

The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, is centered within a solid yellow square. The background of the entire page is a high-angle, night-time photograph of a city skyline, likely Dubai, featuring numerous illuminated skyscrapers and a prominent tower with a purple and red light display. A body of water is visible in the lower-left quadrant, with a small boat and a marina area.

GLOBAL CAPITAL MARKETS

Q1 2026

RESEARCH

FOREWORD



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The global economy began 2026 in a relatively steady state - however, conflict in the Middle East introduced new headwinds. The prospect of economic stagflation is clearly negative for the real estate sector, and this increases the opportunity cost of deploying capital. Global investment of US\$230bn in Q1 represented a 5% decline on a sequential basis, signalling a loss of momentum relative to the second half of last year.

Assuming the consensus is right on a swift de-escalation, the impact on investment activity should be equally short-lived. Pending deals data for Q2 2026 suggest there remains a robust pipeline of transactions, implying activity is being delayed rather than destroyed. This echoes the pattern seen following the 'Liberation Day' US tariff shock of April 2025, where first half weakness was replaced by second half strength.



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GLOBAL SUMMARY

DELAYED NOT DESTROYED



OLIVER SALMON

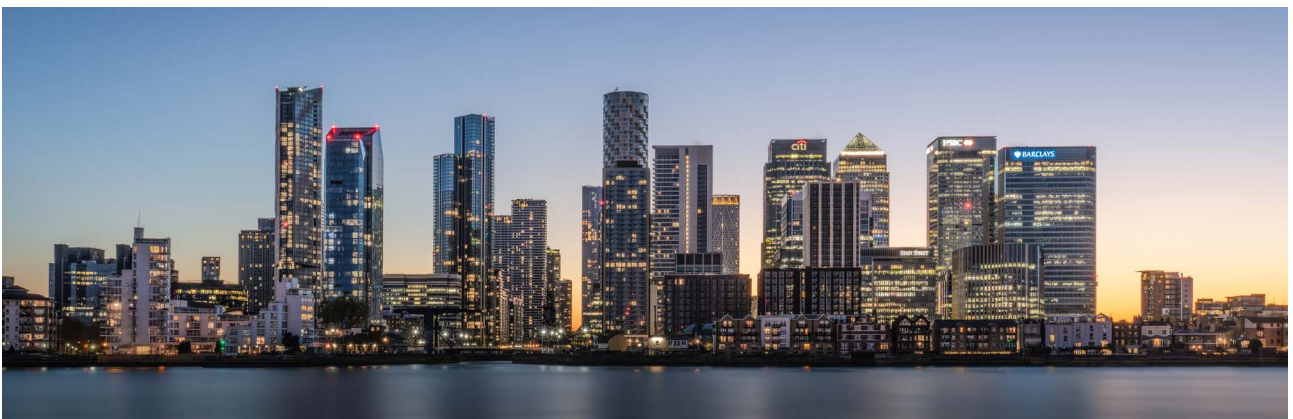
Director, World Research

The global economy began 2026 in a relatively steady state. Expectations were broadly in line with the previous year, with headwinds from tariffs, softening labour markets and weak underlying confidence offset by continued disinflation, easing financial conditions, supportive fiscal policy and the ongoing technology capital expenditure boom. Energy markets were accommodative, underpinned by a global supply overhang which was being reinforced by OPEC+ prioritising market share over price stability.

