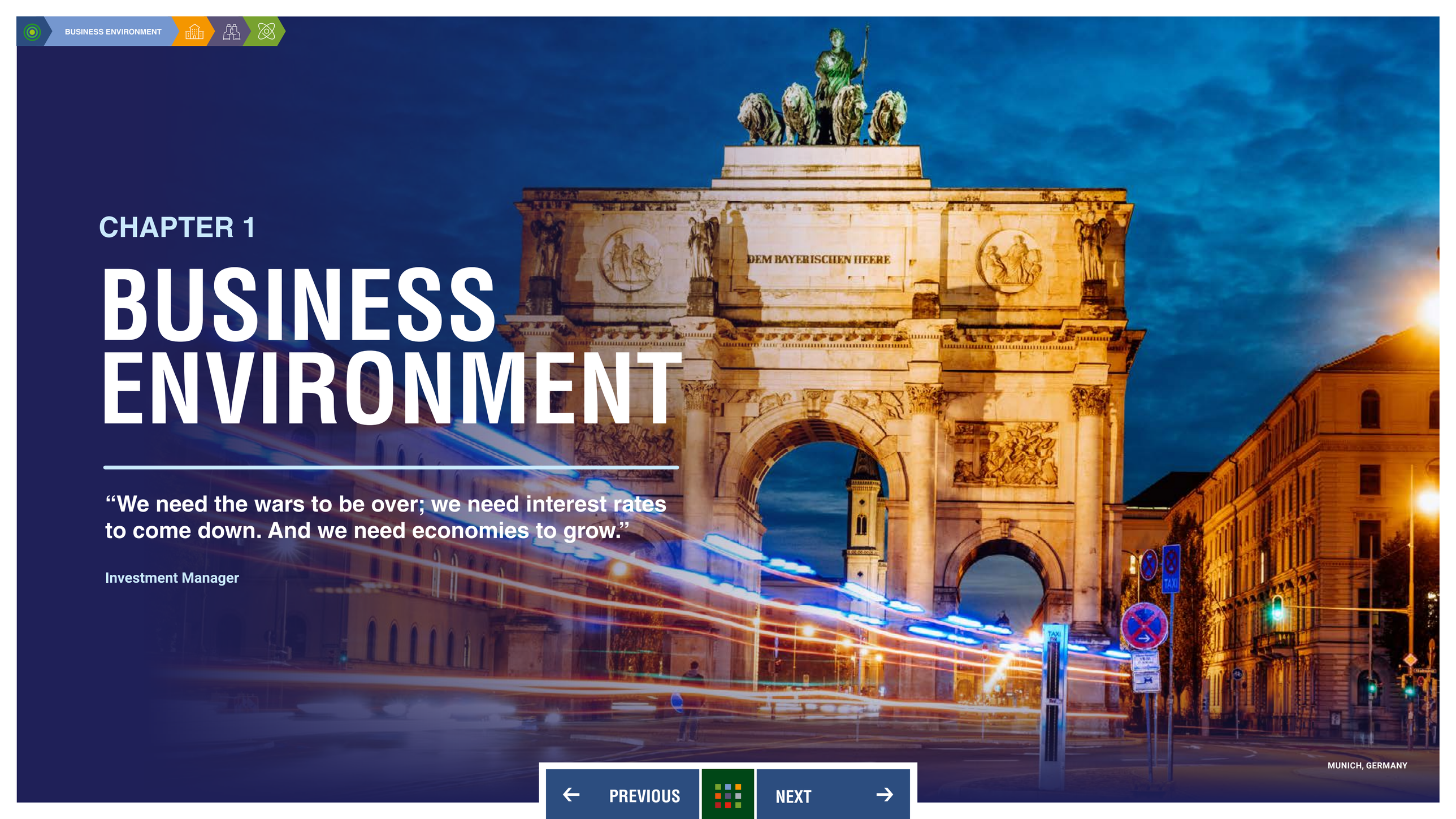
- The main factor holding back allocations to real estate is its **relative value vs other asset classes.**
- **1 in 3** respondents name infrastructure as the asset class most in competition with real estate for capital allocations.
- Housing, in its various forms, makes up **six out of the top 10 ranking sectors** for investment prospects for 2027.
- **Housing affordability and supply** rank as the biggest challenge facing European cities over the coming decade.
- Climate strategy is shifting from compliance to resilience. **59%** expect physical climate risk adaptation to increase in importance over the next five years.
- **75%** think smart buildings and digital capabilities create a major competitive advantage in real estate.
- The industry is split on who should own data generated in buildings: **45%** lean towards shared ownership, **43%** towards landlord ownership.

CHAPTER 1

BUSINESS ENVIRONMENT

"We need the wars to be over; we need interest rates to come down. And we need economies to grow."

Investment Manager



MUNICH, GERMANY

With conflict in the Middle East dealing inflationary pressures and geopolitical uncertainty to global markets, European real estate players might consider the cards stacked against them.

Elevated energy prices provoked by the disruption to the Strait of Hormuz, new highs for long-term government borrowing costs and the spectre of stagflation are squeezing portfolio margins and compounding refinancing risks.

Yet those that stay at the table have a greater chance of success than those who fold, suggest industry leaders surveyed and interviewed for *Emerging Trends in Real Estate Europe 2027*.

“The ability to invest long term across volatile economic cycles is sometimes a competitive advantage,” suggests a global asset manager. For most real estate investors and owners, inaction simply isn’t an option, with operational portfolios to manage, sometimes on an almost forensic level. An investment manager counsels “becoming more disciplined in investments at today’s rates” with a view to “winning because of execution – not because the market is doing the work for you”.

Other interviewees, meanwhile, relish the opportunities presented by the countercyclical conditions. “Prolonged geopolitical uncertainty also prolongs the window of opportunity,” suggests the head of Europe of a global real estate firm.

“The ability to invest long term across volatile economic cycles is sometimes a competitive advantage.

However, the broad consensus of optimism shared by industry protagonists at the start of 2026 has given way to expectations that recovery and growth will largely be delayed over the next 18 months, both on a portfolio level and in terms of national economics. “It is difficult to see where strong growth will come from anywhere in Europe,” says the CEO of a global real estate investor. “Europe – including the UK – has seen little GDP growth for around five years,” says a pan-European residential investor.

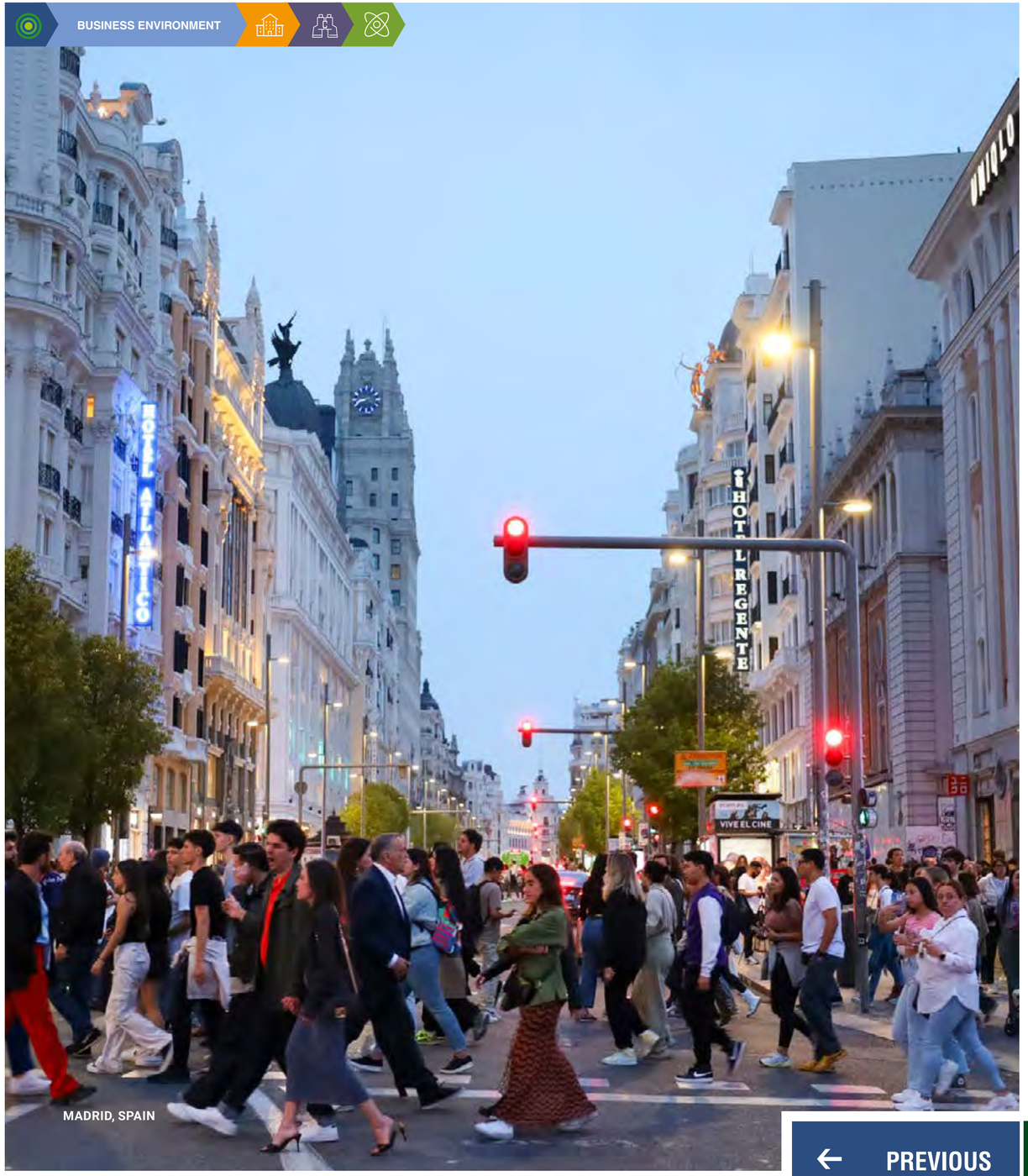
As European citizens grapple with cost-of-living concerns, affordable housing, supply chain complexities and retail real estate performance are all under the lens. One CEO points to the “rent burden for young professionals reaching 50 percent [of income] in Berlin”. Another UK-based investor describes regional shopping centres as having experienced a “50 percent decline in value over the last 18 months, although that has now paused”. Sectors such as offices and logistics are also experiencing a time of transition with demand pooling around prime product.

Figure 1-1 **Top themes which will drive real estate investment decisions and strategic planning**



Source: *Emerging Trends Europe survey 2027*

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MADRID, SPAIN

The long-income approach to social housing is fundamentally challenging.

“Tenants are so particular about what they want, good assets are going to perform really well – but we’re not talking enough about the bad stuff,” says an executive. “I’m concerned about tenant demand given the lack of growth,” suggests the CEO of an investment manager. And while the living sector continues its ascendency, not all of its niches are working. “The long-income approach to social housing is fundamentally challenging,” says a UK investor focused on affordable homes.

For an industry which has long grappled with digital transformation, ubiquitous artificial intelligence (AI) has become a subject of viral significance, both in terms of public responses to its promise and professional views on how it might affect real estate. The negative impacts steal the mainstream headlines: job destruction, data centre development threats, the infrastructure’s thirst for water and energy and rogue LLMs escaping their confines. One global real assets head is worried about their data centre investments given the risk of a “reset in the stock market as a result of the AI bubble”.

Yet AI optimism persists, centring around investment convictions relating to “digitalisation and AI”, opportunities in Europe’s undersupplied data centre market and the increasing use of AI in the boardroom.

While sustainability remains baked into good business practices and European legislation, this year's interviewees dwell on the key concerns of energy resilience and climate adaptation. Having a “long-term focus on affordability and climate resilience”, says one private equity real estate leader, is a common goal. Europe's historic energy supply chain vulnerabilities, brought into focus by the Ukraine war, have been further exposed by war in Iran.

All in all, while a sense of sluggishness has depressed many predictions about 2027, a desire to be productive characterises the more optimistic and determined voices. “Asset managers increasingly need to create returns operationally rather than relying on market-wide capital appreciation,” says one asset manager. Another European property head counsels a back-to-basics approach, “focusing on core assets with resilient income and being disciplined over entry pricing”. Yet for many investors, reticence is inevitable in the present environment. “Our preference is still to wait and buy from forced sellers,” says an investment manager.

Market sentiment softens amid renewed uncertainty

Confidence in the business environment has softened slightly for respondents to the *Emerging Trends Europe 2027* survey, with only 42 percent expecting it to increase, versus 45 percent last year.

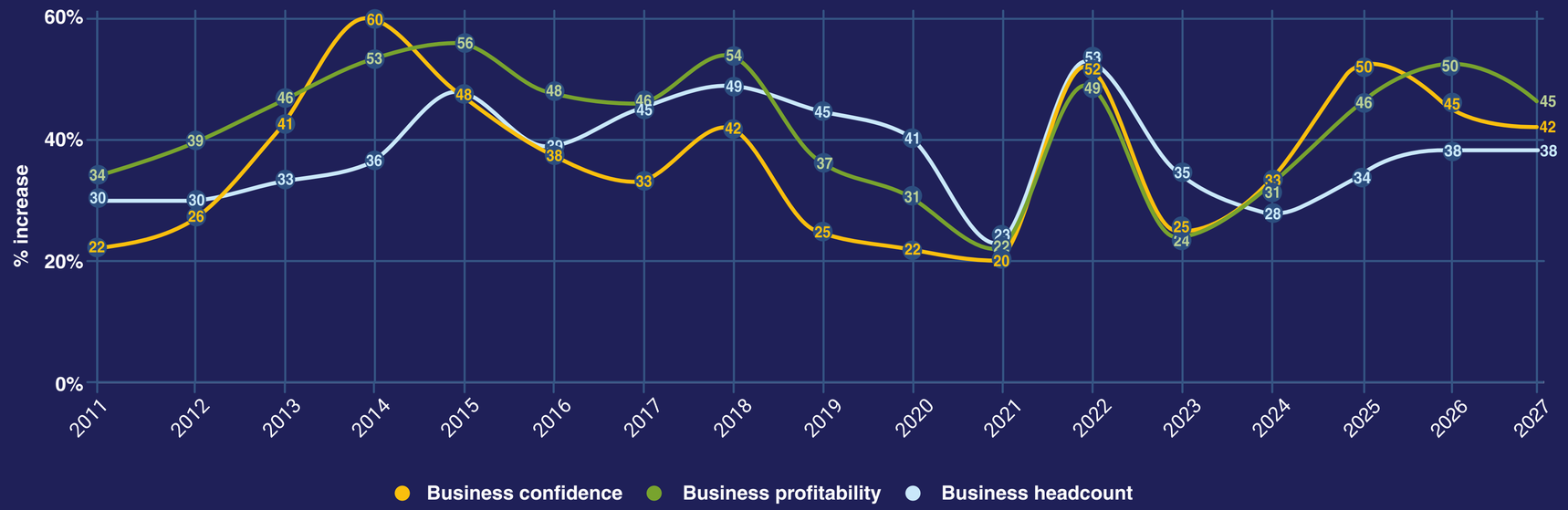
"There is considerable uncertainty in markets, which is reducing confidence and consistency in behaviour; in the transaction world it is leading to more failed deals," suggests an institutional investor. However, another investment head is more upbeat: "Our overall business sentiment is positive; we're seeing a bit more liquidity in the market than last year."

Expectations around profitability and headcount are largely unchanged, with some interviewees seeing opportunity amid market dislocations, while others tighten their belts. A private equity manager affirms plans to increase hiring in order to ramp up a successful operational strategy. "Operational investments which are real estate-backed need more resources. They're more intense, there are more levers you can pull… so we're hiring more people."

Yet an institutional manager says that while their fund's profitability is increasing, they won't increase headcounts. "We have a big focus on keeping personnel costs in check, alongside a push to use AI to be more efficient. So, we're seeing 30 percent more in terms of buying and selling but doing it with the same team."

Figure 1-2 **Real estate business sentiment, 2011–2027**

Source: *Emerging Trends Europe survey 2027*



Looking at the year ahead, survey respondents are most concerned about prospects for interest rate movements and European economic growth.

Some 55 percent and 52 percent of respondents, respectively, rank these headwinds in the top three general business issues (Figure 1-3). "It's all about rates, unfortunately it's a binary issue for the industry," notes one investment manager, adding that "We're going to have a rocky run into the year-end on rates."

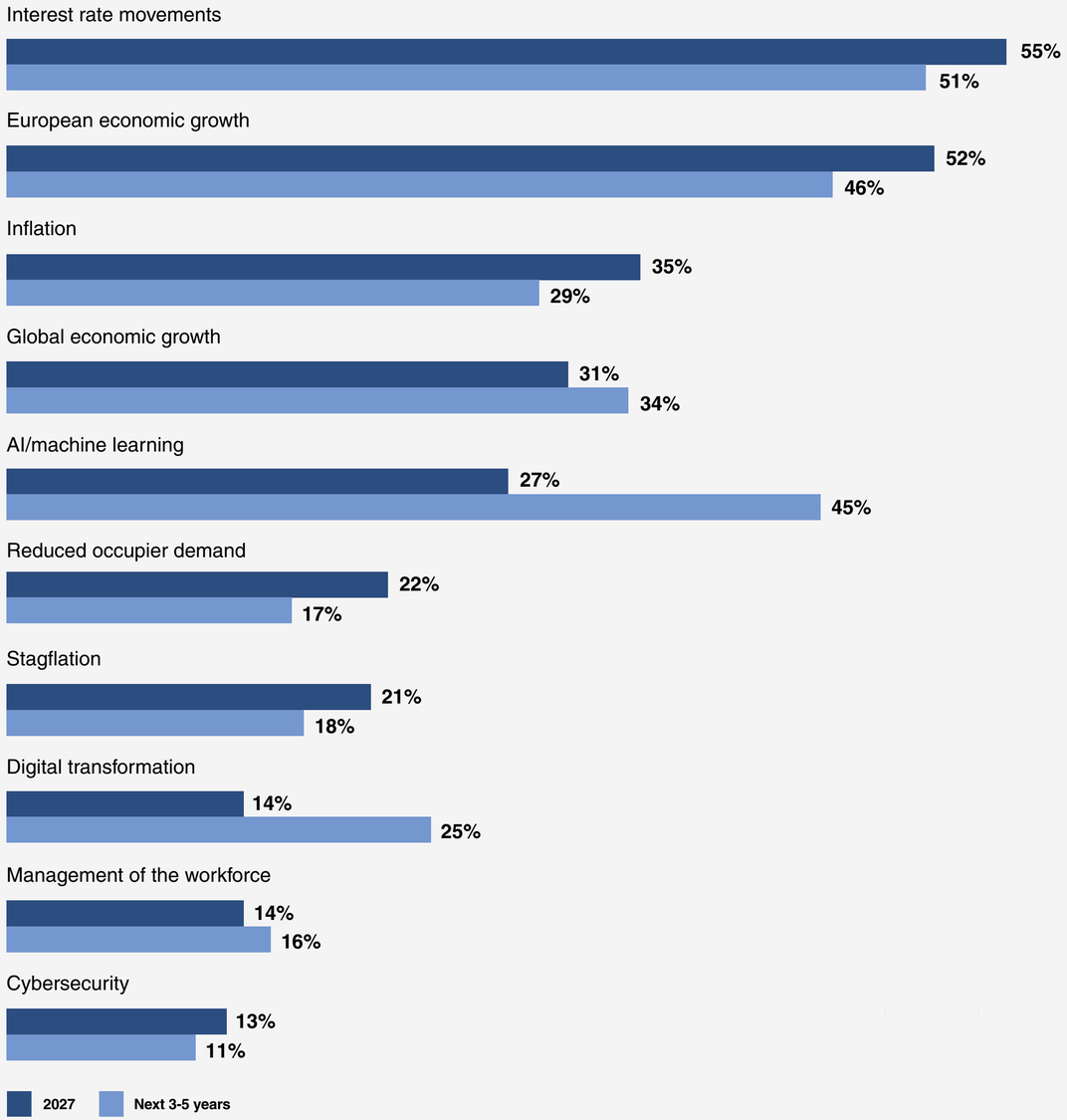
Says the CEO of a German property company: "Rising energy costs are driving inflation and therefore interest rates upward, negatively affecting financing conditions."

"General growth across European economies is pretty unexciting compared to many other regions of the world, including the US and parts of Asia," notes a private equity investor. "If you are going to allocate to the region, you're better placed to be doing things where you feel you can enhance operations, because the market isn't going to give you that tailwind."

Other general business issues under the lens for respondents include AI, which is seen by just 27 percent as a top-three issue in the short term, but by 45 percent as a top-three issue over five years. "With AI, you often look at the impact on efficiency or productivity, but you need to think about the impact for sectors," says a European private markets head.

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Figure 1-3 **Business environment issues causing concern in 2027 and in the next 5 years**



Source: Emerging Trends Europe survey 2027
Note: Percentage of respondents ranking it within their top three

Digital transformation, cybersecurity and workforce management rank lower in the survey as immediate concerns but are linked to the AI story for some. “Will AI affect office-based employment? If it works, it has to,” says a pan-European asset manager. “I’m more worried about the AI-infrastructure story in the US and its capacity to destroy markets,” they add, predicting a “bust” and an eventual “winner” among the hyperscalers. For others, AI’s unpredictability is where the risks lie, but also the upside. “I like to think that it's going to look like the Industrial Revolution, but maybe on fast forward: ultimately you see huge job destruction, but you see huge growth in jobs that never existed,” suggests the asset manager of a pension fund.

Global economic growth ranks fourth among short-term concerns, with interviewees focusing on flaws emerging in the macroeconomic picture. “Pervasive geopolitical uncertainty is the overriding concern, as it underpins all other risks, like interest rates and construction costs,” says a property company CEO. An asset manager cites as key risks “geopolitical volatility, particularly conflict in the Gulf, energy-price volatility and associated supply-chain inflation”. Not all global views are negative, with some respondents still bullish on diversified strategies. "I don't know why you would want a European REIT when the global one should perform better given it will have larger exposure to the highest growth markets," says a pension fund investor.

But renewed energy shocks, particularly those caused by the blockage in the Strait of Hormuz, are seen as an overriding pain point for global

> Will AI affect office-based employment? If it works, it has to.

macros. “Oil-related supply-chain disruption and energy volatility could sustain inflationary pressure and lender caution,” suggests a UK-based asset manager. However, some interviewees see inflationary risks easing. “Our house view on interest rates is less pessimistic than three months ago; we expect rates and inflation to start falling in 2027,” says a property company CEO.

The CIO of an alternative fund meanwhile speculates about the “unknown inflationary impact from tariffs and supply chain issues”, with a fresh round of US tariffs announced in July. However, a pan-European asset manager is more sanguine about the prospects of a renewed global trade war amid Washington’s threats. “The upfront reaction to tariffs last year was quite significant, but the market shrugged it off pretty quickly,” they say. “Overall, they have not been as impactful as people thought they might.” There’s also an argument that isolationist policies ultimately help the “European sovereignty point”, they add. “While they can create volatility in the short term, the long-term picture means more self-reliance in Europe, requiring more real estate, which leads to more growth.”

Construction costs and liquidity shape the market

In terms of real estate-specific issues, market liquidity and construction costs plus resource availability are the two leading short-term concerns.

Such issues here inevitably influence exit strategies, says the European head of a property company: “There's simply less liquidity in the market. So that makes anyone with dry powder go in feeling very good about life because it’s a buyer’s market … you don’t want to be forced to sell.” The ongoing shift from defined benefit (DB) pension schemes to defined contribution (DC) schemes also represents a potential structural headwind for liquidity, as DB schemes are widely reported to be exiting real estate faster than DC schemes are entering it.

A UK asset manager adds that “greater valuation stability and liquidity would also support transaction volumes”, identifying another of the market’s weak spots.

On construction costs, a private equity property investor suggests that it’s hard to make the case for ground-up development because “the costs of construction, land costs and delivery values in the rent and yield equation are not quite working”.

Another private investor counters by noting that “construction costs seem to be settling a bit; issues around global raw materials – the supply-chain problems we witnessed post-COVID – have certainly eased”.

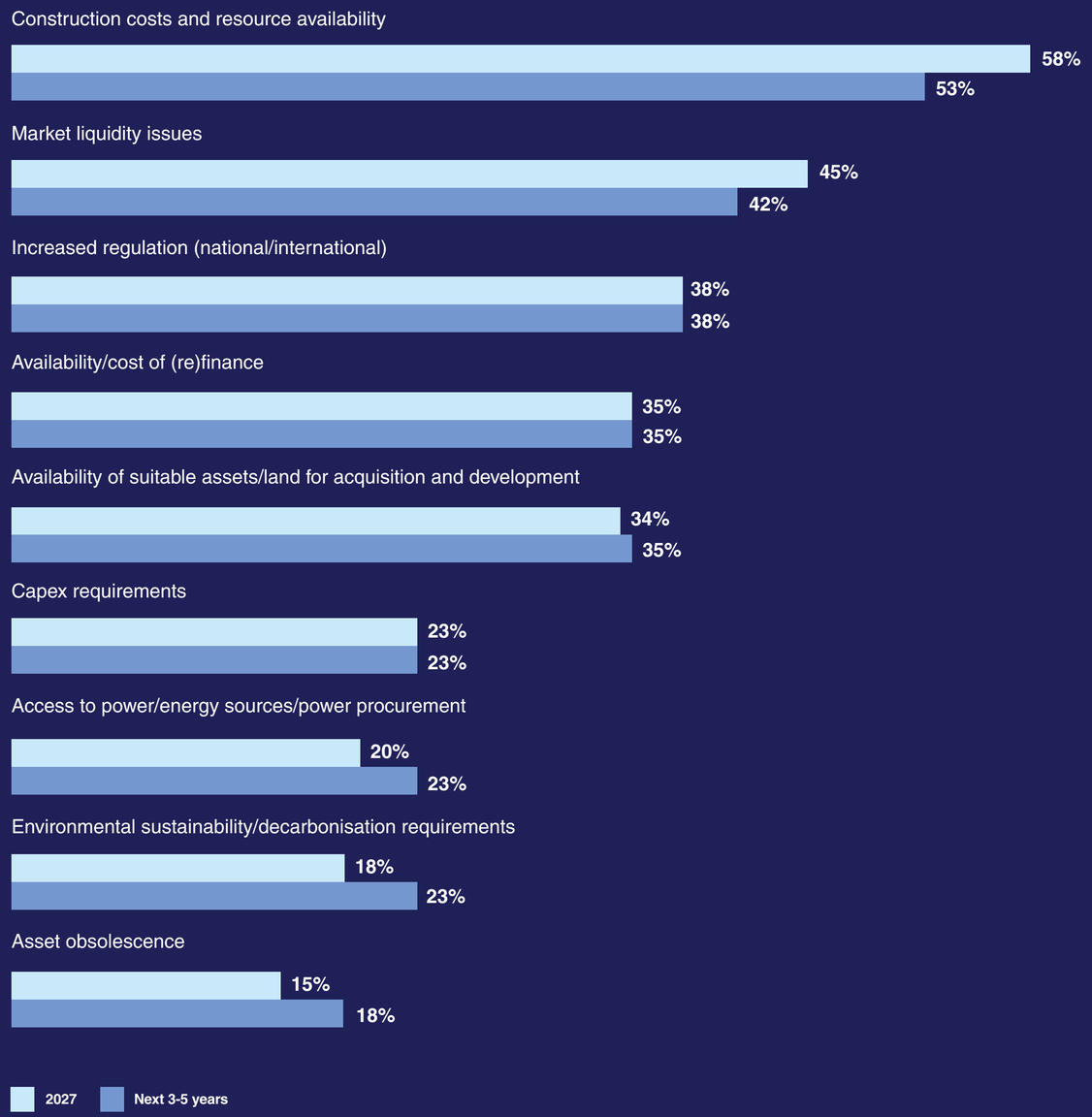
> Political and regulatory uncertainty create investor uncertainty.

Other real estate issues include increased regulation, which is ranked as a top-three issue by 38 percent of respondents (Figure 1-4). “Political and regulatory uncertainty create investor uncertainty,” underlines the CEO of a German property company.

A UK CEO suggests that “US investors often underestimate Europe's complexity, including differing planning regimes and regulation”. The availability of suitable assets and land and the availability and cost of finance are also significant concerns, appearing in the top three for 34 percent and 35 percent of respondents respectively.

Referencing the availability of suitable assets, one investment manager cites “liquidity as a key determinant of a city’s attractiveness”. An asset manager equates the issue with the problem of obsolescence, suggesting that “buildings with outdated digital systems may face higher costs, lower liquidity and valuation discounts”.

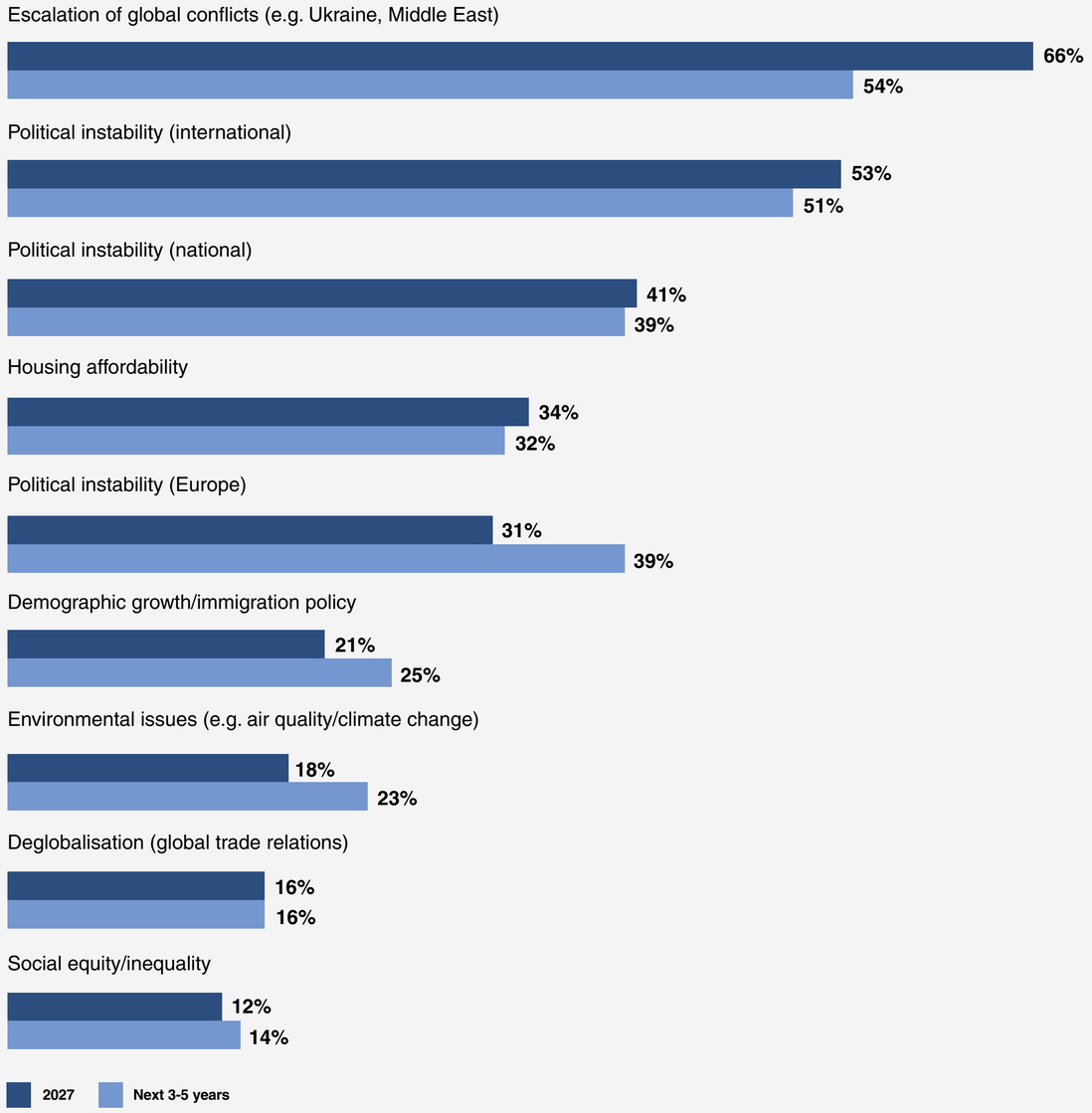
Figure 1-4 **Real estate issues causing concern in 2027 and in the next 5 years**



Source: Emerging Trends Europe survey 2027
Note: Percentage of respondents ranking it within their top three

PREVIOUS NEXT

Figure 1-5 **Social and political issues causing concern in 2027 and in the next 5 years**



Source: Emerging Trends Europe survey 2027
Note: Percentage of respondents ranking it within their top three

As for the cost of finance, another asset manager considers the lending market "relatively strong for high-quality assets", while noting that "banks are inherently cautious because of geopolitical conflict, volatile energy prices and supply-chain risks".

Feeling the effects of war

The escalation of global conflicts and political instability are seen as key drivers of macroeconomic risk in the short and long term.

Conflict escalation weighs more heavily in the short term: 66 percent of respondents rank it in the top three issues, against 54 percent over the long term (Figure 1-5). A European investor suggests that "de-escalation in Iran" is critical to return to a "more benign environment". "Of all the geopolitical conflicts, the Iranian crisis, with its impact on oil prices, is really an important one, and maybe also the most explosive one," adds a CEO.

International political instability is ranked in the top three by 53 percent of respondents. "Geopolitics will continue to play out over the next five years. The tectonic plates are shifting and there is larger likelihood for more conflict," says one global institutional investor.

> Geopolitics will continue to play out over the next five years. The tectonic plates are shifting and there is larger likelihood for more conflict.

"Generally, I think everyone is probably ready for the real estate cycle to start trending upwards, but we have been ready for that for the last two years," says a European real estate head, summarising the industry's stumbling points as "tariffs, curveballs, the war – curveballs again". A private real estate head describes the wars in Iran and Ukraine as "particularly concerning". At the same time, counters a developer, the Russia-Ukraine war has "shifted government spending towards defence", which has reinforced warehouse demand.

National political instability follows as top-three ranking issue for 41 percent of respondents. European instability, meanwhile, attracts a 31 percent consensus in the short-term, rising to 39 percent over a three-to-five-year horizon. Considering the war in Ukraine, a German property company CEO expects "escalation, not de-escalation ... unless there is a substantial regime change in Russia".

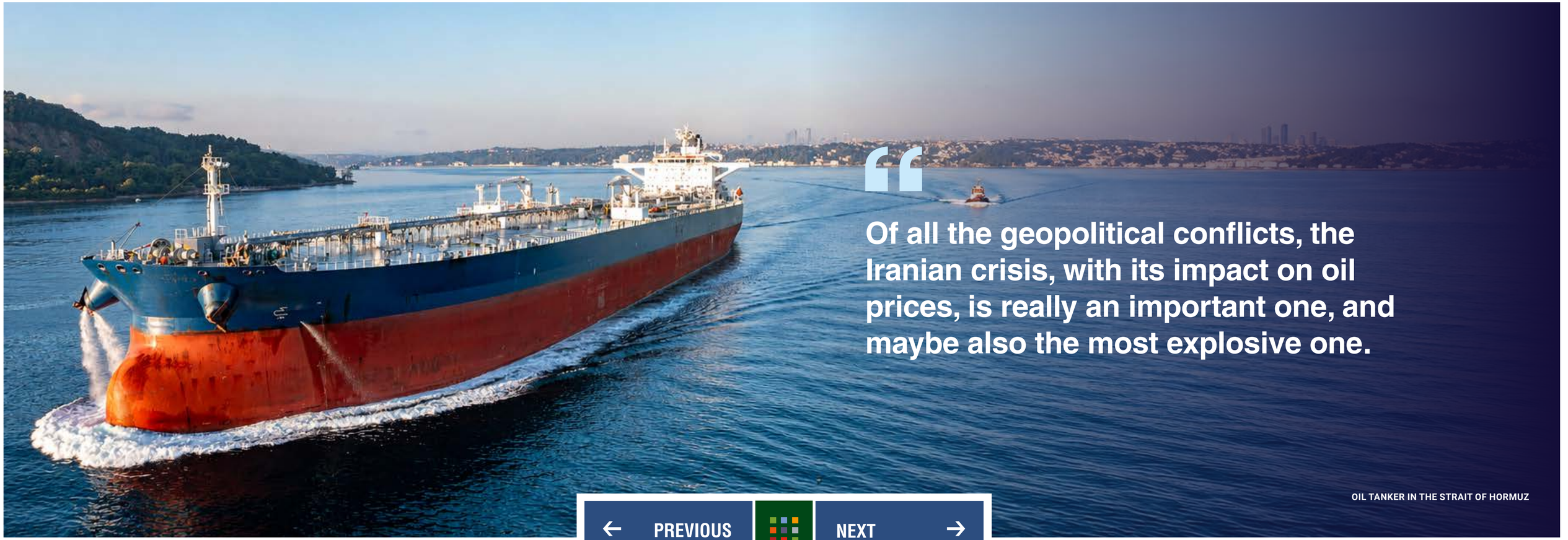
A number of interviewees indicate that political instability is rising as a business concern, particularly around the potential shift of the political spectrum to the right as Europe embarks on an intense election super cycle over the next 12 months.

