GLOBAL CAPITAL MARKETS

LIVING | ANNUAL REVIEW 2026

RESEARCH

GLOBAL SUMMARY

RESILIENCE AMID RISK

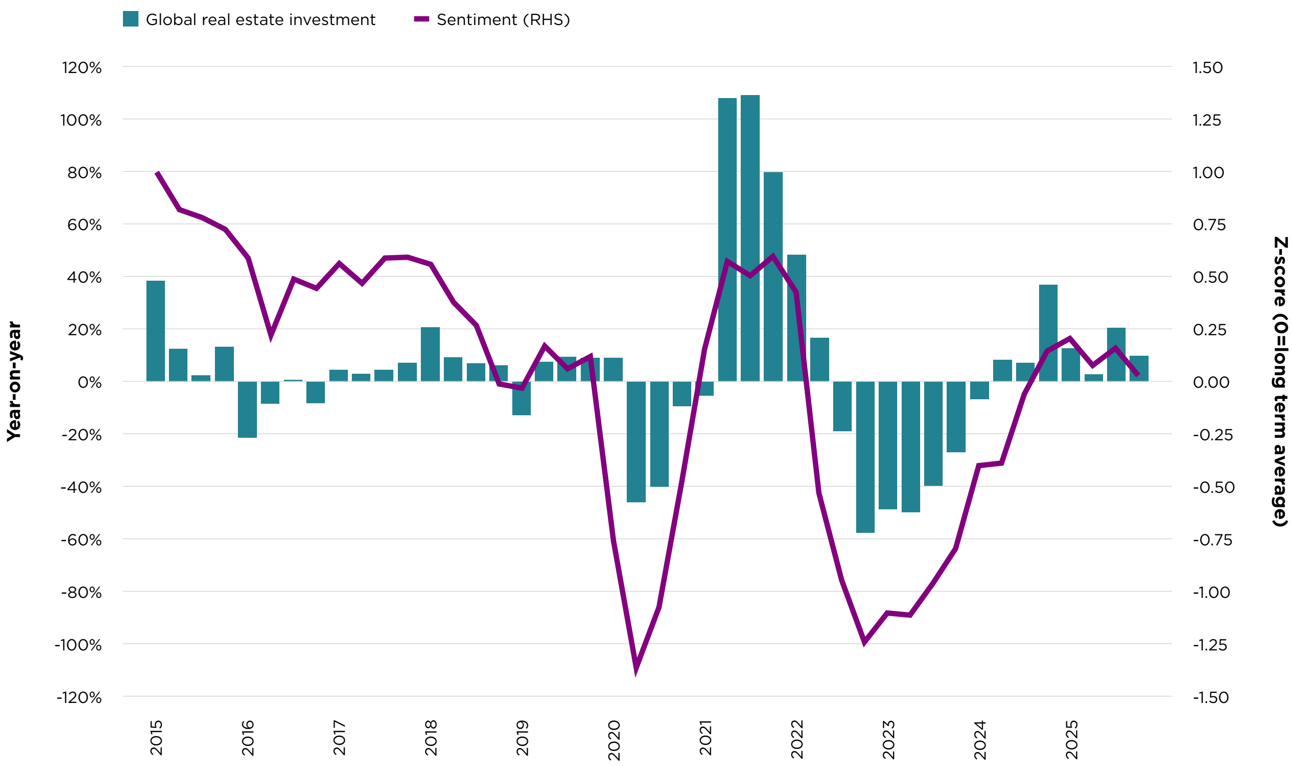
Global real estate investment rose by nearly 10% in 2025 in US-Dollar terms, or around 8% on a fixed-exchange-rate basis, given the nearly 8% decline in the trade-weighted value of the US dollar. This follows a similar increase in 2024, however, global activity remains around 20% below the pre-Covid-19 average, and 40% lower than the peak in 2021—though the latter is not necessarily a meaningful or indeed helpful benchmark.

The US continues to lead the recovery, not least because it is the world's largest and most liquid real-estate market. Investment there increased by 18% in 2025 and now stands 30% above the 2023 low. In contrast, Europe and APAC were broadly flat on the year, although this statement masks considerable regional variation. In APAC, Greater China remains challenged by excess supply and a subdued leasing environment, while Australia, Japan, and South Korea continue to attract global capital, driven by mostly compelling fundamentals. Likewise, the narrative in Europe has been of diverging fortunes between core and peripheral markets, with the periphery outperforming.

Overall, the market is progressing through an incremental, often uneven recovery, characterised by few easy wins and punctuated by false starts. Volatility in early 2025, as financial markets responded to the early policy agenda from newly inaugurated US President Donald Trump—culminating in April's 'Liberation Day' tariff announcements—created some hesitation and delayed decision-making. After adjusting for the normal seasonal patterns, global real estate investment fell for two consecutive quarters at the start of the year, despite ending 2024 on a strong footing.

