GLOBAL CAPITAL MARKETS

Q2 2026

RESEARCH

FOREWORD



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Global growth remains positive but fragile, with conflict becoming a defining narrative of the year. Whether in trade, technology or geopolitics, competition and confrontation are increasingly shaping the outlook, leading to increased uncertainty in forward-looking projections, and volatility in financial markets. Against this backdrop, real estate capital markets remain resilient rather than buoyant.

Global investment activity reached around US$250bn in Q2, up 13% y/y, with a stronger pipeline supporting expectations of further growth in 2026. However, sentiment has ebbed following the outbreak of conflict in Iran, and opportunity is increasingly selective, led by conviction in fundamentals, and those sectors with clear income growth drivers.

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GLOBAL SUMMARY

CONFLICTING OPPORTUNITIES

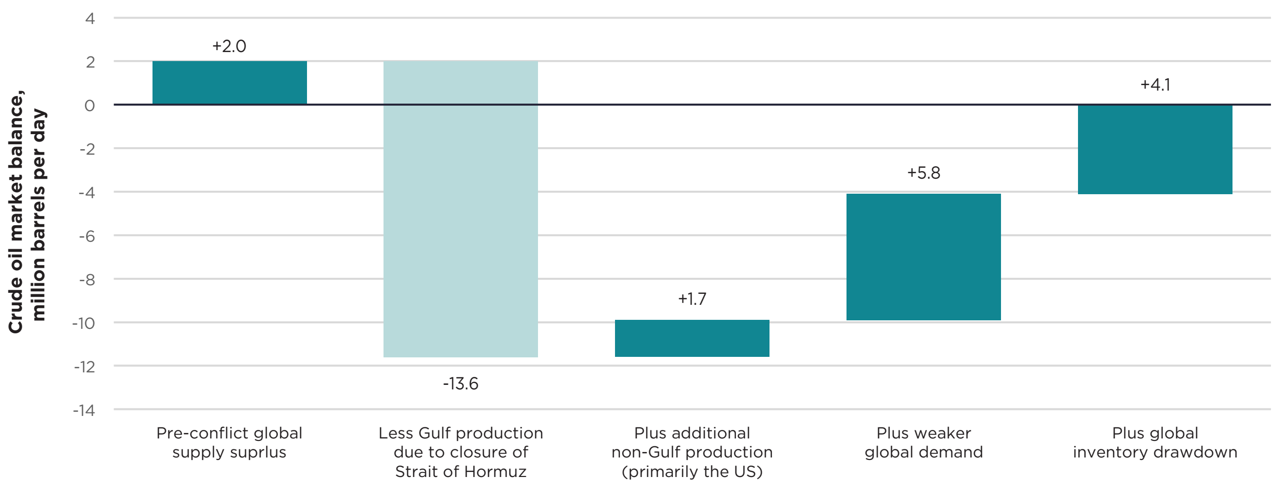
OLIVER SALMON
Director, World Research

As the year unfolds, conflict is becoming a defining global theme. Whether in trade, technology or geopolitics, competition and confrontation are increasingly shaping the economic outlook.

Beginning in Iran, hostilities resumed in July following a brief respite, sending energy prices sharply higher in the process. The global economy has so far proven resilient to what Fatih Birol, head of the International Energy Agency, described as the "biggest energy security threat in history". This resilience reflects weaker energy demand, particularly across Asia Pacific, as well as a substantial drawdown in global inventories, helping to keep the market broadly balanced.

However, reserves have fallen sharply, with inventories held by OECD nations reaching their lowest level since 1990, even before the recent US-Iran framework agreement. This places renewed focus on the duration of the conflict, as the oil market's ability to absorb disruption will diminish over time. The likely result is greater price volatility (even if we get a new deal), with implications extending well beyond energy markets through inflation, consumer and business sentiment, and the fiscal and monetary policy outlook.

GLOBAL OIL MARKET RESPONSE TO IRAN CONFLICT

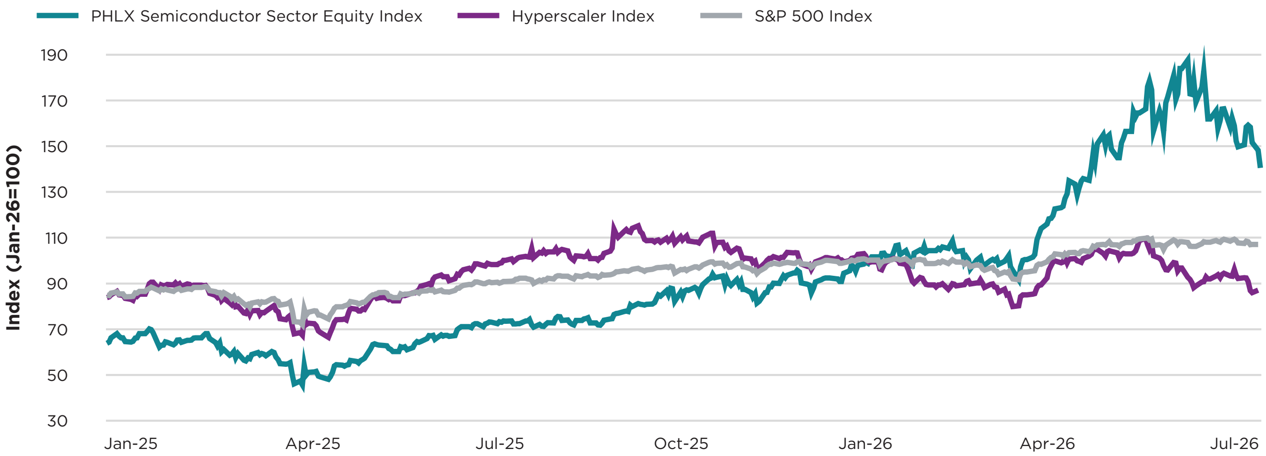


Source: Savills research using IMF. Based on comparison of market conditions in March-May 2026 period vs. January-February 2026.

While the conflict in Iran represents a clear headwind to the global economy, the risks surrounding AI are more balanced. AI remains firmly in a 'build-out' phase, with global hyperscalers competing aggressively for first-mover advantage. This race for technological leadership has already become a significant demand-side tailwind for global growth. The US sits at the centre of this trend, but China is not far behind, while other economies—particularly across East Asia—are benefitting through supply-chain exposure to a seemingly insatiable demand for semiconductors. The gains, however, are unevenly distributed, with other locations currently less exposed to the AI ecosystem and therefore capturing fewer benefits.

At the same time, the AI boom is creating growing concentration risks. Economic growth, corporate investment and equity market performance are becoming increasingly dependent on a small group of technology companies, while AI-related sectors continue to dominate stock market returns. The sustainability of this trend ultimately depends on whether AI can deliver meaningful productivity gains and whether firms can generate sufficient revenues to justify unprecedented levels of investment. While adoption is occurring faster than in previous technological revolutions, evidence of widespread productivity gains remains limited. Any disappointment in productivity, earnings or growth expectations could prompt a reassessment of valuations, reduce investment and tighten financial conditions, particularly as higher interest rates raise the cost of capital.

US EQUITY MARKETS



Source: Savills research using Macrobond. 'Hyperscaler Index' based on equally-weighted index of Microsoft, Amazon, Alphabet, Meta and Oracle.

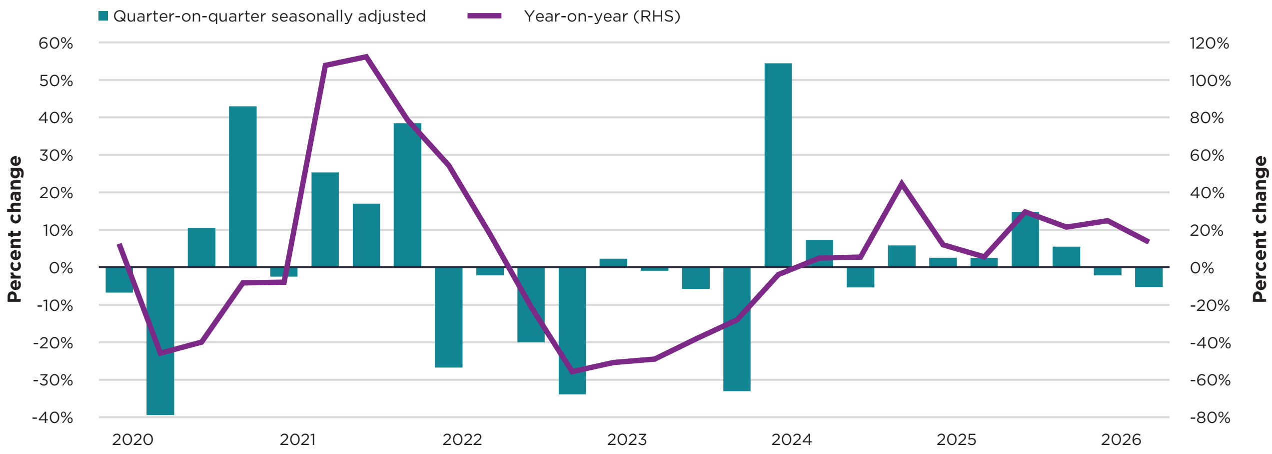
Finally, trade wars are back in the spotlight. US President Donald Trump has announced a new round of broad-based tariffs, using legislation originally designed to combat the use of forced labour. Levies of 10–12.5% have been applied to most US trading partners, replacing temporary rates that were due to expire after 150 days. The move represents the latest legal manoeuvre by the administration following the Supreme Court's decision to strike down the Liberation Day tariffs over the misuse of emergency powers earlier this year.

Tariffs have done little to reduce the US trade deficit or revive domestic manufacturing. However, they have become an important source of government revenue, helping to offset some of the fiscal costs associated with the One Big Beautiful Bill. As a result, while the latest measures do not materially alter the status quo, they signal a continued willingness by the administration to maintain—and potentially increase—tariff rates. Meanwhile, Europe is beginning to face a 'China Shock 2.0', as a wave of competitively priced Chinese exports puts pressure on domestic manufacturers. If met with additional trade barriers, this could become the catalyst for a much broader and more entrenched global trade war.

Against this backdrop, global real estate capital markets continue to display notable resilience. Sequential, seasonally adjusted investment growth fell into negative territory in early 2026, reflecting a deterioration in sentiment linked to the conflict in Iran. Yet the disruption has been relatively modest given the scale of the potential economic spillovers, and the broader trend remains positive. Global investment of approximately US$250bn in Q2 was 13% higher y/y. In addition, pending deals data—transactions under contract but not yet completed—points to an active pipeline entering the second half of the year, supporting our forecast for a 16% increase in global investment activity in the full year 2026.