A German investment manager refers to the potential rise of right-wing political movements in parts of Eastern Europe and, at the opposite political extreme, debates over the socialisation of real estate in Berlin, where the local authority is under pressure to take over empty units from private landlords. “Both could deter investment,” they note.

Other factors of national significance for respondents include a rocky prognosis for individual administrations considering the political polarisation trend. A developer describes “the growth of populist and right-wing political movements, alongside upcoming elections and broader social tensions” as risks to social cohesion and economic stability.

On the leadership instability issue, a private equity investor says the investment case for affordable housing in the UK no longer functions due to the country seeing “seven prime ministers in ten years” frequently altering legislation.

Housing affordability, indeed, has been a recurring issue in *Emerging Trends Europe* and remains a significant concern in this year’s survey, with 34 percent placing it in the top three. We examine the industry’s response to Europe’s housing crisis in more detail in Chapter 3.



OIL TANKER IN THE STRAIT OF HORMUZ

Industry weighs up AI's risks and rewards

Few trends are considered of greater importance over a five-year window than over the coming year.

Yet AI bucks the trend, emerging as the standout medium-term concern, with over a fifth of survey respondents ranking it as the number one issue. A similar sentiment was expressed in last year's survey.

Property leaders highlight two broad themes here: AI's utility for improving efficiency across internal company processes, and as we examine in Chapter 4, its wider impact on society and real estate demand. On using AI to improve real estate backroom processes, interviewees are reasonably balanced between positivity ("we're constantly amazed at what it can do") and frustration ("plenty of people are just using it as an advanced Google search"). But as one consultant argues, there is so much more to consider with AI: "The industry needs a completely different skill mix, combining finance, engineering, architecture, climate science, digital technology and asset management."

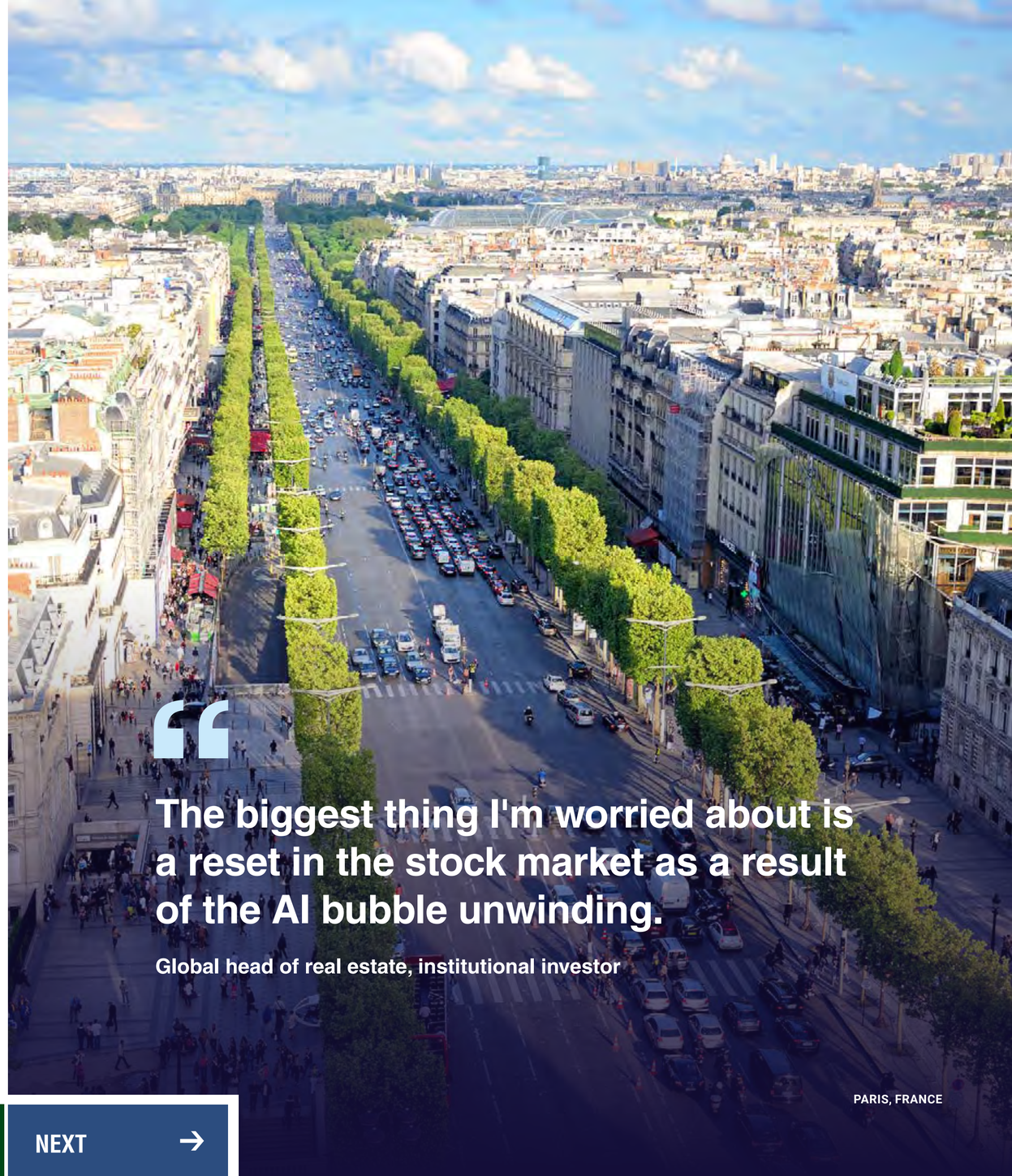
On the investment front, there is plenty of positivity among interviewees about the sector's potential. "Data centres remain attractive partly because they can offer infrastructure-like resilient cash flows," says a pan-European real estate manager for a global insurer.

Yet society's response to the construction of data centres is regarded as a net negative. With nimbyism focused on data centres frequently reported in the news, there is also plenty of public concern about their water and power use, plus their reliance on fossil fuels. "The rapid growth of data centres and their significant electricity requirements could become a major political issue in Norway, particularly given competition for grid capacity," suggests a Nordic CEO. In the UK, plans for gas-powered data centres are becoming more common due to long waits to connect to the electricity grid.

Equally, widespread drought in Europe, leading to water shortages over the summer, has meant that data centre water consumption remains an issue.

An investment manager is concerned about the sector's poor reputation. "There are public misconceptions and myths about the environmental impact of data centres that are not well countered in public debate. The sector is badly represented in policy and media discussions," they say. A CEO sees the sector facing other bricks and mortar risks: "Technology obsolescence may require complete infrastructure replacement rather than simple refurbishment."

Further concerns rest on the sector's economic impacts in the light of its US stock market dominance. New research from UBS estimates cumulative global AI capital expenditure of $4.7 trillion between 2026 and 2030, with hyperscaler capital expenditure projected to reach $1.3 trillion in 2027.



> **"The biggest thing I'm worried about is a reset in the stock market as a result of the AI bubble unwinding."**
>
> **Global head of real estate, institutional investor**

PARIS, FRANCE

PREVIOUS NEXT



BARCELONA, SPAIN

An asset manager equates a potential AI crash to the dotcom bubble or the global financial crisis: “It’s frightening when you think about how much of global pensions are in that trade.”

Despite all the digital debate, the survey suggests that cybersecurity is a lower concern over the long term. Yet a common response among interviewees is that “connected buildings inevitably increase cyber risk” while a real estate executive with a digital remit observes that “cyber-attacks disrupting operations may become a bigger risk than data privacy breaches”. However, for many respondents, digital security issues are already being addressed in the present as part of good digital practice. A CEO of a property developer explains that their own proprietary platform benefits from an “AI wrapper that provides access to multiple models while ring-fencing company data”.

Consistently in the survey, it appears that for many respondents, short-term issues are of greater concern than medium term ones, perhaps because of their immediacy. “Things have to be better in five years because we're pretty desperate currently,” says an institutional investor. They explain: “I think we’re going to have more liquidity in the market in five years and the market will be more bifurcated – it will be clearer who are the winners and losers.”

> There are public misconceptions and myths about the environmental impact of data centres that are not well countered in public debate. The sector is badly represented in policy and media discussions.

They also expect to see clarity around “the new digital AI world we’re creating”, with real estate investment managers potentially “merging into infrastructure, being part of providing energy, distributing energy, storing energy, everything around computing”.

This is not to say that interviewees believe that problems will all resolve in the medium term; geopolitical volatility is seen as a persistent feature of the environment by many. “Geopolitics is becoming increasingly important in long-term decision-making,” says a German asset manager. Adds a global institutional investment head: “I don’t expect things even after the [President] Trump era to return to where they were before; some things have just come unstuck.” They add: “Other powers like China, India might take different alliances, and Europe will have to come up with a different stance. The Middle East [conflict] will probably rumble on for a lot longer.”

Addressing climate risk and energy resilience

The property industry is more alive than ever to climate-related risks when quizzed on the leading environmental, social and governance (ESG) issues of the day.

Some 53 percent of survey respondents believe physical climate risk adaptation will grow in importance for investment and development in 2027, while 59 percent see it as an increasingly pressing issue over five years. This marks a significant increase on last year's survey, where the topic attracted a 35 percent consensus in the near term, and a 51 percent vote that it would grow in the medium term (Figure 1-6). Interviewees echo a growing sense of urgency around the climate question. "Sustainability and climate change are significant drivers of our investments," affirms one UK CEO, citing priorities including "protecting the environment" and making sure they "are not creating excess waste".

Over half of respondents expect the use of renewable energy to become a greater priority in the near term, with 54 percent anticipating an increase in importance, up from 45 percent last year. Looking five years ahead, 63 percent expect it to assume greater significance. For some interviewees, real estate and renewables display an obvious synergy.

"Real estate has a critical role in energy transition because buildings are one of the largest consumers of energy globally," says a business development leader.

"The sector is both a driver of energy demand and a potential enabler of a more sustainable energy system through better design, energy efficiency, renewable integration, and technologies such as battery storage," they add. However, others signal obstacles in the clean energy race, with one industrial property investor suggesting that "grid constraints are a major barrier to exporting surplus renewable energy". A developer adds that "investing in renewables needs to make financial sense".

Another important shift illustrated by survey responses is that the predominantly decarbonisation-focused agenda is broadening to give climate adaptation and resilience greater weight.

Although respondents still classify a reduction in operational carbon emissions as an increasingly important topic – 47 percent expect it to gain prominence, compared with 43 percent last year – it has been overtaken by physical climate risk adaptation in this year's environmental ranking.

Interviews reflect the shift to a more holistic approach: "Climate resilience, renewable energy and electrification are becoming fundamental drivers of commercial performance," suggests an environmental consultant.

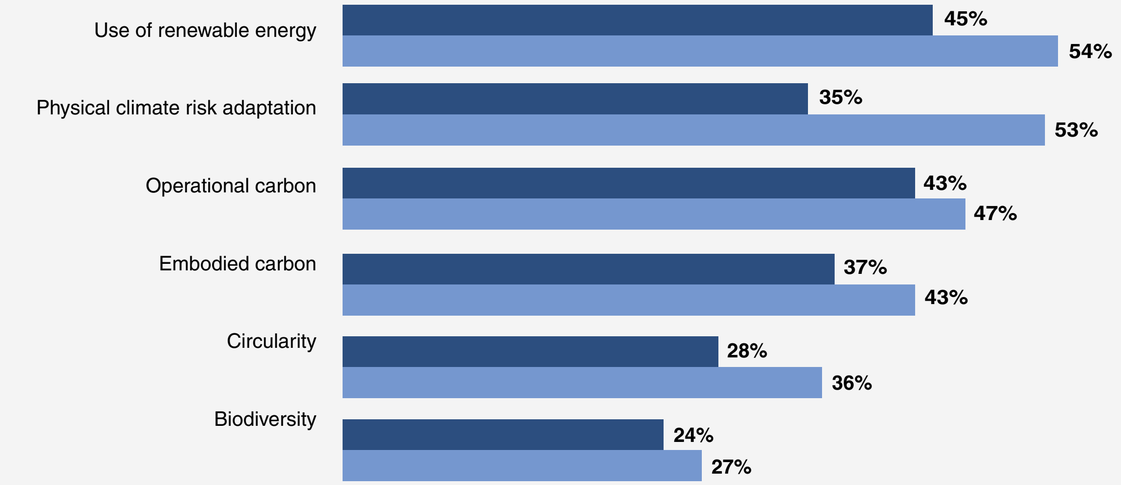


VIENNA, AUSTRIA

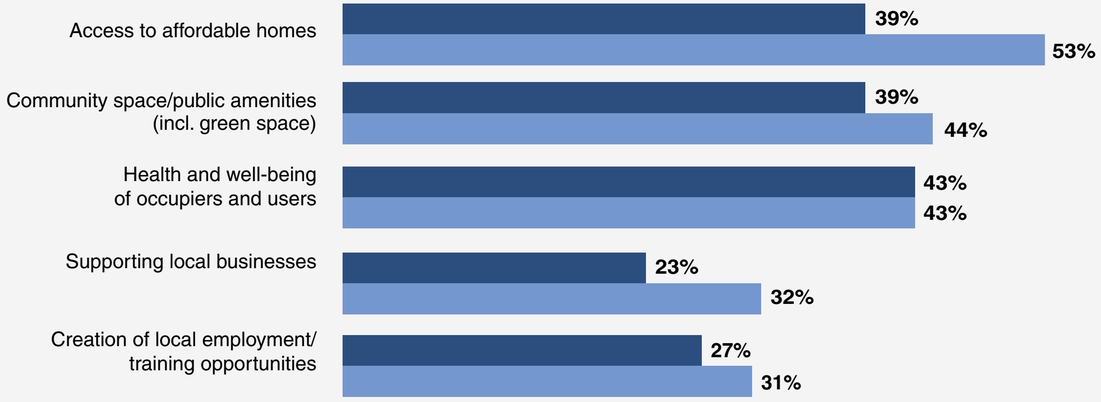
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Figure 1-6 **Importance of ESG measures for investment and development**

Environmental measures (% expecting an increase)



Social measures (% expecting an increase)



ETRE 2026 ETRE 2027

Source: ***Emerging Trends Europe survey 2027***

Climate resilience, renewable energy and electrification are becoming fundamental drivers of commercial performance.

A private equity investor adds: “We've seen in a very real way that ESG improvements from an energy and utilities cost perspective really drive net operating income.” Even so, a property firm CEO signals that “decarbonisation is a massive asset management challenge” with “additional investment” required for “climate preparedness”.

On social issues, access to affordable homes is emerging as a leading priority for the industry. Some 53 percent of respondents expect it to grow in importance in 2027, up 14 percentage points on last year.

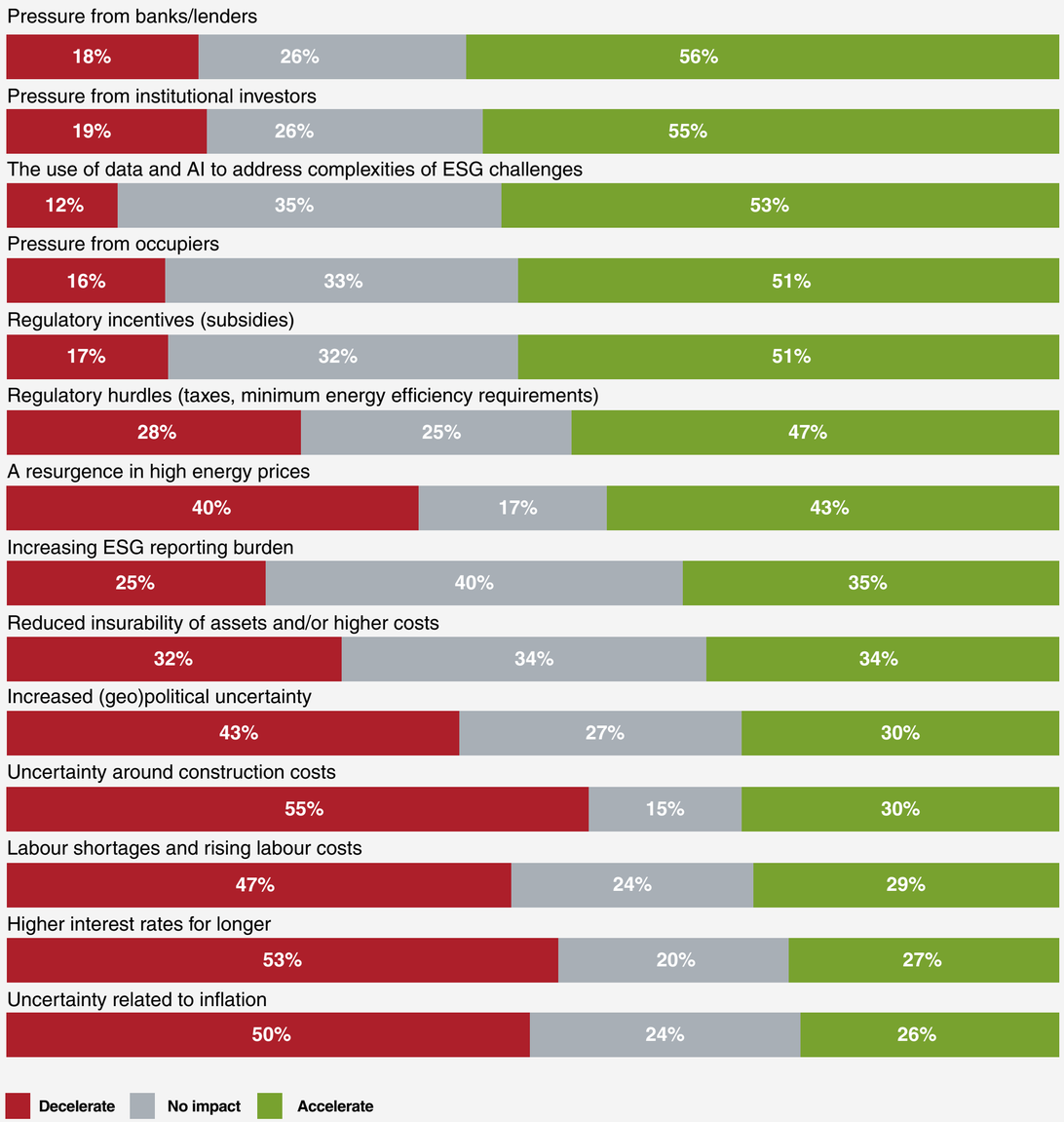
Perceptions of other key social issues have altered more modestly year-on-year. The provision of community spaces and public amenity, including green spaces, is of growing importance to 44 percent of respondents in the short term, a rise of just five percentage points. “Community engagement, placemaking and creating developments where people want to live and raise families,” is a priority for one housing specialist, while another urban developer recognises the provision of “trees, schools, and community infrastructure” as important amenities.

Support for local businesses shows the largest rise among social measures after affordable housing, with 32 percent of respondents expecting it to increase in importance in 2027, an increase of nine percentage points on last year. A smaller increase is recorded for the creation of local employment and training opportunities, which 31 percent of respondents expect to grow in importance in 2027.

The health and wellbeing of occupiers and users is the only social measure to remain unchanged year-on-year, at 43 percent in the near term, although 51 percent of respondents expect it to increase over the longer term. “Community wellbeing” is indeed cited by several interviewees reviewing the social responsibilities of real estate.

As for who is driving ESG in real estate, banks/ lenders and institutional investors are exerting the most pressure on the industry, garnering 56 percent and 55 percent of votes respectively (Figure 1-7). However, the percentage of respondents expecting their impact to accelerate has eased; last year, 60 percent saw banks and lenders as the fastest rising influence, while 59 percent signalled the growing importance of pressure from institutional investors. A private markets investor affirms the importance of the “institutional market” in Europe, noting that the continent’s “regulatory framework” around ESG promotes “liquidity”.

Figure 1-7 **Factors affecting the implementation of ESG**



Source: *Emerging Trends Europe survey 2027*

They specify that "the European Building Directive provides a lot of clarity". This reflects the continuing relevance of regulatory factors for ESG implementation, as illustrated in the chart. A global private equity investor, in fact, lists "investor pressure" followed by "regulation" as driving their ESG strategy in Europe.

Inflationary forces, such as high energy prices, higher costs and insurability issues, also remain popular responses, although their significance has generally waned compared to last year's survey. Yet a number of interviewees are clear that ESG priorities are increasingly driven by the bottom line. A global real estate head underlines the importance of "the insurability of assets". Another European institutional investor affirms that they "look at ESG rather as a technical measure to get energy consumption and then the carbon footprint down, more than some sort of aspirational or societal imperative". A fund manager underlines that "you need to pursue decarbonisation and energy efficiency for your assets, not certification".

The survey also reflects the increasing use of data and AI to address ESG complexity while the interviewees acknowledge the growing application of digital tools in the sustainability race. A venture capital fund leader cites the importance of "digital capability" in addressing factors such as "operating costs, energy performance, resilience". A pan-European investment manager thinks that AI will have a "super strong impact" in solving environmental issues.

> We are more careful to avoid negative impact rather than investing for positive social impact as a lead criterion.

They explain: "AI excels in running scenarios and accumulating data … through feedback loops and machine learning aspects, it can obviously extract stronger, deeper, faster analysis than we have done before."

The interviews indicate that "ESG for ESG's sake" is of diminishing importance in a more results-driven environment. A German investor complains that "ESG has interested no one for the past year", suggesting that "capex budgets that are driven by environmental considerations rather than returns no longer get approved".

A private markets investor sees some evidence of an "anti-ESG backlash" that "is affecting conversations with investors, particularly some of them based in the US". Yet industry leaders in Greece conclude that this backlash is "not considered to have materially reversed established strategies". For many interviewees, ESG is less of a talking point because it has simply become integral to real estate strategies. A private equity investor underlines that ESG "is no longer an add-on … it has become incorporated into our business". A European investor states: "ESG isn't going anywhere in Europe. It continues to be a top priority for us, for the industry and for investors."

Trending topics

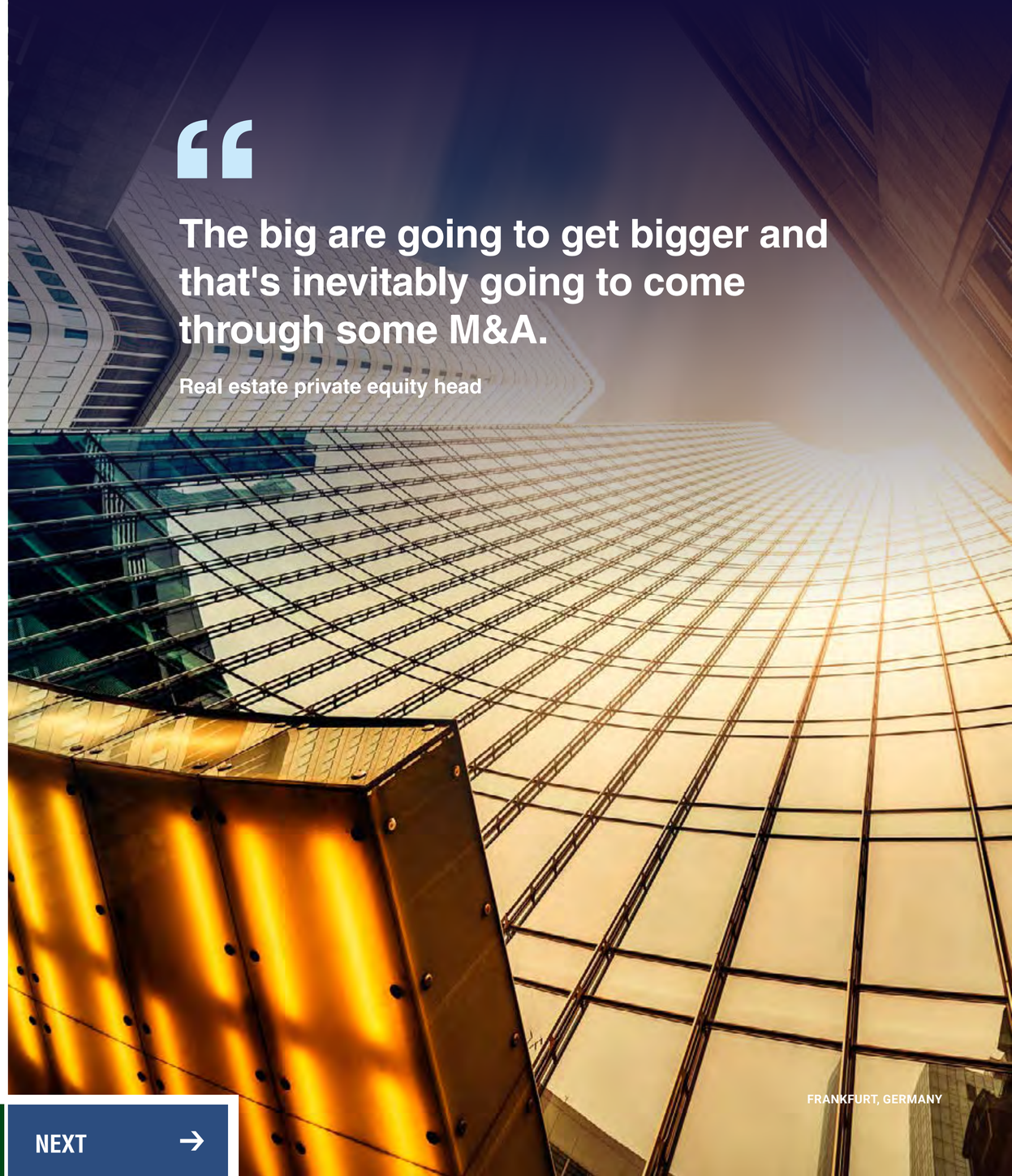
Growth through M&A

Despite Europe's stop-start deal trend, notable mergers & acquisitions (M&A) activity has characterised the transactions market in 2026 and is expected to continue as real estate's protagonists seek to grow through a volatile environment.

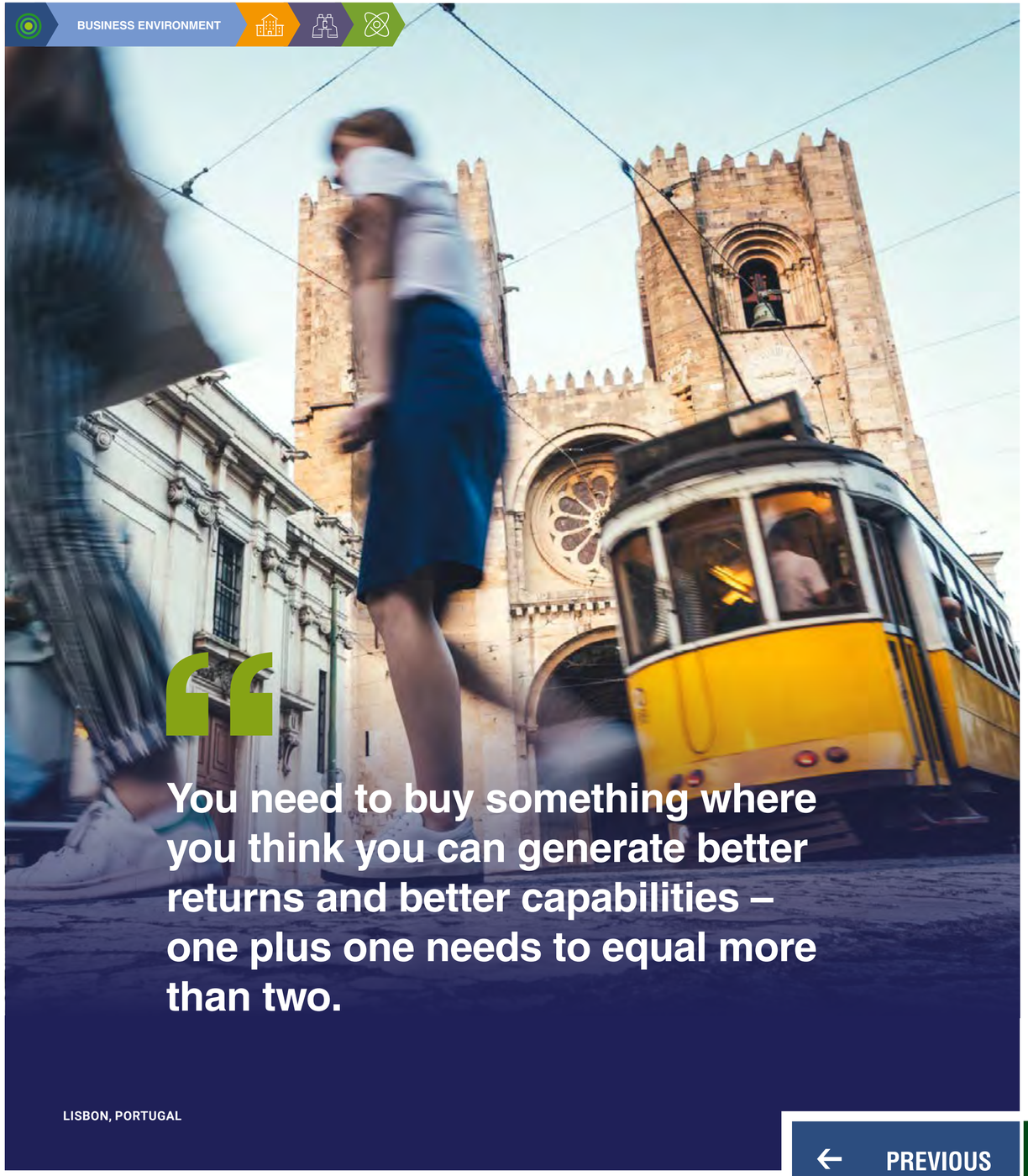
In February, British asset manager Schroders agreed a £9.9 billion takeover by US investment manager Nuveen; months later, Savills completed its acquisition of real estate investment bank Eastdil Secured for $1.11 billion (£827 million). Another key deal saw industrial landlord Segro accept a £14 billion takeover offer from US rival Prologis. In October, DWS agreed to acquire Peakside Capital to expand its European real estate business. These transactions follow a number of 2025 takeovers, including BNP Paribas' deal for AXA Investment Managers for €5.1 billion and MetLife Investment Management's acquisition of PineBridge Investments for $1.2 billion.

PwC research suggests that present industry M&A "reflects a market in transition, as capital rotates away from legacy property types towards infrastructure-adjacent, high-growth platforms aligned with long-term demographic and technological change". As real estate funds find themselves in increased competition with other asset classes for equity, moving towards mission-critical assets perhaps helps assert relevance. The research for *Emerging Trends Europe* highlights market inefficiencies underpinning the trend, including "the need to scale". A private equity investor believes "the big are likely to get bigger", sharing that in terms of their own company strategy, "we've always looked for inorganic growth opportunities, because organic growth in fund management and investment management is slow". An institutional investment manager, meanwhile, distinguishes the kinds of businesses being taken over and their respective rationale. For example, on the asset management and investment bank mergers, they suggest that it makes sense because "the big guys are going to do the best business ... they're going to have the best data, the best distribution, the best people". They add that in the professional services space, they wouldn't want to be the "third or fourth biggest" firm, lacking in important "efficiencies". Further consolidation is likely to continue as scale, platform and capital-raising reach become harder to build organically.

Real estate-backed deals such as the Prologis takeover, meanwhile, are driven by "synergies, economies of scale" and ultimately "value creation", they argue.



← PREVIOUS NEXT →



> **You need to buy something where you think you can generate better returns and better capabilities – one plus one needs to equal more than two.**

LISBON, PORTUGAL

Although Segro was one of the largest UK REITs, its £13 billion market cap at the time of takeover was dwarfed by Prologis, the world's biggest logistics business, then worth some £105 billion.

There is also the enduring issue of listed pricing dislocations across Europe. European listed property companies, including REITs, were trading at an average 37.5 percent discount to net asset value (NAV), according to European Public Real Estate Association (EPRA) data published for the end of September 2026, well above the 10-year average discount of 21.3 percent. Discounts were as much as 61.8 percent in residential, driven largely by German residential companies. Offices stood at 50.6 percent. Even otherwise favoured sectors were trading well below their longer-term levels: healthcare was at a 24.3 percent discount and industrial was at 13.9 percent, against small average premiums to NAV over the past 10 years.

In turn, this has prompted several takeovers among listed peers. Care REIT, for example, agreed to a £448 million buyout by US-listed CareTrust in March 2025. The trust had been trading at an average discount of 31.4 percent to its EPRA net tangible assets over the preceding three months. The agreed offer ultimately valued the company at a 9.4 percent discount. "As soon as your company goes above 20 percent discount to net asset value, you become an easy target," suggests a pan-European company CEO.

Other high-profile acquisitions driven by NAV discounts have taken place over the last couple of years, such as LondonMetric Property buying the Urban Logistics REIT, and private equity giant Blackstone buying Warehouse REIT in 2025 after taking over UK multi-let specialist Industrials REIT in 2023.

An investment manager notes, in fact, that the trend is reflected in private equity appetite for public companies, "within which a lot of assets are undervalued". They add: "development pipelines tend to be very undervalued in public companies, and people are undervalued". Accordingly, they say, "it's not surprising you're seeing private buyers making moves on public companies".

It is notable that US players BlackRock, Vanguard and State Street have emerged as the dominant names in global asset management following several combines, according to Bruegel research. Yet transatlantic takeovers risk undermining certain aspects of European asset management, with the research flagging issues such as US owners being more likely to favour US assets, US boards sometimes voting against social and environmental resolutions and supersized firms favouring relatively lower investment in stewardship activities.

A private equity investor signals further downsides of the takeover trend. "Personally, we wouldn't just buy to add assets under management (AUM)," they say. "You need to buy something where you can generate better returns and better capabilities – one plus one needs to equal more than two." They also note that while "margin pressures" such as an "inability to raise fees … in an inflationary environment" might make mergers appealing, consolidation in certain areas of the industry means "less choice for LPs", eliminating some of the "benefits that competition produces".

Climate of change

From a supercharged El Niño to the unparalleled geological disaster in Nepal, climate-related events have made many of the global headlines so far this year.

But for Europe – the fastest warming continent on the planet – a chilling sequence of natural disasters has prompted a tangible sense of urgency. While Spain, France, Italy and Portugal have all suffered major wildfires – often followed by floods – similar disasters in the UK and Ireland underline the fact that fire risk is no longer confined to the Mediterranean.

Factors ranging from the continent's proximity to the rapidly melting Arctic, its land-locked mass and consistently reduced snow cover are all judged by scientists to be contributing to the problem. According to Copernicus, the European Union's Earth Observation Programme, Europe's temperatures have been rising by approximately 0.56°C per decade since the mid-1990s, more than double the global average. For the real estate industry, the risks are manifold. There are issues around standing assets and the potential for stranded assets; these include insurance risk, in situations where disaster has already occurred or where the risks are high. A global real estate head says their firm is monitoring the potential for disasters and whether assets would be "insurable" in their wake.