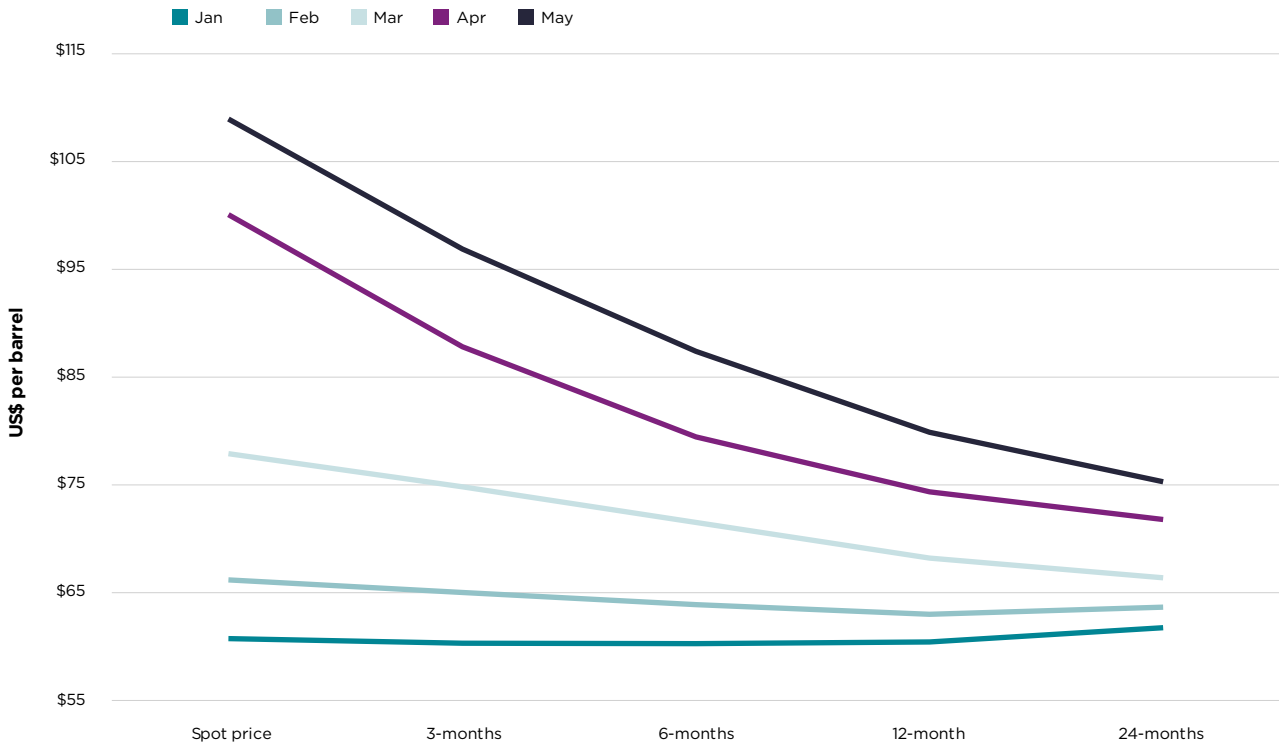
However, conflict in the Middle East introduced new headwinds to the global economy. The macro impact hinges on four conditions: the duration and scale of the conflict, and specifically disruption to the Strait of Hormuz; the country-level exposure to energy via net trade positions and GDP energy intensity; the policy responses across governments

and central banks; and the behavioural response of households and businesses. The latter is particularly important, albeit often underappreciated, as confidence shocks can act as a catalyst that can quickly amplify the scale of any downturn.

The consensus remains anchored to the expectation of a relatively swift de escalation, leading to the restoration in energy flows through the second half of this year. This is reflected in the backwardated oil futures curve, and the resilience of risk assets following early ceasefire signals. Under this scenario, the impact of the supply shock is largely transitory—headline inflation temporarily overshoots into the 3-5% range, allowing central banks to ‘look through’ the shock, while growth decelerates but avoids outright recession.



BRENT CRUDE OIL PRICE FUTURES PRICES



Source: Savills research using Macrobond

In this regard, context matters. Unlike in 2022, when the global economy was being propelled by post-Covid-19 revenge spending, the starting point today is disinflationary: labour market momentum is slowing, policy is more restrictive, and sentiment is subdued. Corporate and household pricing power is weaker as a result, limiting the risk of inflation becoming persistent. This creates a clear trade off for central banks and reduces the likelihood that supply-driven inflation translates into a sustained tightening in monetary policy. Policymakers suffering from recency bias, particularly in Europe, may however favour a more forceful initial response in order to anchor inflation expectations.