Momentum strengthened again in the second half, however, as delayed transactions moved forward. Deals are taking longer to close—a trend predating the tariff announcement—but they are still being completed. When viewed alongside other market signals, on investor sentiment, pricing, and wider liquidity conditions, the market continues to demonstrate good resilience.

GLOBAL: REAL ESTATE INVESTMENT AND SENTIMENT



Source: Savills research using Macrobond

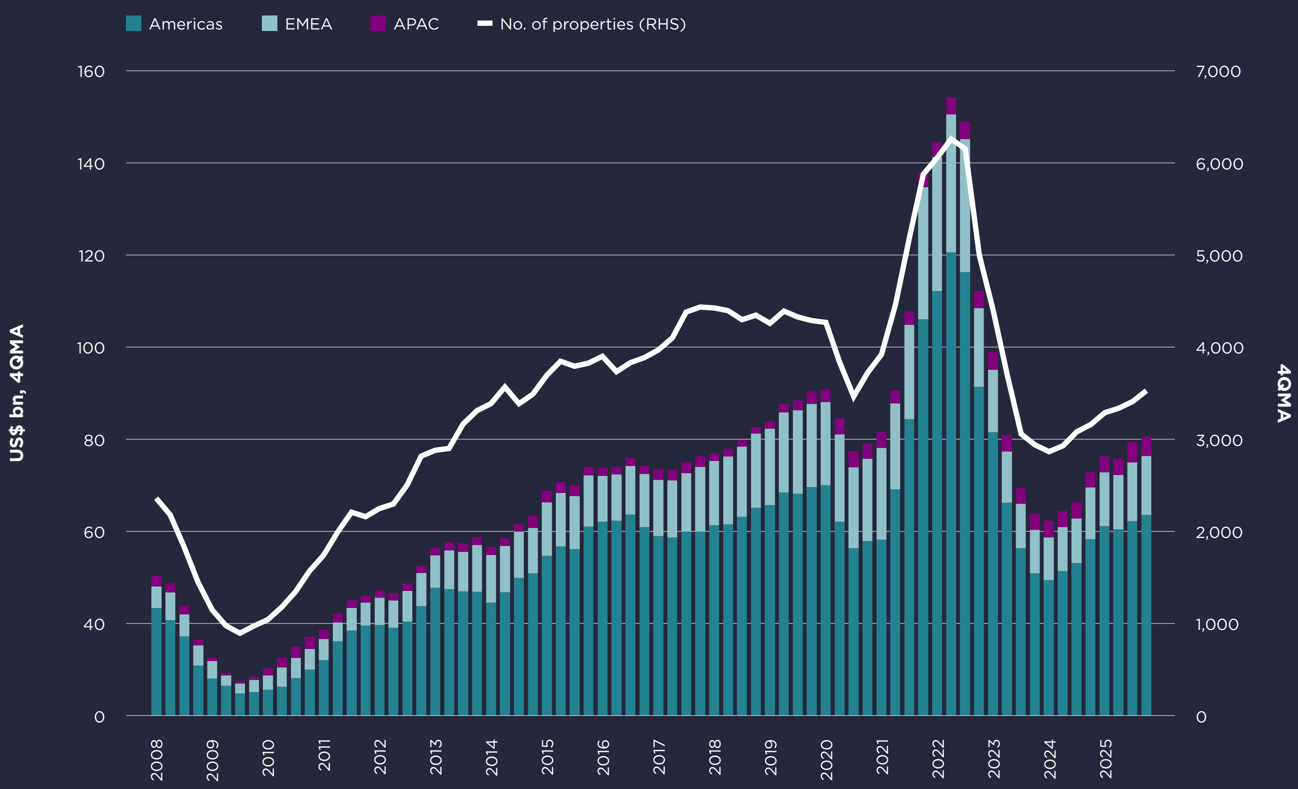
Indeed, a defining feature of the current economic cycle is resilience. Despite a succession of disruptive events, economic activity has repeatedly outperformed expectations for a more pronounced slowdown. Financial markets, too, appear increasingly accustomed to the volatility. Whether recent events in the Middle East challenge this uneasy status quo remains to be seen. However, investors are increasingly showing their willingness and ability to deploy capital irrespective of the noise.

The IMF's latest World Economic Outlook echoes this narrative. Its 2026 growth outlook is broadly unchanged to 2025, even if overall activity is still subdued relative to pre-Covid-19 norms. In particular, they highlight the 'adaptability' of the private sector, a sentiment that applies equally well to real estate. In an environment of higher interest rates, persistent inflation, and geopolitical uncertainty, the sector's inherent illiquidity might be expected to deter activity in favour of safer, income-producing assets such as fixed income. Yet buyers and sellers are still coming together and transacting. Within this, larger assets and portfolios are trading with more frequency, showing an increased appetite to risk.

Risks do remain—from political pressure on the independence of the US Federal Reserve, to the concentrated nature of global equity markets, and the unsettled geopolitical backdrop including, at the time of writing, further instability in the Middle East. But despite the stopstart nature of the recovery, the trend is clearly upward. With the foundations for continued growth in place, we anticipate global investment to rise by a further 15% in 2026.