This follows the 2025 edition of *Emerging Trends Europe*, which examined the evolving impact of insurance on the market and questioned the agility of the industry in adapting to insurers' needs.

Many landlords also acknowledge that retrofitting buildings for a warmer climate may become standard, with topics including air conditioning and urban architecture promoting natural cooling high on the agenda. One global asset manager says that "buildings which cannot sustain heat waves because they have no air conditioning will see a drop in productivity or even health implications". An investment manager highlights the need for retroactive air conditioning in many properties and asks if "environmentally sustainable air conditioning installations" are feasible, adding that "those are the sorts of questions that do need to be asked and answered".

For investors studying this landscape, due diligence in the acquisitions process must now involve an assessment of which terrains are safe. This includes the viability of coastal regions, which areas are likely to be subject to extreme summer heat, rural risks from woods and forests and flood risks from rivers and inland infrastructure. A real estate investor for a global pension fund notes that "we turned down a couple of investments recently for exactly those risks". A private equity investor shares that "as part of our due diligence process … climate is potentially a gating consideration". They ask: "How do we feel about assets on the coast, or assets in floodplains?" They predict that investment in Europe may shift from "the south to the north" citing forecasts about long-term demographic shifts in the light of increasingly frequent heatwaves.



FOREST FIRE, UK

PREVIOUS NEXT



BIG STORM, GERMANY

There's a big picture question, too, around carbon emissions. According to Copernicus research, "human-induced warming" is a key factor driving climate change. The UN Environment Programme has historically stated that up to 40 percent of global carbon emissions come from the real estate sector, with 70 percent produced by building operations and 30 percent from construction. So, as owners and operators contemplate their own climate responsibilities, there is a renewed call to pursue net zero carbon. "Real estate will need to be at the forefront of the debate, because it's a big contributor to carbon emissions," notes a private equity investor.

However, one CEO sounds a note of caution about responding to EU mandates: "The regulations coming from Brussels are not always very sound, simply because often the demands are somewhat exaggerated," they say, citing as an example prescribed quotas around the "electrification of parking spaces".

The issue has been further complicated by the politicisation of renewable energy. A number of right-wing parties have argued that a continued use of fossil fuels is essential for domestic energy resilience, particularly when those resources are obtainable on home turf. For example, Germany's right-wing AfD wants to return to coal and nuclear power, while the Italian Prime Minister continues to build partnerships to import gas, backed by a coalition promoting resilience and affordability. Even the UK's left-wing government has been drawn into a debate over sinking new oil wells in the North Sea.

A pension fund investor says: "China is doing everything: burning coal, gas, oil, while building every kind of renewable energy at the same time. Because energy independence is a goal." Spanish real estate leaders conclude that "political and regulatory stability remains important", expressing concerns over "populist measures and policy unpredictability".

Indeed, for EU countries in particular, several populist ideologies clash with the bloc's ambitions to cut carbon emissions by 55 percent (compared with 1990) by 2030, before ultimately reaching climate neutrality (carbon net zero) by 2050.

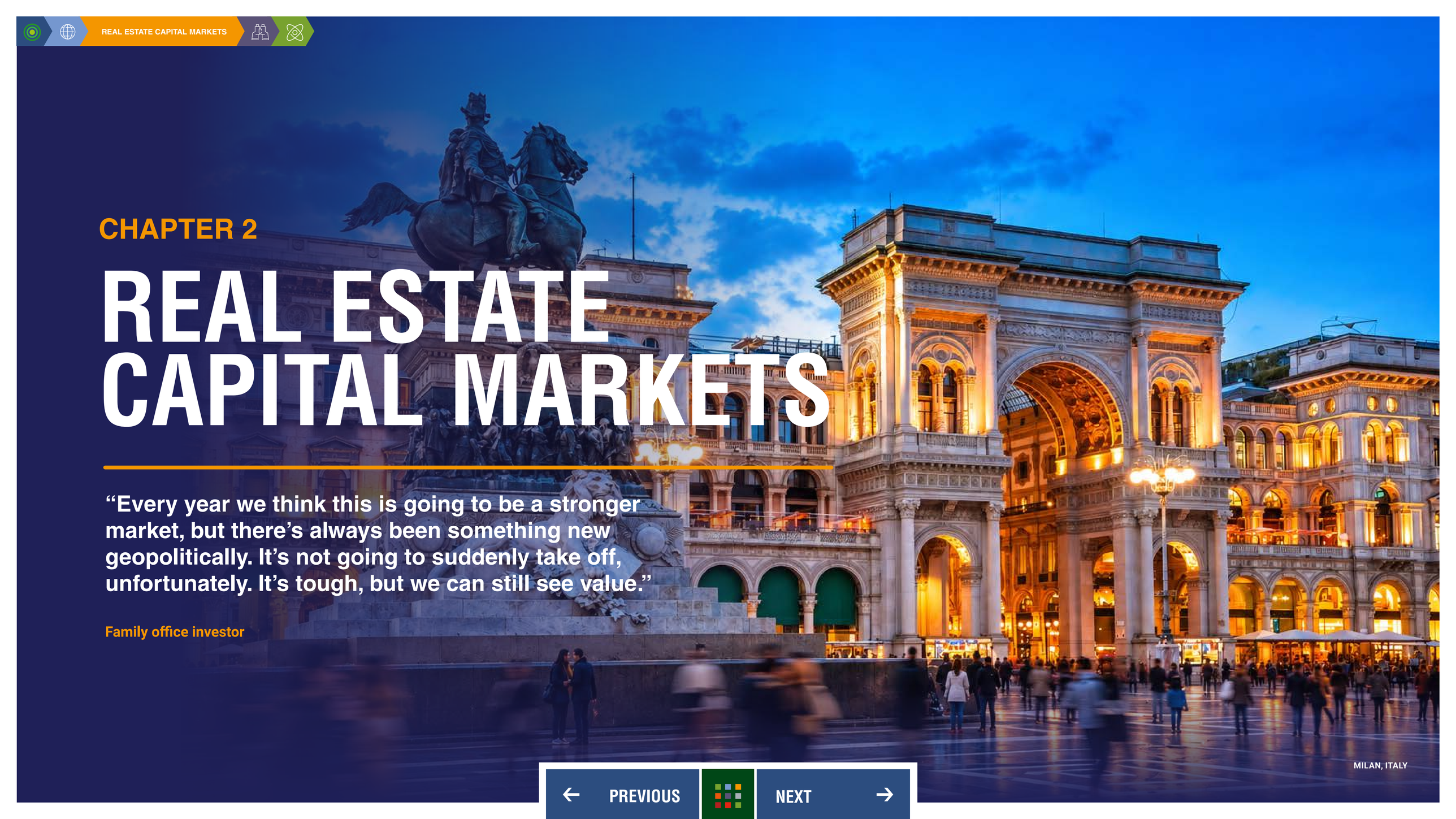
While real estate leaders express a willingness to do their part, concerns around public-private dialogue continue. "There's just been so much legislation change that has negatively impacted investors that could have been handled better and with more collaboration," says a pan-European investment manager. A private equity investor concludes: "Real estate is going to have to navigate an increasingly volatile environment as climate change grows."

CHAPTER 2

REAL ESTATE CAPITAL MARKETS

“Every year we think this is going to be a stronger market, but there’s always been something new geopolitically. It’s not going to suddenly take off, unfortunately. It’s tough, but we can still see value.”

Family office investor



MILAN, ITALY

Europe's real estate capital markets are caught between improving fundamentals and renewed uncertainty in the wake of higher bond yields, geopolitical instability and persistent questions over real estate's relative value.

As a result, equity investors are cautious and liquidity is uneven, and yet this is not simply a story of stalled recovery. Occupational markets remain comparatively resilient, debt is widely available, private capital is becoming more influential and investors see opportunities in sectors supported by long-term structural demand.

The result is a market becoming more selective, more demanding and potentially more diverse. Investors are reassessing required returns, exit strategies and the role real estate should play alongside infrastructure, credit and other competing asset classes.

Family offices are exploiting opportunities created by institutional retrenchment while lenders compete aggressively for high-quality assets and sponsors. Established investment managers are adapting portfolios and investment strategies, pivoting towards operational assets offering infrastructure-like performance supported by secular growth themes.

The outlook therefore remains finely balanced. Stronger economic growth and greater stability in long-term interest rates – more of an industry wish than expectation – could unlock capital and accelerate transaction activity.

> Sentiment in the sector has shifted from a hope of recovery to resignation over the last six months.

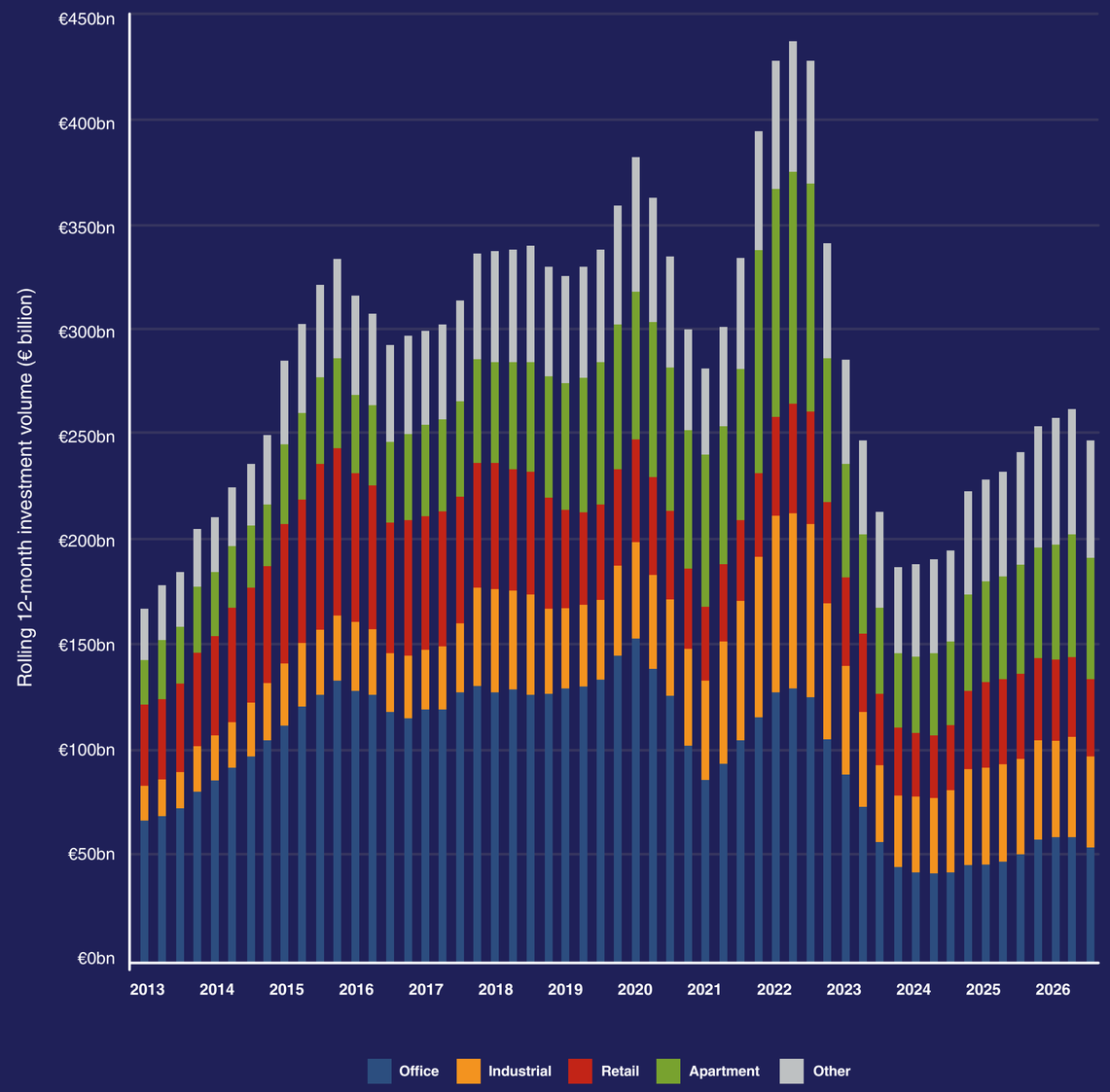
However, structural shifts in institutional allocations, increasing regulation and more demanding return requirements suggest a return to the pre-2022 market is unlikely. The next stage of the cycle may be defined less by a broad-based recovery than by the ability of investors, lenders and managers to adapt to a changing capital landscape.

Capital markets recalibrate

Investors began 2026 with a sense of optimism about the direction of interest rates, rising transaction volumes and a return of equity.

Within a couple of months, however, the jitters returned as geopolitical and supply-chain disruption saw inflation accelerate and bond yields surge upwards. Long-term government bond yields around the world surged to levels not seen since the aftermath of the global financial crisis (GFC) as investors retreated to risk-off territory. As a result, Europe's real estate capital markets recovery is on hold, with one CEO commenting that "sentiment in the sector has shifted from a hope of recovery to resignation over the last six months".

Figure 2-1 **European investment volumes by sector**



Note: Q3 2026 data as at 30 September 2026
Source: MSCI



HAMBURG, GERMANY

The impact is seen in investment transaction activity, which has slowed sharply after a strong end to 2025 (Figure 2-1). With elevated government bonds putting upward pressure on real estate yields, investment performance has also faltered. The capital raising environment is described as the worst seen over decades-long careers, with institutions bogged down by legacy performance issues and unable to recycle capital in meaningful volumes. “The key issue is the lack of equity appetite for the sector,” says one CEO.

This is creating a “capital-raising interregnum”, says one global investment manager, exacerbated by stubborn bid-offer spreads in key markets such as France and Germany. With valuations seemingly mis-aligned with transaction pricing and bond yields remaining elevated, institutions are concentrating on recalibrating overweight positions and underperforming legacy portfolios. Real estate liquidity is therefore recovering slowly and intermittently.

As a result, required returns are still rising as investors demand added compensation for geopolitical and economic uncertainty. Nearly half of respondents (49 percent) now say they are targeting higher annualised returns in the next 12 months, up from 45 percent in last year’s report and 30 percent three years ago.

Investors operating at the core end of the risk spectrum – including pension funds and insurance companies – are particularly affected by relative value considerations and higher return requirements.

> Core capital has dried up: the model of building an asset and selling it to a German fund at 3.5 percent no longer exists.

Institutional reticence is dampening spirits higher up the risk curve too. “Core capital has dried up: the model of building an asset and selling it to a German fund at 3.5 percent no longer exists,” says a Spanish interviewee.

This means sellers have to be more realistic about prevailing exit values, while buyers are also more cautious in their exit assumptions. As one global investment manager suggests, there is a greater need for flexibility and “diversification of exit routes”.

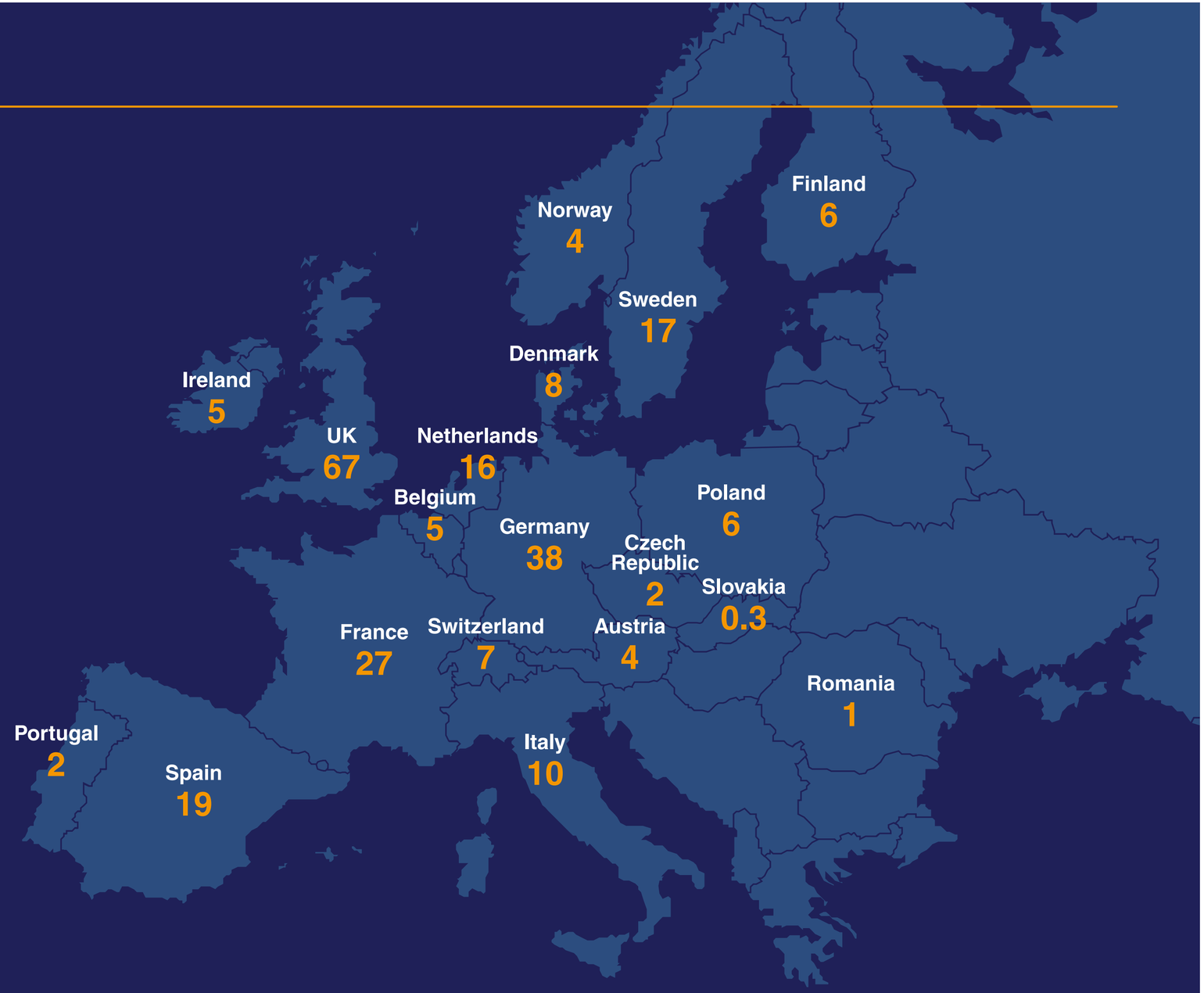
Family offices seize their opportunity

Private investors are emerging as a key driver of European real estate transaction activity, with family offices stepping into the spotlight.

Since 2022, private investors have been on a par with institutional investors and that trend looks set to continue in 2027. "Family offices are increasing the scale of their commitments and increasingly behaving like institutional investors, often through pooled investment structures," notes a European sovereign wealth investor.

Figure 2-2 **Country transaction volumes**

Country	Q4 2024–Q3 2025 (€bn)	Displayed on map Q4 2025–Q3 2026 (€bn)	% y-on-y
United Kingdom	64	67	5%
Germany	45	38	-17%
France	27	27	-1%
Spain	17	19	14%
Sweden	14	17	20%
Netherlands	14	16	13%
Italy	12	10	-14%
Denmark	7	8	11%
Switzerland	7	7	10%
Poland	5	6	26%
Finland	2	6	154%
Belgium	4	5	23%
Ireland	4	5	17%
Norway	6	4	-25%
Austria	4	4	-2%
Czech Republic	3	2	-25%
Portugal	3	2	-10%
Romania	0.8	1	34%
Slovakia	1	0.3	-71%



Note: Q3 2026 data as at 30 September 2026
Source: MSCI Real Assets

> Family offices have the right approach for this current market environment. They make long-term investments.

Current market conditions are enabling these investors to swoop for high-quality assets at what they perceive to be attractive prices. “Family offices have the right approach for this current market environment. They make long-term investments”, notes one global lender.

They are largely unencumbered by legacy portfolio challenges and have greater discretion over investment decisions. They are also less constrained by allocation rules, denominator effects and relative value considerations than institutions. “[It's] a very interesting space for family office now to invest …[they] can act quick, capture opportunities, not depend on financing usually,” says one German institution. Another investor notes that “they've snatched up a few really flagship assets in the best locations with a very long-term view”.

Their flexibility and long-term outlook also give them an advantage at a time when real estate capital is adapting to structural shifts in occupational behaviour and major industry challenges, such as climate change and artificial intelligence (AI). According to a European asset manager: “Family offices are increasingly important because they are flexible and can address opportunities that institutional investors may not pursue.”

Investor doubts persist despite occupier strength

Many interviewees report that occupational performance is holding up well, with portfolio income supported by upward pressure on rents.

That is particularly the case for owners of high-quality, environmentally-compliant assets. “Relative to what we were experiencing back in the GFC, operationally speaking our assets keep performing with very limited vacancy rates,” says a global manager.

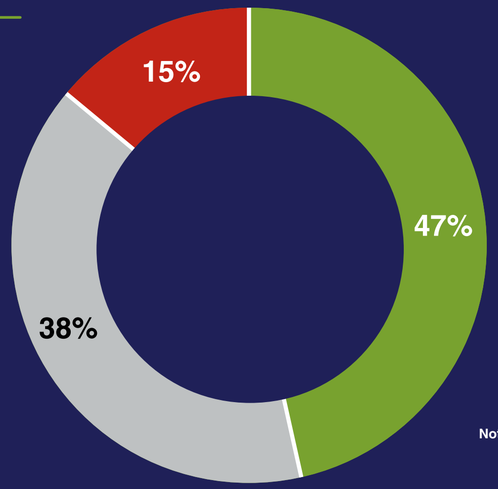
For survey respondents, “changing customer demands/preferences” is the second most popular choice as a top-three influence over real estate activities over the next five years. However, “reduced occupier demand” is selected by just one in five respondents as a top-three ranked business concern over short and medium-term horizons, behind interest rates, growth prospects, inflation and AI. This could be an indication that efforts by investors to adapt assets and portfolios to the evolving needs of occupiers are delivering positive results.



BERLIN, GERMANY

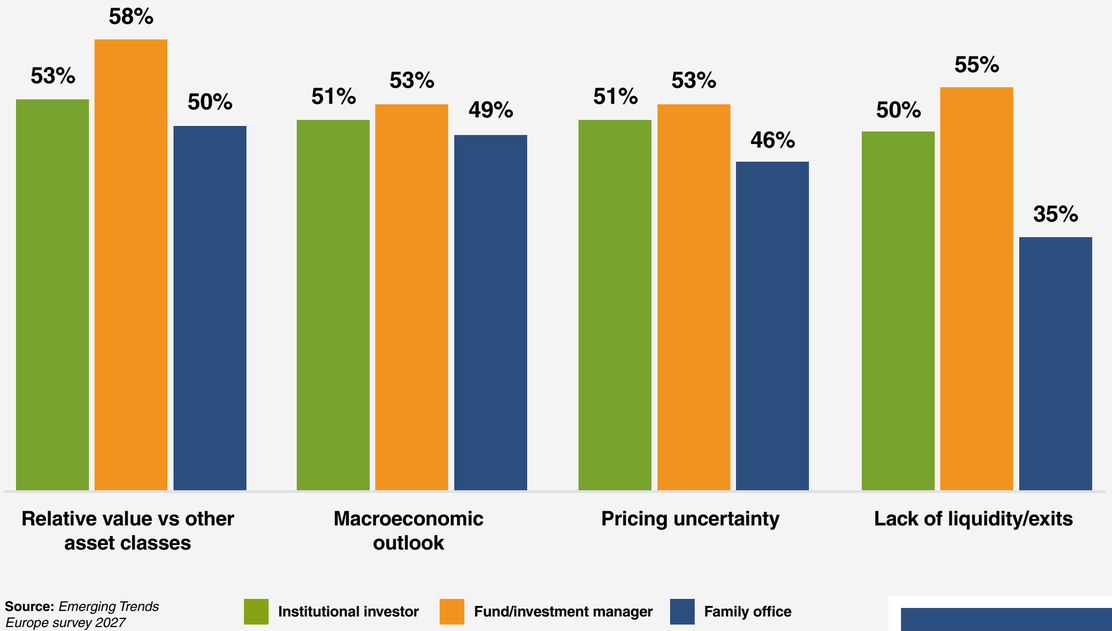
PREVIOUS NEXT

Figure 2-3 **Expectations for capital allocations to real estate in the next 2 years**



Note: Results excluding 'don't know/not applicable'
Source: *Emerging Trends Europe survey 2027*

Figure 2-4 **Factors holding back new allocations to real estate, by investor type**



Source: *Emerging Trends Europe survey 2027*

Perhaps encouraged by resilient occupier markets, respondents are positive about target allocations to European real estate going forward. Some 47 percent expect allocations to increase over the next two years against only 15 percent expecting a decrease.

There is little difference between views on the main factor for those who are holding back allocations, with relative value considerations slightly ahead of macroeconomic outlook, pricing uncertainty and lack of liquidity (Figure 2-4). Tellingly, family offices are far less concerned about liquidity, probably reflecting their long-term focus, preference for high-quality assets and lower sensitivity to relative value cycles, enabling them to step up activity in the current market.

The main challengers to real estate allocations continue to be infrastructure, credit and private equity, with one in three survey respondents naming infrastructure as the asset class most in competition with real estate. The interviews also indicate that expectations of overall underperformance for real estate, especially against infrastructure, are influencing asset allocations now and in the future. According to a pan-European investment manager: "Allocators say, 'I am full of real estate [and] cyclicality is messing me up ... show me something index-linked and something that looks like infrastructure'."

> Social infrastructure segments such as senior living are highly dependent on regulation.

Interviewees also mention difficulties facing real estate when competing for capital internally, with energy, forestry and infrastructure assets often preferred. As a result, some managers are re-positioning real estate portfolios and investment strategies. There is a growing preference for infrastructure-like performance with returns driven by government-backed, index-linked cashflows over long hold periods, and therefore less exposure to net asset value volatility. It is therefore unsurprising to see "infrastructure-like" real estate sectors, such as data centres and new energy, once again featuring at the top of the sector rankings for investment, development and income performance.

However, the pivot toward infrastructure brings new challenges and risks, with much larger investment tickets required, additional layers of oversight and consideration of regulatory risks. As one CIO puts it, "social infrastructure segments such as senior living [are] highly dependent on regulation". Importantly, respondents rank the risk of increased regulation third highest among concerns facing real estate businesses in the short-term.

> Infrastructure will become more and more contentious in terms of who is making money from infrastructure assets and what that looks like versus the public good.

Potential reputational impacts also need to be considered. According to one institution: “Infrastructure will become more and more contentious in terms of who is making money from infrastructure assets and what that looks like versus the public good.”

Nevertheless, many believe capital will continue to flow towards infrastructure assets capable of delivering 8-10 percent leveraged returns, compared with government bonds yielding 3.5-4.5 percent in the Eurozone and over 5.0 percent in the UK. And with new allocations to real estate likely to offer low or even negative risk premiums, some see the potential for a transformational impact on real asset portfolios in the coming years. “Office and retail combined [allocations] in five years’ time will be under 20 percent. It will be living sectors and digital infrastructure, with 20–25 percent logistics,” suggests a pan-European investment manager.

Plentiful debt but lenders keep their discipline

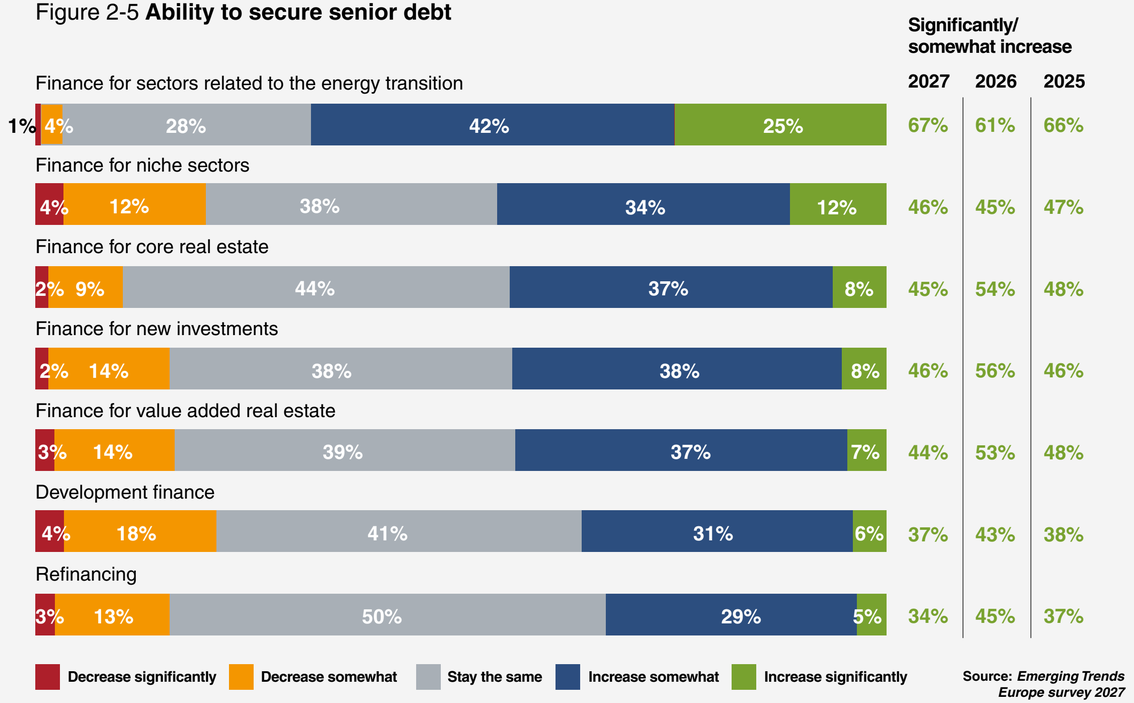
Lenders have ample capital to deploy but with investors adopting a cautious stance, competition for writing loans has risen sharply.

“From the equity side, there are less transactions, less fundraising … but unlike the GFC, there's plentiful debt,” confirms a private equity investor. For good assets and good sponsors, borrowers often have several options and private credit is increasingly available for large pan-European portfolios. Another private equity player observes that “the big surprise is the extraordinary amount of debt that's available and the extraordinarily tight pricing of that debt”.

Though banks remain the primary source of real estate debt in Europe, debt funds and non-bank institutions also have enormous amounts to deploy. All sources of debt are focused on disciplined lending although loan margins are compressing. There is also a view that lender appetite – even among conservative European and Asian banks – is starting to extend beyond beds and sheds into retail and even selected speculative office opportunities.

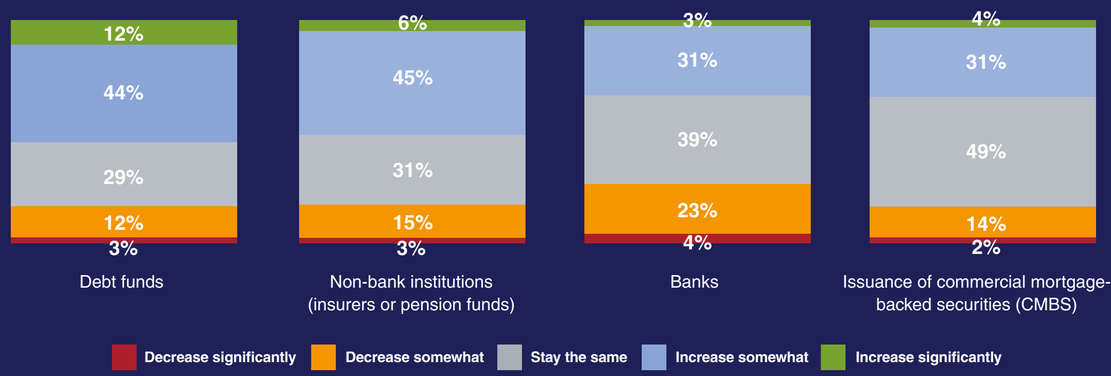
Respondents expect debt availability to improve in Europe. However, perhaps reflecting the more uncertain geopolitical and economic environment, there is less confidence in traditional lending categories, with only finance for sectors related to the energy transition and niche sectors holding up at previous levels (Figure 2-5).

Figure 2-5 **Ability to secure senior debt**



Source: *Emerging Trends Europe survey 2027*

Figure 2-6 **Changes in lending sources**



Source: *Emerging Trends Europe survey 2027*

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> **I can't think of a source of real estate finance that's not looking to be in the game.**



BRUSSELS, BELGIUM

Even so, there is an undeniable sense of optimism about debt availability, with one private equity manager remarking: “I can't think of a source of real estate finance that's not looking to be in the game.”

Some even express concern that too much debt may be chasing too few transactions, with lenders potentially being pushed into development, redevelopment and higher-risk structures. For now, signs of exuberant lending remain limited, with lending to developers and opportunistic investors held back by uncertainty over exit liquidity. Meanwhile borrowing costs are still not considered sufficiently accretive to catalyse transactions, with one investment manager even suggesting, “it's not adding to the bonus pot".

At the same time, there is widespread recognition that lenders have so far successfully managed the flow of distressed assets into the market, which some see as a factor behind depressed investment volumes. "Distress just hasn't turned up because there's so much money in the credit market chasing so few deals," notes a pan-European manager. In addition, “extend-and-pretend” practices and solid occupier demand have so far given many sponsors time to deal with capital structure issues.

Yet with modest economic growth forecast for Europe there is a growing expectation that pressure will mount on lenders and sponsors to accelerate workouts.

As a global private equity manager suggests, “lots of these slow-burn situations are getting to the point where folks cannot afford to kick the can down the road and wait”.

With little consensus about the form, quantum and speed at which distressed opportunities come to the market, real estate’s liquidity outlook remains clouded. That may explain many interviewees’ preference for opportunistic deployment over strategic capital allocation. They favour deal-led approaches over investing according to principles that rely on predictable rates of liquidity, such as sector, location and risk/diversification characteristics.

Questions also persist about the return of core institutional capital to European real estate, amid concern that relative value here is being challenged by more than short-term, cyclical factors. For one thing, recent capital raising in Europe has tended to be dominated by private equity vehicles seeking “OpCo/PropCo” opportunities, often in niche sectors. For some institutions and asset allocators this can present a misalignment of return expectations between traditionally stable real estate performance and higher-risk, higher-reward private equity opportunities.

Furthermore, ongoing changes in how institutions are funded and structured continue to change the face of real estate ownership in some of Europe’s largest, most mature markets.

In the UK, for example, defined benefit pension money is “coming out in waves, while [defined contribution] money comes in in drips”, according to a global investment manager. Meanwhile the situation in Germany is summed up by a global lender: “If we don't see international investors in Germany, we will never come back to levels we've seen in the past. There's just not enough capital in the market from domestic investors.”

Others see reason for optimism as Europe’s domestic institutional capital landscape evolves. For example, the pooling of resources by UK local government pension schemes (LGPS) may help to anchor long-term investment strategies which are well aligned to real estate investment and urban regeneration opportunities. “We actually haven’t had a large pool of strategic capital talking about real estate … this is a very, very exciting time for UK real estate,” declares one property company MD.

Capital markets hit by macro headwinds

Respondents expect capital availability to improve in the coming year although the optimism has clearly been dented since the last survey.