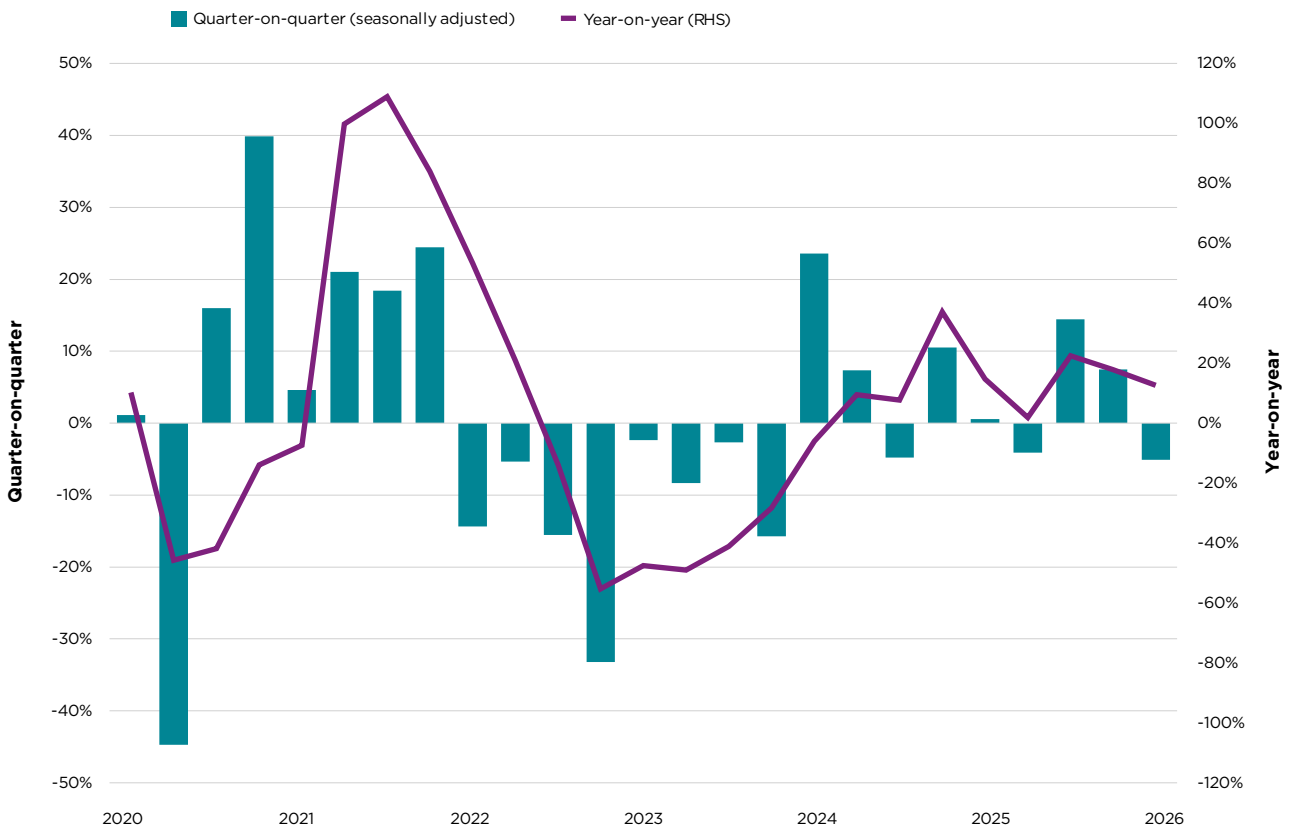
The regional implications are asymmetric. Major energy exporters such as Canada and Norway will benefit from favourable terms of trade effects, while net energy importers lose out. Many Asia Pacific economies are vulnerable due to their dependence on GCC supply, as well as high oil and gas GDP intensity, while European economies are also mostly net importers of energy, and are seeing renewed interest rate volatility and tighter financial conditions. In the US, while oil producers benefit from higher prices, these gains will be more than

offset by consumer losses, given the dominance of household consumption in GDP.