Market activity is being supported by larger single-asset transactions and increased portfolio and M&A activity. This is somewhat counterintuitive in an environment characterised by elevated uncertainty and volatility, but it reflects a growing level of conviction in both market pricing and underlying fundamentals. Deal execution periods have lengthened, yet transactions are still progressing, while substantial pools of capital remain available despite a challenging fundraising environment. More fundamentally, the rebasing in activity that followed the rate-driven downturn of 2022–23 has left behind a more committed investor base that is willing and able to transact through the cycle.

GLOBAL REAL ESTATE INVESTMENT



Source: Savills research using MSCI RCA and Macrobond. Excludes development sites. Based on fixed exchange rates.

Ultimately, current macroeconomic conditions do not support indiscriminate risk-taking. Global growth remains positive, but not strong enough to drive a broad-based acceleration in leasing activity. Inflation risks remain skewed to the upside, keeping interest rates elevated, while geopolitical tensions are likely to remain a persistent source of volatility. The same is true of the financial risks associated with the AI build-out.

The key takeaway is that this is not a market devoid of opportunity, but one that places a greater premium on selectivity, conviction and a clear understanding of fundamentals as the anchor for income growth.

The fundamentals manifest in very different ways across sectors. Within the 'old economy' sectors, scarcity remains a major driver of opportunity, with location increasingly determining asset quality. Development activity across many retail and office markets has fallen sharply in recent years, creating pockets of value where occupiers compete aggressively for the best space.

In the 'new economy' sectors, by contrast, investors are focused more heavily on demand-side dynamics, supported by conviction in long-term structural growth drivers, whether demographic change or the rapid proliferation of new technologies. Investors are also widening their geographic search for value, meaning that while markets are becoming more selective, they are simultaneously broadening in scope.

Amid the noise, the foundations for the next phase of the cycle are being laid, leaving the market on a much healthier footing in the years ahead.

MARKET VIEW

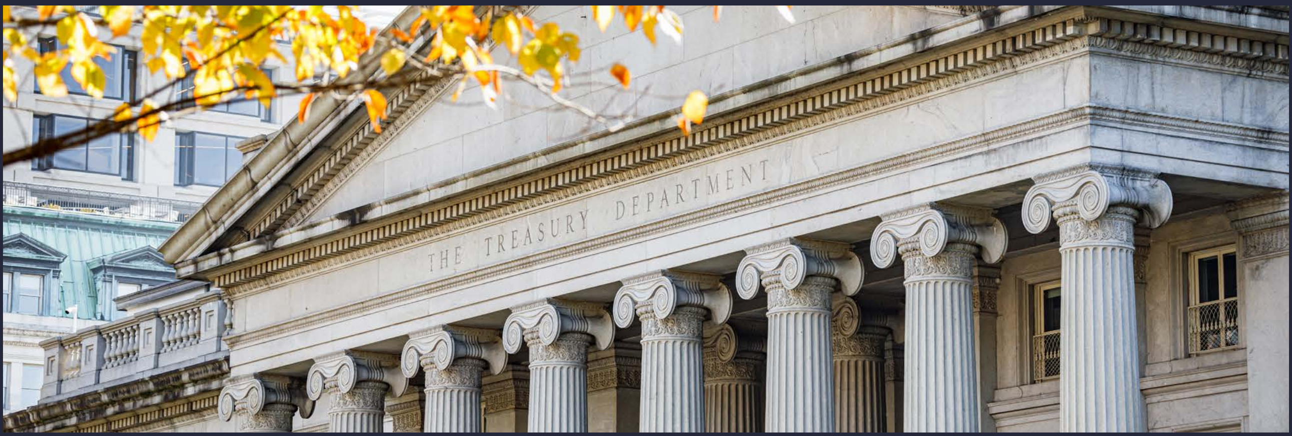
RASHEED HASSAN
Managing Director, Global Capital Markets
shares his view on the market

The overriding theme for this last quarter is one of slight surprise. Since Covid-19, we've spoken often about the resilience of markets. However, that doesn't mean we haven't had 'buyer strikes' and periods of fast moving price falls, particularly after the Russian invasion of Ukraine and the resultant inflation shock and interest rate hikes.

However, overall, Q2 surprised on the upside. The implications of the situation in Iran are not local and the conflict has proven not to be the short, sharp process we were hoping for. Just before the war, oil was trading at c.$70 a barrel. It peaked at over $125, and although by the end of Q2 it was basically back down to where we started (note it has had some significant swings since), the conflict is not over and the World can see there is no simple and lasting resolution to pursue.

Beyond the oil price, the S&P500 was up to 7,500, up over c.7% from pre-war levels and almost 20% from its March low, in the early part of the conflict. Other markets have not had quite the same performance, but globally equity markets have shown strong recovery.

For real estate markets, the key benchmark is not the oil price, nor the equity indices. While these influence sentiment, the relevant risk free rate for government bonds is the measure against which yields/cap rates are compared. The most global metric is, of course, the 10 year US treasury yield. As at the end of Q2 this was up broadly 25bps on the start of the year. Given the macro situation, this doesn't feel dramatic.



When we look at benchmark real estate yields across the key markets and sectors globally, we haven't seen a uniform outward adjustment. Yields have broadly remained flat. I put this down to two things; the first is underlying rental growth/market dynamics, and the second is the low availability of assets to acquire.

To the first point, despite the resilience we speak of, the latest black swan event has knocked confidence again and reconfirmed that we live in a world of semi-permacrisis. The confidence knock affects the courage to develop new assets. Rising risk free rates and the prospect of interest rate rises, or at the very least the deferral of reductions, means aggressive exit underwriting is hard. The result is fewer development starts and those that do, need higher rents to be viable. Fewer starts means less stock availability, which means rising rents for existing assets too. Rising rents means investors can counter any increase in financing costs and exit yields in their underwriting.

The second point has been a feature of the market since 2022. Owners have been waiting for a 'better day' to sell, hoping for interest rates to fall and yields to follow.

As the wait continues, rents have been rising, which is helping asset values, as well as the justification to keep holding. The reduced flow of assets means that when something does become available it gets a greater amount of attention than it might otherwise get in a more liquid market.

Those investors that have equity to deploy and a conviction that now is the right time to enter, therefore have limited choices. Additionally, with a lack of new development, there are simply fewer examples of the very best brand new assets being created. Therefore, if one is released to the market, buyers that want the best don't have the luxury of waiting for another one to come along. This puts some of the power back with the vendor. All of this talks to price and is helping markets to withstand the broader turbulence.

This quarter has shown us that investors are trying to find ways to bid through the today and underwrite a better tomorrow, and we are seeing the effects of this in the numbers. For some, returning to my first point, this might be a surprise.

Q2 2026

NORTH AMERICA

NOT ALL GROWTH IS CREATED EQUAL

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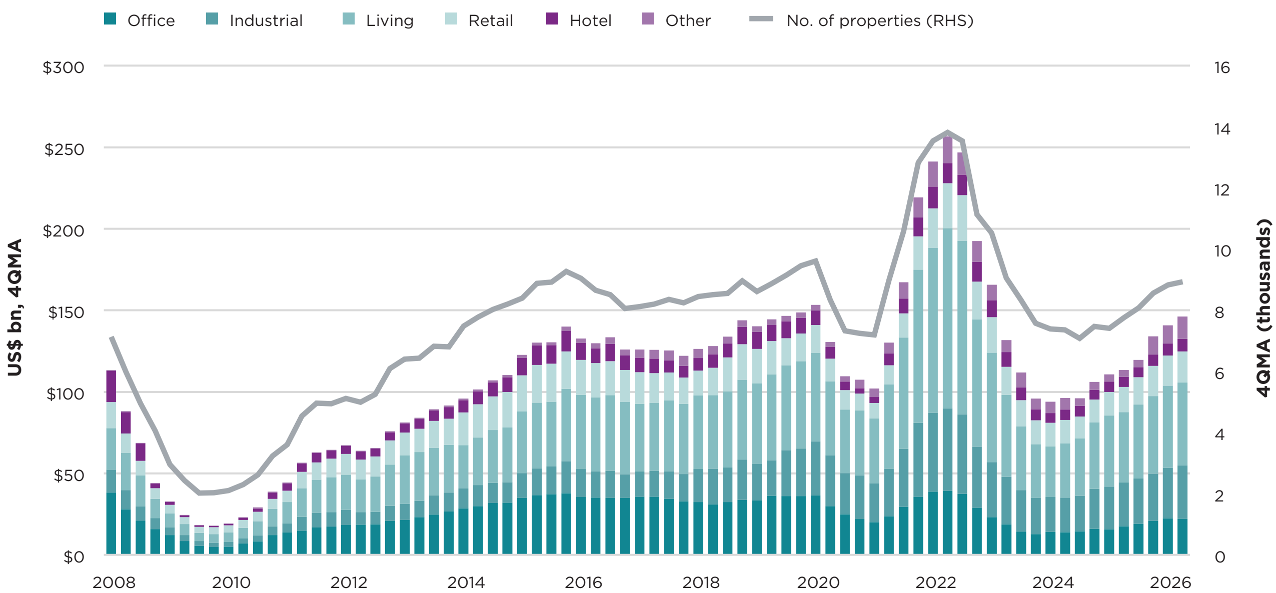
The US commercial real estate market extended its recovery in Q2 2026, with investment reaching US$131bn, up 20% y/y. This lifted first-half activity to US$260bn, 23% higher than H1 2025, underscoring the resilience of the world's largest real estate market despite geopolitical uncertainty and concerns around the macroeconomic outlook.

Beneath the headline, however, the recovery is a mixed picture.

Growth continues to be disproportionately supported by portfolio transactions and large-scale M&A activity. Portfolio investment reached US$35bn in Q2, up 60% y/y, compared with 10% growth for individual asset sales. This trend, which has been building since late 2025, reflects both the scale of institutional capital targeting US real estate, and investors' growing preference for platform acquisitions to gain exposure to high-growth sectors.

US REAL ESTATE INVESTMENT



Source: Savills Research using MSCI RCA. Excludes development sites.

That is particularly evident in some of the more operationally intensive sectors. Senior housing, self-storage and data centres all recorded exceptional growth in the quarter, supported by long-term structural themes and increasing investor familiarity. In these sectors, acquiring individual assets can be a slow path to scale, making portfolios, operating platforms and corporate acquisitions a more efficient way to deploy capital.

The appeal of these alternatives helps explain the changing position of multifamily within investor portfolios. For much of the past decade, multifamily was the default operational real estate allocation, offering scale, liquidity and strong income fundamentals. While investment remains significant, capital is increasingly shifting towards sectors with stronger growth narratives and less exposure to supply concerns.