The loss of momentum is particularly evident in terms of equity and debt availability for development, with the proportion of respondents expecting it to increase only slightly higher than those expecting a decrease (Figure 2-7). For many borrowers and lenders in the development sector, viability and “loan economics” have

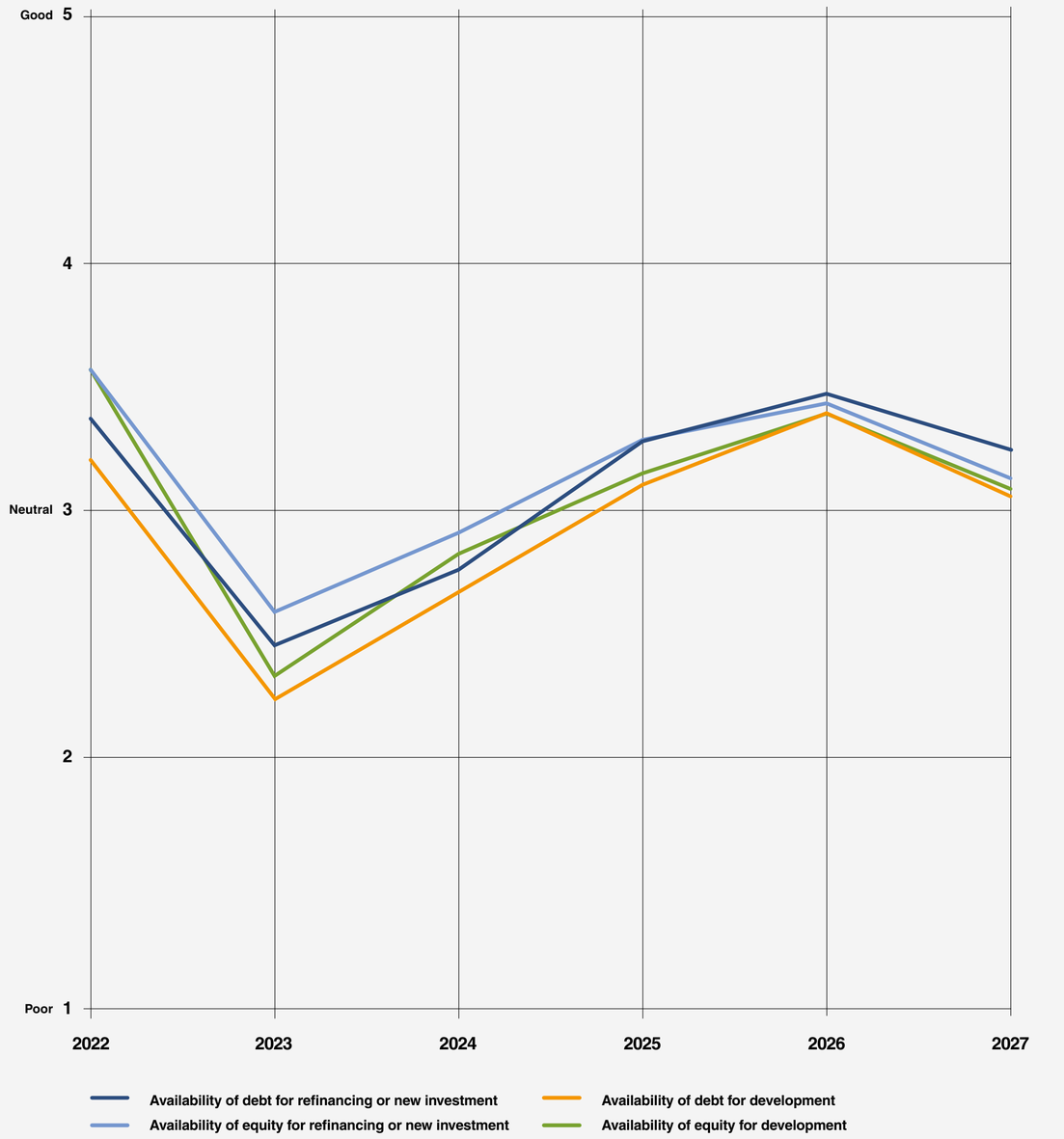
> We actually haven’t had a large pool of strategic capital talking about real estate … this is a very, very exciting time for UK real estate.

worsened considerably. As one pension fund investor suggests, “in macroeconomic terms, it's not a very strong period to look ahead to, and geopolitical risks are important for cost increases [and] energy prices”. Lenders also point to concerns about depressed transaction volumes on exit liquidity, adding to uncertainty over future values.

Many respondents point to stronger economic growth (71 percent) and greater stability in interest rates (66 percent) as the most important catalysts for a real estate market recovery. However, improved liquidity and price discovery are also rated by respondents in France and Germany as key factors, perhaps underlining the need for distressed asset workouts to accelerate in those major markets.

Some think this is indeed beginning with banks, despite being well capitalised and in no hurry to crystallise losses, “forced by the [regulator] to accelerate workouts”. However, as one adviser notes: “It's very hard to work out your assets if there's no exit."

Figure 2-7 **Availability of debt and equity 2022-2027**



Source: *Emerging Trends Europe survey 2027*

Managers under pressure to adapt

The impact of cyclical and structural change on Europe's real estate capital market is presenting a major challenge to all players, from lenders and advisers to investment managers and institutions.

Long-term, core capital is flowing freely to infrastructure and credit, which have a relative value advantage over real estate, and infrastructure teams are beginning to encroach into subsectors hitherto considered as real estate, such as affordable and social housing.

This is placing immense pressure on investment managers, especially those focusing on "old economy" sectors and traditional pooled fund strategies. For those with ambitions to tap into these capital flows, their focus is on large-scale opportunities that give exposure to operational, infrastructure-style, index-linked cashflows supported by secular themes.

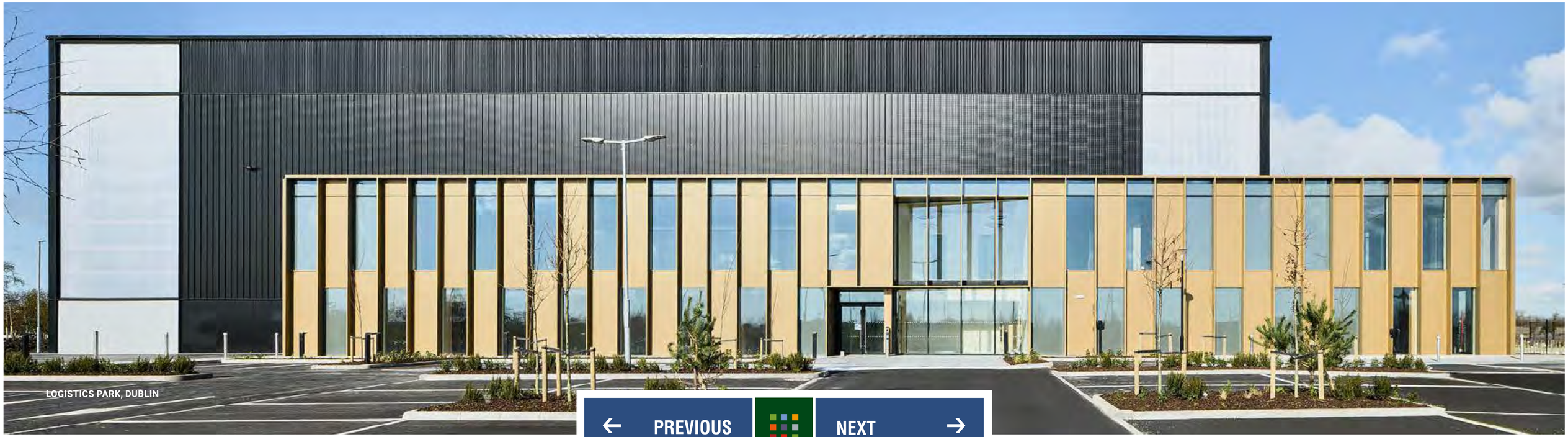
That potentially gives large investment management houses an inherent advantage as they are better positioned to meet increasing regulatory and compliance requirements, benefiting from economies of scale that smaller managers can struggle to replicate.

"The middle ground manager is completely dead. The opportunistic manager? It's probably over for these guys as well," says one fund manager.

Could AI and digital transformation come to the aid of beleaguered players in Europe's real estate capital market? The consensus among investors, lenders, service firms and operators is that AI and machine learning will have a big impact on their businesses over the next five years. "We're constantly amazed at what it can do. Every time there's a new update, there are wonderful things being discovered every day," one investment manager enthuses.

Yet despite increasing evidence of efficiency improvements and productivity gains, some interviewees remain cautious about using AI in asset management and investment decision making. That could change quickly if underlying market conditions improve. "Hopefully with a bit more stabilisation around inflation, we will find some alpha plays here. And clearly AI and digitisation is part of that," suggests a global real asset manager.

Others believe that embedding digital systems into buildings could drive future exit value, through a combination of productivity benefits conveyed to occupiers and de-risking the assets for future investors (see Chapter 4).



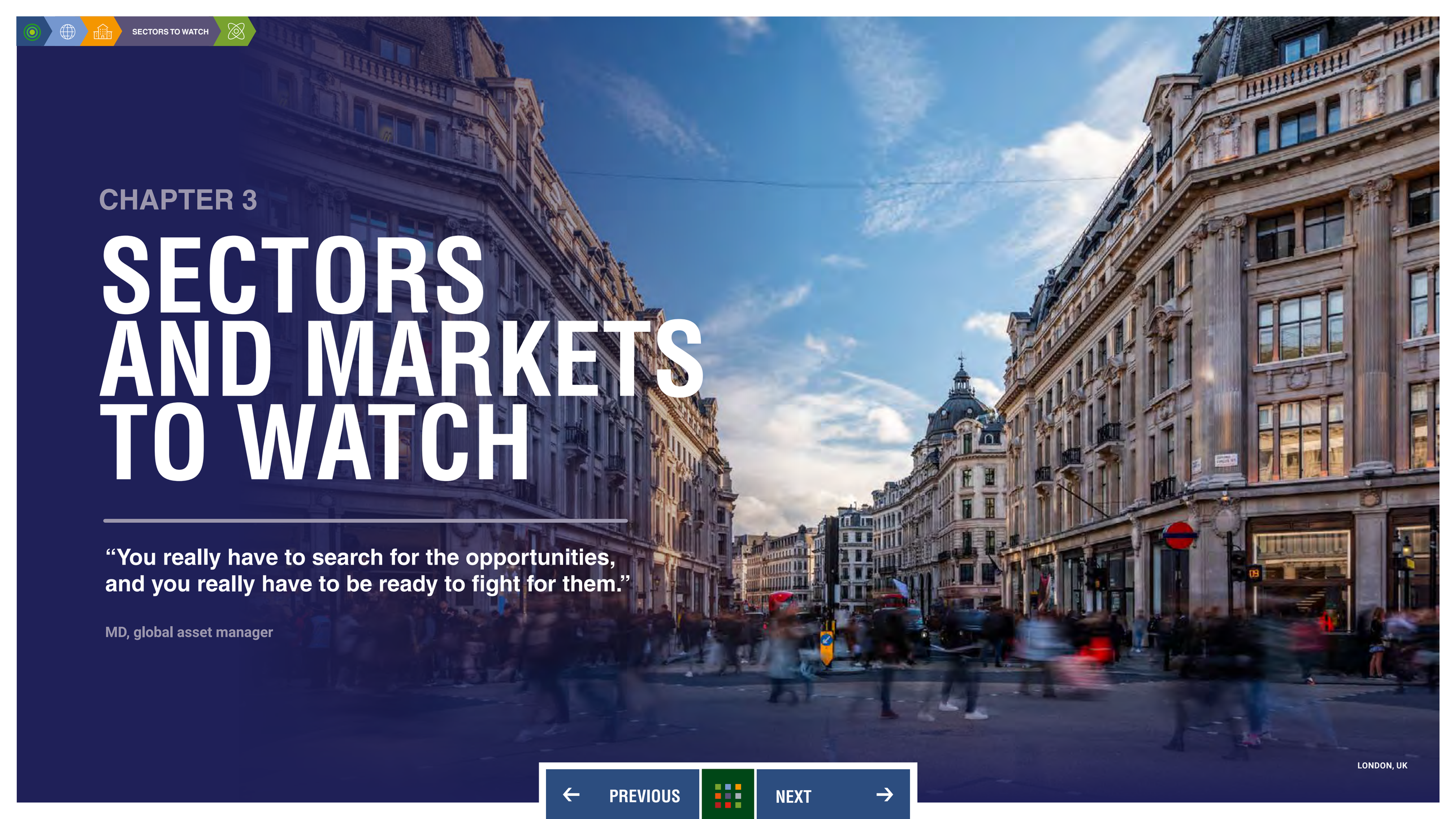
LOGISTICS PARK, DUBLIN

CHAPTER 3

SECTORS AND MARKETS TO WATCH

"You really have to search for the opportunities, and you really have to be ready to fight for them."

MD, global asset manager



LONDON, UK

Investors are focusing more sharply on selecting individual assets they believe will outperform at a time when the impact of wider economic and structural trends across sectors is increasingly difficult to predict, according to Europe's real estate leaders.

A deal-led approach and a sector-focused approach are now joint leading priorities for allocating capital and resources to real estate, each selected in the top three by 36 percent of survey respondents (Figure 3-1). This is a marked shift from last year, when sector focus came top and deal-led allocation ranked lower.

Interviews reveal many investors are concerned about polarisation within sectors as high-level movements produce uneven impacts at the asset level. With all sectors presenting both major risks and opportunities it is important to make the distinction between good and bad assets in each segment, says an investment manager. "Sector selection alone is therefore an insufficient strategic tool."

Instead, interviewees argue that key drivers of allocation decisions include economic prospects and supply-demand dynamics at city level; asset location and tenant quality; obsolescence and depreciation risk; cash-flow durability; whether capital expenditure can generate an adequate return; exposure of occupiers to technological disruption; political and regulatory risk; exit liquidity; and the relative return available elsewhere in capital markets.

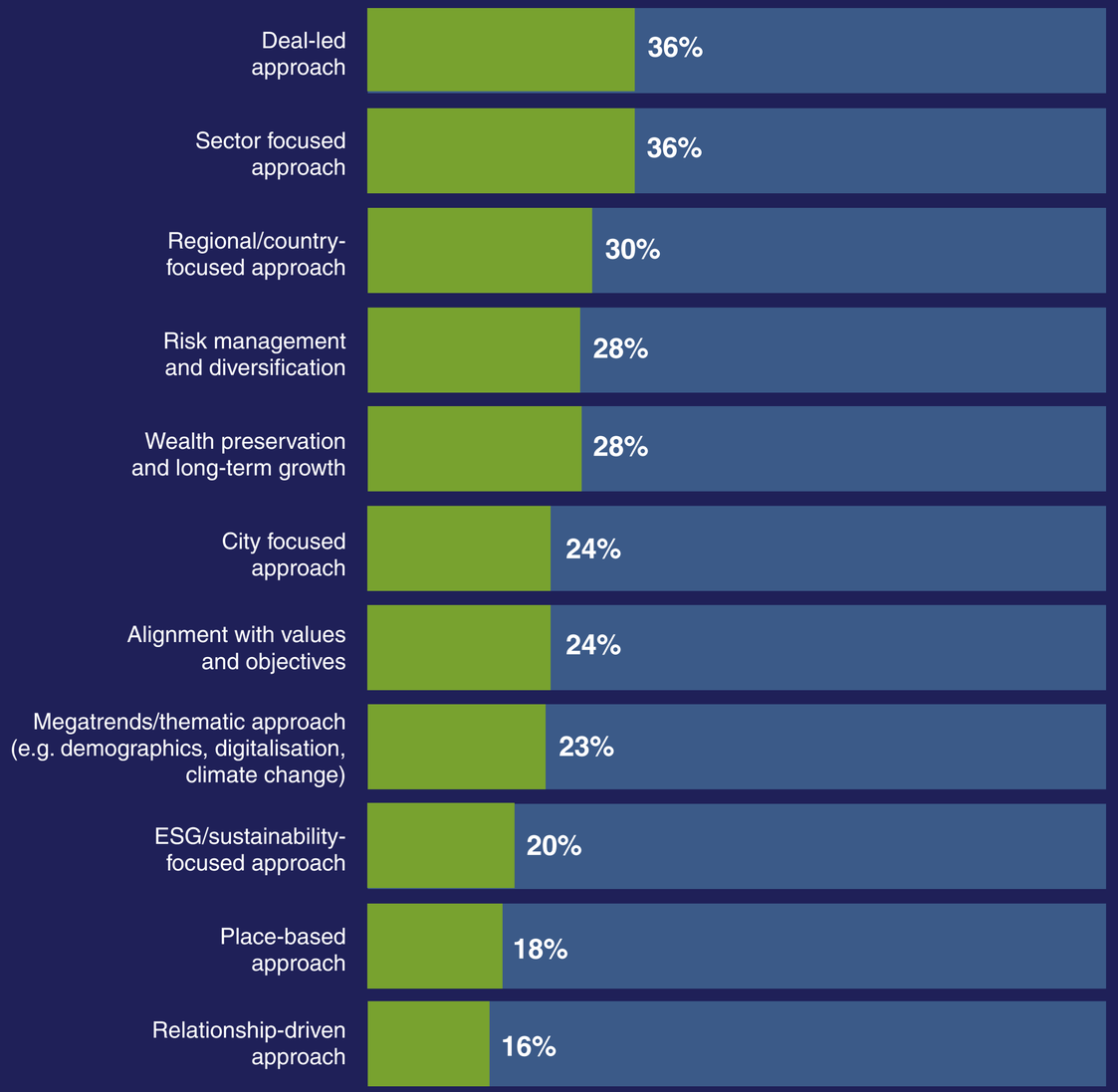
> Sector selection alone is an insufficient strategic tool.

Nor is a thematic approach any longer enough by itself, says a private equity investor. "Thematic investing worked very well in the prior cycle, but it's behind us." Competition for the best assets is fierce, while the uncertain macroeconomic environment raises questions around the potential for future growth, so investors need to find means of differentiating themselves. That means looking to take advantage of broader trends while also "zooming in" to those sectors and subsectors where they can create and extract value.

That is not to say that thematic investing is irrelevant. Some 23 percent of respondents still rank it among their top three priorities. But "investors need to assess the fundamentals of each asset rather than invest principally on the basis of a thematic label," says a pan-European asset manager.

Structural considerations will continue influencing allocations, notably demographic and societal change, because real estate ultimately responds to how people live and work, says a core investor. "Investors therefore need to position portfolios alongside these trends rather than assume historical patterns of demand will remain unchanged."

Figure 3-1 **How investors allocate capital to real estate**



Note: Percentage ranking it within their top three criteria
Source: *Emerging Trends Europe survey 2027*

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Figure 3-2 **Sector prospects in 2027**

Generally good = above 3.5 | Fair = 2.5 to 3.5 | Generally poor = under 2.5

Overall prospects			Investment			Development			Overall Income		
Rank	Sector	Score	Rank	Sector	Score	Rank	Sector	Score	Rank	Sector	Score
1.	Data centres	4.40	1.	Data centres	4.52	1.	Data centres	4.27	1.	Data centres	4.29
2.	New energy infrastructure*	4.35	2.	New energy infrastructure*	4.43	2.	New energy infrastructure*	4.27	2.	New energy infrastructure*	4.13
3.	Healthcare	4.03	3.	Retirement/assisted living	4.14	3.	Healthcare	3.92	3.	Serviced apartments	3.96
4.	Retirement/assisted living	3.99	4.	Healthcare	4.13	4.	Serviced apartments	3.88	4.	Student housing	3.93
5.	Serviced apartments	3.96	5.	Serviced apartments	4.03	5.	Student housing	3.85	5.	Retirement/assisted living	3.92
6.	Student housing	3.93	6.	Student housing	4.01	6.	Retirement/assisted living	3.85	6.	Private rented residential	3.90
7.	Affordable housing	3.89	7.	Private rented residential	4.01	7.	Affordable housing	3.82	7.	Healthcare	3.87
8.	Private rented residential	3.88	8.	Hotels	4.00	8.	Social housing	3.80	8.	Hotels	3.86
9.	Social housing	3.87	9.	Self-storage facilities	3.96	9.	Private rented residential	3.74	9.	Retail parks	3.79
10.	Hotels	3.86	10.	Affordable housing	3.96	10.	Logistics facilities	3.73	10.	Storage facilities**	3.79
11.	Self-storage facilities	3.84	11.	Logistics facilities	3.95	11.	Camp sites/caravan parks/lodges	3.72	11.	Logistics facilities	3.78
12.	Logistics facilities	3.84	12.	Social housing	3.93	12.	Hotels	3.72	12.	Industrial/warehouse	3.77
13.	Camp sites/caravan parks/lodges	3.82	13.	Camp sites/caravan parks/lodges	3.93	13.	Self-storage facilities	3.72	13.	Self-storage facilities	3.76
14.	Co-living	3.79	14.	Co-living	3.92	14.	Storage facilities**	3.69	14.	Co-living	3.75
15.	Storage facilities**	3.78	15.	Retail parks	3 . 9	15.	Co-living	3.67	15.	Camp sites/caravan parks/lodges	3.72
16.	Industrial/warehouse	3.76	16.	Mixed-use	3.88	16.	Industrial/warehouse	3.66	16.	Mixed-use	3.70
17.	Mixed-use	3.75	17.	Storage facilities**	3.86	17.	Education-related real estate***	3.63	17.	Education-related real estate***	3.62
18.	Education-related real estate***	3.72	18.	Industrial/warehouse	3.85	18.	Mixed-use	3.62	18.	Affordable housing	3.61
19.	Retail parks	3.63	19.	Education-related real estate***	3.82	19.	Housebuilding for sale	3.54	19.	Central city offices	3.58
20.	Housebuilding for sale	3.56	20.	Leisure	3.65	20.	Leisure	3.44	20.	Leisure	3.57
21.	Leisure	3.54	21.	Housebuilding for sale	3.59	21.	Retail parks	3.35	21.	Social housing	3.56
22.	Parking	3.41	22.	Central city offices	3.54	22.	Parking	3.28	22.	Parking	3.52
23.	Central city offices	3.41	23.	Parking	3.53	23.	Central city offices	3.27	23.	Housebuilding for sale	3.51
24.	Life Sciences	3.38	24.	Life Sciences	3.51	24.	Life Sciences	3.26	24.	Life Sciences	3.42
25.	Flexible/serviced offices and co-working	3.30	25.	Flexible/serviced offices and co-working	3.48	25.	Flexible/serviced offices and co-working	3.13	25.	High street shops	3.38
26.	High street shops	3.21	26.	Out-of-town shopping centres /retail destinations	3.38	26.	High street shops	3.04	26.	Flexible/serviced offices and co-working	3.35
27.	Out-of-town shopping centres /retail destinations	3.06	27.	High street shops	3.37	27.	City centre shopping centres	2.76	27.	City centre shopping centres	3.32
28.	City centre shopping centres	3.03	28.	City centre shopping centres	3.31	28.	Out-of-town shopping centres /retail destinations	2.73	28.	Out-of-town shopping centres /retail destinations	3.26
29.	Business parks	2.87	29.	Business parks	3.05	29.	Business parks	2.70	29.	Business parks	3.00
30.	Suburban offices	2.20	30.	Suburban offices	2.28	30.	Suburban offices	2.12	30.	Suburban offices	2.41

*e.g. solar, wind, energy storage, electric transportation **e.g. industrial outdoor storage, cold storage ***e.g. lab/research spaces, education facilities/spaces

Source: ***Emerging Trends Europe survey 2027***

Note: Respondents scored sectors' prospects on a scale of 1=very poor to 5=excellent, and the scores for each sector are averages; the overall rank is based on the average of the sector's investment and development score. The survey also covered communication towers/fibre and film/media production studios but the number of respondents rating the prospects for these niche sectors was too small for them to be included in the rankings.

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> The key question is increasingly not which sector to own, but which part of the capital structure or value chain offers the best risk-adjusted way of gaining exposure to the underlying theme.

Another interviewee puts it slightly differently: "The key question is increasingly not which sector to own, but which part of the capital structure or value chain offers the best risk-adjusted way of gaining exposure to the underlying theme."

The survey supports that assertion, with respondents continuing to favour sectors with clear structural demand drivers, including energy transition, digital infrastructure, housing need, and ageing demographics.

Data centres and new energy infrastructure are once again ranked first and second for overall prospects. Data centres are the top sector by a significant margin, leading across all three measures: investment, development and income growth.

Living and needs-based sectors that benefit from demographic tailwinds are also strongly represented in the top 10 for overall prospects. Healthcare comes third, retirement/assisted living fourth and serviced apartments fifth. Six through 10 are all living-related sectors: student accommodation, affordable housing, private-rented residential, social housing and hotels.

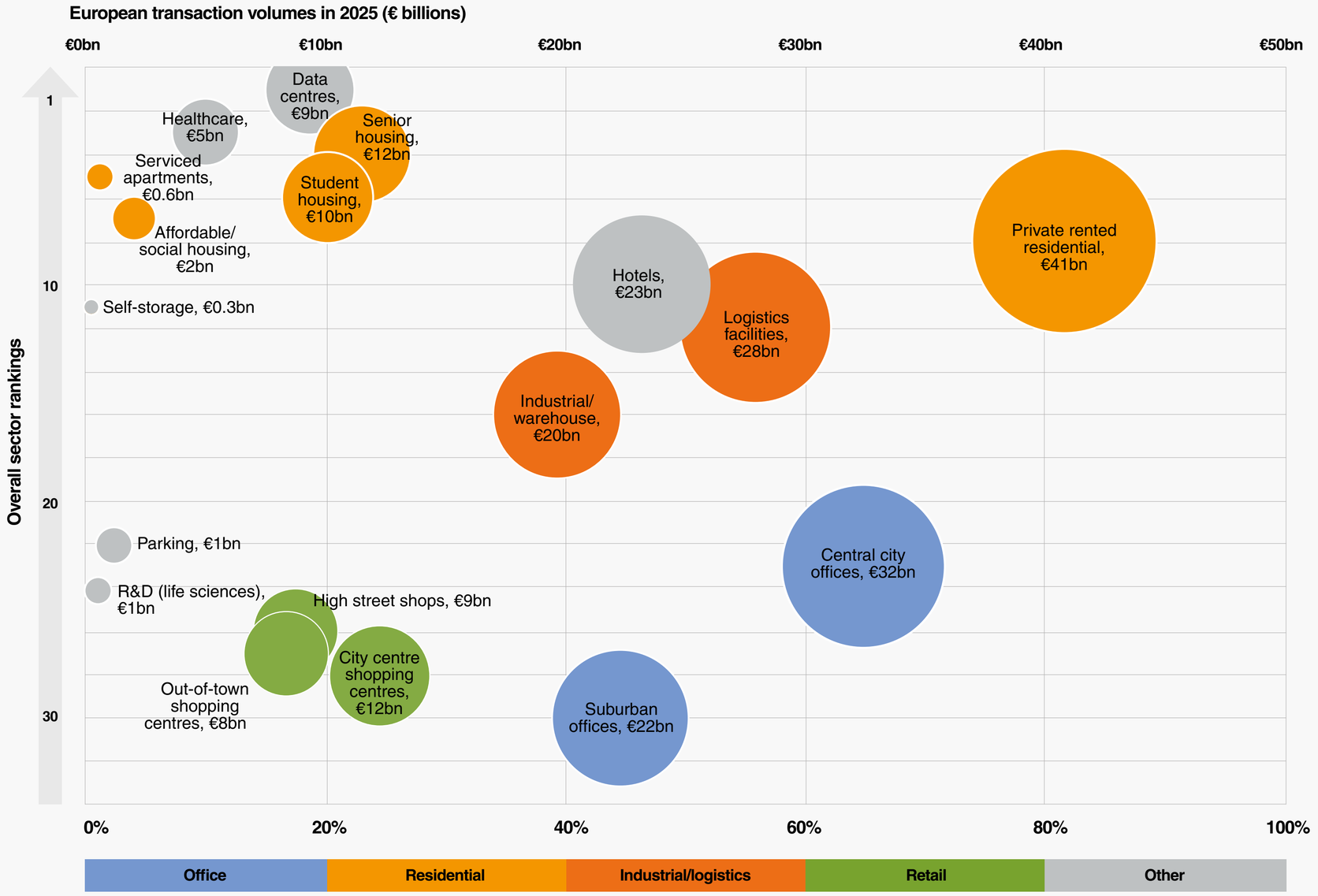
Logistics sits at number 12, one place above last year's ranking, but still in comparative disfavour compared with the investor enthusiasm that saw it placed in the top 10 every year from 2019 to 2025. Meanwhile, the other mainstream sectors, offices and retail, remain within the lower reaches of the ranking.

Many of the most favoured sectors have a strong operational element, which for some investors is a crucial component in driving returns without needing to rely on capital growth. An international investor says that they no longer expect real estate to deliver a "passive exposure to market returns." Instead, it aims for substantial ownership or control of the operating platform. "[Our] real estate case therefore rests on market dislocation, operational expertise and asset/platform improvement, rather than simply anticipating broad market appreciation."

Though transaction activity remains concentrated on mainstream real estate, as shown in Figure 3-3, the alternative sectors at the top of the rankings reflect the direction of travel when it comes to investment. Much of the capital currently being allocated to real estate is targeting a value-add return, therefore investment managers are increasingly focused on generating operational alpha to meet higher return expectations. Meanwhile, "there is no real core market for the time being," says one investment manager, so there is limited appetite for long-leased office and retail properties, intensifying the shift towards emerging sectors.

The top-ranked sectors also frequently offer infrastructure-like characteristics, supporting critical societal and economic needs while offering predictable cash flows. In a market where strong cap rate compression cannot be expected for the foreseeable future, durability of income is a key characteristic of successful investments, says the CEO of an investment firm. "There is a convergence between real estate and infrastructure and infrastructure-like investments, where the sector crosses a theme."

Figure 3-3 **Overall sector prospects ranking and size of transaction volumes**



Source: *Emerging Trends survey 2027; MSCI Real Assets*

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> Our real estate case rests on market dislocation, operational expertise and asset/platform improvement.

By way of examples here, other interviewees refer to “the intersectionality between building and energy availability, using buildings for energy generation”, “the convergence of infrastructure and real estate for affordable housing”, and “mobility of the future, and the real estate that is attached to that”.

Investors seize opportunity in data centre shortage

Digitalisation is perhaps the dominant theme of the times, and the need to establish AI training data centres is propelling activity in an already booming market to fever pitch.

One interviewee compares the scale of the digital network that must be established to previous generations’ investments in railways and interstate highways. “Europe's relative shortage of data-centre capacity compared with the US is viewed as a major long-term investment opportunity,” adds a private equity manager.

Some interviewees are enthusiastic participants in the market, which offers a variety of entry points. “Over the past 24 months we've built up a significant data centre portfolio. We've taken a broad approach, acquiring platforms and individual assets, joint ventures, and pursuing development,” says a global investor.

A sector specialist notes that the segment has attracted a growing cohort of international investors, including sovereign wealth funds and institutions, which have often accessed the sector by creating or buying operating platforms. “It's very difficult to access the real estate in isolation because the vast majority of data centres in Europe and, in fact, globally, are owner-occupied.”

Doubts persist over how the sector should be defined, possibly deterring some investors. “Classification conflicts between real estate and infrastructure mandates are a barrier to capital flows. Investors with a real estate mandate may question whether digital infrastructure fits, which slows deployment,” says a data centre investor.

A powered land strategy, creating permitted sites with an electricity supply and then selling them on, remains a popular way for real estate players to access the market, particularly for industrial and logistics landlords who already have access to suitable land, some of which is ripe for repurposing.

A logistics manager says they have identified a portfolio of sites in the leading data centre markets of Frankfurt, London, Amsterdam, Paris, and Dublin.



DATA CENTRE, EUROPE

PREVIOUS NEXT



LARGE DATA CENTRE, EUROPE

← PREVIOUS NEXT →

> It's very difficult to access the real estate in isolation because the vast majority of data centres in Europe and, in fact, globally, are owner-occupied.

They are now looking to go “up the risk curve” by moving on from selling land and powered shells to providing full turnkey solutions for data centre tenants.

But “power is the main problem, and there are major issues in finding pockets of power and also delivering projects on time,” says an interviewee. Energy grids are failing to keep pace with demand, leading to a dearth of suitable sites and leaving governments across Europe scrambling to increase capacity.

The sector’s rapid growth has also prompted heightened public concern over its impact on already stretched energy and water resources. In September, the Scottish Parliament voted to pause planning applications for all new AI data centres for up to a year, in addition to the moratoriums on new development already in place in Dublin and Amsterdam.

Up until recently, “85 to 90 percent” of all the data centre leasing in Europe has been from cloud customers, principally AWS, Microsoft, and Google, says the sector specialist.

But over the past 18 months there has been close to a gigawatt of take up from “neo-cloud” operators which lease chip capacity for AI training. Because they do not need to be near major population centres, they have gravitated towards markets where cheap renewable energy is available, notably the Nordics and Iberia.

The trend presents challenges for data centre investors, however, because the neo-cloud companies have weaker credit profiles than hyperscalers. Moreover, there are concerns over whether leases are likely to be renewed or another customer secured when leases expire. “Re-tenanting risk is higher than in other asset classes because technology obsolescence may require complete infrastructure replacement rather than simple refurbishment,” warns an asset manager.

Exit liquidity is a further challenge, particularly for large assets situated outside prime markets. “Data centres are too competitive, returns are compressing, and there is exit liquidity risk on assets requiring €500 million to €1 billion individual sales with a limited buyer universe,” says an investor sceptical about the sector.

European data centre REITs are expected to emerge towards the end of the decade as markets reach sufficient scale and maturity, enabling capital recycling, predicts an investment manager. “Data centres could potentially be the saviour of the European REIT system.” They add that the power needs of data centres will also drive the development of large-scale renewable power generation infrastructure.

Interviewees are experimenting with a variety of strategies for monetising real estate adjacent to the clean energy transition. A logistics manager says it still has plenty of roof space that could be used to mount solar panels, while battery storage facilities are planned for ancillary areas of some of its sites. Meanwhile, it has started building its first commercial electric vehicle charging hub.

Major mobility platforms, car rental firms and transport fleet operators – such as Amazon, Arriva, FedEx and Uber – are electrifying their cars, and that will require charging infrastructure. Larger truck fleets will follow suit eventually, says an investor, who calls the EV transition "an unstoppable wave". They are establishing partnerships with mixed-use developers to build charging hubs on leftover plots within larger schemes. “We want to be the partner of choice for fleet owners, secure energy supply, and be ready and waiting for the transition.”

A private equity manager is buying land to deliver renewable energy and sell to infrastructure investors. Another manager that has been investing in solar and wind farms energy for decades is looking to add battery storage to its “renewables ecosystem” so that it can achieve higher prices when electricity demand peaks.