SCALING UP

GLOBAL: LIVING INVESTMENT TURNOVER



Source: Savills research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

Global investment in the living sectors reached US$277bn in 2025, marking a near 15% increase on the year. Turnover has now risen by almost 40% from the trough in 2023 and has returned to levels broadly consistent with the pre-Covid-19 average. All global regions recorded double-digit growth in 2025, underscoring the depth and resilience of investor appetite across a variety of market maturities. The strongest driver of activity was individual asset sales—particularly pronounced in the US—although year-on-year comparisons in portfolio transactions are skewed by an unusually high base in 2024.

Outside the US, portfolio and entity-level transactions play a more prominent role. Major global investors continue to seek scale in less mature markets, where opportunities for platform building or rapid expansion are desirable, if and when the opportunities present. The clearest illustration of this trend is in the behaviour of outbound US capital. US investors have grown their share of global cross-border investment to roughly one-third in recent years, a notable rise from a long-term average of just above 20%. Their influence held steady in 2025, despite increasing diversity in global cross-border capital flows. In total, investors from 12 origin markets deployed more than US$1bn into foreign living assets in 2025—double the number recorded in both 2023 and 2024—reflecting a broadening pool of internationally active players.

Specialist living asset classes continue to lead the market, fuelled by structural demand drivers and undersupply, as well as the accelerating institutionalisation of these segments. Investment in Purpose Built Student Accommodation (PBSA) rose 22% in 2025 to US$21bn, supported by major transactions across mainland Europe and Australia. Notably, the US$1.4bn acquisition of the Livensa Living portfolio by CPP Investments helped anchor European activity. Senior living and healthcare real estate recorded even stronger momentum, with turnover surging 70% to US$40bn. This was underpinned by a robust US market and supplemented by large deals in the UK, Australia, and Sweden, reflecting widespread recognition of demographic-driven demand fundamentals.

In contrast, single-family and multifamily sectors saw comparatively modest growth, with global investment rising around 9% to US$219bn. This relative underperformance is partly a simple reflection of market maturity; in the US—by far the largest and most established multifamily market—transaction levels have largely normalised to pre-pandemic levels. Elsewhere, the opportunity to acquire stabilised assets remains somewhat constrained, with limited development across many major APAC and EMEA markets suppressing the availability of new stock. This scarcity is failing to satiate the continued strong appetite of investors, as reported in the multiple global investment intention surveys, and evidenced in the US, where investors have continued to buy through the cycle, even though some softening in rental and occupancy dynamics has emerged.

EMEA

EUROPE, MIDDLE EAST, AFRICA

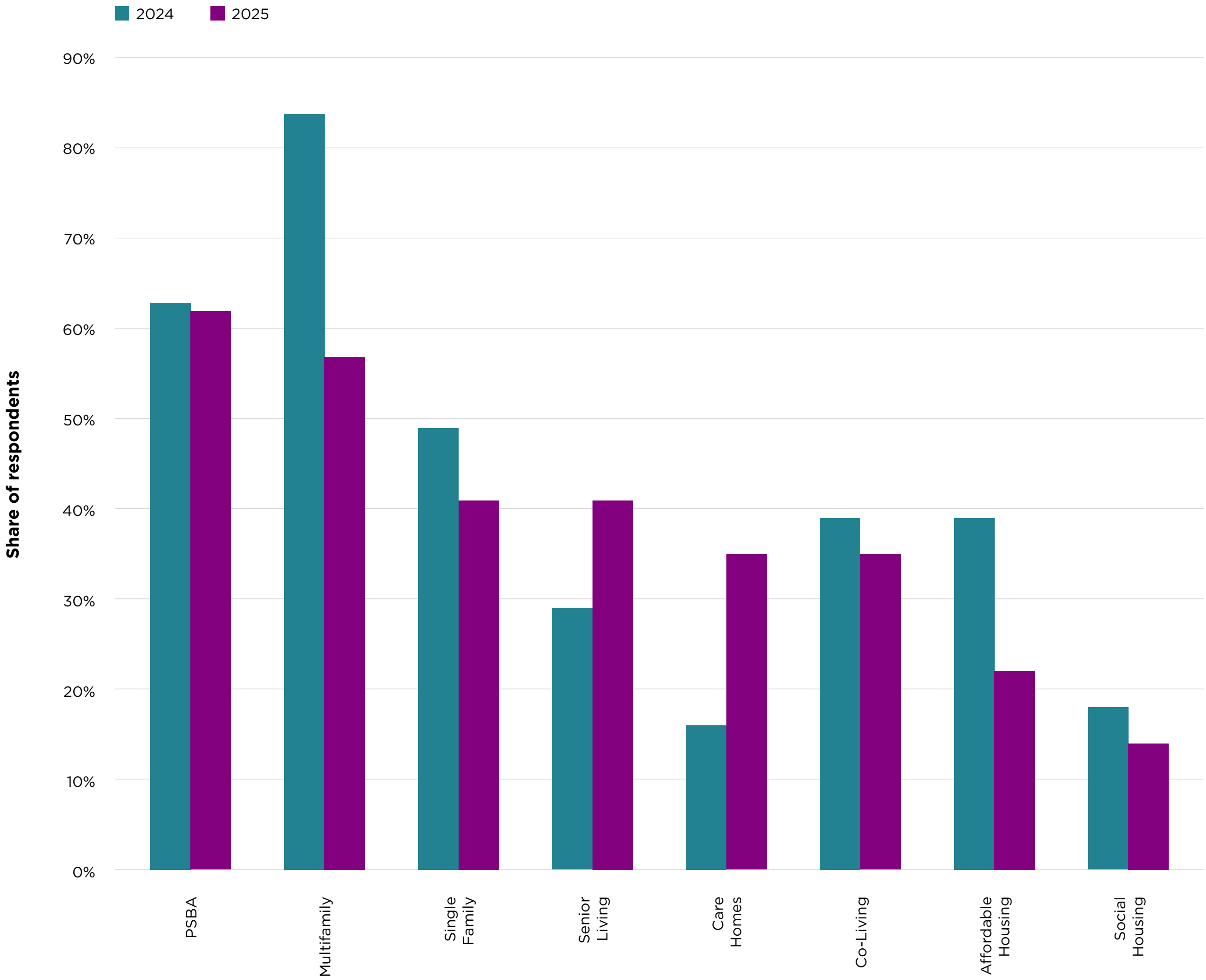
A robust final quarter bookmarked a strong year for the EMEA living sector, with investment of €54bn (US$60bn) representing a near 12% increase on the year. The €17.6bn (US$20bn) transacted in Q4 represented the strongest quarter since Q2 2022. This was supported by a major deal in Northern Europe with the Norwegian listed group Public Property Invest (PPI) acquiring a 'social infrastructure' portfolio—primarily consisting of senior living and healthcare assets—for NOK37bn (US$3.4bn) from SBB (a major shareholder of PPI). In addition to the Scandinavian region, most major markets experienced growth on the year, including in the UK, France, and the Netherlands.