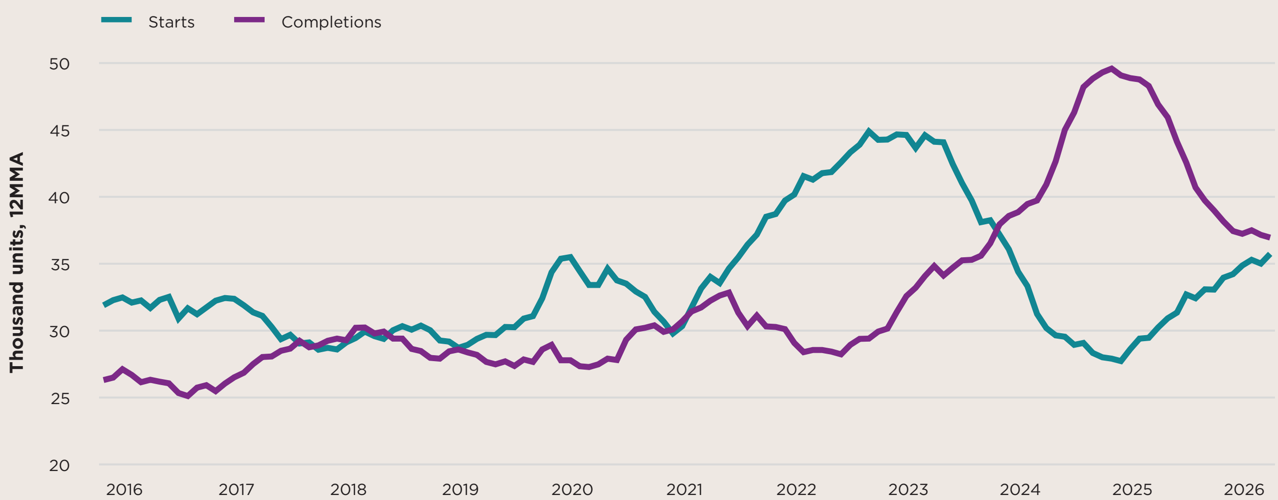
Investment into senior housing reached US$6.4bn, a 34% increase on the year, and the eighth consecutive quarter of double- or triple-digit growth. Indeed, the first and second quarters of 2026 were both the strongest on record. Investor conviction continues to be supported by strong tenant demand, with 19 consecutive quarters of occupancy growth and the lowest level of new supply since 2012. The National Investment Center for Seniors Housing & Care expects occupancy rates to exceed 90% by year-end, further reinforcing the sector's appeal.

Multifamily investment totalled US$36bn during the second quarter, broadly unchanged from a year earlier. However, this stability was heavily influenced by the US$3.5bn take-private acquisition of Veris Residential by Affinius Capital, representing Vista Hill Partners. Excluding this transaction, investment activity would have declined by approximately 10%.

Investor caution has also been driven by supply concerns in some regions. After the post-pandemic construction boom, some markets have absorbed elevated levels of new supply, weighing on rents and increasing rental concessions as landlords compete for tenants. This is most common in the South, where over one-fifth of units now have concessions applied, according to RealPage Analytics. Although completions have begun to moderate, housing starts have recently moved back above their long-term average.

However, RealPage data also highlights the strength of underlying fundamentals. The US multifamily market absorbed more than 187,000 units in Q2, with occupancy rising to 95.5%. Rent growth has also strengthened as this wave of new completions has moderated. Still, regional divergence is becoming increasingly important, with Midwestern markets outperforming while parts of the South remain under pressure.

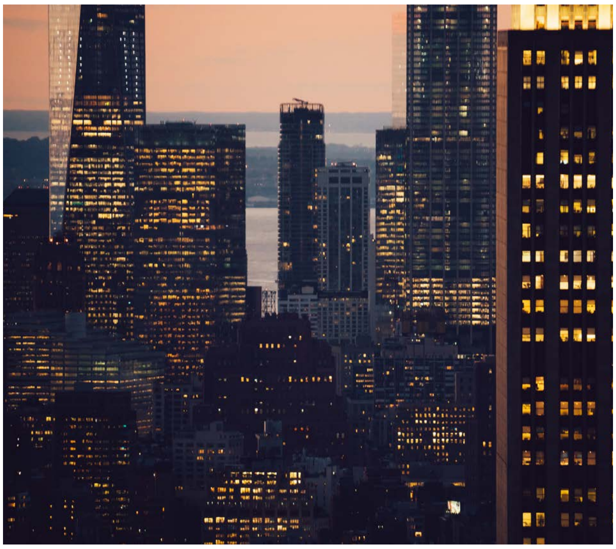
US HOUSING STARTS AND COMPLETIONS



Source: Savills Research using US Census Bureau. Data based on privately owned properties in structures with five or more units.

Selectivity is also shaping office activity, albeit for different reasons. Rather than oversupply concerns, investor demand is focused on a relatively small pool of assets capable of delivering sustainable income growth and long-term leasing resilience. Improving leasing conditions, falling availability and constrained development have supported renewed interest in high-quality assets, particularly in major gateway markets such as New York and San Francisco.

As a result, office transaction activity continues to recover, albeit unevenly. Following four consecutive quarters of growth exceeding 30%, investment fell 5% y/y in Q2, largely due to reduced portfolio activity.



Nevertheless, first-half investment reached US$40bn, up 16% on H1 2025, with gateway markets attracting a disproportionate share of capital, in line with occupational dynamics. Notable transactions included Vornados' acquisition of a 49% interest in Park Avenue Plaza in New York, valuing the asset at US$1.1bn.

Investor conviction is evident in market pricing, with office values now increasing faster than other major sectors, according to MSCI data, albeit from a low base, while a broader pool of active buyers has re-entered the market. Office REITs have also outperformed industrial and residential peers year-to-date, reflecting improved sentiment towards the sector.

Distress remains a feature of the market, but conditions appear to be stabilising. Delinquency rates remain elevated but broadly unchanged, while the pace of newly distressed assets has slowed materially, suggesting the most acute phase of the repricing cycle may now be in the past.

A similar pattern is visible in the retail sector. At first glance, investment appears healthy, rising 16% y/y to US$18bn in Q2. However, much of this growth was driven by the US$2bn acquisition of ECHO Realty by a consortium led by TPG. Beneath the headline, activity has moderated, with individual asset transactions rising just 6%. After more than a year of rapid growth, the pace of retail investment recovery appears to be normalising.

Capital continues to concentrate in segments offering the strongest income durability. Grocery-anchored retail, which makes up the majority of the ECHO Realty portfolio, has emerged as a favoured target for investors, reflecting the resilience of necessity-based spending and the sector's ability to generate stable, predictable cash flows. Domestic institutional capital has become increasingly active in the space, helping sustain activity despite a broader moderation in the sector.

Industrial and logistics remains the strongest-performing core sector. Investment reached US$33bn in Q2, up 28% y/y and marking the eighth consecutive quarter of double-digit expansion. Unlike many other sectors, growth has been driven by a broad increase in individual asset acquisitions, such as Prologis' US$300m purchase of a warehouse in California, rather than a reliance on large portfolio trades.

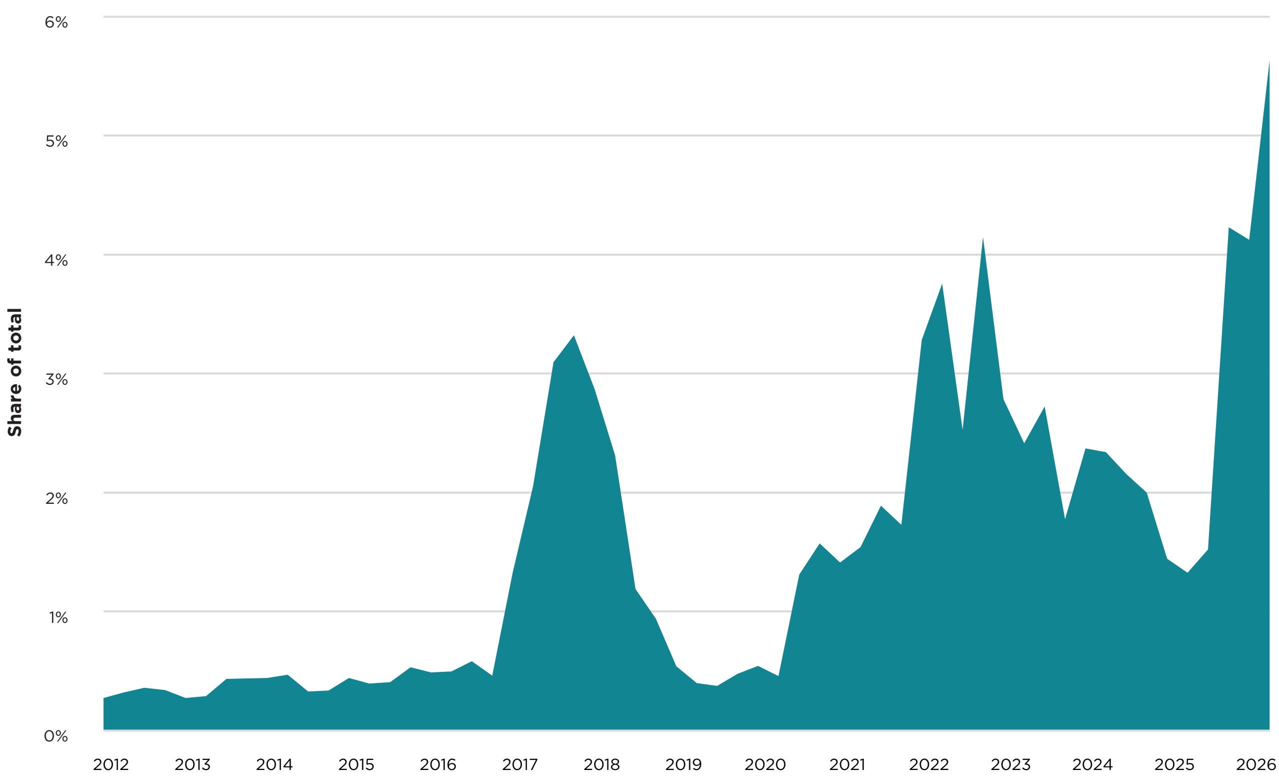
Transaction activity now sits just 2% below its 2021 peak, compared with a wider market shortfall of around 20%, highlighting the sector's continued appeal to both domestic and international capital.

Nevertheless, investors are becoming more discerning, with a performance gap emerging between coastal and inland occupational markets that may become more evident in asset pricing over the coming quarters.