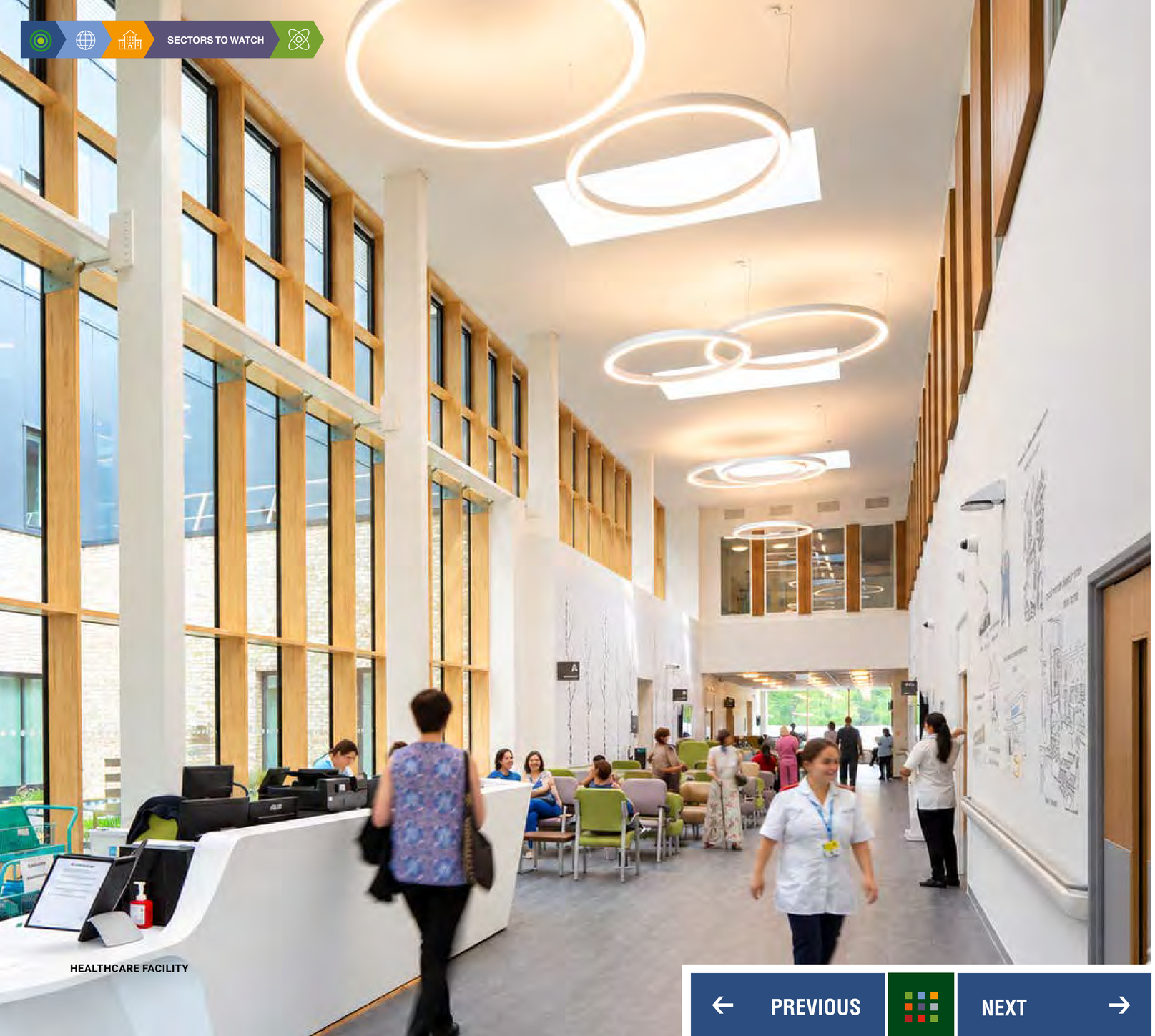
Another sector to benefit from the convergence of infrastructure and real estate capital is healthcare, as investors look to target opportunities that combine demographics with technology.

We want to be the partner of choice for fleet owners, secure energy supply, and be ready and waiting for the transition.



DEUTSCHE POST ELECTRIC VAN FLEET

PREVIOUS NEXT



HEALTHCARE FACILITY

> Over the coming two, three, four years, healthcare real estate is just going to get talked about as a mainstream sector.

Around one in five people in the European Union is aged 65 or over, and that trend is expected to accelerate with the development of longevity medicine, aimed at extension of healthy life expectancy, supported by AI analysis of biological and behavioural data.

The investment thesis is supported by the shift from inpatient to ambulatory care, a trend well-established in the US. Technological advances are enabling less invasive surgical techniques, while governments and insurance companies are encouraging providers to expand outpatient treatments to save money.

Though the sector is still regarded as niche by most real estate investors, several interviewees are convinced that investment activity will grow rapidly. “Over the coming two, three, four years, healthcare real estate is just going to get talked about as a mainstream sector,” predicts an early mover in the segment. “Lots of US capital is now flowing into European healthcare real estate.”

US REIT Welltower’s £6.4 billion (€7.4 billion) acquisition of a UK care home portfolio illustrates the growing capital appetite for healthcare assets. The deal, which closed in October 2025, is believed to be the largest of its kind in the UK to date. “That's a sector that over the next 10 years, is going to see a massive structural change in the sources of investment,” says an asset manager who invests in healthcare and care homes in the US.

> Healthcare is a sector that over the next 10 years, is going to see a massive structural change in the sources of investment.

They note care homes demonstrate the same structural undersupply dynamic as other living subsectors, underpinned by an ageing, wealthier population and government-backed funding. Scaling up still presents challenges, however. “[The] difficulty in accessing that is finding a good quality, reputable developer and operator.”

The danger of negative public perception in the closely scrutinised care sector is still a barrier for some investors. Any negative occurrence, such as a failure of care, financial mismanagement or regulatory breach, can make headlines and influence tenant demand, investor confidence and long-term returns.

There have been isolated healthcare property transactions in Germany, says a local investor, but developers face difficulties in accessing capital and securing appropriate project finance. “Institutional capital is not yet flowing in sufficient quantities, and price levels are not yet right.”

Checking in to hotels

The hotel sector re-enters the top 10 rankings for the first time in a decade, underpinned by a positive traveller-demand story. “Occupancy and room rates across Europe are generally above pre-COVID levels,” says one specialist.

“They are still providing a better return than a lot of other real estate alternatives,” notes a mixed-use investor, pointing out that development rarely makes sense because there are still “low-hanging fruit”, ripe for buying.

Several interviewees identify Southern Europe as undersupplied and presenting opportunities for investors to buy up family businesses. City centre mid-market three or four-star hotels are singled out as a particularly attractive investment because they appeal to a wider audience and can draw in both business and leisure customers.

Pricing is increasing, however. “It has become a little bit more core than opportunistic,” says another hotel specialist. “It needs more creativity, or better execution to make the returns that you would be making with the vintage of four years ago.”



HOTEL, MADRID

← PREVIOUS NEXT →

Logistics

European logistics markets have cooled over the past two years, but there is now a sense among interviewees that the market has reached its low point and may start to grow.

Values have dropped 22 to 23 percent from their peak, says a logistics specialist. But for the last three quarters they have been flat or growing slightly. With “no spec development for the last year and a half” new supply is limited and occupancy remains high. “We are 95 to 96 percent leased,” so they are forecasting rental growth in 2027.

Demand is steady, supported by ongoing growth in e-commerce. Amazon continues to expand across the continent, joined by Chinese e-retailers like Shein and Temu, which are responding to restrictions on shipping direct from China by growing their European footprint. Emerging demand drivers cited by interviewees include light manufacturing related to European rearmament and storage for data centre construction and fit-out.

Geopolitical turbulence is leading to supply chain reconfiguration as logistics businesses seek to adapt to trade patterns disrupted by tariffs, the oil price shock and the rerouting of shipping away from conflict zones, says a logistics manager. “Supply chains need to be much more cautious and resilient.” That adaptation is generating increased demand because “getting resiliency means more square meters of warehouse”.

> Unless you've got an absolutely grade A location and new building, if you get any vacancy, it's not going to be immediately re-let at 10 percent above the previous rent anymore.

A clear trend that emerges from interviews is increasing polarisation between best-in-class logistics space in prime markets and older buildings in secondary locations. “Occupational weakness is creeping into the logistics market,” says an investment manager. “Unless you've got an absolutely grade A location and new building, if you get any vacancy, it's not going to be immediately re-let at 10 percent above the previous rent anymore.”

A pension fund manager says they are “considerably more discriminating” about logistics than during the pandemic boom, when COVID accelerated already strong investment in logistics. “The correction is restoring pricing discipline. Prime logistics may justify tight yields, but secondary assets should not be valued as though they have equivalent characteristics.”



LOGISTICS WAREHOUSE, MILAN



WAREHOUSES WITH RENEWABLE ENERGY

> Tenants are becoming very particular about automation, power, onsite renewables, clear heights, floor load capacity, so you're getting big bifurcation.

Occupiers too have become more discerning. “Tenants are becoming very particular about automation, power, onsite renewables, clear heights, floor load capacity, so you're getting big bifurcation,” says an asset manager. They believe that has left many overvalued assets on the market. “That's a real minefield. At the worst end of logistics, I'd be very careful about refinancing those assets.”

As automation increases and vehicle fleets are electrified, power supply is emerging as a key differentiator of prime logistics assets.

“Customers will increasingly gravitate to parks where energy supply is robust and resilient. Developers unable to provide forward-looking energy solutions risk losing occupiers,” says a logistics developer.

For another interviewee, the “shadow” over the logistics market represents a buying opportunity, “because in the past, there were always 50 others interested no matter where it was, or the quality of the shed”. They are more focused on whether the assets they acquire will retain their liquidity in 10 to 15 years, however. “Will it meet future demand? Can I put PV panels on the roof? The things that decide whether a shed is a good investment are no longer purely location-based.”

Offices

There is a wide range of sentiment expressed by interviewees about the office sector and its lowly ranking.

The sector rankings do not fully reflect the outlook for offices, and nor do the latest figures on transaction activity. European office investment reached €32 billion in the nine months to the end of September 2026, well down on the €59 billion for the same period in 2025, according to MSCI. The total represents 20 percent of overall activity.

Given that the 2019 pre-pandemic peak of €147 billion, represented 43 percent of total market activity, the latest figures indicate a sector that is both in decline and losing market share to alternatives.

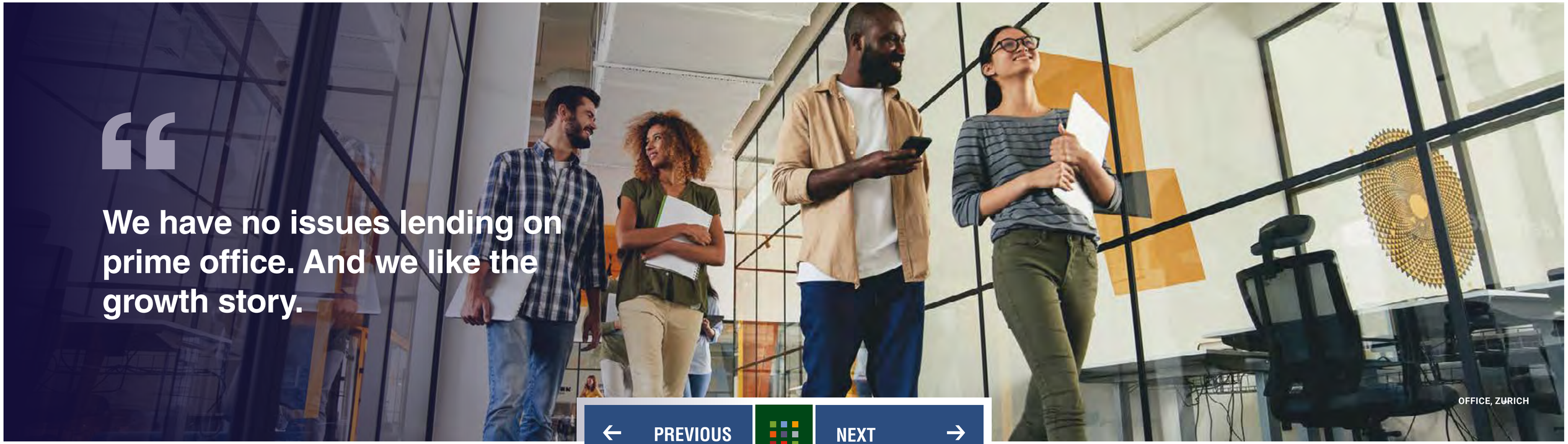
Yet the polarisation between the best assets and the rest is stark. While overall European office availability sits at 9.7 percent, according to Cushman & Wakefield research, that figure drops to 2.8 percent in core locations.

The flight to quality is well established as talent attraction replaces cost as the primary driver of occupier decisions. That has led to a recovery in the most sought-after occupier markets and limited new supply is propelling rental increases for the best space in city centres. Meanwhile, the gap between prime and secondary is widening dramatically, with older buildings in peripheral locations facing obsolescence and repurposing.

Yields have already moved out considerably. One interviewee notes a decline across their office portfolio of 30 to 35 percent although they now appear to have bottomed out or stabilised in prime markets.

At the same time, weak development pipelines are restricting supply while rents are rising. Interviewees report rents of £200 per square foot in London's Mayfair, well above the West End average prime rent of £175, and over €1,200 per square metre in central Paris, close to their historic high point.

The combination is producing capital value growth, says an investment manager, expecting offices to be among its strongest-performing sectors for capital appreciation in 2026. "I think the window to invest in offices probably stays open for the next couple of years." A debt fund manager adds: "We have no issues lending on prime office. And we like the growth story."



OFFICE, ZURICH

Prime offices offer a particularly attractive opportunity for core investors, says an asset manager. “In London, where leasing is strong, prime rents have risen substantially, there is a shortage of high-quality space, and existing buildings can potentially be purchased significantly below replacement cost.”

A key reason why London leasing is strong is AI. Despite the uncertainty around AI’s impact on working life, AI-related office take-up in the UK capital reached more than 705,000 square feet (65,500 square metres) during the first half of 2026 – more than double the full-year total for 2025, according to CBRE. The interviews suggest that the AI boost to offices will continue into 2027 for London and possibly other European cities. As one pan-European investment manager says: “AI is taking away some jobs, but it's also creating new office demand.”

However, interviewees are keen to distinguish between existing stabilised offices and development. “New projects carry greater construction cost and valuation risk and can require exceptionally large capital commitments,” says an asset manager.

The rankings clearly show that offices in non-CBD locations face an existential threat, however, with business parks and suburban offices occupying the bottom two places. “For some peripheral offices the value is maybe zero if you are leveraged,” says an investment manager.

> We are following an amenity-rich, added value CBD-focused strategy, and ultimately that is what modern AI-enabled businesses want.

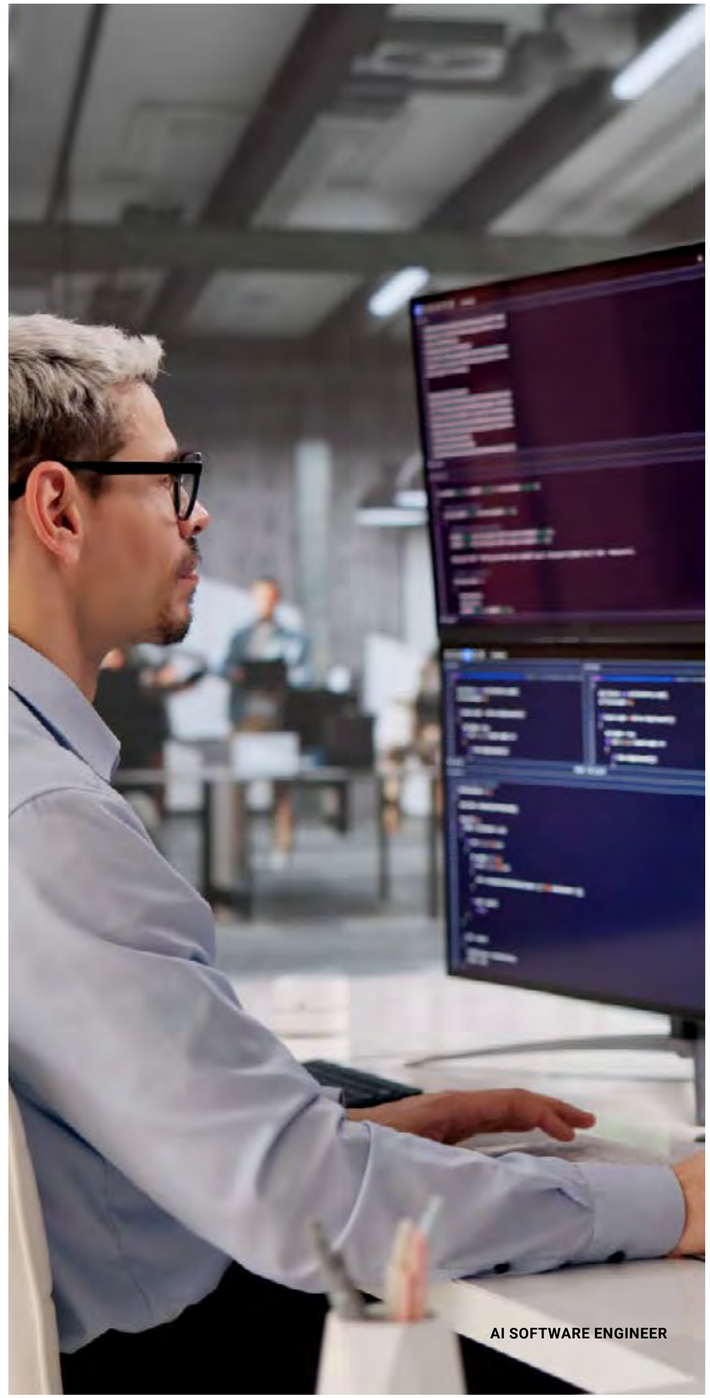
Though take-up by AI-related firms has boosted office take-up in key markets, like London, over the past year, some interviewees believe the spread of AI still represents a further threat to the sector. “AI will lead to a second crisis,” predicts a fund manager. “We had the first bifurcation coming out of COVID between assets which can attract people back to work and those that don't. And now the second bifurcation will come between assets which are AI-proof and those which are not.”

Other interviewees believe the growth of AI-related employment will compensate for job losses in the roles it replaces. “AI companies need more floor space. They typically work minimum four days a week in the office,” says a developer. “[We are following] an amenity-rich, added value CBD-focused strategy, and ultimately that is what modern AI-enabled businesses want.”

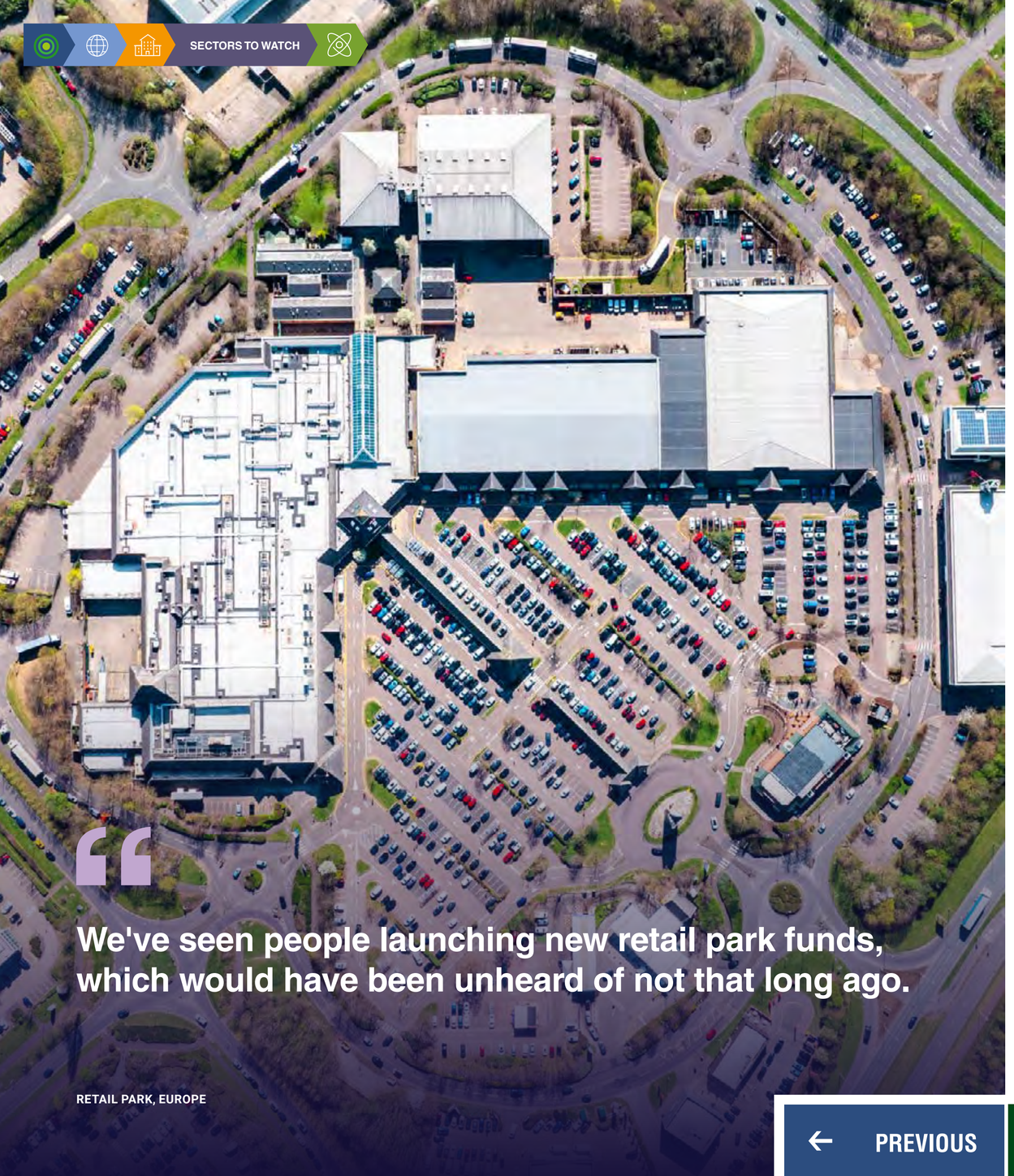
Some interviewees believe widespread use of AI for process-driven tasks will lead to a decline in back-office employment while increasing demand for office spaces that encourage collaborative and creative working, reinforcing the bifurcation narrative. “The more you use AI in your business, the more you need to organise your company to help people to meet, work together, create the culture and boost the creativity.”

The need to bring younger employees back to the office to develop their skills could also help to protect the future relevance of physical workplaces. A financier questions where the next generation of experienced staff will come from if juniors are simply responding to computer-generated output rather than doing the underlying work and building contextual experience and judgement. “AI is additive and streamlining rather than a replacement for what people do.”

Every time investors appear ready to reassess the sector, another structural question emerges, notes a pension fund manager, and yet the performance of high-quality offices demonstrates the strength of the top end of the market. They conclude that the sector overall is not unattractive, but “underwriting requires greater confidence about quality, location and future occupier demand, and particularly that the right amount of capex is reflected in underwriting and pricing”.



AI SOFTWARE ENGINEER



> We've seen people launching new retail park funds, which would have been unheard of not that long ago.

RETAIL PARK, EUROPE

Retail

As with offices, retail subsectors mostly sit within the lower reaches of the rankings, but many interviewees believe that what has been perhaps the most heavily disrupted of property sectors over recent years is now bouncing back.

“Investors are still relatively slow to recognise this recovery, leaving potential opportunities in retail because core capital remains comparatively thin,” argues a pan-European investor.

“The structural shift to e-commerce did not eliminate the experiential value of physical retail, while years of negative sentiment have helped produce more attractive pricing,” suggests an institutional investor.

While disruption in the office market prompted by the pandemic and remote working is a relatively recent phenomenon, the transformation of the retail sector is far more advanced, notes an interviewee, providing greater certainty about which assets will perform well.

Retailers have been through a cycle where the growth of e-commerce encouraged them to reduce their store requirements to a minimum, says a fund manager, and they are now increasing their physical footprint again. “And the stores that they're taking are bigger, they're spending more money on them, they're more experiential.”

> Investors are still relatively slow to recognise this recovery, leaving potential opportunities in retail because core capital remains comparatively thin.

The view among property leaders is that rather than separating into winner-take-all prime assets and stranded secondary properties, retail is benefiting from a broader cyclical and structural recovery. There is also a stable investment environment for middle-market retail formats following a decade of minimal development, combined with the repositioning of portfolios around themes such as convenience and necessity.

Retail parks, which rank ninth for overall income prospects in the survey, are enjoying a “massive renaissance” in investor demand, adds the fund manager. “We've seen people launching new retail park funds, which would have been unheard of not that long ago.”

Higher yields are attracting new entrants, many of them international investors seeking stronger income returns than available elsewhere in the market.

Attractive pricing is drawing investor interest. “Higher yields are attracting new entrants, many of them international investors seeking stronger income returns than available elsewhere in the market,” says a consultant. A pension fund manager adds: “We have high exposure to residential and logistics and we will look more at retail and hotels from an income-driven perspective.”

But as in other established sectors, selectivity is vital. “If you've got one of the top 10 shopping centres in a country, or you're in one of the five strongest high streets, there'll be enormous competitive demand for any space that you have,” says an asset manager. “But if you're outside of that, you're going to be in real trouble. There's continued repurposing of retail assets into other things because we just don't need as much retail space as we used to have.”

As the interviews indicate, opinion is still divided over whether the opportunity in retail truly reflects genuine underlying operating performance rather than simply a change in investor sentiment.

A dissident distinguishes between periods when very high retail yields make assets attractive as a financial proposition and investing based on long-term confidence in the physical retail format. They conclude: “We lack sufficiently strong conviction about the direction of physical retail over the next five to ten years.”



LONDON, UK

PREVIOUS NEXT

Housing

> "The housing shortage is a social and economic issue. Businesses cannot establish themselves if there is a lack of housing for workers; this hampers economic performance."
>
> German housing specialist

For the past decade the housing crisis has prompted two contrasting but related responses in *Emerging Trends Europe* – concern over the social consequences of a chronic supply/demand imbalance and a recognition of the inherent investment opportunities that this crisis presents.

Housing affordability once again looms large in the survey. Among industry leaders it is seen as one of the most serious social and political issues facing Europe, ranking just behind the threats posed by global conflicts and international and national political instability.

At the same time, MSCI data shows that the living sector attracted the greatest volume of capital in the third quarter of 2026 with €11bn transacted in Europe, taking investment in the sector to €41bn year-to-date (October 2026), accounting for over 25 percent of total investment.

The expectations are for more of the same in 2027, according to the survey: housing in its various forms makes up six out of the top 10 sectors in terms of investment prospects for the coming year.

On the face of it, little has changed over the past decade. In the 2017 edition of the report, political stability, international and national, was uppermost in the minds of industry leaders but followed by affordable housing and social inequality – a major concern for 48 percent and 50 percent of survey respondents respectively.

The 2017 report described a "risk off" investment climate, informed by "a wave of populism" across Europe and uncertainty around the UK's recent referendum vote to leave the European Union (EU). Seven of the top 10 sector prospects were residential based, with housing "on the radar … because it gives long-term, stable returns".

Casting forward 10 years from 2027, however, the latest research reveals a deepening industry concern over the housing crisis and its implications for Europe. According to survey respondents, housing affordability and supply will be the biggest challenge facing cities in Europe over the coming decade, ahead of such issues as climate adaptation, provision of infrastructure and social cohesion.

"Housing affordability, demographic change, urbanisation and migration remain the dominant challenges facing European cities," says the CEO of a property developer.

Figure 3-4 **Issues facing cities in next 10 years**



Source: *Emerging Trends survey 2027*



MIXED USE DEVELOPMENT, EUROPE

For some investors who are pursuing a housing strategy, migration is a positive trend. One housing specialist says that they target cities based on “strong migration and a low supply of housing”. Another highlights the investment case around the long-term demographic trend of rural areas seeing population shifts towards “major urban centres which continue to attract younger populations”.

Yet such housing pressures are also contributing towards social unrest, which came into sharp focus in October 2026 when tens of thousands of people took to the streets of several Spanish cities after the government failed to pass emergency legislation to protect tenants’ rights and address rising rents. As a consequence, the Spanish Prime Minister was forced to call a snap general election for late November.

Though the *Emerging Trends Europe* interviews, roundtable discussions and survey took place before the mass protest in Spain there is clearly a widely held view across the industry that the housing crisis is reaching some kind of breaking point.

Property leaders in Barcelona identify housing affordability as “the single most pressing issue”, with younger buyers lacking the savings capacity to raise a deposit alongside “unsustainable” rent-to-income ratios for rental homes. They also note that Spain holds the smallest public housing stock in the EU, estimated at 1-2 percent against 20 percent in other countries.

According to the CEO of a pan-European institutional investor: “Restrictions on housing supply, particularly in cities such as Paris, are contributing to declining purchasing power and potentially wider social unrest.” Industry leaders in France also highlight the risk of protests in the context of climate change, linked to the “anxiety” of people living in social housing ill-equipped to deal with heatwaves.

Restrictions on housing supply, particularly in cities such as Paris, are contributing to declining purchasing power and potentially wider social unrest.

And yet as the housing crisis worsens as each year goes by, investing in affordable and social housing – though still compelling in theory – is challenging and potentially fraught. Apart from demanding lower rents and an end to evictions, the protesters in Spain were calling for a ban on investment funds, or as they put it, “vulture funds”, buying property.

Similarly in Berlin, the success of a 2021 referendum proposing “expropriation” – giving local authorities the power to take empty housing units into public ownership – continues to spook the markets due to the ongoing efforts of housing campaigners, even if it may never pass into legislation.



HOUSING, BARCELONA



MODERN HOUSING, BERLIN

Housing affordability, demographic change, urbanisation and migration remain the dominant challenges facing European cities.

One CEO argues that there is “no international investor who would currently invest in Berlin residential real estate” given the political climate and says that “if there is even a small political signal that the Berlin expropriation approach could be extended to other federal states, there would be no more investment in residential there either”. This is reflected in this year’s city rankings, with Berlin falling from 4th place last year to 7th this year for overall prospects, below Munich for the first time.

The situations in Spain and Berlin embody the challenges facing the industry around the political sensitivity and reputational risk associated with affordable and social housing. For many interviewees, a housing shortage does not automatically create an institutional investment opportunity if rent regulation or other policies prevent investors earning, as one says, “an appropriate return”. There is a balancing act between generating returns and providing affordable housing and fulfilling a social need or as one pan-European investment manager puts it, establishing “an investable relationship between public policy and institutional capital”.

Government policy is therefore one of the deciding factors in this manager’s residential allocation while the uncertainty around regulation generally is regarded by many professionals across Europe as the main block against greater participation in rental housing.

Regulation is much more of an issue for 2027 than it was in the 2017 edition of *Emerging Trends Europe* when one German fund manager declared: “You have never had such a good opportunity to build a pan-European residential portfolio than now.”

A decade on and most non-domestic investors “have not got the bandwidth to underwrite the planning system in twenty countries” says one UK property company CEO. Industry leaders in the Netherlands believe “the rental market has become so complex through the combination of social, tax and municipal rules that it cannot be addressed in a coherent, structural way”. According to one UK-based family office investor, the problem is not the regulation itself but “constant policy changes … the unpredictability and shifting requirements after investments have been committed”.

Yet the interviews also include investors who recognise social housing as “fundamentally challenging” but remain committed and accept the regulation that comes with it. Some believe that familiarity with local regulations can create competitive advantage. Compliance is “difficult but valuable”, creating good market conditions that benefit residents, says one UK-based specialist, adding: “The regulation is not going anywhere.”

Another huge barrier here – where there is little dispute – is the high cost of construction. One German investment manager sums up the industry view: "The cost of capital is not aligned with what it costs to build a building. So, at the end of the day, development doesn't make much sense right now." And for global managers with affordable housing assets in North America, they too struggle in Europe. Says one: “Residential strategies make a lot of sense, as there’s not a lot of affordable housing stock, but the development economics don’t really work.”

Given the prohibitive construction costs, it is no surprise that housebuilding for sale – among the top 10 sectors in 2017 – is well down the rankings for 2027. Nor is it a surprise that many interviewees are drawn towards those residential subsectors that are relatively straightforward and benefit from their own set of structural drivers, such as senior living and student accommodation. Investment in these subsectors, however, does not address the wider issue of housing affordability.

The research for this year’s report suggests the industry recognises its potential role in alleviating Europe’s housing crisis but feels impeded. The barriers are especially high for development, which is all the more frustrating when governments’ policies for the crisis are largely based around boosting new-build homes. "Without some form of public intervention, whether grants or other support mechanisms, they simply won't be delivered," says one UK investment manager.

A German investment manager adds: “We absolutely want to get into affordable housing; we want to allocate institutional money into it. It ticks every box. But we have not figured out, to be quite honest, how we can make the institutional numbers work.”

City rankings

The city rankings point to a continued concentration of capital in Europe's deepest and most liquid real estate markets.

London retains first place for the sixth consecutive year, with Madrid and Paris completing an established top tier that attracts institutional capital at scale. In an environment characterised by economic and geopolitical uncertainty, investors remain drawn to cities that offer pricing transparency, transaction liquidity and the confidence of multiple buyer pools, reinforcing the appeal of Europe's largest gateway markets.

Beyond the leading cities, the rankings reflect an ongoing reallocation of capital across Europe. Southern European cities strengthen their position, with Milan rising to fifth place and Barcelona remaining firmly within the top 10, supported by stronger growth prospects and improving investor sentiment. Within Germany, Munich overtakes Berlin to become the country's highest-ranked city for the first time, as Berlin falls in the rankings. Warsaw attracts growing interest as Central and Eastern Europe's most liquid and institutionally established market.

The factors underpinning city attractiveness extend beyond short-term market conditions. While liquidity remains a prerequisite for institutional capital, investors are placing greater emphasis on demographic trends, infrastructure, housing supply and the long-term competitiveness of cities. Concerns around housing affordability, ageing building stock and climate resilience are increasingly shaping perceptions of future attractiveness, with capital favouring locations that can combine market depth with the capacity to support long-term growth.

> Those cities which have the ability to address a diverse group of occupiers are the cities that are thriving. Cities that have overexposure to specific sectors are the ones where market participants tend to be a bit more cautious.
>
> Pan-European consultant

Figure 3-5 **City rankings – overall prospects**

	Overall city prospects				City growth prospects		City liquidity		
City	ETRE ranking (2027)	ETRE ranking (2026)	Change	Overall prospects score	Real GDP forecast, % p.a. (2027–2029)	Real GDP forecast, % p.a. (2027–2029)	Transaction volumes Q4 2024–Q3 2025 (€bn)	Transaction volumes Q4 2025–Q3 2026 (€bn)	% change (y-on-y)
London	1	1	—	2.45	1.6	0.2	14.6	16.8	15%
Madrid	2	2	—	2.34	2.2	0.9	4.3	4.8	11%
Paris	3	3	—	1.85	1.3	-0.4	10.0	10.2	2%
Munich	4	6	▲	1.84	2	0.3	3.4	2.8	-18%
Milan	5	7	▲	1.79	1.2	0.1	2.7	3.1	16%
Amsterdam	6	5	▼	1.75	2.1	0.7	2.0	2.1	8%
Berlin	7	4	▼	1.74	1.9	0.3	5.3	4.7	-12%
Barcelona	8	8	—	1.65	1.9	0.6	1.4	2.2	52%
Frankfurt	9	9	—	1.59	1.2	0.1	1.3	1.0	-24%
Lisbon	10	11	▲	1.52	1.6	0.4	0.5	0.7	43%
Hamburg	11	10	▼	1.38	1.6	0	3.1	2.3	-24%
Warsaw	12	12	—	1.34	3.1	-0.1	1.7	1.7	-2%
Brussels	13	14	▲	1.21	1.6	0.4	0.9	1.6	70%
Dublin	14	13	▼	1.17	4	1.3	3.0	2.8	-8%
Vienna	15	17	▲	1.10	1.4	0.5	2.7	2.8	4%
Copenhagen	16	15	▼	1.05	1.5	0.7	2.5	2.8	14%
Rome	17	16	▼	1.04	0.7	0.1	0.8	0.9	8%
Zurich	18	21	▲	0.96	1.4	0.9	0.5	1.0	88%
Manchester	19	20	▲	0.89	2.2	0.8	2.1	2.3	7%
Luxembourg	20	19	▼	0.88	2.5	1.3	0.2	0.4	101%
Stockholm	21	18	▼	0.87	2.3	0.4	3.5	2.5	-28%
Prague	22	23	▲	0.79	2.4	-0.2	1.8	2.0	10%
Helsinki	23	24	▲	0.72	1.6	0.6	0.5	0.5	4%
Athens	24	26	▲	0.71	1.7	-0.8	0.3	0.1	-54%
Birmingham	25	22	▼	0.68	1.3	0.2	1.8	0.9	-47%
Edinburgh	26	25	▼	0.67	1.5	0.6	0.9	0.8	-7%
Oslo	27	27	—	0.54	2.4	0.9	2.1	1.3	-37%
Lyon	28	28	—	0.43	1.5	0.3	0.7	0.4	-42%
Budapest	29	29	—	0.39	2.7	-0.3	1.1	0.2	-78%
Bucharest	30	30	—	0.33	3.5	-0.7	0.4	0.2	-50%
Istanbul	31	31	—	0.32	3.3	0.4			
Sofia	32	32	—	0.10	2.9	0.1	0.1	0.2	178%

▲ Went up ▼ Went down — No change

Source: *Emerging Trends survey 2027 (city rankings); Oxford Economics (population and real GDP forecasts); MSCI (transaction volumes)*

Note: Respondents who are familiar with the city scored the expected change for 2027 compared to 2026 on a scale of 1=decrease substantially to 5=increase substantially and the scores for each city are averages. See **appendix** for city rankings over time.