Niche sectors continue to be the driving force behind the steady recovery in deal activity. Last year was the second best on record for PBSA, with continental Europe leading the way. In total, PBSA accounted for 16% of total living sector investment in 2025, more than double the long-term average. Turnover was heavily weighted towards several major deals—including the Livensa Living Portfolio in Spain, and the YouFirst Campus in France—however, it demonstrates strong appetite for the sector, especially given the underlying competition and depth of bidding when these portfolios do come to market. Liquidity is driving greater confidence in the market, which should facilitate more major transactions in 2026, with Brookfield rumoured to be preparing the sale of their European student platform International Campus for around €2bn (US$2.4bn).

There appears to be more confidence in the sector in mainland Europe, underpinned by robust rental expectations, as investors look at the UK with more caution. Traditionally, the UK accounts for around two-thirds of regional investment in PBSA, however, this share slipped below 50% in 2025. The UK market is more mature, with a higher provision of beds, and there are some concerns over occupancy amidst a decline in inflows of foreign students, with investors focused on single-asset sales in selective locations where the fundamentals remain compelling.

At the other end of the scale, the UK healthcare and senior living sector seems to be piquing the interest of investors, particularly US REITs. Investment nearly doubled on the year, underpinned by a series of large platform acquisitions, including one of the largest care home transactions ever to complete, with the US REIT Welltower acquiring the UK's second-largest care home operator, Barchester Healthcare, for £5.2bn (US$7bn). Factoring in the PPI acquisition in Scandinavia, 2025 was a strong year for the sector, and reflects the renewed interest in both senior living and care homes, as reported in our annual European OpRE Investor Survey.

EMEA: WHICH OPRE SECTORS ARE YOU TARGETING FOR INVESTMENT?



Source: Savills Research and Savills Investment Management European OpRE Investor Survey, June 2025

The multifamily and Build-to-Rent (BTR) sub-sector remains more muted, with regional investment rising by around 5% in 2025. The German market continues to languish, with investment falling by around 12% in comparison with 2024. A slow adjustment in valuations continues to drive a wedge between buyer and seller price expectations, reinforced by a perception that pricing has not moved enough to make new investments compelling. Many landlords are instead engaged with managing legacy assets in order to refinance until liquidity improves.