The strongest growth, however, is in data centres. Investment reached US$8.4bn in Q2, almost twenty times higher than a year earlier. While growth rates are amplified by a low base of comparison, data centres now account for nearly 6% of all US real estate investment activity, with the sector attracting some of the largest pools of institutional capital globally.

The growth of this sector is expected to continue, as the sale of Macquarie Asset Management's Aligned Data Centers completed in mid-July for an enterprise value of US$40bn. It was purchased by a consortium including the AI Infrastructure Partnership, MGX and BlackRock's Global Infrastructure Partners, and demonstrates the scale of capital targeting digital infrastructure and its growing importance within real estate portfolios.

US DATA CENTRE INVESTMENT



Source: Savills Research using MSCI RCA.

Despite strong demand for data centres fuelled by the AI investment boom, the bigger question is where new capacity can be delivered. Grid constraints, power availability and connectivity are becoming significant barriers to development. Concerns from local communities about environmental impacts also mean data centre expansion is becoming increasingly politicised.

The growing importance of data centres reinforces a wider characteristic of the current cycle; capital is becoming more concentrated among a smaller number of sectors, transactions and investor groups.

This concentration is evident geographically. Despite geo-economic tensions and an increasingly isolationist rhetoric from the current administration, the US remains the world's leading market for cross-border real estate investment, benefiting from its unrivalled scale, liquidity and transparency. However, inbound capital has become increasingly concentrated among a smaller group of buyers. Canadian investors were particularly active during H1, accounting for almost half of all inbound investment, while many other overseas buyer groups were relatively subdued.

One notable exception was Japanese capital, which accounted for 14% of inbound investment in Q2, up 150% y/y, supported by deals such as SMBC's US$300m acquisition of a six-property logistics portfolio across the Southeast.

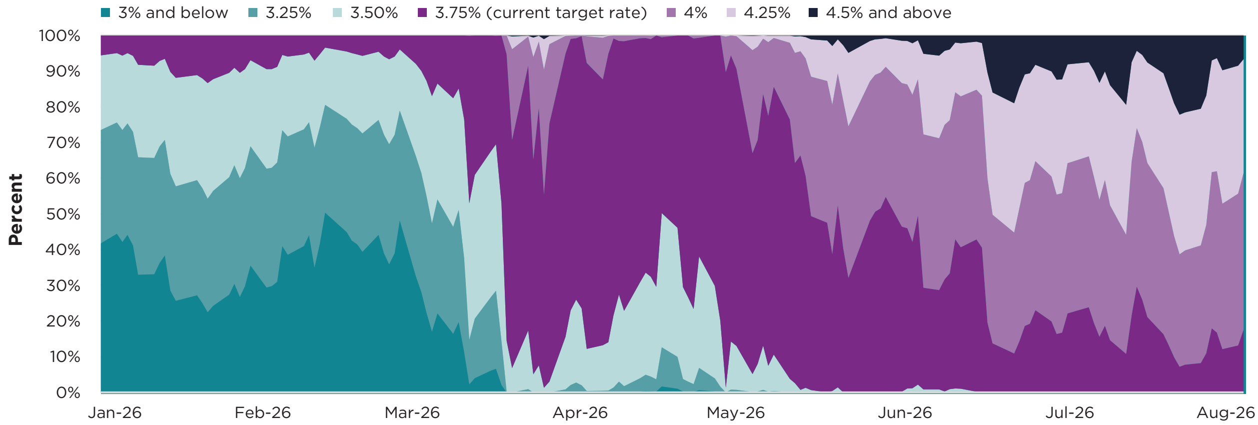
The Aligned Data Centres transaction is also partially backed by overseas capital and, given its scale, could help make 2026 one of the strongest years for cross-border investment in recent history.

Attention is also turning to sizeable refinancing requirements over the next 18 months. While refinancing has been a major theme globally for several years, distress has been contained as lenders have shown flexibility towards borrowers with strong assets and durable income streams. The greater risk is likely to be concentrated in specific assets and financing structures, particularly interest-only loans secured against properties where values remain below previous peaks.

The outlook for interest rates will be central to how this next phase unfolds. Investors have largely adapted to a higher-rate environment, and the recovery in activity suggests that price discovery has improved. However, a further increase in borrowing costs could slow capital deployment and place additional pressure on refinancing.

The US Fed has turned more hawkish, with core inflation remaining stubbornly above target. While rates were held at the July meeting, markets are pricing in the possibility of another rate increase before year-end.

US MARKET-IMPLIED PROBABILITY FOR END-2026 FED POLICY



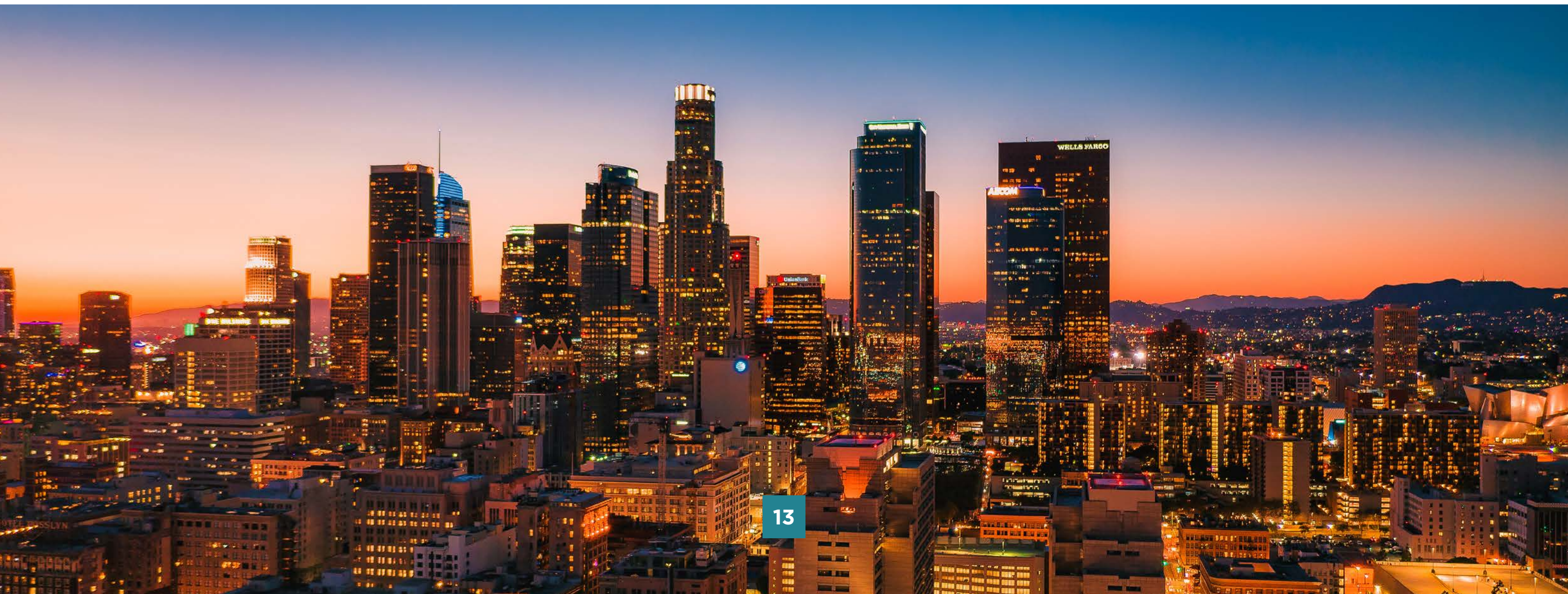
Source: Savills research using Macrobond

PRIME US YIELDS, Q2 2026 (AS AT END OF JUNE)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Logistics	Northern New Jersey	5.25%	No change	65%	6.0%	3.9%	0.8%
Logistics	Los Angeles	5.25%	No change	65%	6.0%	3.9%	0.8%
Logistics	Chicago	5.50%	No change	65%	6.0%	4.6%	1.1%
Logistics	Houston	5.75%	No change	65%	6.0%	5.3%	1.3%
Office	New York	5.50%	No change	65%	6.3%	4.1%	1.1%
Office	Los Angeles	7.50%	No change	65%	6.3%	9.8%	3.1%

Source: Savills Research and Macrobond

Note: yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Values based on end-of-quarter data. See Methodology for details.



VERIS RESIDENTIAL PRIVATISATION

Sector: Multifamily

Tenant: N/A

Lease length (WAULT): N/A

Area: 19 property portfolio

Price/NIY: US$3.4bn / Undisclosed

Vendor: Veris Residential

Vendor nationality: United States

Purchaser: Affinius Capital JV Vista Hill Partners

Purchaser nationality: United States

Other comments: The acquisition follows Veris Residential's five-year transformation from the office-focused Mack-Cali Realty into a pure-play multifamily REIT concentrated in the US Northeast. The agreed purchase price of US$19 per share represented a reported 13% premium to the company's most recent closing share price.

ECHO REALTY ACQUISITION

Sector: Retail

Tenant: Major anchor tenants include Publix, Whole Foods and Safeway

Lease length (WAULT): N/A

Area: 230 properties

Price/NIY: US$2.0bn / Undisclosed

Vendor: ECHO Realty

Vendor nationality: United States

Purchaser: TPG Real Estate JV PSP Investments JV La Caisse JV NBIM

Purchaser nationality: United States, Canada, Norway

Other comments: A TPG Real Estate-led consortium acquired ECHO Realty, a grocery-anchored retail specialist that owns and operates approximately 230 retail centres across the Midwest and Southeast US.