UK and Ireland

Though the UK and Ireland remain distinct real estate markets, they both continue to attract capital despite an undercurrent of caution and subdued investment activity.

Debt is widely available and increasingly competitive, while equity is harder to secure, particularly for development projects. Development viability is the dominant challenge, driven by elevated construction costs, regulatory pressures and a widening gap between market pricing and the returns required to justify new projects. Investment demand is increasingly concentrated in living sectors and infrastructure-related assets.

Ireland is seeing growing investor momentum, supported by a more favourable bond yield environment. It is attracting investment across residential, purpose-built student accommodation (PBSA), healthcare and other quasi-critical infrastructure sectors, with multifamily expected to generate the strongest near-term transaction activity. Hotels, logistics and energy storage are also attracting interest.

In the **UK**, capital is targeting data centres, prime London offices, logistics and alternative residential formats, while sports-led regeneration, co-living and senior housing are emerging themes.

Looking longer term, participants question whether current challenges represent a cyclical downturn or a more fundamental structural shift in real estate. Investors are reassessing real estate risk and increasingly viewing assets, such as data centres, through an infrastructure lens. Market participants expect resilience, adaptability and scale to become more important determinants of success.

Devolution is seen as a potentially significant long-term UK theme, with cities such as Manchester, Leeds and Birmingham viewed as having positive prospects if stronger local governance and targeted investment strategies translate into improved economic performance and greater investor interest. However, participants note that the benefits for investment markets may take time to emerge and for now these cities still sit towards the lower end of the overall European city rankings for investment and development prospects.

Housing remains a major opportunity and challenge in both markets, albeit for different reasons. Ireland faces infrastructure constraints, particularly around grid capacity, while UK participants highlight persistent supply shortages and development viability pressures. Across both markets, ESG considerations are embedded in financing and investment decisions, while technological change and AI are sharpening the focus on asset resilience, operational performance, productivity and the risk of obsolescence.

Figure 3-6 **City rankings – overall prospects**



France and Benelux

Macroeconomic and geopolitical instability is now a constant feature of the investment environment across France and Benelux, prompting a shift from performance-led to resilience-led strategies. Investment volumes and equity fundraising have declined, and the cost of capital remains the primary brake on recovery.

Prime French yields sit at or below sovereign borrowing costs, while Dutch investors indicate that capital will withdraw where adequate returns cannot be secured. Political uncertainty compounds this across the region, arising from the upcoming French presidential election, the Dutch minority government, and planning and regulatory unpredictability in Belgium and the Netherlands.

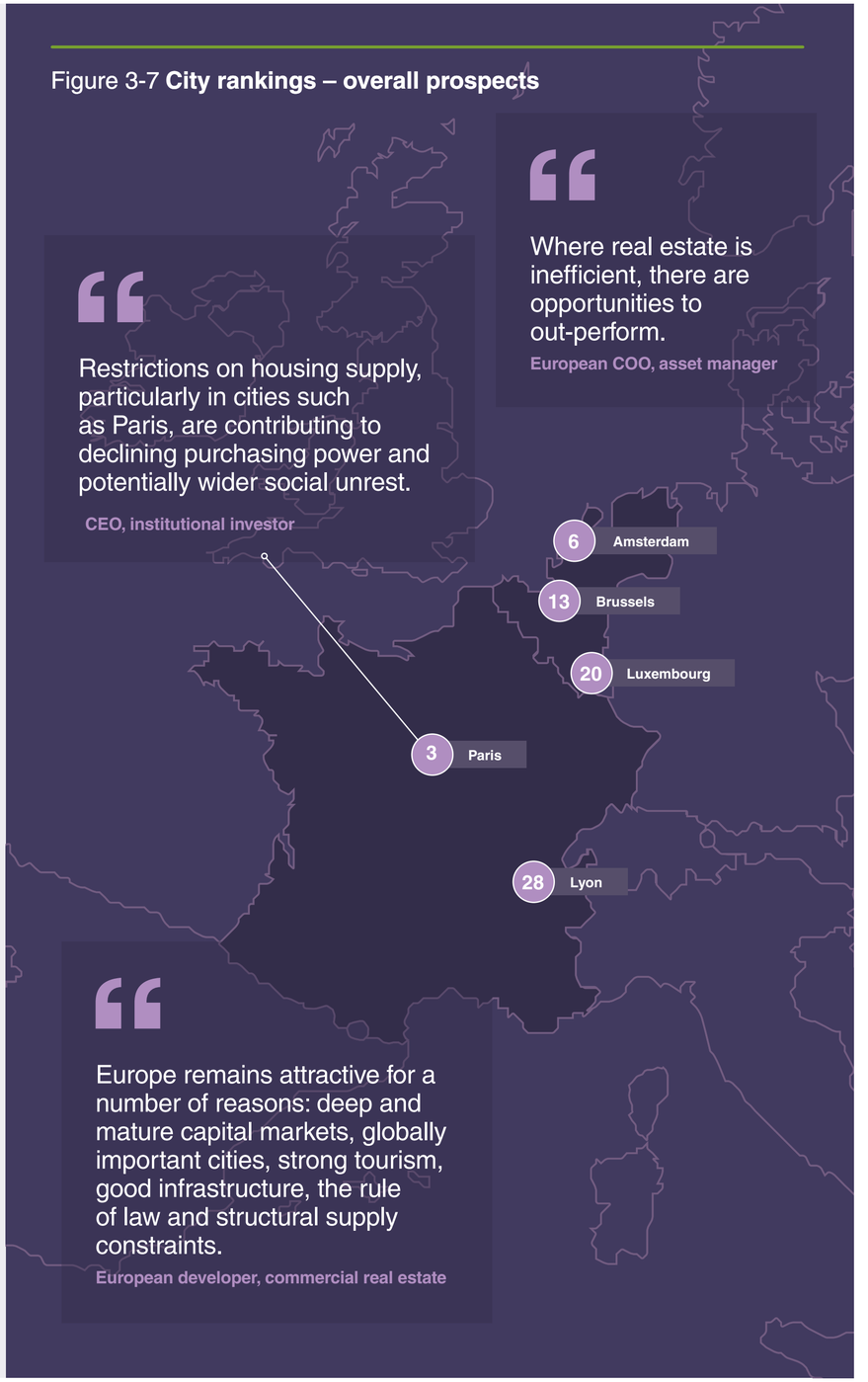
In **France,** weak macroeconomic sentiment, reflecting a high public deficit, low growth and political uncertainty, contrasts with resilient underlying fundamentals and has produced a prolonged wait-and-see stance among occupiers and investors. According to MSCI, investment volumes reached €17 billion in the first three quarters of 2026, down 12 percent on the same period of 2025. French institutional capital, historically the market's backbone, has shifted towards recapitalisation rather than new deployment, leaving a narrow group of international private equity managers to fill the gap.

Logistics attracts strong conviction, anchored by the Paris-Lyon-Marseille corridor. Views on offices diverge, with oversupply and doubts over long-term fundamentals co-existing with conviction in Paris as Europe's leading headquarters market, where prime rents continue to grow. Data centres attract significant capital but face grid-connection delays of up to eight years and are increasingly viewed as a connected-land play rather than a conventional real estate asset. Participants cite discounts of 25-30 percent for non-operated and affordable residential, available to patient capital able to navigate regulation, while senior housing is seen as demographically constrained near term, with a rebound expected in the medium term.

In **the Netherlands,** returns are the primary determinant of capital deployment. Owners hold assets and transact rarely, as sellers resist the pricing that return-led Dutch capital is prepared to pay. Housing retains strong long-term fundamentals but is constrained in the short term by costs, financing burdens, slow delivery and insufficient regulatory and political resolve on spatial planning. Participants note that housing and healthcare opportunities will not proceed without adequate pricing, irrespective of demand, although pension funds are exploring greater domestic allocation to both. Logistics records very strong rental growth, but new development has effectively halted owing to municipal opposition to large-format buildings, a constraint that also caps data centre growth. Transformation of well-located existing offices and mixed-use models is viewed as an opportunity, subject to execution risk and financing complexity, while student housing faces a reduced international student pool as a result of the "Dutchification" of degree programmes.

Belgium combines resilient operating performance with persistently low liquidity, with automatic rental and wage indexation cited as support for consumer spending relative to France and the Netherlands. Brussels prime offices are outperforming their ranking below the top-tier gateway cities, supported by scarce compliant supply and EU institutional demand, although policy risk to business attractiveness and mobility is a recurring concern. **Luxembourg** remains a small market reliant on foreign capital and limited by local investor scale and labour availability, leaving it more exposed than its neighbours to shifts in cross-border investment sentiment.

Figure 3-7 **City rankings – overall prospects**



Southern Europe

Southern Europe continues to outperform core Western markets and is highlighted as particularly attractive on yield metrics.

The region has among the strongest growth trajectories. As one investment manager highlights: “Southern Europe (Spain, Italy, Portugal) is currently seen as offering the best opportunities within Europe, having demonstrated operational and return resilience.” Across the region, housing shortages, selective capital allocation, construction cost inflation and labour constraints are recurring themes. However, investors are increasingly differentiating between countries, cities and sectors rather than treating Southern Europe as a single investment story.

Spain stands out as the region's strongest growth market. The country is repeatedly cited as one of Europe's most resilient markets, attracting significant international capital and benefiting from strong demographics and demand across residential, hospitality, logistics and selected office markets. Spain also benefits from significant Latin American family-office and private-investor flows, which are less visible in Italy, comments the CEO of a global investment manager.

The dominant challenge is supply rather than demand, with housing delivery constrained by land availability, planning delays, construction capacity and affordability pressures. Madrid is viewed as the country's strongest urban growth story, while Barcelona continues to attract interest in logistics, hotels and prime offices despite regulatory concerns. Both cities retain their positions, at 2nd and 8th respectively, in the overall city rankings.

Portugal is viewed as a stable and resilient market benefiting from strong household balance sheets, growing investor attention and a persistent housing supply-demand imbalance. Investors focus on logistics, data centres, hospitality and alternative living sectors such as flex living, PBSA and senior housing. Compared with Spain, there is greater emphasis on capital availability, alternative debt and Portugal's safe-haven characteristics, although housing undersupply, affordability pressures and rising construction costs remain important challenges. Renewable energy capacity is also highlighted as a competitive advantage supporting industrial and data-centre development.

Italy is attracting capital through competitive yields, relative political stability and undersupply in selected sectors, although investment activity is increasingly concentrated in sectors supported by structural demand, including hospitality, living, logistics and regeneration-led projects. Public-private partnerships are repeatedly highlighted as important mechanisms for housing delivery, urban regeneration and infrastructure-led development, particularly in Southern Italy. Investors remain cautious on secondary offices and continue to favour core-plus and value-add strategies.

Greece is characterised as a market transitioning from recovery to maturity. Investment-grade status, political stability and growing institutionalisation support investor confidence, but interviewees argue that the rapid value appreciation seen in recent years is unlikely to be repeated. Hospitality remains the dominant institutional sector, while opportunities are emerging in build-to-rent, student housing, co-living, logistics and data centres. Key constraints include construction-cost inflation, labour shortages, planning uncertainty and a shortage of institutional-grade investment product. Housing affordability is becoming a major structural issue, creating demand for new rental and operational residential formats.

Figure 3-8 **City rankings – overall prospects**



> There is real momentum in Southern Europe, but it's also getting a bit more crowded than it was two to three years ago.
>
> EMEA real estate investment manager

> The biggest problem we see is the social issue linked to housing, with cities growing rapidly but lacking the capacity to develop not only housing but also infrastructure.
>
> CEO of a Spanish asset manager

> Investor attention is broadening to Rome, partly because Milan is seen as more saturated.
>
> EMEA real estate investment manager

> The market is no longer only Milan-centric; the opportunity is broader across the country. We are seeing meaningful transactional activity in Italy across logistics, student housing, hospitality and quality offices.
>
> Real estate lawyer

DACH region

The DACH region is characterised by an increasingly differentiated investment landscape.

Germany contends with subdued liquidity, weak economic growth and challenging development economics, while Austria and Switzerland are generally perceived as stable markets. Long-term conviction in the region remains strong, but transaction activity is constrained by financing conditions, elevated equity requirements and a pricing environment that has yet to recalibrate to the higher cost of capital.

Development viability is the principal concern across the region, but particularly in Germany, given higher leverage constraints, the near disappearance of full-project land financing and persistently wide bid-ask spreads. As a result, capital is increasingly focused on existing assets, repositioning opportunities and strategies capable of capturing value through refurbishment, operational improvement and selective recapitalisation.

In **Germany**, weak economic growth, pressure on the industrial base, especially the automotive sector, and continued political uncertainty are weighing on sentiment and delaying investment decisions. Financing remains available, but on materially more conservative terms than in previous cycles, significantly restricting development activity. The overriding sense is of inertia rather than conviction in the market, with investors "flying blind". Yet, several participants view current conditions as one of Europe's best contrarian entry points, with opportunistic and restructuring strategies gaining traction.

Residential continues to demonstrate relative resilience and remains one of the most favoured sectors for capital allocation, supported by structural housing shortages and federal anti-expropriation legislation, although affordability pressures remain acute. Micro-living, including student and young-professional accommodation, is highlighted as an under-capitalised opportunity. Logistics, light industrial, data centres and infrastructure are also among the preferred sectors, with the Ruhr region flagged as an attractive logistics market.

In **Austria**, lower vacancy, stronger residential market fundamentals and materially lower construction costs support development viability and underpin investor confidence in the housing sector. Hospitality continues to benefit from robust tourism demand. While the market is not widely viewed as a high-growth proposition, its relative stability remains a key attraction for investors seeking predictable performance.

Switzerland occupies a distinct position as a defensive market characterised by capital preservation, currency strength and favourable financing conditions. Sustained inflows of both people and capital continue to support residential demand, while prime office assets, particularly in Zurich and Geneva, attract investors seeking stability and high-quality income streams.

Figure 3-9 **City rankings – overall prospects**



Poland and CEE

Central and Eastern Europe has strong GDP growth prospects, expanding consumer markets and structural undersupply across several sectors. However, these fundamentals are set against proximity to the war in Ukraine and the absence of the deep, liquid capital markets found further west.

Poland is the primary growth story in the region, with strong economic momentum supported by stable inflation, competitive debt financing and strong bank liquidity. However, uncertainty surrounding the eventual end of the war in Ukraine remains the key near-term risk. A potential return of Ukrainian migrants could affect both construction labour supply and residential rental demand, while concerns over widening fiscal deficits, rising defence spending and election-year politics are also identified as important structural risks.

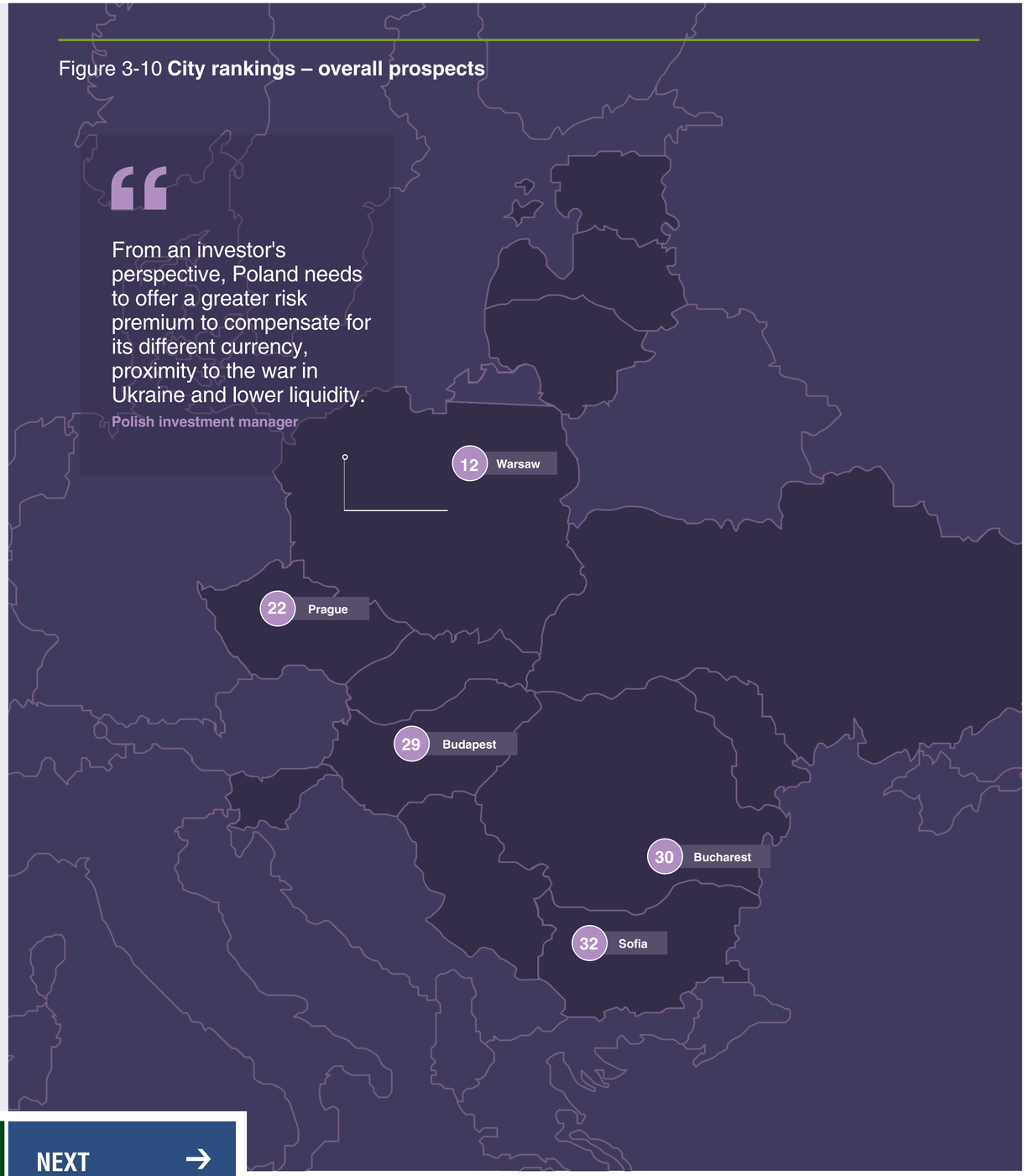
Investment activity is buoyant, with capital markets functioning relatively normally and debt widely available. Bolstered by robust GDP growth and strong demand fundamentals, investment volumes reached €4.8 billion in the first three quarters of 2026, up 77 percent on the same period of 2025, according to MSCI. Domestic capital has become a larger part of transaction activity, although its long-term buy-and-hold approach, combined with the absence of a REIT-style vehicle, continues to limit liquidity. International investors demand a pricing premium relative to Western Europe, slowing valuation adjustment and market convergence.

Looking further ahead, participants see opportunities emerging from Ukraine's eventual reconstruction, particularly for Polish companies active in export and retail sectors. Structural growth themes include data centres, PBSA, senior living and other infrastructure-related assets, all of which are viewed as undersupplied relative to demand.

Development trends vary significantly by sector. The office market is increasingly polarised, with prime assets in central Warsaw in demand and generating rental growth, while secondary stock faces rising vacancy and limited repositioning prospects. New office development is expected to remain constrained. Residential demand is expected to evolve rather than decline, with growing household wealth driving demand for larger homes. In contrast, shopping centre development is effectively complete, with future activity focused on refurbishment and extensions rather than new construction.

One notable area of concern for the region is climate resilience, which is becoming a growing investment priority, particularly for logistics assets exposed to extreme rainfall. Investors increasingly focus on adaptation measures, energy security and on-site renewable generation.

Figure 3-10 **City rankings – overall prospects**



Nordics

The Nordics command positive but measured investor interest: transparency, institutional quality and demographic strength anchor the region's appeal, yet industry leaders regard it as a portfolio of distinct national markets rather than a single investment case. High construction and operating costs remain a persistent challenge. Digital infrastructure is the region's sharpest distinguishing theme and its clearest structural growth engine. Cheap renewable power is turning Finland, Sweden and Norway into major AI-compute locations, drawing sustained data-centre capital across all three and making the Nordics essential for Europe's energy build-out.

Denmark, and Copenhagen specifically, draws the most consistently positive commentary of any Nordic market. Economic resilience, strong employment, and reliable financing access underpin investor confidence. Residential in Greater Copenhagen and data centres lead sector performance, with investment models supporting rent increases as demand continues to outstrip supply.

Sweden is the most active Nordic market, with volumes of €11 billion in the first three quarters of 2026, almost half of the regional total, according to MSCI. Demand is concentrated in Stockholm, Gothenburg and Malmö across logistics, light industrial and specialised residential such as senior housing and PBSA. Financing access is good and competitive, though participants describe an asset class increasingly losing out to private equity and technology for capital.

Stockholm slips three places in the overall city rankings this year, from 18th to 21st, and the softening office market bears this out, with shorter leases, weak demand and a long recovery ahead. Demographic headwinds loom longer-term.

Finland trades as a recovery and value play. Transaction volumes have rebounded from a low base, with a handful of large residential portfolio deals accounting for much of the uplift albeit leaving the market highly polarised. Residential, healthcare and social infrastructure and data centres pull the strongest interest. Offices, however, struggle, with conversion to residential, healthcare or hotel use gaining ground over continued office operation. A shortage of domestic capital is the structural brake, leaving international investors wary of entering the market. Investors already active in and familiar with the Finnish market, however, see attractive opportunities in current pricing as transaction activity recovers.

Norway moves slower than in previous cycles, with interest rates dictating investment and development activity and no rapid recovery in sight as seller pricing expectations hold firm. The market splits sharply between well-bid prime assets and struggling secondary and development stock, though supportive bank behaviour has kept widespread distress at bay. Logistics, hotels and data centres draw the strongest conviction; offices split along the same prime/secondary fault line as the rest of the region. Oslo leads on liquidity, occupier demand and logistics depth, making it Norway's safest and most scalable market.

Figure 3-11 **City rankings – overall prospects**

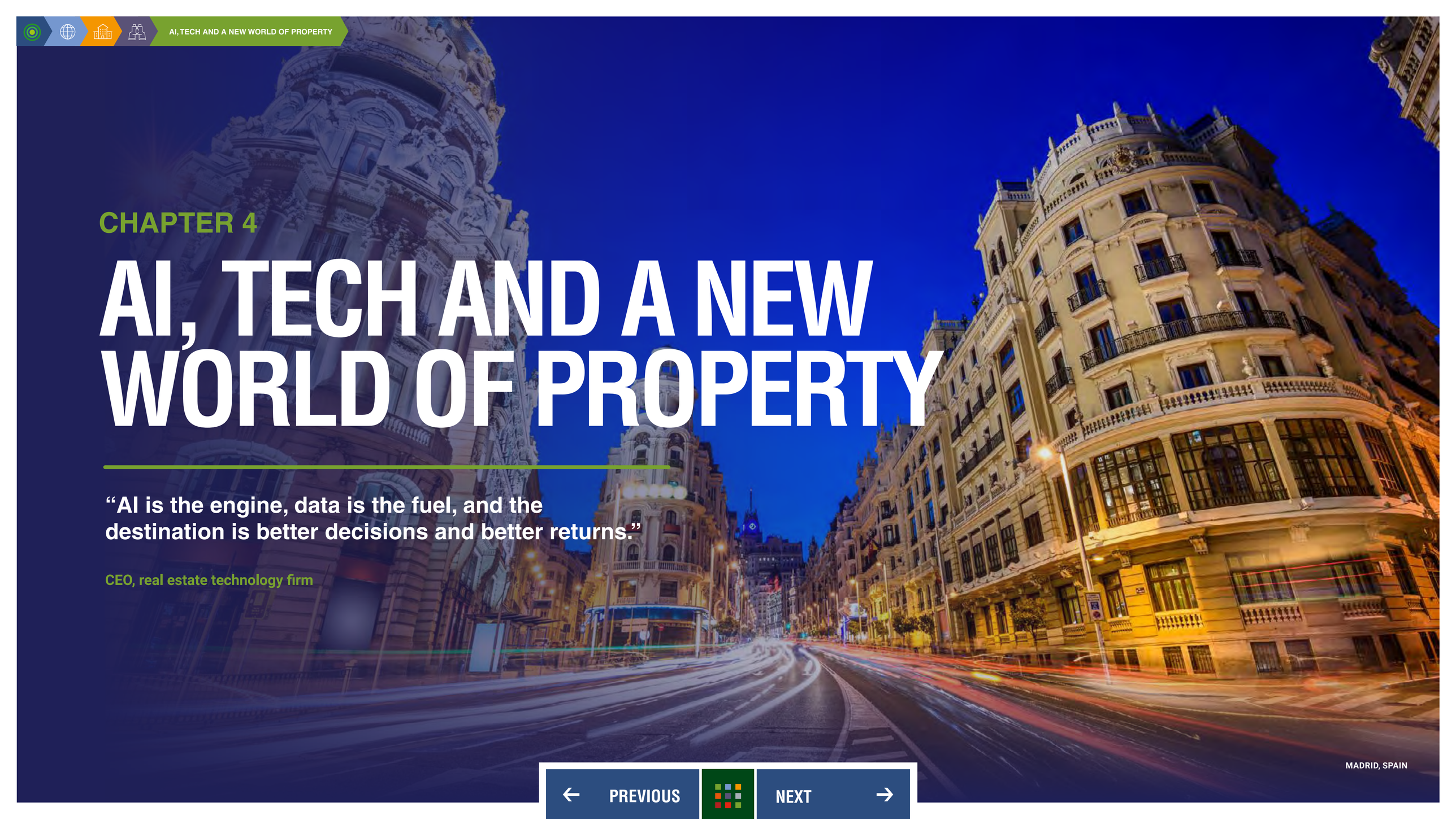


CHAPTER 4

AI, TECH AND A NEW WORLD OF PROPERTY

“AI is the engine, data is the fuel, and the destination is better decisions and better returns.”

CEO, real estate technology firm



MADRID, SPAIN

Technology and artificial intelligence (AI) are reshaping real estate in ways that go far beyond automating routine tasks.

Buildings are becoming connected platforms, linking physical infrastructure with energy systems, digital services, data and, increasingly, AI. In short, we are witnessing the convergence of three transitions at once: the energy transition, the digital transformation, and real estate's evolution into a complex, operational asset class. As one global developer says: "Real estate has a fundamental role to play in enabling the energy transition, technological advancement and stronger communities."

AI in particular is changing how buildings are designed, operated and experienced – and potentially how value is created across the entire value chain. Today, AI, data, cloud computing and robotics are inflicting unprecedented change on the industry. "We can imagine a world where buildings react more quickly and in more nuanced ways to changing environments and data," says the business development head at a global technology company.

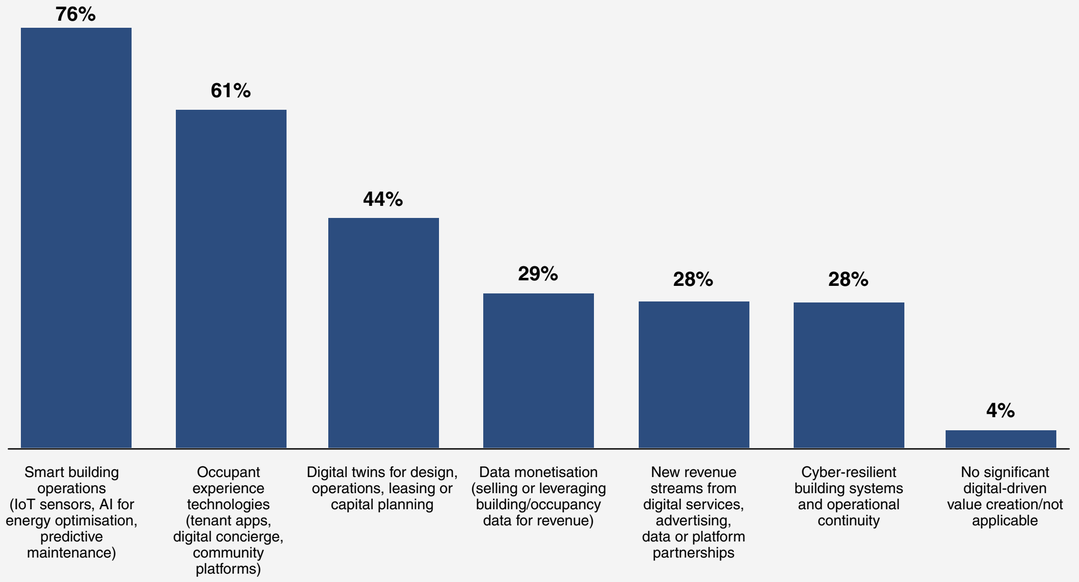
There is no doubt that the digital layer is creating value through energy efficiency, predictive maintenance, tenant experience and data-driven decision-making. Increasingly, that value – along with the risks and liabilities that come with it – is expected to show up in how assets are underwritten and valued.

> We can imagine a world where buildings react more quickly and in more nuanced ways to changing environments and data.

The more pressing questions are how fast automation and commoditisation across real estate will reshape the industry, and who will capture that value beyond the technology vendors themselves. The landlord who installed the sensors? The operator who manages the platform? The occupier whose behaviour generates new data? The service provider whose algorithms create better insights? All these players need to confront these implications now, as further challenges emerge.

While the digital transformation brings previously separate worlds together, the technology itself may not be where the true competitive advantage lies. The commercial real estate industry spends billions of dollars annually on manual data gathering and investment analysis. Multi-million-dollar decisions in much of the industry are still guided by spreadsheets, PDFs and months of manual review – a process that has not fundamentally changed in decades.

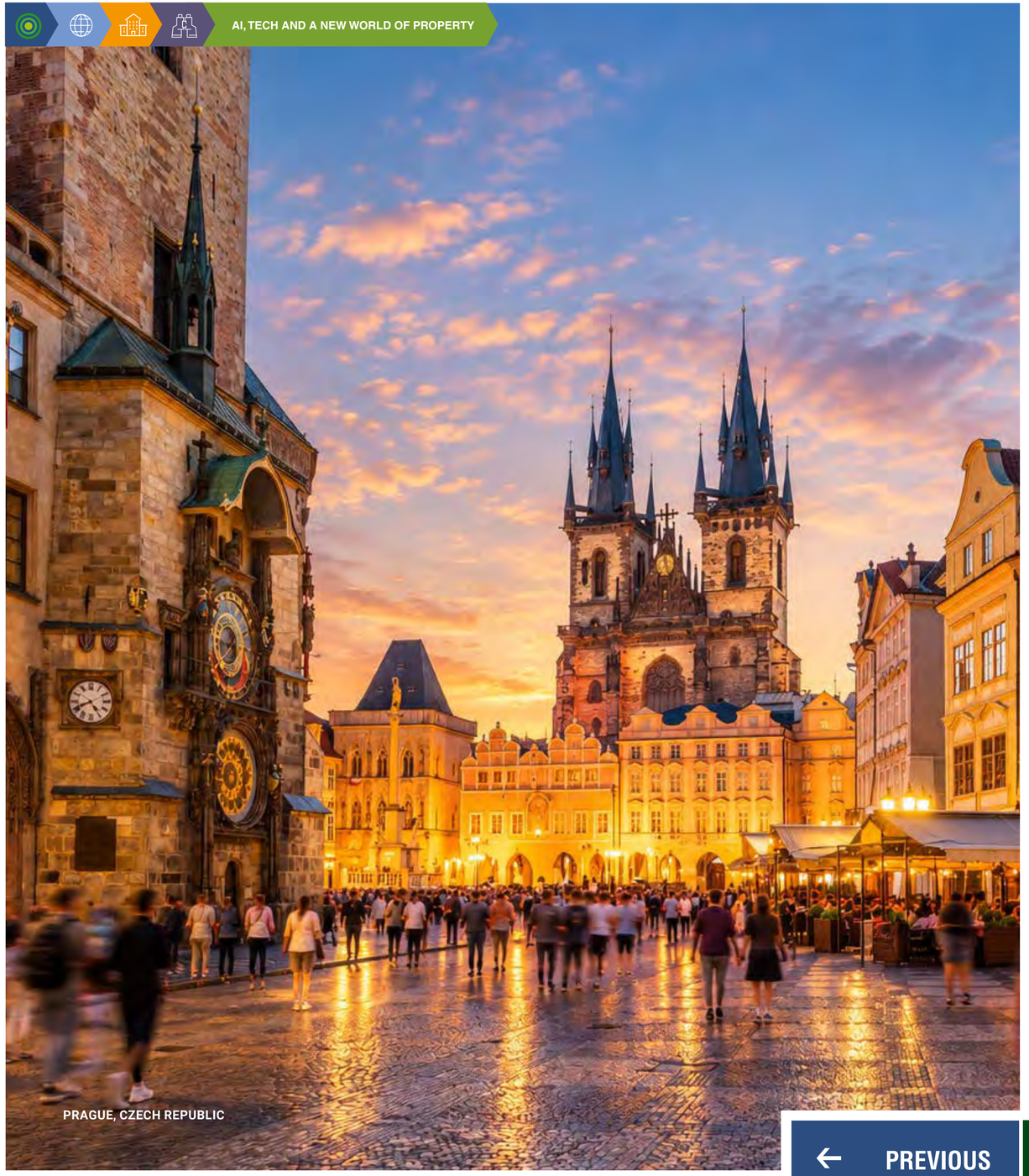
Figure 4-1 **Digital enhancements expected to contribute to real estate performance**



Note: Percentage ranking it within their top three enhancements
Source: ***Emerging Trends Europe survey 2027***


STOCKHOLM, SWEDEN

← PREVIOUS NEXT →



PRAGUE, CZECH REPUBLIC

Moreover, the industry has been fragmented and siloed, with weak feedback loops. Insights from how buildings perform and are actually used rarely flow back to those who design, finance and invest in them, so the same mistakes and inefficiencies persist.

Without exception, the industry leaders canvassed for *Emerging Trends Europe* see this as the heart of the opportunity. Unlocking the vast stores of existing data trapped in legacy systems, historical performance records and paper archives, and generating new data through IoT sensors, smart systems and digital twins, will drive cost savings, smarter resource use and asset management. More importantly, it will inform future development and investment decisions. As one proptech founder notes, a terabyte of unused data does not provide a competitive advantage – a better decision does.

Access to data will ultimately determine how effectively organisations can use AI to optimise buildings, manage energy, improve investment decisions and create better user experiences. AI is now exceptionally good at handling unstructured data, so the question is less whether data is clean and more whether organisations can reach it and connect it. Yet this sits against a much bigger shift: AI is being aimed at far greater challenges – curing cancer, robotics, even data centres in space. Against that backdrop, the problems the industry is organised to solve look modest, suggesting its current structure could be due for dramatic change. Ultimately, digital capability is likely to become less of a differentiator over time and more of a basic

> If you do not use AI, this will be evident in your operational costs.

necessity. A decade from now, tenants will expect high-quality digital infrastructure as routinely as they do good connectivity, sustainability credentials and basic building services, an adviser warns: “And if you do not use AI, this will be evident in your operational costs.”

Living with a new utility

Real estate leaders have no doubt AI on tap will fundamentally change the industry and generate major efficiencies in operating and capital expenditure.

AI is already delivering efficiency gains across document processing, information retrieval, numerical analysis, presentations, renderings, construction documentation searches, meeting transcriptions and summaries. All these tasks are now completed in minutes or hours rather than days. Although such applications are improving efficiency across departments including marketing, human resources, leasing, construction, administration and executive functions, the primary effect will be to increase output within existing working hours rather than reduce them, says one investment manager. “AI isn’t replacing people – it’s giving every professional a highly capable assistant.”

A global developer describes the AI revolution as “the most amazing era ever”, allowing asset managers to concentrate on the essential things that cannot be replaced by a machine: relationships with tenants, negotiation, trust and judgement. The question, however, is whether the boundary between automatable tasks and human judgement is also blurring, given that AI is already encroaching on support functions and relationship management.