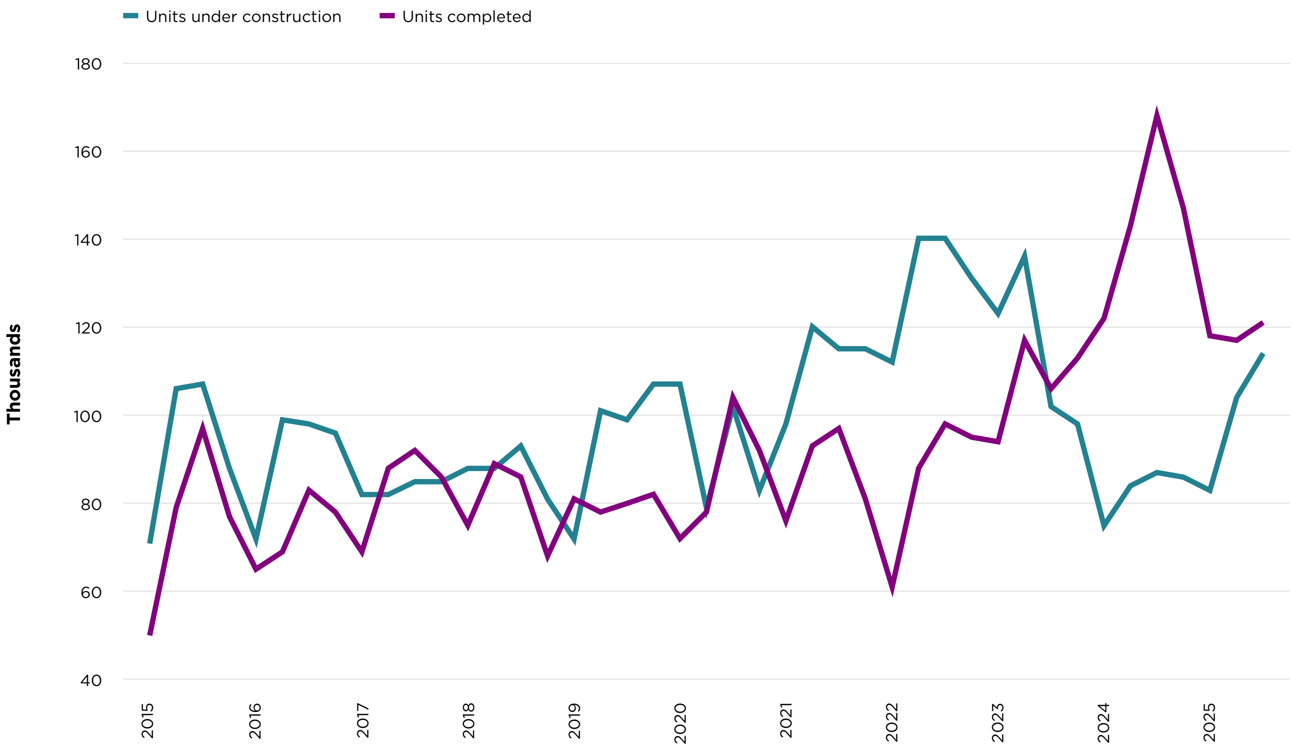
In the UK, investment was broadly stable on the year, although this includes development activity. Current pricing is also challenging, and the prime yield is softening—rising to 4.5% by year end, with some further outward movement expected over the next 12 months, reflecting a weaker market where buyer and seller price expectations remain misaligned. Instead, a significant weight of capital continues to target the single-family sector; it is easier to build from both a planning and cost perspective, and therefore provides greater opportunity for institutions. In particular, local pension funds have been key buyers of stabilised assets. This trend is typified by the take private deal of PRS REIT, and its near 5,500 single-family home portfolio, by a joint-venture partnership between several UK pensions funds, and we expect this trend to continue in 2026.

NORTH AMERICA

The US$190bn transacted across the US living sectors in 2025 was 15% higher than the previous year, and broadly in line with the pre-Covid-19 average. Growth was driven primarily by single-asset transactions, while portfolio and M&A activity fell 9% year-on-year. That said, the 2024 figure was inflated by Blackstone's US$10bn acquisition of AIR Communities. Indeed, several large deals completed late in the year, including Cortland's US$1.6bn purchase of 19 assets from Elme Communities in the Washington DC and Atlanta metropolitan areas, and the joint-venture acquisition of an eight-asset student housing portfolio totalling 6,200 beds for over US$1bn by Morgan Stanley and Global Student Accommodation. Private buyers remain highly active in the sector, underwriting nearly two-thirds of deals by value in 2025, though domestic institutions were large net buyers of living assets for a second consecutive year.

The robust performance in capital markets is to some extent out of sync with the occupational market. Net absorption turned negative in Q4—partly reflecting seasonal patterns—leaving full-year demand around 10% below the near 410,000 new units delivered to the market. While overall demand conditions remain consistent with long-term averages, excess supply continues to weigh on both occupancy levels and rents, as the last embers of the 2022/23 construction boom work through the sector. Average rents declined by around 0.7% in 2025, according to US Census Bureau data. In addition, landlords are increasingly reliant on concessions to maintain occupancy levels.