However, even a benign resolution implies a long tail of risk. Damage to infrastructure, delays in restarting production, and the reconfiguration of shipping routes point to a prolonged period of constrained supply. Meanwhile, persistent volatility in the region is likely in the absence of a definitive end to the conflict, implying a structurally higher risk premium in oil prices (not to mention elevated insurance costs, and the potential for a “Tehran toll”).

Downside risks are material. Around 20% of global oil and gas transits the Strait of Hormuz, with limited alternative routes. A sustained disruption would eclipse the 1970s oil crises in scale, leading to sharply higher prices, rationing, and additional supply chain disruption. Spillovers would extend beyond hydrocarbons to critical inputs including helium (semiconductors), fertilisers (food production) and petrochemicals (plastics). In a severe downside scenario, global growth could converge towards 2% in 2026–27, according to the IMF, a rate considered by many as recessionary.

GLOBAL REAL ESTATE INVESTMENT TURNOVER



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

The balance of risks is reflected in the real estate sentiment data. The prospect of economic stagflation is clearly negative for the sector, and this increases the opportunity cost of deploying capital, vs a ‘wait-and-see’ approach. Global investment of US\$230bn in Q1 represented a 5% decline on a sequential basis, when accounting for the normal seasonal pattern of activity, signalling a loss of momentum relative to the second half of last year.

Assuming the consensus is right on a swift de-escalation, the impact on investment activity should be equally short-lived. Pending deals data for Q2 2026 suggest there remains a robust pipeline of transactions, implying activity is being delayed rather than destroyed. This echoes the pattern seen following the ‘Liberation Day’ US tariff shock of April 2025, where first half weakness was replaced by second half strength.

Importantly, a swift de-escalation implies little change to the underlying fundamentals. Pricing is expected to hold firm, despite tight risk premiums and a higher risk free rate of return, and there

remains plenty of liquidity in debt capital markets (debt strategies continue to perform well in fundraising trends). Meanwhile, a constrained development pipeline will continue to provide an important anchor supporting rental growth, with heightened uncertainty, increased financing costs, and rising energy-linked construction costs further undermining development viability. This means that any near term softness in the outlook for rental growth should give way to renewed supply side tightness in the medium term.

Crucially, in the aftermath of ‘Liberation Day’, tariffs weren’t rolled back completely, but a series of bilateral trade agreements were signed, removing the most negative of downside risks and providing a more stable status-quo for investors to again underwrite new deals with more certainty. This shows a level of resilience in activity, with investors showing greater proclivity to trade through the cycle after several years of elevated volatility. We expect a similar dynamic to occur this year.

MARKET VIEW



RASHEED HASSAN

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



2026 started positively, building on the momentum that we witnessed in H2 2025. While the stats show a marginal seasonally-adjusted 5% drop in quarter-on-quarter activity overall, there have been some exceptional sector and geographical performers.

Putting 2025 into context, it was not without challenge. President Trump's tariff policies caused the market to pause and adjust, and this dampened Q2 activity levels. Despite this, investors found comfort in the strength of the underlying market fundamentals and helped by the abundance and pricing of debt capital, continued to transact.

Despite the positive start to the year, at the end of February further geopolitical conflict commenced in the Middle East, which gave the market another reason to need to rationalise and adjust to the implications of what this meant for the real estate markets.

Given the uncertainty around the potential extent and duration of the conflict, which remains today, the initial reaction was an element of pause, but one that was far less pronounced to that of the tariff shock. Deals that were under offer broadly remained so, and the pause was more pronounced in the agreement of new transactions.

However, as weeks have passed and with the emergence of ceasefires and negotiations between the key protagonists, the market has started to transact again, with deals that were under offer pre-conflict closing and new ones getting agreed. We have been closely monitoring, where we can, any price renegotiations from buyers on deals where pricing was agreed before the start of the conflict. We are not yet witnessing accepted price alterations outside of the 0-5% range and where there has been one it is more typically 1-3%. The change in the cost of financing has been the main reason given for the adjustment, where buyers can demonstrate a mathematical impact, as opposed to an adjustment purely for sentiment.

Despite the negative backdrop, there also continues to be a momentum in the larger transaction space, both for platform / portfolios and single assets, which is helping turnover figures.