Q2 2026

EUROPE

A CONFIDENCE SHOCK DELAYS THE RECOVERY

LYDIA BRISSY
Director, European Research

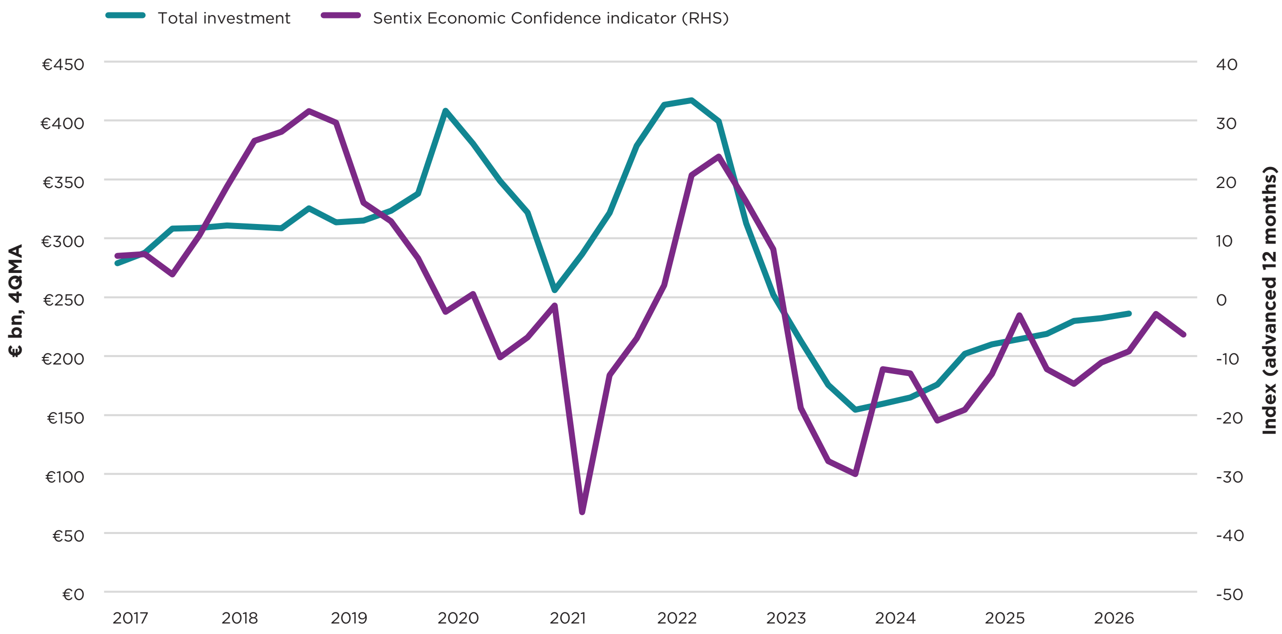
European real estate investment entered Q2 2026 with improving momentum, but market conditions became more fragmented as macroeconomic and geopolitical risks reasserted themselves. The escalation of conflict involving the US, Israel and Iran disrupted this improving backdrop, pushing energy prices higher, reviving inflation concerns and increasing volatility in government bond yields. For investors already assessing the pace of monetary easing and the sustainability of pricing adjustments, this created a more cautious deployment environment.

The ECB's June baseline forecast projected euro area inflation of 3.0% in 2026 and underlying core inflation of 2.5%. As a consequence, the ECB increased its policy rate by 25 basis points in June, bringing the deposit facility rate to 2.25%.

This partly reversed the monetary easing delivered in 2025 and challenged the earlier assumption that financing costs would continue to decline steadily through 2026. At its latest meeting, the central bank conveyed a hawkish message despite leaving the policy rate unchanged, suggesting a further rate increase is possible should energy prices remain elevated. Market pricing is aligned with this view.

In this context, the INREV Consensus Indicator fell from 54.7 in March to 41.0 in June, its lowest reading since the survey began in March 2023. All five sub-indicators weakened, with economic conditions at 24.0, new development at 29.3 and investment liquidity at 36.1, all well below the neutral threshold of 50.

EUROPEAN REAL ESTATE INVESTMENT AND SENTIMENT

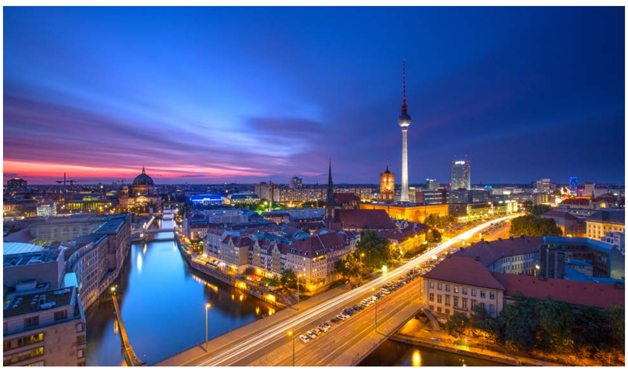


Source: Savills research using Macrobond

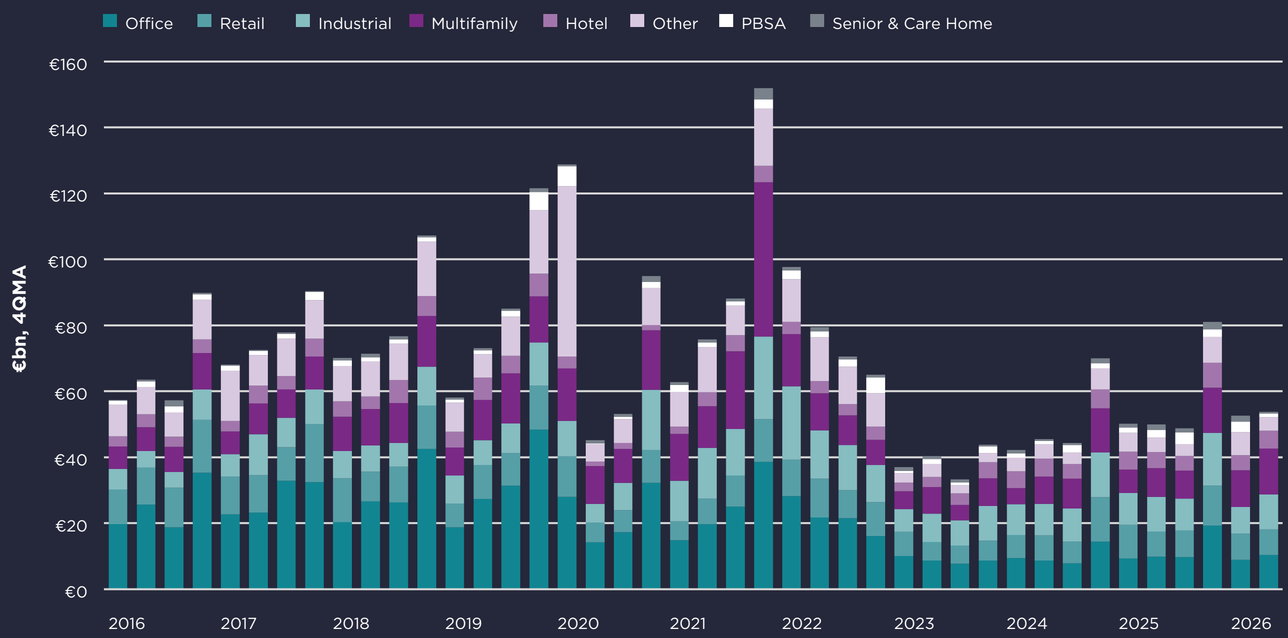
Against this backdrop, European investment activity looked subdued at the aggregate level but more resilient beneath the headline figures. Investors have not withdrawn from the asset class; they are concentrating on assets that combine secure income, transparent pricing and credible long-term demand. The recovery is therefore progressing in stages, led by conviction rather than broad-based risk appetite.

European transaction activity reached €54bn in Q2 2026, up 7.7% y/y. Given that Q2 is traditionally one of the most closely watched quarters for investment market momentum, as it generally sets the tone for the year, this represented a modest improvement rather than a decisive rebound. The recovery remained slower than initially expected, reflecting the combined impact of weaker sentiment, higher bond yields and delayed decision-making.

First-half investment totalled €106bn, 6.3% higher year on year. This pointed to a market that was broadly stable rather than rapidly rebounding. In practice, the European total concealed a more differentiated picture, with weakness concentrated in several major markets while others recorded strong growth from low bases, large portfolio transactions or improving investor appetite.



EUROPEAN REAL ESTATE INVESTMENT



Source: Savills research

Eleven of the nineteen European markets monitored recorded a year-on-year decline in the first half, confirming that the recovery has not yet broadened across the region. This divergence reinforces the importance of country-specific fundamentals and shows that capital is gravitating towards markets where pricing, economic prospects and occupational dynamics remain supportive.

The UK accounted for the largest share of the decline in activity. Investment fell by 16% y/y to £21bn (€24bn) in H1 2026, reducing European turnover by almost €5bn. Elsewhere, percentage falls were sharper but had a more limited impact on aggregate investment. Belgium and the Czech Republic recorded declines of 52% and 47%, respectively, following exceptionally strong comparable periods in 2025, while Denmark registered a 26% reduction in activity.

By contrast, several markets continued to perform strongly. Finland, Poland and Sweden recorded year-on-year growth of 100%, 93% and 80%, respectively. Spain remained one of Europe's strongest performers, with activity rising by 60% to €12.5bn, combining both scale and momentum. Germany and France recorded only modest growth of 3% y/y, leaving core markets as a drag on the broader recovery.

In these markets, activity remained 21% to 36% below their five-year averages, compared with a 7% gap for Europe overall.

Cross-border capital remained subdued by historical standards, accounting for approximately 45% of total European investment in H1 2026. Long-haul investors from the US, Canada and Singapore reduced activity as uncertainty around inflation, financing costs and global political risk lengthened decision-making. US investors nevertheless remained the largest source of cross-border capital into Europe.

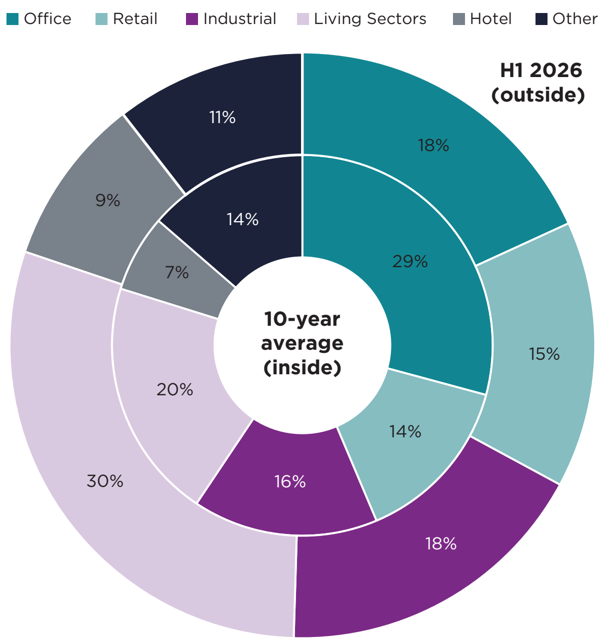
This caution reflects both cyclical and structural factors. Europe's subdued economic outlook, particularly in Germany and other mature economies, contrasts with technology- and infrastructure-led expansion in the US and stronger structural growth prospects in parts of Asia Pacific. The region's high-value manufacturing sector is steadily losing global competitiveness to China, with the intensifying challenge extending well beyond low-cost goods into the advanced industries that underpin Europe's industrial and export base.

Europe's investment case has therefore become more income defensive than growth-led. The region also remains more directly exposed to the economic consequences of the war in Ukraine and renewed instability in the Middle East, particularly through energy prices, inflation and industrial competitiveness. Together, these risks are encouraging some investors to postpone decisions until the outlook for rates, operating costs and tenant demand becomes clearer.