US: MULTIFAMILY CONSTRUCTION



Source: Savills Research using Macrobond

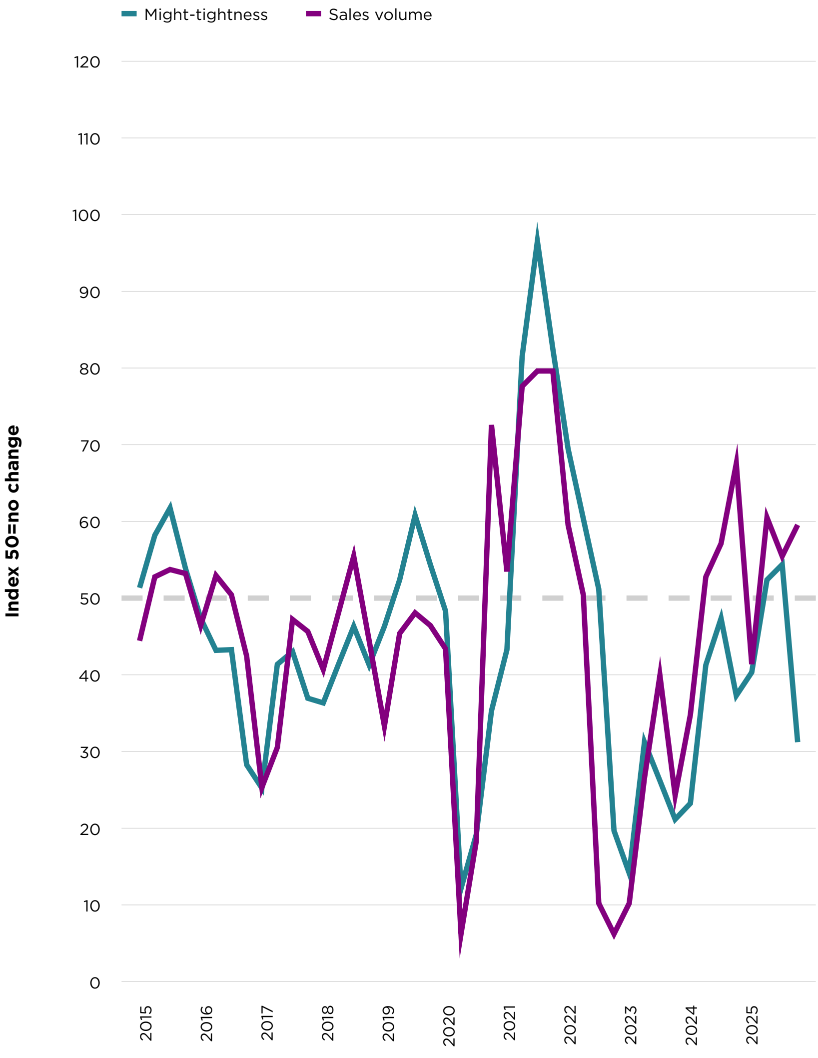
While 2025 marked the strongest year for new completions since the mid-1980s, the volume of new completions tapered as the year progressed, easing pressure on occupancy. Construction has since begun to reaccelerate, especially in the south, where development pipelines remain concentrated. This region is also seeing the sharpest rental corrections. By contrast, large coastal cities—including San Francisco, New York, and Chicago—experienced solid rental growth in 2025, mirroring trends seen in the office sector and supported by return-to-work mandates, a tech sector recovery, and a partial reversal of post-pandemic migration flows.

With average construction lead times of around 17 months, a near-term lull in completions is likely before this new wave of supply hits the market. This should help to anchor the market, given rising risks to demand based on a more uncertain macroeconomic backdrop. The US economy added 181,000 jobs in 2025—the weakest non-recessionary year in over two decades. Immigration has also slowed, which will further reduce incremental rental demand, albeit that it also supports labour market tightness and real wage growth. Indeed, rental affordability has improved; median wages have now outpaced rents for two consecutive years, while elevated mortgage rates remain a barrier for would-be homebuyers.

Regulatory uncertainty has also increased, following President Trump's January 2026 executive order restricting large institutions from purchasing single-family homes. Institutional ownership of single-family stock remains below 0.5%, so the direct impact on rents is expected to be minimal, but the move has reminded investors of the general regulatory and political risk that the broader residential sector inherently faces. Housing affordability is likely to remain a key political issue ahead of the November midterms.

Despite near-term challenges, investor sentiment appears resilient. There is no clear regional shift in capital flows corresponding to short-term leasing conditions; major Texan markets such as Austin, Dallas, and Houston all recorded solid investment growth in 2025, despite also seeing some of the largest rental declines. This view is reinforced by survey data from the National Multifamily Housing Council, which points to ongoing confidence in transaction activity, even amid softer market fundamentals.