As we look forward to the rest of the year, it is very hard to forecast activity levels and sentiment. The conflict is ongoing and there continues to be a good dose of geopolitical unrest. This creates a persistent environment of uncertainty. However, what is clear, is that investors are investing through the near term and really focusing on core market fundamentals, accepting that we are just in a more volatile world.

Q1 2026

ASIA PACIFIC



MOMENTUM RETURNS IN POST-TARIFF PRE-MIDDLE EAST CONFLICT WINDOW



NICHOLAS WILSON

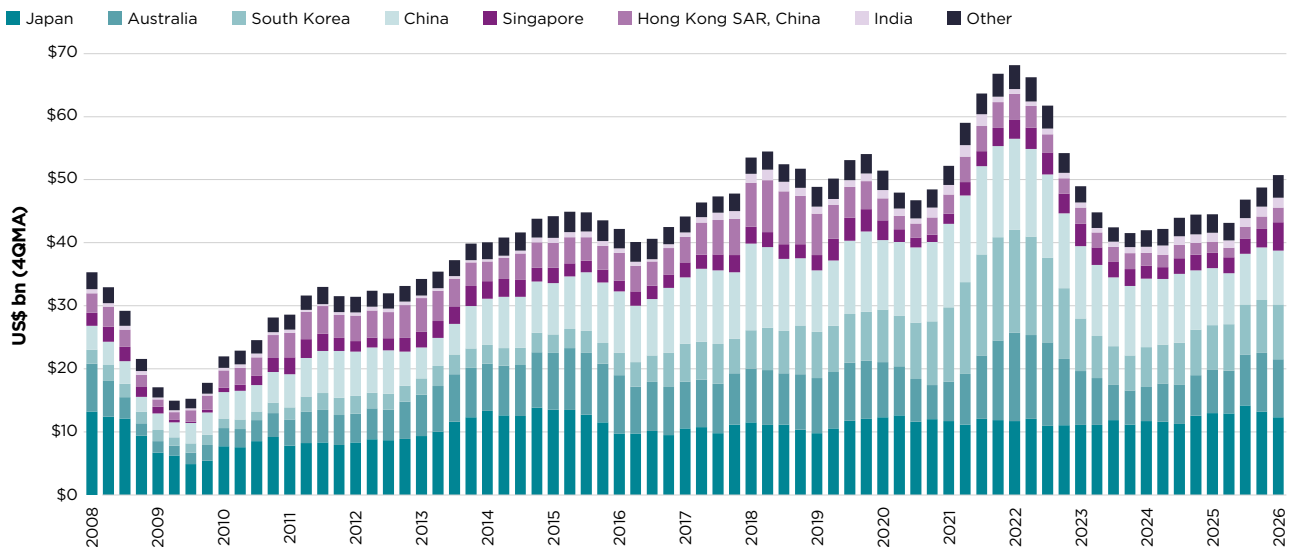
Senior Director, Strategic Research & Advisory, Asia Pacific Capital Markets

Total investment of US\$50bn in APAC markets in Q1 2026 was around 19% up on the year (16% in fixed exchange rates), representing the best start to a year for the region since 2022.

Following a soft first half in 2025, linked to the volatility before and after the US 'Liberation Day' tariff announcements, investment turnover has now registered three consecutive quarters of double-digit growth for the first time since 2021. This growth was broad-based, evident across both individual asset sales and larger portfolio deals, with all core sectors posting strong increases, with the exception of living.

Cross-border investors were strong net-buyers in early 2026, after being more active on the sell-side throughout 2025, and have underwritten 40% of transactions year-to-date, compared with a longer term average of 30%. This was driven by several major office transactions, including the seeding of HongKong Land's inaugural Singapore-focused fund with the acquisition of Asia Square Tower 1, and Brookfield's purchase of the Tokyo headquarters of Dentsu Group for a reported JPY300bn (US\$1.9bn). The former deal supported a record quarter for investment in Singapore, spanning nearly two decades, while Hong Kong, South Korea and Taiwan also posted strong growth on the year.