Others agree the disruption will be pervasive albeit uneven, rippling through economic conditions, capital flows, occupier demand and professional roles, with the gap between early adopters and laggards widening within and between organisations. The disagreement lies not in whether change is coming, but in how fast, where it will land first and what it will take to capture the value across real estate.

AI cannot magically create missing information. Buildings must first generate, collect and structure data before AI can add real value. Other interviewees argue that the true breakthrough will not come from the technology itself but from combining the industry’s fragmented data so that AI can use it. One venture capital firm partner sums up the prevailing optimism: progress will be cumulative, with each stage of adoption building on richer data and increasingly sophisticated decision-making.

Rewiring the value chain

An overwhelming majority of survey respondents see marketing/leasing as the area where AI and machine learning will have the greatest impact in the next 18 months.

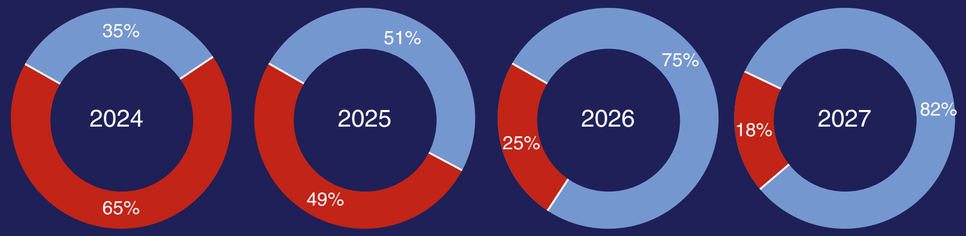
By contrast, most interviewees view these parts of the real estate chain as later-stage beneficiaries. There is, though, widespread agreement that digital platforms will fundamentally change landlord-tenant relationships, for example through automated prospect identification, personalised marketing and communications.

75%

think smart buildings and digital capabilities create a major competitive advantage in real estate

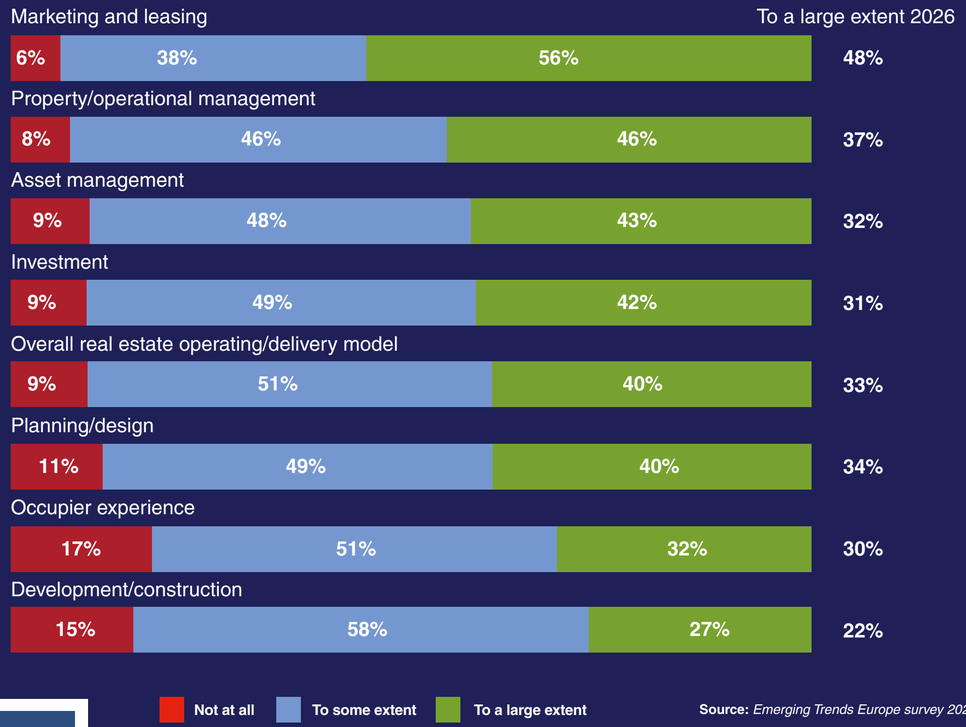
Survey respondents and interviewees also acknowledge the clear near-term value of AI and machine learning in **property operations and asset management.** No less than 92 percent of survey respondents expect to use AI/machine learning for operational management in the coming 18 months, with 91 percent planning to do the same for asset management (Figure 4-3).

Figure 4-2 **Proportion of the industry using AI/machine learning to assist with real estate activities**



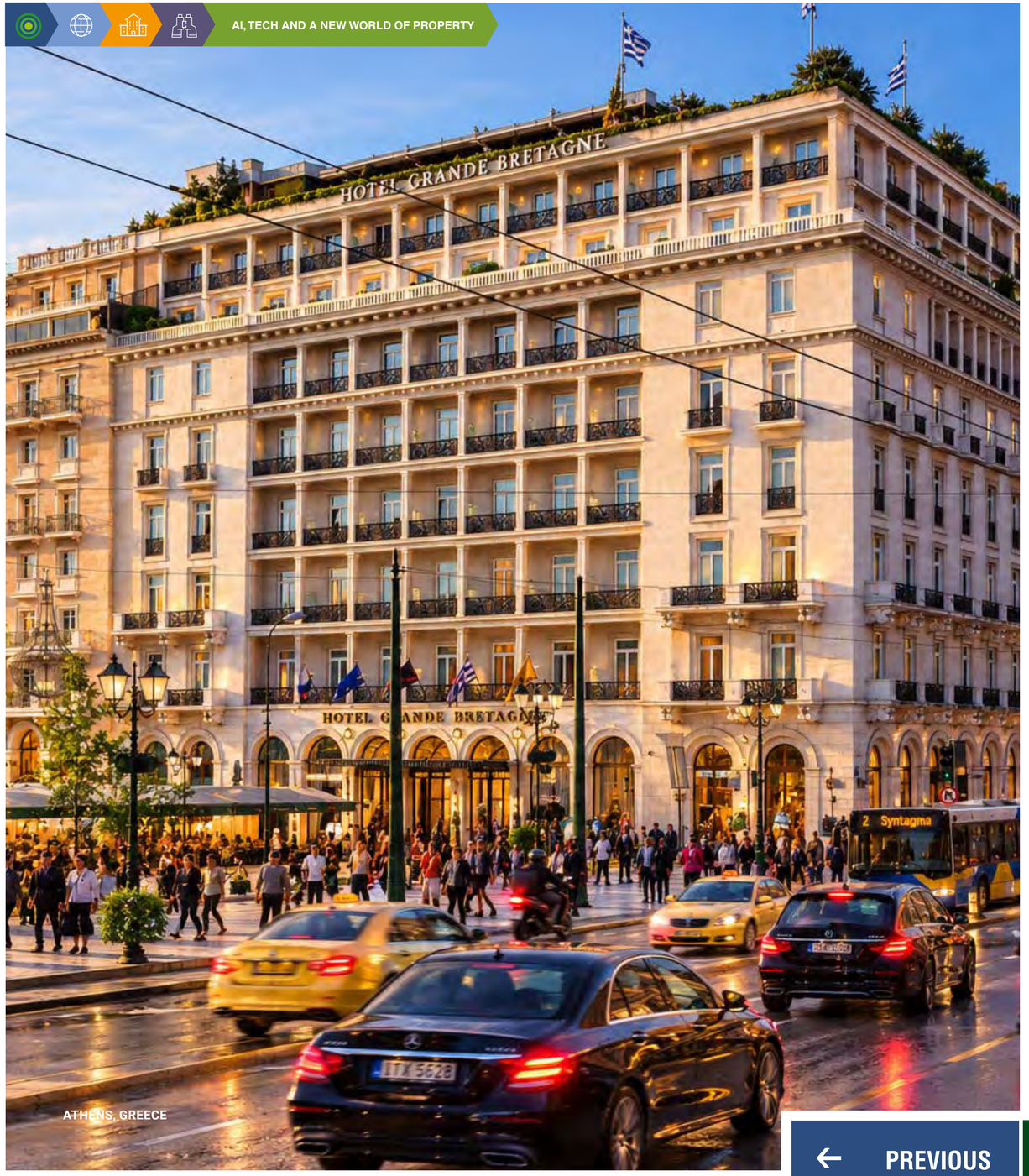
Source: *Emerging Trends Europe survey 2027*

Figure 4-3 **Use of AI/machine learning to assist with real estate activities in 2027**



Source: *Emerging Trends Europe survey 2027*

PREVIOUS NEXT



ATHENS, GREECE

Given the sheer volume and frequency of decisions involved in both disciplines, AI is expected to improve productivity dramatically by automating repetitive knowledge work – a shift one interviewee likens to the arrival of computer-aided design software decades ago. Automating the high-frequency judgement calls around performance will free professionals from preparing reports, searching documents and copying information while accumulated data is expected to improve the quality of asset management decision-making.

Further efficiency and service gains are possible around routine tasks such as customer service and facilities management, while predictive maintenance and automated reporting are also expected to cut costs significantly. For one private real estate company, an automated water-leak detection system helped minimise water escapes, previously its top source of insurance claims.

A growing number of global investment managers are adopting proptech platforms to identify high-impact retrofits that drive cost savings, compliance and decarbonisation across their assets. Such tools enable landlords to integrate sustainability decisions into mainstream asset management and generate sizeable savings, rather than treating the topic as a separate, abstract goal. As one proptech founder notes, one building may generate useful data, but “a thousand buildings can tell you so much more”. Meanwhile digital twins are starting to feed into asset management too, with leading developers now carrying building data from design through to operations to inform the next generation of developments.

> There’s a world of difference between using AI to brainstorm an email and putting AI inside an institutional investment process.

Major efficiencies are expected in other information-led parts of the value chain, including **investment and underwriting**. Both activities lend themselves to AI-driven due diligence and risk assessment, with AI able to combine variables such as climate risk and lender requirements to speed up decisions. “There’s a world of difference between using AI to brainstorm an email and putting AI inside an institutional investment process,” one interviewee observes.

Portfolio modelling and forecasting are further areas where AI can generate substantial near-term wins. For example, a portfolio manager confronted with an interest rate hike can now assess the impact in minutes. There are also risks: faster underwriting is only as reliable as the data and assumptions behind it, and speed can breed false confidence. By the same logic, the quality of an asset's own digital layer – the data it generates and the systems that generate it – should itself become a factor in the price buyers and lenders are willing to pay.

Ultimately, improved access to information and feasibility analysis will allow investors to speed up the investment process, a digital head at a listed company says: “If we can reduce uncertainty through better data and evidence, we can lower the amount of effort and cost devoted to risk management and focus more capital on delivering better buildings.”

Some interviewees highlight the potential of **planning and design**, precisely because they remain the least digitised parts of the industry. The LandIQ project in New South Wales, Australia, developed by Sydney-based Giraffe, offers early proof of how AI can meaningfully reduce approval uncertainty and accelerate land-value discovery. By joining up hundreds of fragmented government datasets, the platform – described by one global developer as “the most progressive example of technology adoption around land use” – allows planners to assess thousands of sites automatically at a scale that would previously have taken years. Additionally, earlier-stage decision-making allows carbon calculators and social value analyses to be built directly into feasibility tools, so environmental and social objectives can shape decisions from the outset rather than be added on later. Ultimately, this should have a positive effect on the timeline of a project as well as valuations.

Alongside LandIQ, the New South Wales state government has introduced so-called pattern book housing, which allows apartment designs to be pre-approved so that applications using those layouts face significantly less regulatory friction. “If, or when, you make an application using that apartment building blueprint, it takes away a tonne of the red tape,” a design head at a global housing developer explains.

“If we can reduce uncertainty through better data and evidence, we can lower the amount of effort and cost devoted to risk management and focus more capital on delivering better buildings.

Despite widespread enthusiasm for this “standout initiative”, not everyone is convinced such platforms will reshape outcomes. AI may speed up planning applications but will not necessarily change them, a European consultant says: “Politics and human judgement remain decisive.”

As for design, AI can speed up production of feasibility studies, planning assessments, financial models and visualisations, and is expected to bring further improvements to design, cost certainty, procurement and risk reduction. Specialist machine-learning models for environmental factors such as noise, acoustics and wind that were previously only assessable deep into the design process, are now able to inform decisions much earlier, thus functioning like “digital consultants”.



EDINBURGH, SCOTLAND

← PREVIOUS NEXT →



OSLO, NORWAY

A better understanding of operational performance and climate risk will also help accelerate design processes, improve asset repositioning and retrofit planning, and support greater automation, modular construction and circular design. Emerging technologies, such as robotics, can meanwhile be integrated more easily into new and existing developments. Indeed, one institutional investor believes office designs must anticipate the likely deployment of robots for cleaning activities in the coming years.

Architects increasingly need skills in prompting and interacting with AI tools alongside – not instead of – traditional technical drawing. One developer already sees architects and designers being freed from repetitive tasks, such as counting parking spaces, to focus instead on design quality, creativity and user experience.

But execution still lags the hype. Despite the emergence of promising tools such as agentic AI and digital twins, there are few, if any, examples of companies capable of integrating AI across the full development lifecycle. Fully automated design remains immature although development workflow processes are expected to keep improving. One example is NVIDIA's Omniverse, which is a development platform for building physical AI applications, industrial digital twins, and real-time 3D workflows.

In terms of **occupier experience**, AI tools are helping one landlord capture the conversations with retail customers, past and present, and ensure that measures are taken based on the findings of a customer-conversation dashboard.

> By owning and controlling the infrastructure, you can drive above-trend growth.

Logistics is another segment where the landlord's role is evolving from leasing space to supporting what happens inside it. Greater access to data and rapid upskilling among AI-enabled occupiers may well shift the information asymmetry that has long defined the landlord-tenant relationship.

A key question in this evolving dynamic is which player actually holds the best data. Understanding what type of workspace works best for employees generally sits with the occupier. As real estate becomes more strategically important for technology, customer experience and competitive advantage, technology companies may choose to own critical assets directly, a global consultant predicts. "By owning and controlling the infrastructure, you can drive above-trend growth."

By contrast, only 27 percent of respondents plan to use AI and machine learning to a large extent in **development and construction** over the next 18 months. Both are complex, information-heavy processes where mistakes carry greater consequences, and change here is expected to be gradual. Construction, in particular, lags in software-driven AI, but that finding may be skewed by the background of the survey participants. In any case, this part of the value chain has the additional challenge of immature robotics for physical, on-site tasks.

The next breakthrough in this part of the value chain is likely to come when AI and robotics begin working together, facilitating automation of physical work in construction, maintenance and logistics, with drones deployed for site inspections. London-based venture capital firm Pi Labs is one European player active in this space. The company invests in early-stage companies applying AI to tackle issues from labour shortages to sustainability targets and manual processes, with a portfolio spanning construction-site robotics and tender-estimation platforms. Agentic AI is seen as the next major shift: systems capable of independent decision-making that function as "real estate co-workers," managing the complex, multi-step workflows the sector has long struggled to streamline.

Disruption in development is a real possibility as well, given that AI can enable small firms to build sophisticated, data-driven investment systems on their own – an "eye-opening" advance, says one interviewee. This could, however, result in a broader commoditisation risk. As AI-driven tools become more accessible, capabilities once the domain of large, well-resourced players could become available to anyone, reducing the advantage that scale and specialist expertise have traditionally provided.

Digital disruption

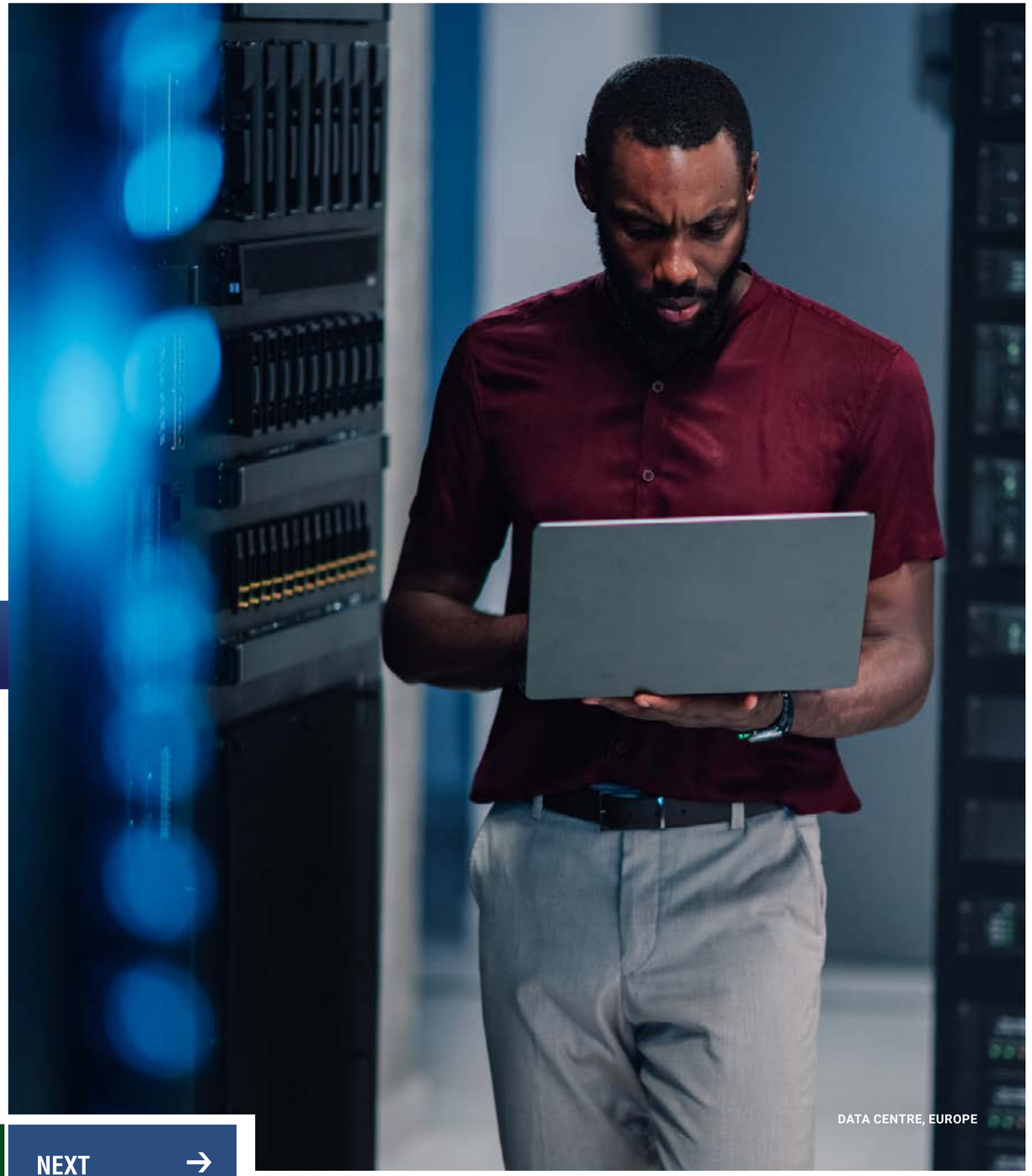
A clear pattern emerges as to how AI will likely be deployed across the value chain.

AI is not replacing existing tools but connecting data, platforms and expertise more intelligently, thus creating more efficient processes. Increasingly, it is expected to move from assisting individuals to running processes outright – from planning, building management and predictive maintenance to portfolio analytics, leasing, investment analysis and tenant experience. As one global consultant suggests, the bigger opportunity is not simply adding AI tools but redesigning entire workflows and operating models around the technology.

45%

cite running select projects and evaluating broader deployment as their main approach to digital innovation.

That raises the prospect of a fundamental shakeup of the asset management industry. Arguably, many of the inefficiencies embedded in current structures, such as multiple layers of intermediaries, have persisted largely because they are protected by vested interests with little incentive to change.



DATA CENTRE, EUROPE

PREVIOUS NEXT



DATA CENTRE, NETHERLANDS

AI is likely to strip away much of that protection, one industry leader predicts, giving rise to genuinely disruptive operating models rather than simply digitising existing ones. For incumbents, making that transition will require more than technological capability alone: a serious commitment to organisational and generational adoption will be critical.

Evidence of shifting operational models is already visible in residential development. A typical emerging workflow for a leading global player integrates multiple digital platforms – such as Giraffe, an early-stage real estate site analysis and development feasibility tool, and Revit, Autodesk's Building Information Modelling software – into a single connected process linking internal teams and external consultants. The impact on development timelines has been dramatic. Work that previously took months, from feasibility studies through design development and modelling, can now take days. A company can now take a site, underwrite it and produce a 3D walkthrough model within that timeframe. The next ambition is to compress the production of full construction drawings into a similar window.

Longer term, AI agents are expected to become embedded throughout business processes, enabling buildings and organisations to make decisions and act autonomously. Once that takes off, the difference between the output of an agent and the average portfolio manager will only increase, one interviewee predicts. Cloud computing is likewise viewed as a major enabler of scalable digital services and connected buildings, letting a portfolio owner monitor energy use, security and maintenance needs across dozens of sites from a single dashboard.

> We're looking to embed a robust governance framework because clean and good data today needs to be preserved.

As the industry transitions from owning assets to operating them more intelligently, a key challenge is bringing together large amounts of fragmented data across systems, portfolios and multiple stakeholders. Unfortunately, the sector is not yet paying enough attention to its data foundations and the time and effort it takes to get this in order, an innovation head at a real estate company says. His own firm has now set up a governance model that identifies "data owners" who are accountable for the quality of information in specific parts of the business. The goal is not a "tidy-up" process for a new system, he explains: "We're looking to embed a robust governance framework because clean and good data today needs to be preserved."

It’s not just about the tech

Technology alone will not transform the sector, according to industry leaders, who identify the skills gap as the biggest constraint on capturing value from AI and digitalisation processes.

One venture capitalist believes the sector needs people who can move fluidly between disciplines, with skills such as data engineering, AI, cybersecurity and energy management becoming essential. Diverse teams will also be better equipped to design buildings that serve a much broader range of users. Hybrid fluency, not narrow specialism, is the real prize, he adds: “The valuable skill is not just knowing real estate or technology – it is being able to connect the two.”

An institutional investor predicts the workforce itself will be redefined, with the percentage of technologists rising so sharply that within five years, what we now call a technologist will simply be a normal employee in the industry. However, employers should refrain from over-hiring technologists, one interviewee warns, arguing that partnerships with technology companies may serve property companies better than competing for scarce tech talent.

A key question is what the shift to AI-led work processes and agents will mean for fees and the costs of running platforms. One possibility is a smaller, more highly paid workforce commanding a premium for scarce technical expertise; another is a leaner cost base overall, with fewer people and lower fees as AI continues to create efficiencies.

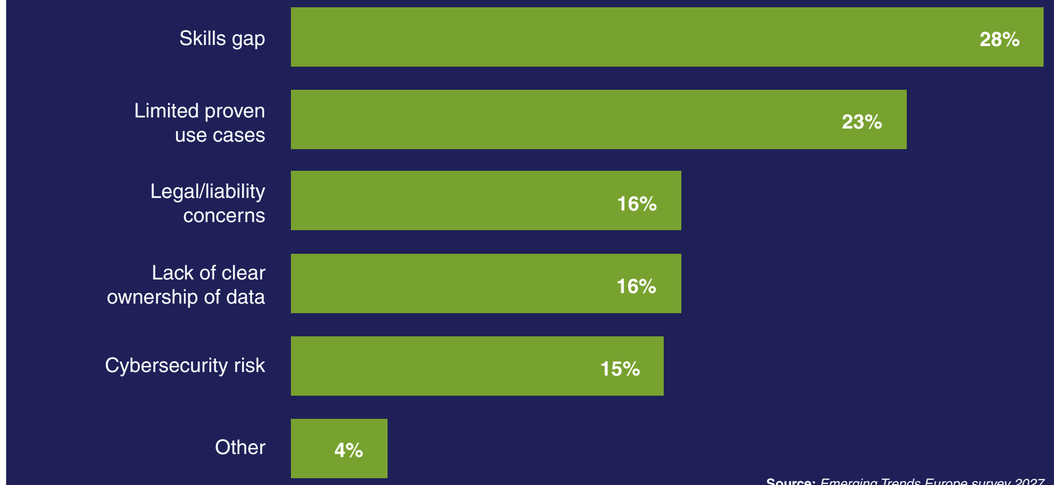
> The valuable skill is not just knowing real estate or technology – it is being able to connect the two.

Another interviewee favours recruiting outsiders from psychology, hospitality and retail as real estate becomes more operational and customer-facing. As AI takes over routine work, human skills – understanding trends, consumer behaviour and what people actually want – will become a critical part of the value real estate professionals provide, particularly in areas like service, brand and customer experience.

Many industry leaders also believe the sector needs more cross-cutting functions to connect these disciplines, akin to those seen in manufacturing companies and banks. Several stress that disruption is not a distant prospect. AI is already impacting the value chain, with immediate and ongoing effect, and business model adjustment must not be delayed. Crucially, AI is transforming institutional memory itself, one research head notes: “Tacit knowledge that was in the heads of people is now explicit knowledge. When somebody leaves, the knowledge doesn’t leave.”

The same principle may eventually extend to advisers and brokers. They are still relied upon largely for the expertise and relationships they hold personally, but as AI makes that kind of market knowledge accessible, owner-to-owner transactions will become more feasible, possibly leading to disintermediation over time.

Figure 4-4 **Biggest constraint to capturing value from digitalisation and AI in real estate**

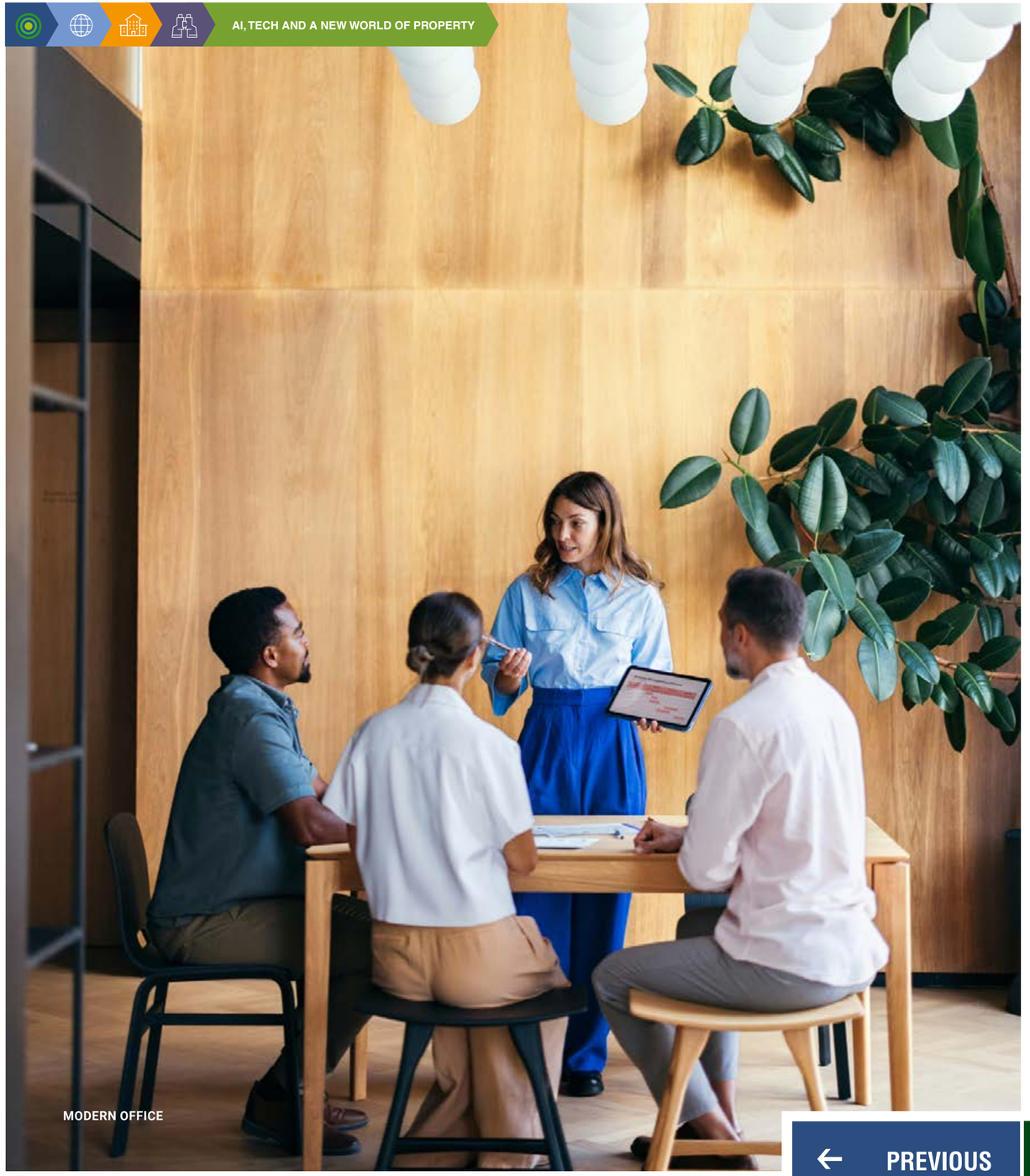


Source: *Emerging Trends Europe survey 2027*



BUDAPEST, HUNGARY

← PREVIOUS NEXT →



MODERN OFFICE

"Training employees on AI is an essential starting point, not least because the nature of work itself is shifting," says an innovation head at a global asset manager.

Anyone using an agent becomes a manager themselves: their skills are changing because they need to understand what they can delegate, and how. AI will take a portion of their work, he says bluntly: "Don't fight against it; try to embrace it and reposition yourself."

That said, AI's impact on office demand is not purely negative, a global developer notes: while the technology is displacing some jobs, it is also generating new occupier demand. Many of his company's recent European office leases are underpinned by AI-related businesses, he reports. "There will be winners and losers in terms of occupiers; it's not a one-way street."

Business culture and leadership are critical factors, however. Transformation stalls without top-down sponsorship and genuine cultural buy-in across the workforce, not just an innovation team. Curiosity is possibly the single most important leadership capability, adds a consultant: "Future leaders won't necessarily be AI specialists, but they must be enthusiastic learners."

Diversity of thought – rather than diversity as policy – is also a recurring theme. A broad mix of ideas is "incredibly important", an institutional investor says, to avoid groupthink and developing

"Future leaders won't necessarily be AI specialists, but they must be enthusiastic learners.

blind spots. Having the right skills is one side of the coin; creating an environment where a strong foundation of knowledge co-exists with diversity of thought is the other, says a digital head at a listed company. In that sense, AI is the missing link, he adds: "We have created a huge volume of intelligent data – like a library full of books about construction history. What we didn't have was the adaptive librarian who could instantly find and connect the information."

Who controls the tech?

Greater digital connectivity comes at a price. As buildings become increasingly connected, digital systems are gaining control over critical functions such as access, heating, cooling, ventilation, lifts, lighting and energy management.

A successful cyber attack could therefore disrupt the physical operation of a building and even endanger safety (see cybersecurity sidebar, p75).

> I don't want to be a tech company ... but what we will be is the choreographer of that tech.

There is also the risk of technology becoming obsolete faster than buildings themselves due to a mismatch between the long-term investment horizon of many assets and the shorter lifespan of most software and digital systems. As one global investor points out, most buildings run on systems equivalent to Windows XP from 2005 that have never been updated. This risk is compounded by occupiers themselves, who are unwilling to accept outdated technology and are pushing owners to modernise their buildings' digital infrastructure. In practice, this means choosing building technology that uses common standards, keeping ownership of the data it generates, and favouring components that can be replaced individually, so that no single vendor's product cycle dictates the life of the asset.

Few dispute that digital capability enhances a building's competitiveness although the market has yet to reach consensus on whether it commands an explicit premium or whether its absence will be penalised. Yet buildings that cannot demonstrably improve efficiency, resilience, comfort or adaptability risk a digital discount or worse, one sustainability consultant warns: "Poor connectivity, insufficient power capacity and outdated systems will reduce occupier demand. Those buildings will be dead."

External technology vendor dependency is a closely related risk, particularly for organisations with limited internal expertise.

The danger is not simply being tied to a single supplier, but potentially losing the ability to maintain, adapt or even understand critical systems over a building's lifetime – an issue compounded by black box technology, where proprietary systems and algorithms remain opaque to the property companies relying on them. That risk is closely linked to the broader question of who ultimately owns and controls the underlying data. The consensus is that the best asset managers will be those able to direct technology partnerships, income streams and specialist operators.

AI itself reinforces this dynamic by accelerating software development and lowering its cost. It makes bespoke solutions, potentially built with external support, more viable than previously possible with off-the-shelf alternatives. As one developer puts it: "I don't want to be a tech company ... but what we will be is the choreographer of that tech." The winners will not be the companies with the most technology, another developer agrees. "They'll be the ones that integrate it most effectively into how they design, build and operate real estate."



FRANKFURT, GERMANY.

← PREVIOUS NEXT →



BIRMINGHAM, UK

Respondents are split on who should own data generated in buildings.

45% think shared ownership

43% think the landlord

An “underdiscussed” concern is AI making decisions concerning investment, capital planning and valuations. This raises particular questions for the role of the fiduciary manager, whose duty to act in clients’ best interests presupposes a genuine understanding of how investment decisions are reached. That assumption becomes harder to uphold if those decisions are increasingly shaped by systems the manager cannot fully explain or verify.

Ultimately, human oversight and clear accountability remain essential, a private real estate company director observes: “The greatest digital risk isn’t the technology itself, but a workforce using it without adequate skills, training or the right culture to deploy it properly.”

Who owns the data?

Large datasets held by institutional investors potentially offer a competitive advantage, but the value is generally seen as coming from using data rather than simply owning or selling it.

For example, portfolio-level data can help identify underperforming assets and improve underwriting and capital allocation. Monetising raw data remains difficult and some interviewees are sceptical it will become a major standalone revenue stream in Europe due to privacy regulation.

Yet data collected, structured and enriched by AI is clearly valuable, so the question of who owns

“The greatest digital risk isn’t the technology itself, but a workforce using it without adequate skills, training or the right culture to deploy it properly.”

and exploits that information – and who is liable for its use – is increasingly important.

Shopping centre owners keen to measure asset performance, for example, rely on occupiers to share data on footfall and tenant sales. The value of data collaboration in this sector is not a new idea. Nearly 10 years ago, London's New West End Company partnered with PwC and Arup to aggregate footfall, sales and visitor behaviour data across its 600 member businesses on Bond Street, Oxford Street and Regent Street.

This initiative revealed that customers from Japan and France were among the highest international spenders on Bond Street. Retailers could therefore provide a better customer experience leading to higher sales if they employed sales associates with these language skills. Similarly, office landlords may rely on occupiers to share space utilisation and health and wellbeing metrics to gauge how their buildings are performing.

There is no consensus, however, on a single ownership model for smart-building data, since ownership varies by data type: occupier behaviour, building operations and public-area data may be controlled by different parties.

> Digital capability is going to become a hygiene factor – a bit like the environmental ratings for buildings, such as BREEAM and WELL.

Instead, the responses point towards a layered or federated approach, in which ownership and access rights depend on the type of data and how it is generated.

The strongest view is that building owners should retain ownership or control of core operational data. Technology vendors should receive only the data they legitimately need, preferably anonymised, while occupiers should retain control over personal and commercially sensitive information. One interviewee argues that data should belong to the building itself, potentially through a digital passport containing its operational history, technical information, maintenance and sustainability records.

Given fragmented data ownership and responsibility, there is a strong need for consistent governance and compliance with the EU's general data protection regulation (GDPR). Future models are likely to combine shared access rights, permission-based systems, privacy and cybersecurity safeguards, clear commercial agreements and interoperability standards. This requires collaboration between owners, operators, occupiers and technology providers. Regulation such as the EU Data Act is likely to help establish these rights and responsibilities, but implementation is still very much a work in progress.

On a deeper level, the digital layer embedded in real estate is creating substantial new value but also additional risk. Exactly where that value and risk rests is largely unresolved across the industry, at both the corporate and individual asset level.