US: QUARTERLY SURVEY OF APARTMENT CONDITIONS



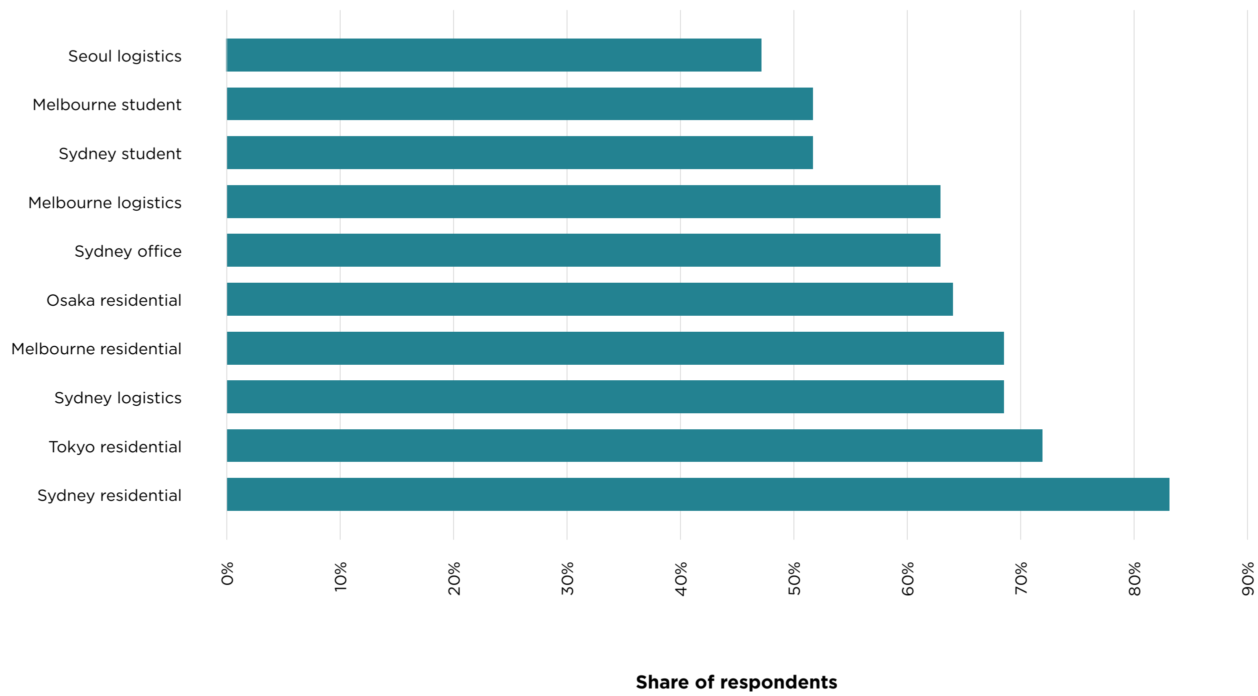
Source: Savills Research using National Multifamily Housing Council

APAC
ASIA PACIFIC

Total investment in the APAC living sector reached US$19.1bn in 2025, up nearly 27% on the year, with most of the growth occurring in the second half. This marked a record total for the region, surpassing the US$17.1bn invested in 2022. Australia and Japan continued to dominate activity due to their advanced maturity and scale. Australia recorded its strongest year on record—almost double the previous peak—underpinned by the AUD3.9bn (US$2.5bn) sale of the Aveo senior living platform, as well as several sizable student accommodation transactions. Japan, while registering a slight annual decline, remains the region's largest and most liquid market, consistently generating US$8–10bn of annual deal flow over the past five years. Growth was also evident in China, while Singapore and South Korea saw steady gains from a low base.

The year was characterised by several large portfolio trades, reflecting major investors' focus on achieving scale and backing experienced operators in what remains a relatively nascent sector for institutional investment. Foreign capital continued to grow in importance; cross-border investors accounted for 43% of investment in 2025, the highest share since 2020. This has contributed to a two-tier market structure comprising a series of large platform sales involving global institutions partnering with local operators or managers, and a smaller market for individual assets or modest portfolios, dominated my privates, often with a consolidation angle.

APAC: PREFERRED CITY/SECTOR COMBINATIONS WHEN INVESTING IN APAC



Source: Savills Research using ANREV Investment Intentions Survey 2026

In Australia, niche sectors performed strongly, but the multifamily/BTR market remains in a holding pattern. High construction costs and a challenging regulatory environment are constraining development viability despite solid fundamentals. Some stabilised assets are trading as early-stage developers seek exits—for example, the AUD1.7bn (US$1.1bn) recapitalisation of the LIV Mirvac fund in December 2025, with Australian Retirement Trust acquiring a 48.5% stake from seed investor Mitsubishi Estate. However, opportunities to deploy capital remain limited, core capital is scarce, and rising rates have dampened sentiment. Further RBA tightening could place upward pressure on prime yields.

Japan remains highly competitive, with activity resilient despite few standout deals. The largest reported transaction in 2025 was Aberdeen's purchase of a 29-asset Tokyo portfolio for an estimated ¥40bn (US$270m). Investors are increasingly targeting core+ and value-add opportunities given the rising rate environment, though much of the available stock remains core in nature. Tokyo's fundamentals remain compelling, however, supported by positive wage growth and strong net inward migration—largely from foreign nationals with a higher propensity to rent. In 2025, apartment rents rose by over 7% across the 23-ward area, and 9% in the central five wards. Elevated construction costs should keep supply tight, even as affordability concerns rise.