Within Europe, however, capital continued to move across borders. Dutch and French investors remained particularly active abroad, with transaction levels above their respective five-year averages.

Asset allocation trends continued to favour sectors with resilient occupational fundamentals. Living sectors, including multifamily, purpose-built student accommodation, care homes and senior living, accounted for 29% of total European investment during H1 2026. Strong rental growth prospects, constrained supply and stable income characteristics continued to underpin demand, supported by several large portfolio sales in Spain, Finland, France and Poland.

EUROPEAN ASSET ALLOCATION PATTERNS



Source: Savills research

Retail investment declined by 12% y/y after a strong first half in 2025, but investor appetite remained focused on prime flagship assets. Notable transactions included the €1.2bn sale of an 80% interest in Palazzo del Monte at Via Monte Napoleone in Milan, the €402m sale of 29-33 Avenue des Champs-Élysées in Paris, the €331m sale of Merry Hill shopping centre in Birmingham and the €329m sale of Islazul shopping centre in Madrid. These deals indicate that high-quality retail continues to attract capital where asset relevance, location quality and income durability are clear.

Logistics investment also moderated, with European activity declining by 7% y/y in H1 2026, despite one of the year's largest transactions: the €2.3bn acquisition of Proudreed's French logistics platform. Long-term drivers such as supply chain modernisation and e-commerce remain supportive, but the sector is now subject to greater pricing scrutiny after several years of exceptionally strong performance. The share of other asset classes remained broadly unchanged.

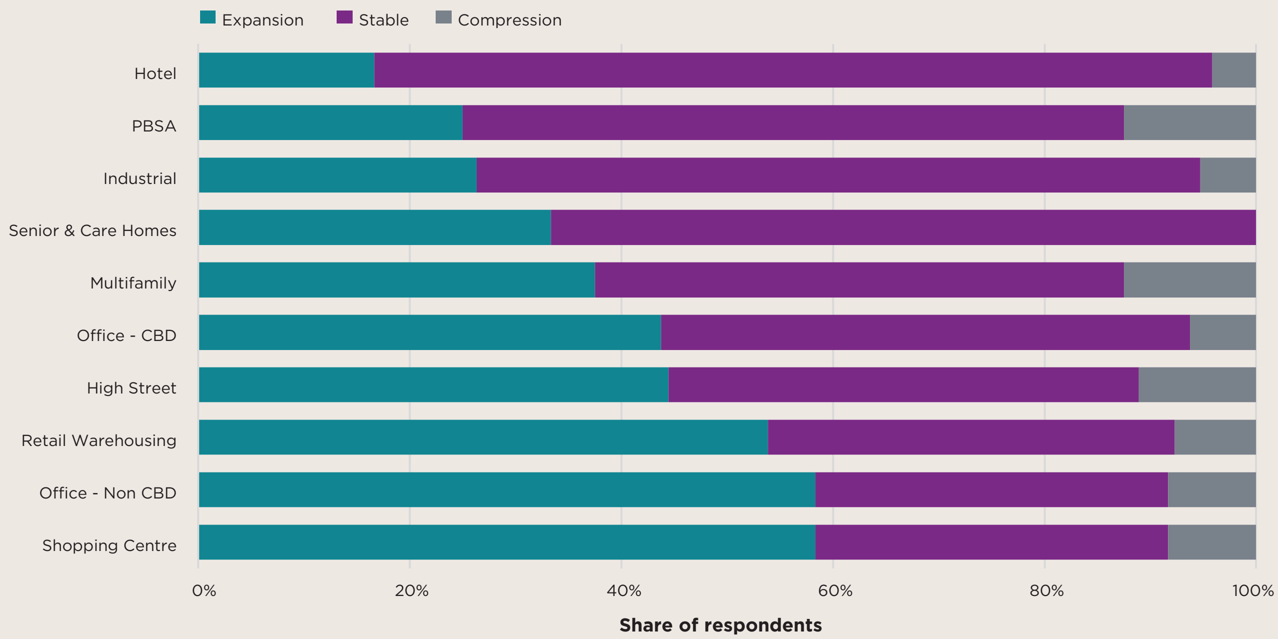
Large transactions continued to play an important role in market activity, showing that liquidity remains available for exceptional assets. Alongside Palazzo del Monte, notable Q2 transactions included Barclays' £750m (€866m) acquisition of One Churchill Place in London for owner occupation and the €430m acquisition of the Pullman Paris Tour Eiffel by a joint venture between Batipart, Caisse des Dépôts and Société Générale. These deals reinforce the continued depth of capital for trophy assets where pricing, quality and long-term income characteristics remain compelling.

The rise in government bond yields has slowed the expected improvement in real estate pricing. Although debt remains readily available for high-quality assets, lenders and investors are placing greater emphasis on income security, asset quality and entry pricing. The best assets can still trade, but secondary assets remain constrained by an incomplete repricing process and a persistent bid-ask gap.

Prime yield movement was limited during the quarter, with changes of less than 5 basis points across most sectors. On an annual basis, however, there were signs of selective compression in structurally supported segments: prime senior living yields moved in by 13 basis points, care homes by 11 basis points and retail warehouses by 10 basis points. By contrast, non-CBD offices moved out by 18 basis points, underlining the continued bifurcation between assets with resilient income prospects and those facing weaker demand.

Over the next 12 months, prime yields are expected to remain mostly stable with some expansion expected in both the retail and office segments and some isolated compression likely for exceptional assets. This points to a market where performance will be driven less by yield movement and more by income growth, active asset management and the ability to identify mispriced opportunities.

EUROPEAN 12-MONTH PRIME YIELD EXPECTATIONS



Source: Savills research

Fundamentally, Europe remains on investors' radar, but the threshold for deployment has risen. Capital is most likely to target markets where repricing has created a clearer entry point and where long-term demand is supported by structural growth, constrained supply and durable income.

Some transactions have been delayed rather than cancelled, leaving scope for activity to improve in the second half of the year if geopolitical conditions remain contained. Against this more selective backdrop, European investment is expected to reach €251bn in 2026 (+11% y/y) and €297bn in 2027 (+17 y/y).

PRIME EUROPEAN YIELDS, Q2 2026 (AS AT END OF JUNE)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Logistics	Cologne	4.50%	No change	55%	4.0%	5.1%	1.6%
Logistics	Île-de-France	4.80%	No change	55%	4.0%	5.8%	1.2%
Logistics	Amsterdam	5.00%	Up	55%	4.0%	6.2%	2.0%
Logistics	Madrid	5.05%	No change	55%	4.4%	5.9%	1.8%
Logistics	London	5.25%	No change	60%	5.4%	5.1%	0.4%
Multifamily	Berlin	3.60%	Up	55%	4.0%	3.1%	0.7%
Multifamily	Copenhagen	3.75%	No change	63%	4.1%	3.2%	1.0%
Multifamily	Madrid	3.90%	No change	55%	4.4%	3.3%	0.6%
Multifamily	Paris	4.25%	No change	55%	4.0%	4.6%	0.6%
Multifamily	Stockholm	4.25%	Up	60%	3.5%	5.4%	1.6%
Multifamily	London	4.75%	No change	60%	5.4%	3.8%	-0.1%
Student	Paris	4.50%	No change	55%	4.0%	5.1%	0.9%
Student	Berlin	4.50%	No change	55%	4.0%	5.1%	1.6%
Student	Madrid	4.50%	No change	55%	4.4%	4.6%	1.2%
Student	London	4.75%	No change	60%	5.4%	3.8%	-0.1%
Office	Paris	4.00%	No change	55%	4.0%	4.0%	0.4%
Office	Milan	4.00%	No change	55%	4.6%	3.3%	0.4%
Office	Madrid	4.40%	No change	55%	4.4%	4.4%	1.1%
Office	Berlin	4.50%	Up	55%	4.0%	5.1%	1.6%
Office	Frankfurt	4.50%	Up	55%	4.0%	5.1%	1.6%
Office	London (City)	5.25%	No change	60%	5.4%	5.1%	0.4%

Source: Savills Research and Macrobond

Note: yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Values based on end-of-quarter data. See Methodology for details.

PALAZZO DEL MONTE, MILAN, ITALY

Sector: Retail

Tenant: Saint Laurent, Prada, and Café Cova

Lease length (WAULT): N/A

Area: 11,800 sqm (127,000 sqft)

Price/NIY:
€729m (US$1.3bn) / Undisclosed

Vendor: Kering

Vendor nationality: France

Purchaser: Al Mrqab Projects Group

Purchaser nationality: Qatar

Other comments:
The transaction values the prime luxury retail asset, one of the largest properties on Via Monte Napoleone, at nearly €1.5bn, underscoring continued investor demand for trophy assets in Europe's leading luxury destinations. Kering will receive €729m at closing and a further €432m in five years' time, while retaining a 20% stake in the newly incorporated company holding the asset.

FIDERE SOCIMI PORTFOLIO, SPAIN

Fidere

Sector: Multifamily

Tenant: N/A

Lease length (WAULT): N/A

Area: 5,000 units

Price/NIY:
€1.2bn (US$1.4bn) / Undisclosed

Vendor: Blackstone

Vendor nationality: United States

Purchaser: Brookfield

Purchaser nationality: Canada

Other comments:
Blackstone has sold its Fidere residential portfolio to Brookfield in a transaction reported to be Spain's largest multifamily deal in almost 20 years, excluding Blackstone's acquisition of Testa Homes in 2018. The portfolio comprises around 5,000 units across 47 assets, predominantly located in the Madrid metropolitan area.