APAC REAL ESTATE INVESTMENT TURNOVER



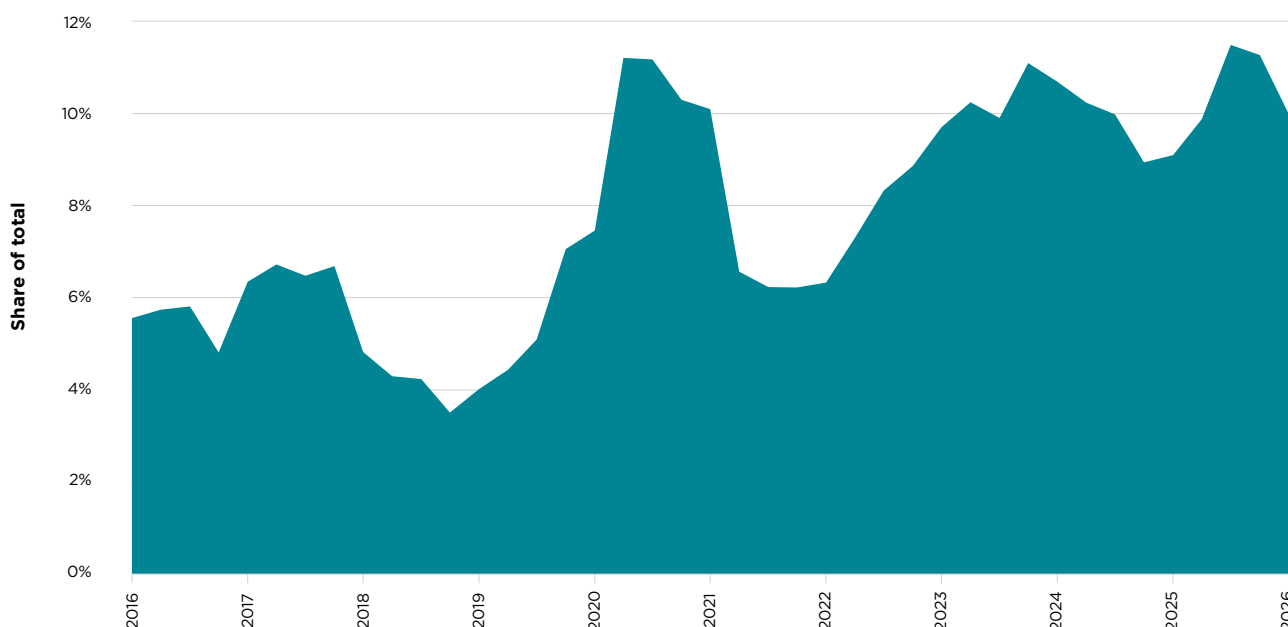
Source: Savills Research using MSCI RCA. Excludes development sites.

APAC living sector investment activity softened in Q1 2026, with investment down 37% compared to the same period last year. Over the 12-month period to Q1 2026, investment however increased by 30%, albeit supported by several large portfolio and platform transactions, including the US\$2.7bn sale of Aveo by Brookfield Corporation to The Living Company (Scape) in Australia.

A large share of living sector activity across APAC continues to sit outside traditional transaction data, with capital increasingly directed toward development projects and asset conversion strategies.

Conversion activity has broadened across the region, particularly hotel to living conversions in South Korea, Australia, and Hong Kong. Office to living conversions are also emerging in South Korea and Australia, although the pool of viable assets remains relatively limited. Hotel assets are generally better suited to co-living and PBSA conversion formats, particularly in Hong Kong, while most office buildings face structural constraints related to floorplate depth, natural light penetration, and the complexity of services reconfiguration.

APAC LIVING SECTOR INVESTMENT



Source: Savills Research using MSCI RCA

Capital formation and deal structures across the living sector are also evolving, with most new project starts now being led by capital backed operators seeking institutional co-investment capital. Joint-Venture partnerships and other club formations have been growing, particularly for the larger ground up development/conversions deals.

Development feasibility remains challenging across much of the region, although some markets are improving viability through planning concessions, including higher allowable Floor Area Ratios (FAR), reduced parking requirements, and better design efficiency.