Co-living is emerging as a high growth strategy across APAC. It offers access to central locations, a cost-effective option for repositioning of obsolete hotels or offices, and generally a more straightforward planning pathway. Sydney is leading the trend, but interest is rising in Singapore, Tokyo, Hong Kong, and Seoul. A notable milestone was Invesco's joint-venture acquisition of a 300-room Seoul co-living property in October 2025 for KRW144bn (US$102m), marking the first foreign purchase of a stabilised co-living asset in South Korea. Despite momentum, the segment remains untested at scale, and achieving platform-level growth is likely to be a key challenge.

MARKET VIEW

RASHEED HASSAN
Head of Global Cross Border Investment
shares his view on the market

We cannot say for certain that 2026 will be a smooth journey, and Q1 has already seen several geopolitical events unfold. However, I am feeling more positive than I have for some time. Despite all the turbulence, 2025 was better than 2024, and sitting here today, it already feels like 2026 will be better again.

Lower interest rates and increased competition amongst lenders is reducing the cost of debt and helping to gently improve asset pricing, and there is growing confidence in market fundamentals, particularly in the momentum of rental growth.

The sectors that investors will deploy into are expanding, as are the target geographies. There is increasing evidence of improving allocations towards real estate and a rebalancing of commitments between debt and equity strategies. Within this, larger assets and portfolios are trading with more frequency, showing an increased appetite for risk.

So what else can we hope for? I am always focused on improvements in investment turnover. This should help boost activity through a virtuous circle; as turnover accelerates, confidence grows, and that confidence then breeds a feeling that people can be more positive in their underwriting. In turn, this will support pricing, therefore making the prospect of selling more appealing for those investors who have been holding out in recent years. In order for turnover to keep rising, we do need the motivation to sell to increase as that is the start of the cycle.

The statistics summarising last year and evolving from the start of this are supporting the fact that the base of buyers is expanding, and when coupled with the improvements in pricing, this should provoke more owners to believe that 2026 is the right time to at least test the market with assets.

PRIME LIVING YIELDS, Q4 2025 (AS AT END DECEMBER)

City	Sub-sector	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Multifamily	Tokyo	3.40%	No change	60%	1.6%	6.1%	3.4%
Multifamily	Berlin	3.60%	No change	55%	3.7%	3.4%	0.8%
Multifamily	Copenhagen	3.75%	No change	63%	3.6%	4.0%	1.0%
Multifamily	Madrid	3.90%	No change	55%	4.1%	3.6%	0.6%
Multifamily	Sydney	4.13%	No change	55%	5.5%	2.4%	-0.6%
Multifamily	Melbourne	4.25%	No change	55%	5.5%	2.7%	-0.5%
Multifamily	Paris	4.25%	No change	55%	3.7%	4.9%	0.7%
Multifamily	Stockholm	4.25%	No change	60%	3.5%	5.4%	1.3%
Multifamily	London	4.50%	Up	60%	5.1%	3.6%	0.0%
Student	Paris	4.50%	No change	55%	3.7%	5.4%	0.9%
Student	Berlin	4.50%	No change	55%	3.7%	5.4%	1.7%
Student	Madrid	4.50%	No change	55%	4.1%	4.9%	1.2%
Student	London	4.50%	No change	60%	5.1%	3.6%	0.0%
Student	Sydney	4.75%	No change	55%	5.5%	3.8%	0.0%
Student	Melbourne	5.25%	No change	55%	5.5%	4.9%	0.5%

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. Values based on end-of-quarter data. See Methodology for details.

AVEO SENIOR HOUSING, AUSTRALIA

Sub-sector: Senior living

Units: 10,000

Price/NIY: AUD3.85bn (US$2.5bn)/undisclosed

Vendor: Brookfield Asset Management

Vendor nationality: Canada

Purchaser: The Living Company and South Korea's National Pension Service (NPS)

Purchaser nationality: Australia and South Korea

Other comments: Reportedly the largest ever real-estate transaction in Australia, The Living Company—Australia's largest PBSA operator via the operating platform Scape—has entered the senior living market by acquiring the Aveo platform, consisting of 65 retirement villages located across Queensland, New South Wales, Victoria, and Tasmania. Brookfield previously acquired Aveo in a take private deal in 2019 for AUD1.3bn.

BARCHESTER, UK

Sub-sector: Senior living

Units: 284 care homes plus development sites

Price/NIY: £5.2bn (US$7.0bn)/ undisclosed

Vendor: Barchester Healthcare

Vendor nationality: UK

Purchaser: Welltower

Purchaser nationality: US

Other comments: Reported to be the world's largest care home acquisition ever, the US REIT Welltower acquired Barchester Healthcare, one of the UK's most established operators, comprising 284 elderly care homes, including developments. Welltower also acquired HC-One for £1.2bn and Aria Care for £620m, as well as other acquisitions, as part of a broader US$14bn seniors housing acquisition programme across the US and UK.

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 sq ft 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. Data is end-of-quarter values.

Savills Research

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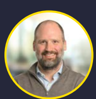

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