Q2 2026

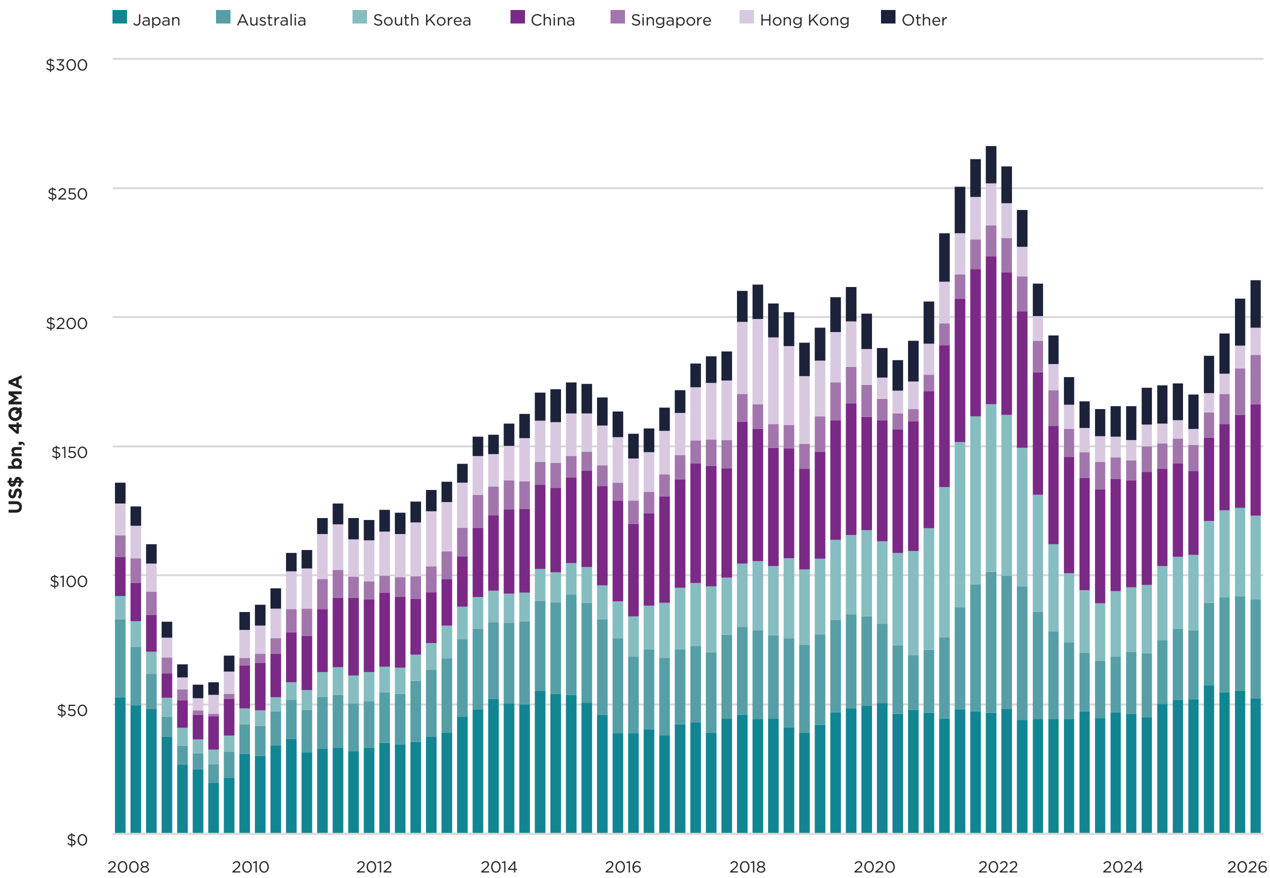
ASIA PACIFIC

A RECOVERY LED BY SCALE AND SELECTIVITY

NICHOLAS WILSON
Senior Director, Strategic Research & Advisory, Asia Pacific Capital Markets

Total investment turnover in the APAC region reached US$46bn in Q2 2026, up 18% y/y and bringing first half turnover growth to 25%. This recovery, though, is far from broad-based, with Mainland China (+140%) and Hong Kong SAR (+120%) supporting most of the improvement, albeit with activity levels coming off a low base. Other markets like Australia (+24%) and Singapore (+49%) also showed a meaningful improvement, as large mega-deals drove activity higher. But South Korea (-22%) and Japan (-27%) were a drag on overall momentum, with early signs of a potential bid-ask spread in Japan starting to gather momentum.

APAC REAL ESTATE INVESTMENT



Source: Savills research using MSCI RCA. Excludes development sites.

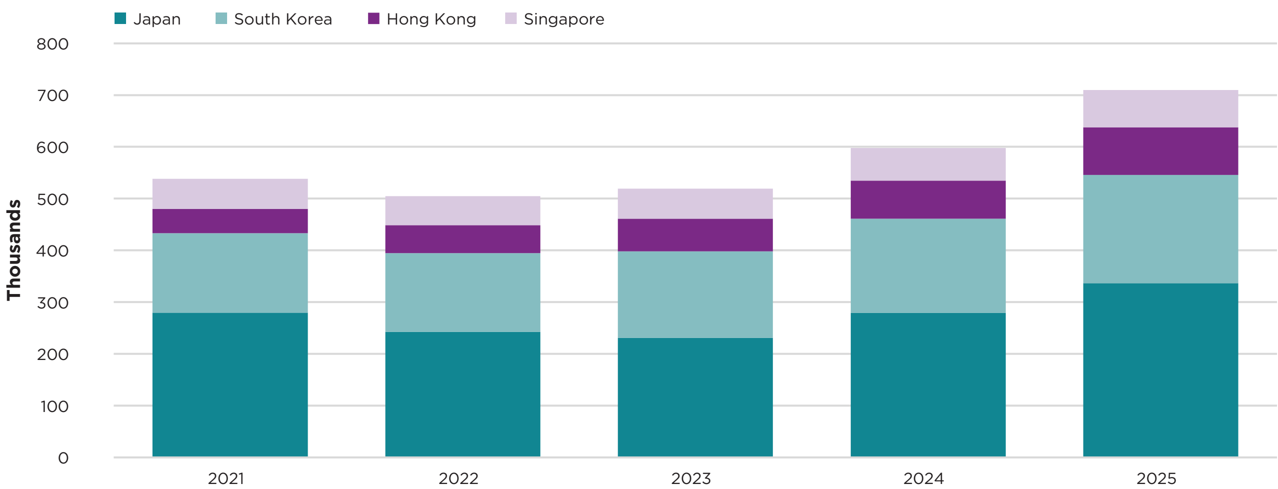
Cross-border investors remain strong net buyers of APAC real estate, accounting for 35% of acquisitions in the first half, up from 28% last year. Activity has been supported by a wave of large transactions, particularly in Singapore, while the investment pipeline continues to build as more large assets and portfolios come to market. Structural trends are also supporting activity despite weaker investor confidence following renewed conflict in the Middle East, with partial stake transactions reaching record levels as investors pursue partner buyouts, minority stake sales and recapitalisations of existing club structures.

Joint Venture (JV) activity has also been a prominent theme of late. To some extent, fundraising has been shifting away from pooled private vehicles, towards more targeted clubs/JV platforms. This is particularly noticeable in large scale living sector developments in Australia, portfolio transactions backed by insurance capital in China, buyouts of corporate held real estate in Japan, and regionwide data centre platform acquisitions.

APAC living sector investment activity softened further in Q2 2026, making the sector a key outlier on trading momentum. But this is largely a result of weaker flows coming from Japan, with turnover down 38% y/y in the quarter. What is not reflected in these figures, however, is a growing number of development deals linked to living sectors, as well as some of the entity-level deals currently under contract.

There is momentum growing in the PBSA sub-sector across the region, as rising international student numbers support the buildout of institutional platforms. Hong Kong has seen a wave of hotel and office acquisitions for the purpose of conversion to student housing. During the quarter, Centaline group closed its acquisition of the Regal Oriental Hotel for US$194m, with plans to convert the hotel into 1,568 student beds. Elsewhere, Warburg Pincus has made a US$1.2bn tender for JSB, Japan's largest student housing operator, and Holdmark Property in conjunction with Western Sydney University is repurposing an office building into a student housing facility with upwards of 600 beds.

APAC INTERNATIONAL STUDENT NUMBERS



Source: Savills research using Japan Student Services Organization (JASSO)/Study in South Korea, and Hong Kong Education Bureau. Singapore data estimated using Ministry of Education and university annual reports.

While activity in Japan has slowed, there has been more movement on the operator level in recent months. Both Dash and Weave Living have undertaken acquisitions this year, with the latter entering into a JV with BGO to acquire a 10-property portfolio. Investors and capital partners are increasingly now sitting behind the operating platforms as a differentiator both in terms of operating capability and for pipeline expansion.

Institutional capital in South Korea continues to build, with Bouwinvest and APG committing US$300m to a living sector fund managed by Tishman Speyer. There is also some pipeline of stabilised assets in the market, with ICG putting a four-asset operating portfolio in play, while KKR is reportedly looking to recycle out of its three asset living portfolio totalling 376 units.

The market for forward funded deals in Australia is also heating up, in part due to the higher return premiums available. Kio Investment Management, backed by Warburg Pincus, has forward funded a UEM Sunrise BTR project in Melbourne, with completion expected in 2027. Further, the LIV Mirvac Fund has agreed to forward fund Mirvac's 188 unit build-to-rent development in Crows Nest, Sydney, with the completed asset to be seeded into the fund upon completion.

Investment activity across the industrial and logistics sectors has continued along a recovery path, with Q2 2026 investment rising 17% y/y, and first half turnover up 28%. Gains were mixed across the region, but strong momentum remains evident across Australia, Mainland China, Singapore and Taiwan, China. Surprisingly, the semiconductor boom in South Korea has failed to deliver broader industrial sector depth, with Japan also experiencing a reversal in investment activity in the second quarter, similar to other sectors.

Manufacturing activity remains largely expansionary across the region, with the exception of Mainland China. The regional manufacturing cycle though is increasingly being driven by AI and semiconductor capital spending, rather than a broad based pick up in goods demand. Export volumes remain stronger than expected, particularly in South Korea, Taiwan and Mainland China.

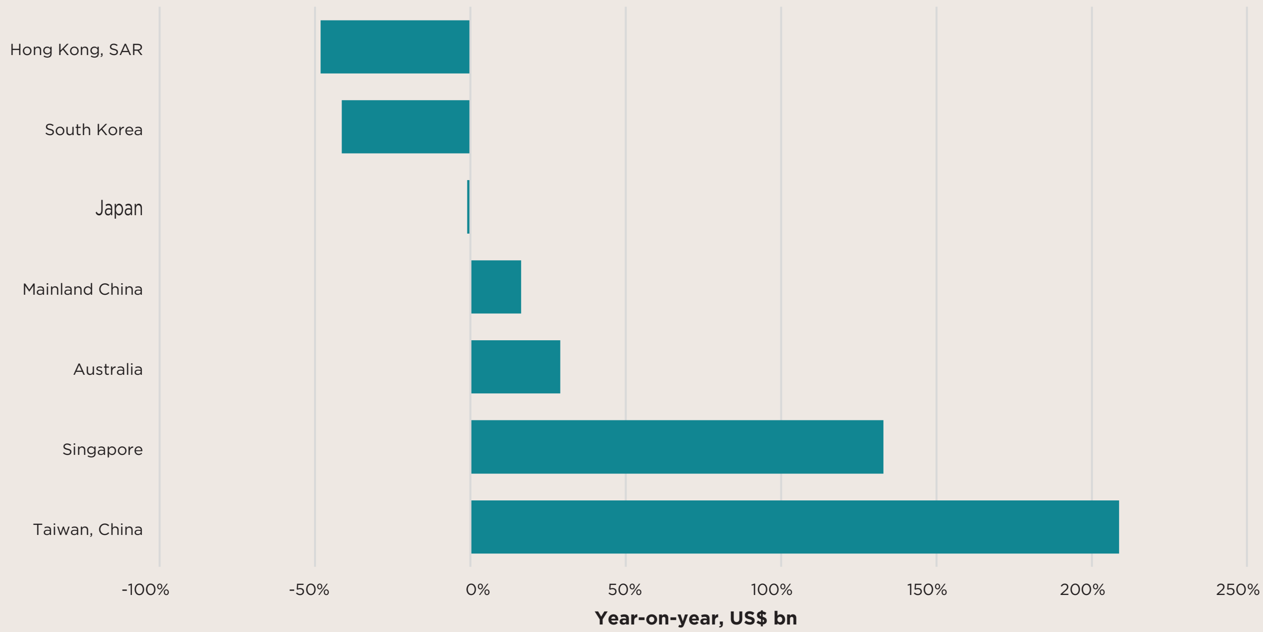
But to some extent, the AI/chip boom is creating a two-tier export market, and it remains a narrow channel to try to get real estate exposure to. Much of the memory chip production in South Korea, for example, is highly capital intensive but not heavily warehouse intensive. The broader industrial and logistics markets are therefore seeing more muted operating fundamentals, with pockets of oversupply in South Korea, Japan and China.