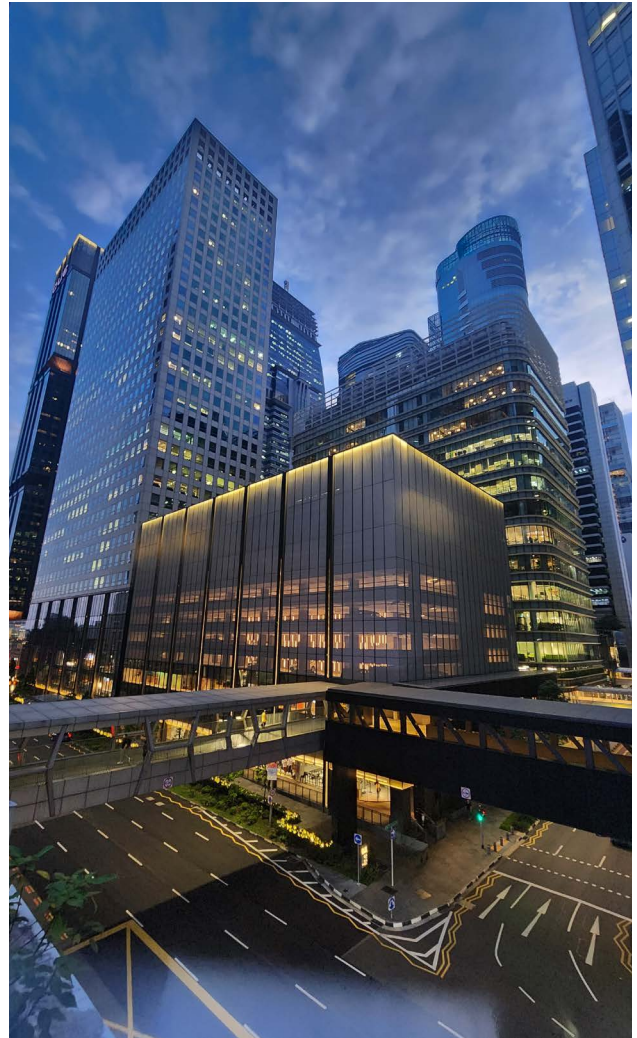
Construction costs continue to be a major constraint in higher cost markets such as Australia and Japan, where cumulative construction cost growth has exceeded 40% to 50% over the past seven years.

These feasibility pressures remain largely disconnected from underlying fundamentals. Occupancy rates across most living formats remain high, while rental growth continues to outpace inflation in many markets. In land constrained markets such as Singapore and Hong Kong, living projects also need to compete with the broader residential condominium market for sites, placing downward pressure on achievable yields.

Across the region, activity in China has started to recover, led by domestic insurance capital targeting discounted assets and partial stakes in existing platforms. New China Life Insurance acquired a portfolio of five senior care homes while retaining Vanke as operator, while China Life Insurance acquired a partial stake in LaSalle Investment Management's Cozi platform. Both assets in this platform were converted from former office buildings.

In Australia, with the build-to-rent sector transitioning from an emerging to a more established asset class, stabilised investment transactions are beginning to emerge. Investment over the 12-months to Q1 2026 doubled year on year, led by Australian Retirement Trust's acquisition of a 48.5% stake in Mirvac Group's LIV platform, valuing the platform at approximately US\$1.1bn.

Japan continues to provide one of the clearest pathways for stabilised living sector investment in APAC. M&G Investments acquired a four asset, 285 bed portfolio in April for US\$85m, while Weave Living, in partnership with BGO, acquired a 10 asset portfolio for US\$140m during the first quarter. Pricing across Japan's living sectors remains relatively firm, supported by strong operating performance, which has offset some investor concerns around the rising interest rate environment.



Investment activity across the industrial and logistics sector has continued along a recovery path for the past two years.