Cyber attacks and system vulnerabilities raise thorny questions of responsibility and liability: if a building's connected systems are compromised, who bears the cost – the landlord who owns the infrastructure, the occupier whose operations are disrupted, or the technology vendor whose system was breached? Beyond incident risk, the ongoing costs of this digital layer need to be apportioned, and it is not always clear to whom.

A concrete example illustrates just how granular these questions become. Take a heating, ventilation and air-conditioning software system that generates significant energy efficiencies in an older building, without requiring major refurbishment or capital expenditure. Who pays for installing and maintaining the software – landlord or tenant? Who captures the resulting benefit, given that energy savings may flow disproportionately to whichever party pays the utility bill? Who owns the "asset" itself – is embedded software part of the building's fabric, or a separable, portable technology asset? And what happens to it at the end of a lease, or during dilapidations – does it stay with the building, get stripped out, or become a point of dispute between outgoing and incoming occupiers? These questions sit at the heart of how value and risk will be allocated as buildings become more digitally layered.

While much of the industry conversation focuses on the upside of digitalisation, comparatively little attention has been paid to the structural, contractual and financial questions the digital layer raises about who owns what, who pays for what, and who is liable when things go wrong. As connected systems become embedded in the fabric of buildings, these questions are expected to move from a technical footnote to a central feature of leases, valuations and asset management strategy.

The new normal

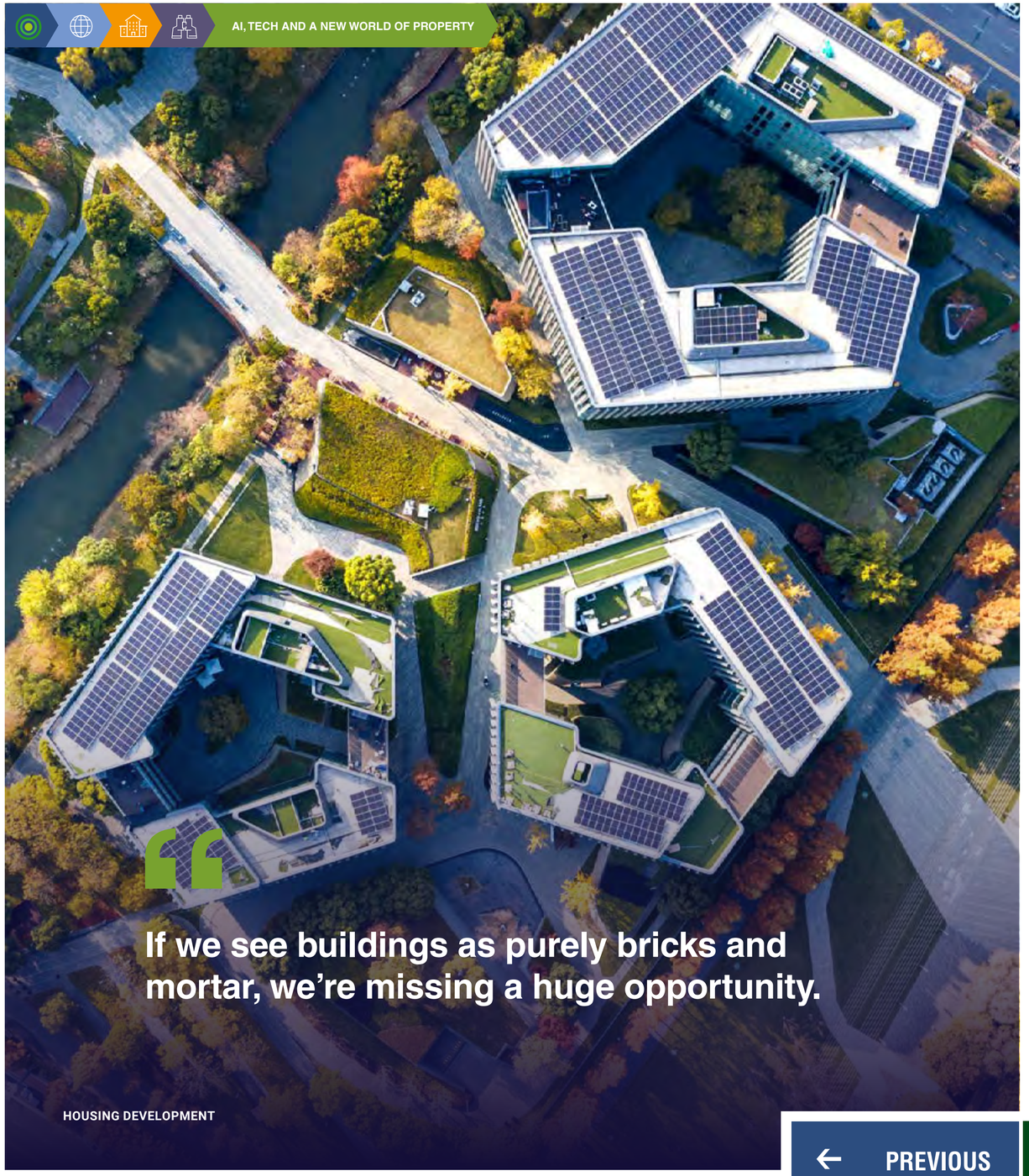
Digital capability is increasingly important for real estate, though interviewees differ on whether it will become a true value driver or a baseline requirement.

According to one property company executive: "Digital capability is going to become a hygiene factor – a bit like the environmental ratings for buildings, such as BREEAM and WELL."

The common thread is that digital capability matters primarily because it improves an asset's performance.



COPENHAGEN, DENMARK



> If we see buildings as purely bricks and mortar, we're missing a huge opportunity.

HOUSING DEVELOPMENT

A digital head at a listed company likens a digitally adaptable building to a car with power steering: "Eventually, people will simply expect it."

As real estate, infrastructure and technology continue to converge, the redevelopment of the Capital One Arena in downtown Washington, DC, provides a glimpse of what is possible in terms of turning buildings and districts into digital platforms. Developed in partnership with technology firm Cisco, the sports and entertainment facility will incorporate AI-ready technology, enabling creative and dynamic outcomes as anyone or anything becomes connected to the venue. Alongside DC's other major sports-anchored redevelopment stories – Nationals Park at Navy Yard (2008) and Audi Field at Buzzard Point (2018) – this project has catalysed large-scale residential, mixed-use and transport development nearby. "In the future, value will increasingly derive from technology-enabled experiences rather than just ownership of physical assets," a global consultant predicts.

Examples of buildings that generate and store energy, support electric vehicle fleets and create new revenue streams already exist. But one interviewee goes further, suggesting a building could become a platform for many uses never previously considered – from health monitoring to early detection, prevention and, ultimately, better health outcomes. Inevitably, such developments will raise new questions about value capture and the implications for ownership, risk management and valuations. "But," he adds, "if we see buildings as purely bricks and mortar, we're missing a huge opportunity."

90%

of survey respondents believe the real estate industry has an important role to play in the energy transition and climate resilience.

Taking real estate to the next level

Industry leaders broadly agree that real estate sits at the centre of the energy transition, but views diverge sharply on how central and proactive the industry should be.

One consultant believes energy has become "one of the defining strategic issues for Europe", and buildings that generate and manage their own power will enjoy a decisive competitive advantage. Another area where AI and automation have significant potential to generate additional environmental savings, he argues, is in waste separation processes within a building, from old paper to outdated electronic equipment: "There's so much money that could be made out of waste that is being overlooked."

Given that AI enables buildings to optimise energy use continuously, opportunities will arise over time for buildings to generate, store and manage energy themselves, one venture capital firm partner says: "That has the potential to fundamentally reshape the role of real estate in the energy system."



> The industry is moving too slowly. We'd like to see it move faster.

Digital infrastructure itself will help the world meet its renewable energy needs, predicts a digital head at a global asset manager: "It's the demand offtake that is needed to build renewable generation."

Others stress that a "brown-to-green" focus should take priority, since most buildings that will be standing in 2050 already exist today. The most contrarian position comes from a European adviser, who argues that real estate is "part of the problem, not the solution" and that regulation – not sector leadership – will drive genuine change.

On social cohesion, views are likewise varied. One institutional investor highlights urban planning and housing policy, rather than technology, as the strongest lever. Other interviewees see digital tools playing a role in affordability, community-building/placemaking and public-value decision-making. Energy efficiency also has social benefits, for example via reduced utility costs. Lower energy bills would disproportionately benefit residential tenants for whom utilities represent a larger share of their expenses. A technology company founder believes real estate technology will mean broader access to decision-making intelligence, letting smaller players compete with larger institutions, rather than widening the gap between them. By opening the market to more participants, technology could contribute to a more inclusive and cohesive property industry. As another interviewee notes: "AI rewards curiosity rather than hierarchy."

Uncharted territory

Commercial real estate is notorious for being a slow-moving industry, but it now has the technology in its grasp to connect the fragmented parts of the value chain.

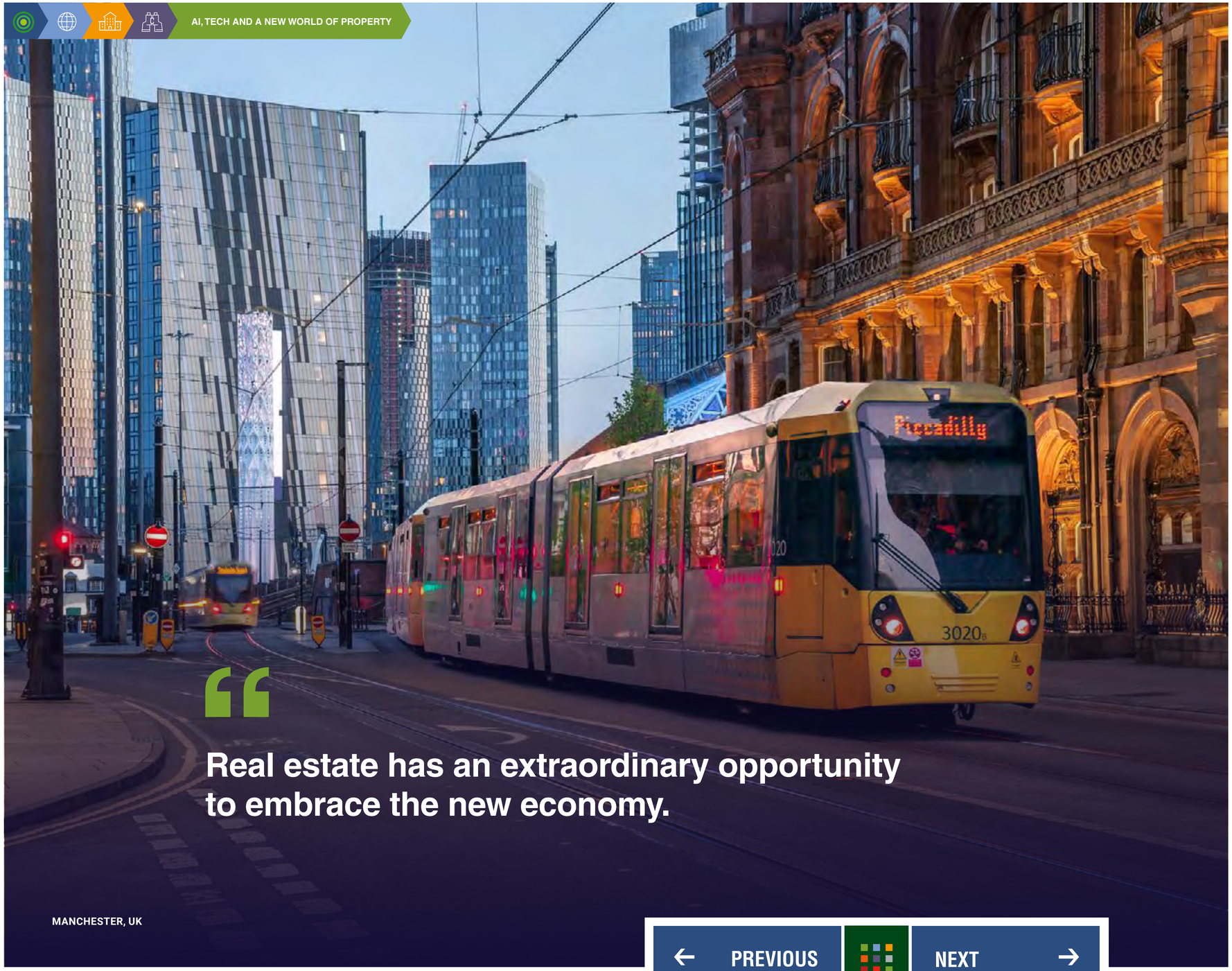
Rather than just be reactive, there is the prospect of building fundamentally different operating models centred on a continuous intelligence layer: a system that turns real-time data into ongoing insight, creating a virtuous feedback loop between development, operations and investment. The potential is huge: the industry is still in the early stages of what can be done with AI.

Though the interviews point to disintermediation of the traditional investment process as one outcome, the greater opportunity lies in innovation across asset management through, for example, tokenisation or fractional ownership platforms. These and other innovations, such as data marketplaces that let owners and occupiers monetise anonymised building performance or footfall data, are likely to be driven by new entrants from adjacent industries – fintech, insurtech and climate-tech firms applying their own asset-backed innovation models to real estate – rather than by real estate incumbents building these tools themselves.

One recurring theme from the interviews is that technological innovation is not the main constraint on progress. Productivity gains are already available; the real bottleneck is a lack of organisational alignment and a failure to adapt the business itself. As a result, the performance gap between owners who can see more, decide faster and act earlier, and those who cannot, is expected to widen. Too many companies are failing to reap the benefits, warns a global consultant: "The industry is moving too slowly. We'd like to see it move faster."

In that context, multifamily/build-to-rent is a potential bellwether for the rest of the sector, since its longer-term ownership horizon naturally incentivises better data feedback loops – something build-to-sell development has historically lacked. Combined with an expected shift towards manufactured and standardised construction, this could bring the sector to a genuine tipping point within the next 10 years.

The shift may be driven by necessity rather than choice. Given rising construction costs, labour inflation, stagnant productivity and the fact that housing demand alone will not bring prices down, "something's got to give" on the cost side, says a proptech director.



> **Real estate has an extraordinary opportunity to embrace the new economy.**

MANCHESTER, UK

Construction methods have remained largely unchanged for the past 50 years, but productivity gains may now come from robotics, smarter logistics and the economies of scale that standardised, manufacturable products can unlock. This in turn could compress the significant share of development costs currently tied up in repeated professional fees.

Other uncharted paths lie ahead as real estate moves from a risk-management industry focused primarily on delivering physical assets to a data-driven, technology-enabled and increasingly operational one. In this transition, an asset's value reflects not just its bricks and mortar but also the operational and digital layers built on top, and the risks each one carries. While the journey will be a marathon, there are many reasons to be “phenomenally excited”, according to one consultant. Another believes real estate is now entering “a golden age”.

Overall, however, the consensus view among both interviewees and survey respondents is that AI has triggered an evolution, not a revolution in the industry. The winners will not necessarily be those that buy the most AI tools, but those that successfully combine technology with operational expertise, human judgement and high-quality data and are able to embrace the lessons from other asset classes. “Real estate has an extraordinary opportunity to embrace the new economy,” says one environmental consultant. And as the digital head of a listed company concludes: “The biggest opportunity is moving from managing buildings as physical objects to understanding how those buildings can provide more value to the people using them.”

Building a defence strategy against the cyber threat

> "The biggest risk is resilience. If an autonomous system becomes the whole system, bringing that one system down could affect everything."
>
> Digital head at a listed real estate company

As connectivity deepens across workflows and within buildings themselves, cybersecurity is expected to become a standard part of due diligence and risk management rather than an afterthought. In time, a building's cyber resilience may be reflected in its valuation and insurability, like any other material risk identified in due diligence.

Over the years, most survey respondents and interviewees have cited cybersecurity as the biggest risk associated with real estate digitalisation. As one cybersecurity consultant points out, the risk is "significant" and one that needs to be understood and governed appropriately at the board level.

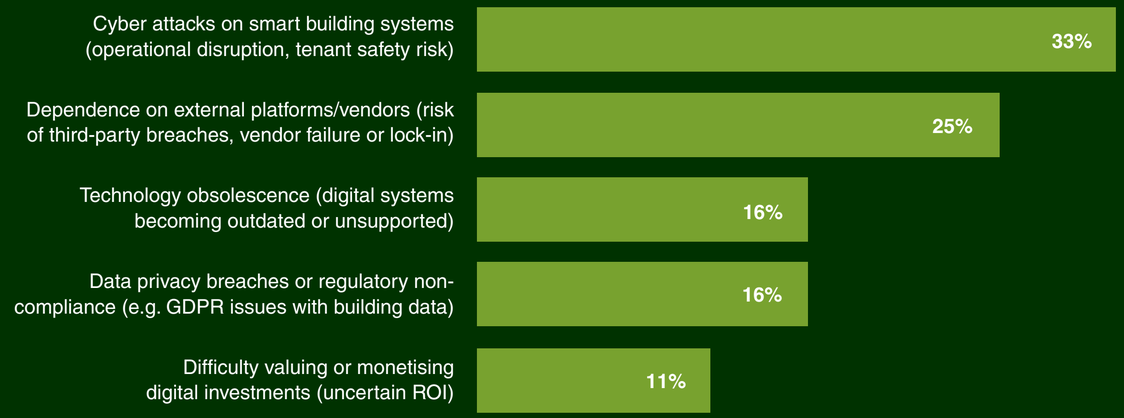
Real estate is unusual in combining traditional information technology with heavy operational equipment that was historically never designed to be internet-connected. As landlords digitalise these systems for remote management and tenant experience, a fundamental mismatch emerges: digital infrastructure has a lifespan of between two and three years and gets patched monthly, while operational technology lasts 20 to 50 years and is updated roughly annually. This leaves connected building systems more exposed and often unable to receive timely security updates.

Many interviewees therefore expect cybersecurity will increasingly become part of due diligence, capex planning, building regulation and everyday asset management. Data privacy and governance are also becoming more important as smart buildings collect detailed information about occupants, behaviour and working patterns.

The threat itself is also evolving. Operational technology has historically been protected by relative obscurity, with criminal actors focused predominantly on high-value targets like banks and gaming firms. AI tools are eroding that protection, however, by lowering the barrier to entry for probing and exploiting weaker, less lucrative systems. Building systems are therefore becoming increasingly viable targets even without a big financial payoff attached.

Against this backdrop, one cybersecurity consultant advises landlords to build a defence strategy with strong compartmentalisation between buildings so an incident does not cause "contagion" as well as clear incident response plans that account for physical safety impacts as well as digital ones. "Property owners need to manage the downsides as well as the upsides of connectivity."

Figure 4-5 **Greatest risks arising from digitalisation of real estate**



Note: Percentage ranking it as the top risk
Source: *Emerging Trends Europe survey 2027*

The EU's updated cybersecurity legislation NIS2 and the UK's forthcoming Cybersecurity and Resilience Bill do not target landlords directly but are expected to push requirements down through regulated industries into real estate. While regulation has a legitimate role in mandating that kind of information sharing, commercial organisations themselves must take the necessary steps to defend themselves properly, one cybersecurity consultant argues.

On the regulatory front, the US is already significantly ahead of Europe in recognising real estate as part of the critical digital infrastructure landscape, with the Federal Bureau of Investigation (FBI) engaging actively with leading landlords and operators to strengthen cyber resilience. Indeed, the FBI already treats large buildings and infrastructure assets as part of the national security landscape whereas in Europe cybersecurity has not yet become a mainstream consideration.

A cornerstone of the US approach is the requirement to report and document cyber incidents, creating greater visibility into the scale and nature of threats.

This enables authorities to develop clearer response protocols and guidance for different types of attacks, such as ransomware, data theft or disruption of building systems.

The FBI's role includes helping organisations understand vulnerabilities and improve their cyber preparedness.

Over time, Europe is expected to develop a more coordinated approach, potentially involving institutions such as Europol or European-level cybersecurity bodies, like the FBI in the US. The US federal government also played a key role in developing the Federal Risk and Authorization Management Program (FedRAMP), which sorts cloud services into three tiers based on how much damage a breach would cause.

Europe's fragmented regulatory structure makes coordination more complex, as responsibilities are divided between EU institutions and national authorities. While global regulation would help avoid the complexity experienced with the EU's ESG regulation, current geopolitics make that scenario unrealistic, certainly in the near term.

Ultimately, responsibility should be framed as an industry and board-level governance issue rather than one regulation alone can solve, one consultant argues. ULI also has a role to play here, he concludes. "There's a real opportunity for large real estate managers and facilities management operators to share intelligence, approaches and best practices."



SECURE ACCESS TO EUROPEAN OFFICE BUILDING

APPENDIX



LYON, FRANCE

City rankings over time

Figure 5-1 **City rankings over time**

Source: *Emerging Trends Europe survey 2027*

2027		2026		2025		2024		2023		2022	
Rank	City	Rank	City	Rank	City	Rank	City	Rank	City	Rank	City
1.	London	1.	London	1.	London	1.	London	1.	London	1.	London
2.	Madrid	2.	Madrid	2.	Madrid	2.	Paris	2.	Paris	2.	Berlin
3.	Paris	3.	Paris	3.	Paris	3.	Madrid	3.	Berlin	3.	Paris
4.	Munich	4.	Berlin	4.	Berlin	4.	Berlin	4.	Madrid	4.	Frankfurt
5.	Milan	5.	Amsterdam	5.	Munich	5.	Amsterdam	5.	Munich	5.	Munich
6.	Amsterdam	6.	Munich	6.	Amsterdam	6.	Milan	6.	Amsterdam	6.	Madrid
7.	Berlin	7.	Milan	7.	Milan	7.	Munich	7.	Frankfurt	7.	Amsterdam
8.	Barcelona	8.	Barcelona	8.	Frankfurt	8.	Lisbon	8.	Hamburg	8.	Hamburg
9.	Frankfurt	9.	Frankfurt	9.	Hamburg	9.	Frankfurt	9.	Barcelona	9.	Barcelona
10.	Lisbon	10.	Hamburg	10.	Lisbon	10.	Barcelona	10.	Milan	10.	Brussels
11.	Hamburg	11.	Lisbon	11.	Barcelona	11.	Hamburg	11.	Lisbon	11.	Milan
12.	Warsaw	12.	Warsaw	12.	Warsaw	12.	Brussels	12.	Vienna	12.	Vienna
13.	Brussels	13.	Dublin	13.	Vienna	13.	Dublin	13.	Dublin	13.	Dublin
14.	Dublin	14.	Brussels	14.	Brussels	14.	Warsaw	14.	Copenhagen	14.	Zurich
15.	Vienna	15.	Copenhagen	15.	Zurich	15.	Vienna	15.	Brussels	15.	Warsaw
16.	Copenhagen	16.	Rome	16.	Copenhagen	16.	Zurich	16.	Warsaw	16.	Lisbon
17.	Rome	17.	Vienna	17.	Dublin	17.	Manchester	17.	Zurich	17.	Luxembourg
18.	Zurich	18.	Stockholm	18.	Luxembourg	18.	Copenhagen	18.	Manchester	18.	Copenhagen
19.	Manchester	19.	Luxembourg	19.	Rome	19.	Rome	19.	Stockholm	19.	Stockholm
20.	Luxembourg	20.	Manchester	20.	Stockholm	20.	Luxembourg	20.	Luxembourg	20.	Manchester
21.	Stockholm	21.	Zurich	21.	Manchester	21.	Stockholm	21.	Rome	21.	Rome
22.	Prague	22.	Birmingham	22.	Athens	22.	Birmingham	22.	Birmingham	22.	Birmingham
23.	Helsinki	23.	Prague	23.	Prague	23.	Athens	23.	Athens	23.	Athens
24.	Athens	24.	Helsinki	24.	Birmingham	24.	Edinburgh	24.	Lyon	24.	Helsinki
25.	Birmingham	25.	Edinburgh	25.	Helsinki	25.	Prague	25.	Helsinki	25.	Prague
26.	Edinburgh	26.	Athens	26.	Edinburgh	26.	Lyon	26.	Edinburgh	26.	Lyon
27.	Oslo	27.	Oslo	27.	Oslo	27.	Helsinki	27.	Prague	27.	Edinburgh
28.	Lyon	28.	Lyon	28.	Lyon	28.	Budapest	28.	Budapest	28.	Oslo
29.	Budapest	29.	Budapest	29.	Budapest	29.	Oslo	29.	Istanbul	29.	Budapest
30.	Bucharest	30.	Bucharest	30.	Istanbul	30.	Istanbul	30.	Oslo	30.	Istanbul
31.	Istanbul	31.	Istanbul					31.	Moscow	31.	Moscow
32.	Sofia	32.	Sofia								

Sector rankings over time

Figure 5-2 **Sector rankings over time**

Source: *Emerging Trends Europe survey 2027*

2027	
Rank	Sector
1.	Data centres
2.	New energy infrastructure
3.	Healthcare
4.	Retirement/assisted living
5.	Serviced apartments
6.	Student housing
7.	Affordable housing
8.	Private rented residential
9.	Social housing
10.	Hotels
11.	Self-storage facilities
12.	Logistics facilities
13.	Camp sites/caravan parks/lodges
14.	Co-living
15.	Storage facilities
16.	Industrial/warehouse
17.	Mixed-use
18.	Education-related real estate
19.	Retail parks
20.	Housebuilding for sale
21.	Leisure
22.	Parking
23.	Central city offices
24.	Life Sciences
25.	Flexible/serviced offices and co-working
26.	High street shops
27.	Out-of-town shopping centres/retail destinations
28.	City centre shopping centres
29.	Business parks
30.	Suburban offices

2026	
Rank	Sector
1.	Data centres
2.	New energy infrastructure
3.	Student housing
4.	Serviced apartments
5.	Healthcare
6.	Other storage facilities
7.	Education-related real estate
8.	Retirement/assisted living
9.	Co-living
10.	Affordable housing
11.	Self-storage facilities
12.	Residential-led mixed-use
13.	Logistics facilities
14.	Private rented residential
15.	Social housing
16.	Camp sites/caravan parks/lodges
17.	Hotels
18.	Life Sciences
19.	Industrial/warehouse
20.	Housebuilding for sale
21.	Commercial-led mixed-use
22.	Parking
23.	Leisure
24.	Retail parks
25.	Central city offices
26.	Flexible/serviced offices & co-working
27.	High street shops
28.	Business parks
29.	City centre shopping centres
30.	Out-of-town shopping centres/retail destinations
31.	Suburban offices

2025	
Rank	Sector
1.	Data centres
2.	New energy infrastructure
3.	Student housing
4.	Logistics facilities
5.	Private rented residential
6.	Self-storage facilities
7.	Retirement/assisted living
8.	Education-related real estate
9.	Co-living
10.	Serviced apartments
11.	Affordable housing
12.	Healthcare
13.	Industrial/warehouse
14.	Other storage facilities
15.	Social housing
16.	Life Sciences
17.	Hotels
18.	Leisure
19.	Housebuilding for sale
20.	Retail parks
21.	Parking
22.	Flexible/serviced offices and co-working
23.	Central city offices
24.	High street shops
25.	City centre shopping centres
26.	Out-of-town shopping centres/retail destinations
27.	Business parks
28.	Suburban offices

2024	
Rank	Sector
1.	New energy infrastructure
2.	Data centres
3.	Healthcare
4.	Student housing
5.	Retirement/assisted living
6.	Self-storage facilities
7.	Logistics facilities
8.	Co-living
9.	Serviced apartments
10.	Private rented residential
11.	Life sciences
12.	Industrial/warehouse
13.	Affordable housing
14.	Hotels
15.	Social housing
16.	Leisure
17.	Housebuilding for sale
18.	Flexible/serviced offices and co-working
19.	Parking
20.	Retail parks
21.	Central city offices
22.	High street shops
23.	Business parks
24.	City centre shopping centres
25.	Out-of-town shopping centres/retail destinations
26.	Suburban offices

2023	
Rank	Sector
1.	New energy infrastructure
2.	Life sciences
3.	Data centres
4.	Social housing
5.	Retirement/assisted living
6.	Affordable housing
7.	Self-storage facilities
8.	Logistics facilities
9.	Co-living
10.	Private rented residential
11.	Industrial/warehouse
12.	Student housing
13.	Leisure hotels
14.	Serviced apartments
15.	Parking
16.	Healthcare
17.	Housebuilding for sale
18.	Flexible/serviced offices and co-working
19.	Leisure
20.	City centre offices
21.	Retail parks
22.	Business hotels
23.	Business parks
24.	High street shops
25.	City centre shopping centres
26.	Suburban offices
27.	Out-of-town shopping centres/retail destinations

2022	
Rank	Sector
1.	New energy infrastructure
2.	Life sciences
3.	Logistics facilities
4.	Data centres
5.	Healthcare
6.	Retirement/assisted living
7.	Industrial/warehouse
8.	Affordable housing
9.	Self-storage facilities
10.	Private rented residential
11.	Housebuilding for sale
12.	Social housing
13.	Multi-let/flexible industrial parks
14.	Co-living
15.	Student housing
16.	Serviced apartments
17.	Flexible/serviced offices and co-working
18.	Leisure
19.	Central city offices
20.	Retail parks
21.	Business parks
22.	Hotels
23.	Parking
24.	Suburban offices
25.	High street shops
26.	Out-of-town shopping centres/retail destinations
27.	City centre shopping

ABOUT THE REPORT



ROME, ITALY

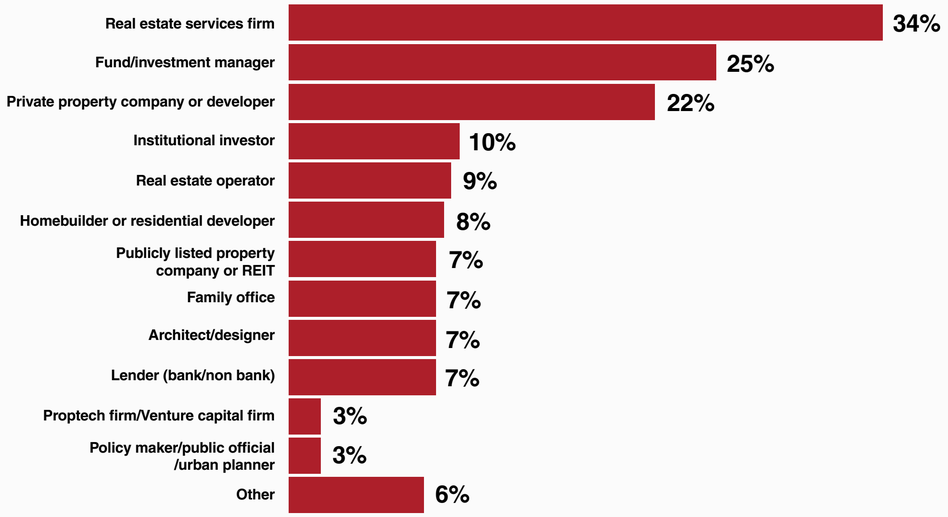
About the survey

Emerging Trends in Real Estate® Europe **stands as a trusted and widely read publication in the real estate industry. Now in its 24th edition and produced jointly by PwC and the Urban Land Institute, it provides a comprehensive overview of trends and forecasts in investment and development, finance and capital markets, cities, sectors and other key issues shaping Europe's real estate landscape.**

Emerging Trends in Real Estate® Europe 2027 reflects the views of 1,498 property professionals who completed surveys, were interviewed or took part in a series of roundtable meetings across Europe as a part of the research for this report. The views expressed are from these surveys, interviews and roundtable meetings and do not express the opinions of either PwC or ULI.

The interviewees and survey participants represent a wide range of industry experts, including investors, investment managers, developers, property companies, lenders, brokers, and consultants. A list of the interviewees and roundtable participants in this year's study appears on the following pages. To all who helped, ULI and PwC extend sincere thanks for sharing valuable time and expertise. Without their involvement, this report would not have been possible.

What are your business's primary activities?

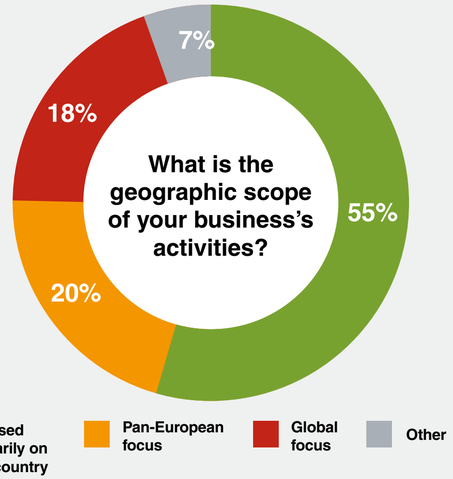


Note: Respondents could select more than one answer
Q1. What are your business's primary activities?

Source: ***Emerging Trends Europe survey 2027***

Survey responses by geographic scope of firm's activities

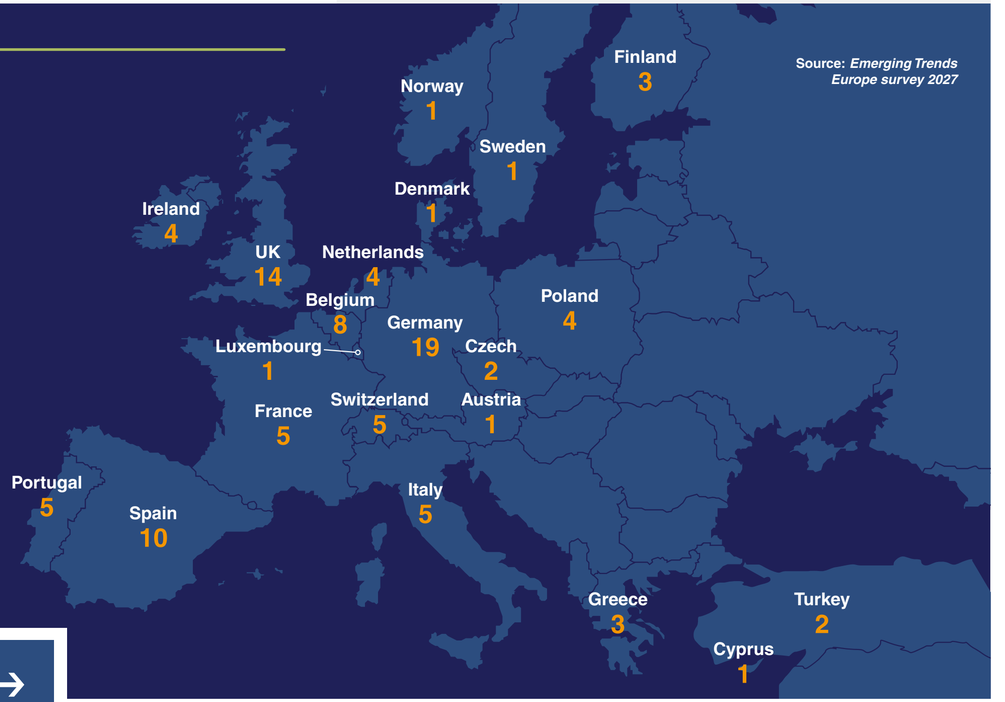
2027



Source: ***Emerging Trends Europe survey 2027***

Survey responses by geographic scope of firm (%)

Country	%	Country	%
Austria	1	Luxembourg	1
Belgium	8	Netherlands	4
Cyprus	1	Norway	1
Czech Republic	2	Poland	4
Denmark	1	Portugal	5
Finland	3	Spain	10
France	5	Sweden	1
Germany	19	Switzerland	5
Greece	3	Turkey	2
Ireland	4	United Kingdom	14
Italy	5	Other	1



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ULI's interdisciplinary membership represents all aspects of the industry, including investors, planners, developers, policymakers, academics, and designers. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions.

ULI has been active in Europe since the early 1990s and today we have over 5,500 members and 15 National Council country networks.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanisation, demographic and population changes, new economic drivers, technology advancements, and environmental concerns. Drawing on the work of its members, the Institute recognises and shares best practices in urban design and development for the benefit of communities around the globe.

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