Still, sentiment across the sector is broadly positive, despite the imposition of multiple shocks around energy and trade in recent years. The on-again, off-again conflict in the Middle East has been unhelpful for a sector that relies heavily on goods exports and energy imports, but these challenges have been navigated well and activity as highlighted earlier is building.

Australia has been the region's most active industrial market this year, driven by a combination of portfolio transactions, recapitalisations and partial stake sales. Goodman consolidated its long standing industrial JVs through the acquisition of Brickworks' interests, while Stockland expanded its capital partnership with M&G Real Estate and Goodman continued to recycle mature assets to Aliro.

Together, these transactions highlight how developers are increasingly using capital partnerships and asset recycling to fund the next phase of industrial development.

APAC INDUSTRIAL INVESTMENT H1 2026

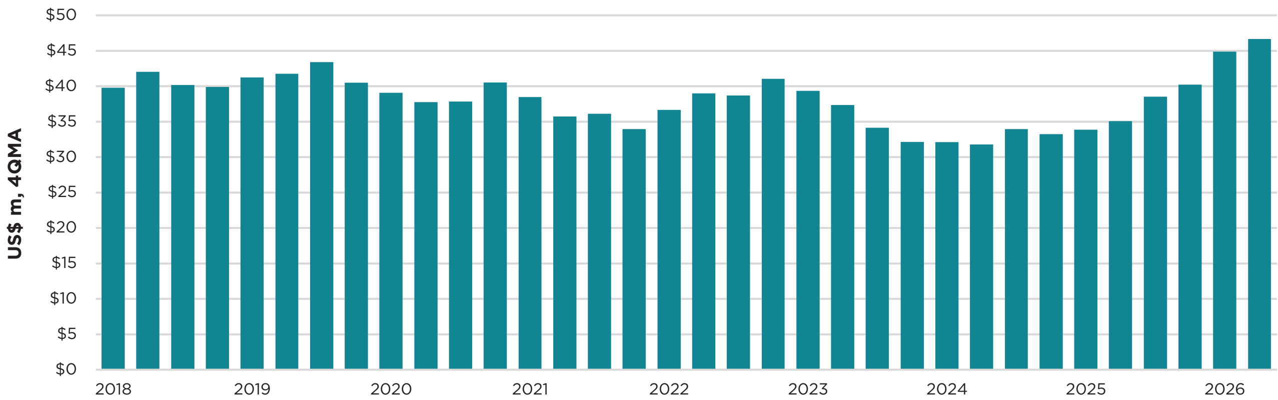


Source: Savills research using MSCI RCA

In South Korea, cross-border capital has become more constructive, as interest is redirected from the office sector towards the logistics market. Starwood, Blackstone, Hines and Phoenix have all closed deals in Q2 2026, but fewer portfolio deals in the market is limiting the scale of investment. Taiwan has seen a notable boost in activity, driven by technology firms and other corporates linked to the semiconductor boom. Micron technology acquired a chip fabrication site for US$1.8bn, which is driving the gains, but a string of other acquisitions by electronics companies have also supported turnover.

Office investment across APAC has now recorded eight consecutive quarters of annual growth, with turnover rising 8% in Q2 2026. Transaction numbers have grown more slowly, however, indicating that average deal sizes continue to increase as investors concentrate on larger core assets. The recovery has been led by a sharp pickup in mega deals above US$500m, which more than doubled in the first half and has supported activity across South Korea, Japan and Singapore, with early signs that large scale transactions are returning to China.

APAC AVERAGE OFFICE TRANSACTION SIZE



Source: Savills research using MSCI RCA

These larger deals in South Korea are being led by cross-border sellers, which have accounted for 35% of selling activity in office assets over US$250m. Brookfield completed a US$2.5bn recapitalisation of IFC Seoul through a continuation fund rather than an outright disposal, allowing existing investors to exit while introducing new institutional capital.

In Hong Kong, corporates continue to be an active stabiliser, accounting for over 40% of turnover so far this year. JD.com acquired CCB Tower for around US$893m, one of the largest owner-occupier office purchases in Hong Kong in recent years, and follows a spate of transactions where occupiers are securing their office space at the newly discounted prices. This, along with opportunistic capital acquiring distressed assets from receivers, has pushed office investment up 70% this year, albeit off a very low base.

In Australia, good quality assets with better income protection characteristics are trading, but some of the lower grade stock continues to struggle on the market. Sydney and Brisbane are both trading actively, with Melbourne lagging. The opportunity though is there for those investors with a 'through the cycle' view. The repricing has pushed cap rates higher, and the supply pipeline is at record lows.

Operating fundamentals will improve from here, and there are a number of large assets entering the market over the coming months. Centuria recently acquired a 50% stake in Brookfield's 680 George Street, a 62,096 sqm asset for AU$454m (AU$908m for 100% value).

Singapore remains the region's primary market for core office deals this year, as lower funding costs and strong operating fundamentals drive activity. The investment pipeline also remains strong, with Khazanah and Temasek reportedly selecting their preferred bidder for the Marina One asset, at a valuation of around US$4.4bn.

Japan has similarly benefited from improving leasing fundamentals and accelerating rental growth over the past year, but investment is starting to concentrate towards the capital city. Tokyo has accounted for 83% of turnover this year, its highest share in over a decade. The cross-border share is tracking at over 40% so far this year, which if sustained, would be a new record. But activity across the broader market is beginning to slow as investors weigh strong near term income growth against the prospect of higher exit cap rates. Investors are becoming increasingly selective, with leasing momentum and asset quality taking precedence over yield alone.

PRIME APAC YIELDS, Q2 2026 (AS AT END OF JUNE)

Sector	City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Logistics	Tokyo	3.30%	No change	60%	2.1%	5.1%	0.7%
Logistics	Hong Kong	4.10%	No change	40%	5.0%	3.5%	0.9%
Logistics	Sydney	5.00%	No change	50%	6.5%	5.0%	0.3%
Logistics	Seoul Metro Area	5.30%	Up	60%	5.5%	5.0%	1.2%
Logistics	Shanghai	5.50%	Up	50%	3.7%	7.3%	3.8%
Logistics	Singapore	6.50%	No change	55%	2.2%	11.7%	4.5%
Multifamily	Tokyo	3.30%	No change	60%	2.1%	5.1%	0.7%
Multifamily	Sydney	4.13%	No change	55%	6.5%	1.2%	-0.6%
Multifamily	Melbourne	4.25%	No change	55%	6.5%	1.5%	-0.5%
Student	Sydney	4.75%	No change	55%	6.5%	2.6%	0.0%
Student	Melbourne	5.25%	No change	55%	6.5%	3.7%	0.5%
Office	Hong Kong (CBD)	2.03%	No change	40%	5.0%	0.0%	-1.2%
Office	Tokyo	2.60%	No change	60%	2.1%	3.4%	0.0%
Office	Singapore	3.75%	No change	55%	2.2%	5.6%	1.7%
Office	Seoul	4.15%	No change	60%	5.3%	2.5%	0.1%
Office	Shanghai (Lujiazui)	5.25%	Up	50%	3.5%	7.0%	3.5%
Office	Sydney	6.00%	No change	50%	6.6%	6.0%	1.3%
Office	Mumbai	8.25%	Up	60%	9.5%	6.4%	1.5%

Source: Savills Research and Macrobond

Note: yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Logistics yield in Singapore reflects the domestic land tenure system, where the longest lease for new industrial properties is 30 years. Values based on end-of-quarter data. See Methodology for details.

NATIONAL STORAGE PRIVATISATION, AUSTRALIA

Sector: Self-Storage

Tenant: Amazon, Coles, Australia Post and others

Lease length (WAULT): Undisclosed

Area: 14m sqft (1.3m sqm)

Price/NIY: AU$6.7bn (US$4.8bn) / Undisclosed

Vendor: National Storage REIT

Vendor nationality: Australia

Purchaser: Brookfield JV GIC

Purchaser nationality: Canada and Singapore

Other comments: The acquisition of Australia's largest self-storage provider marks the biggest ever take-private of an ASX-listed REIT, at a 26.5% premium to its undisturbed share price. The transaction provides the purchasers with exposure to a portfolio of 290 storage facilities across Australia and New Zealand.

PARAGON MALL, SINGAPORE

Sector: Retail

Tenant: Multiple including CS Fresh Gold, Marks & Spencer, Gucci

Lease length (WAULT): Undisclosed

Area: 707,000 sqft (66,000 sqm)

Price/NIY: SG$3.9bn (US$3bn) / 3.9%

Vendor: Cuscaden Peak

Vendor nationality: Singapore

Purchaser: CapitaLand

Purchaser nationality: Singapore

Other comments: A rare trade of a prime freehold Orchard Road trophy asset, the deal followed Cuscaden Peak's privatisation of Paragon REIT in 2025, and represents one of the largest Singapore real estate transactions of 2026. CapitaLand previously announced that it would partially fund the deal by selling its full interest in Asia Square Tower 2, a prime office asset, for SG$2.5bn to IOI Properties.

METHODOLOGY

Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a fully let hypothetical grade A asset; for logistics, this is a big-box facility located in a prime location, let to a single good profile tenant on a 10–15-year open-market lease, for office, it is a building a located in the CBD of over 50,000 sqft in size, and for living, it is an asset of institutional scale in a prime location. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Data is end-of-quarter values.

Savills Research

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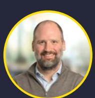

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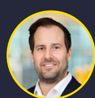

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