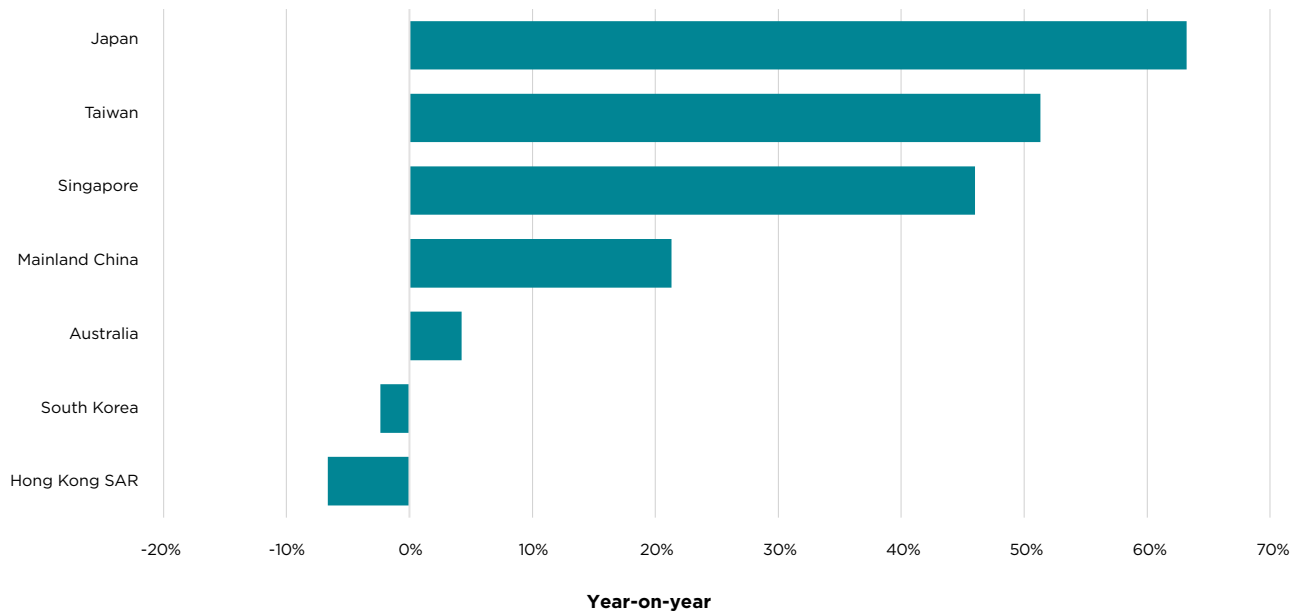
Investment rose by 38% y/y in the first quarter, albeit off a low base. In the 12-months to Q1 2026, investment lifted 13% y/y. Gains were notable across some of the high-tech aligned markets like Japan, Taiwan and Singapore. Mainland China also saw gains of over 20% y/y, while South Korea and Australia experienced more stagnant conditions and Hong Kong activity declined further.

The conflict in the Middle East has the potential to dampen short term appetite across some industrial markets, primarily through higher input costs, rising producer prices, and the risk of supply chain disruption. Softer consumer and business confidence could also lead some occupiers to take a more cautious approach toward expansion plans and new leasing commitments.

At this stage though, the risks appear more skewed toward delayed decision making rather than a material deterioration in underlying occupier fundamentals. Demand linked to domestic consumption, e-commerce, and urban logistics should remain relatively resilient, while trade exposed and manufacturing focused markets are likely to be more sensitive to any prolonged disruption in global shipping and energy markets.

Broadly, logistics markets across the region remain in a consolidation phase following the rapid expansion cycle seen over recent years. Vacancy rates remain elevated across parts of Greater China, Seoul and Tokyo, while investor appetite is firm but more measured when compared to the pre-2022 era. New development starts have declined in some of the high vacancy markets which will allow for excess capacity to be absorbed.

APAC INDUSTRIAL INVESTMENT (12 MONTHS TO Q1 2026)



Source: Savills Research using MSCI RCA

Despite some moderation in sentiment, underlying trade and manufacturing indicators remain relatively constructive. Export volumes across much of the region continue to expand, while the ongoing semiconductor cycle continues to support intermediary goods demand, manufacturing activity, and supply chain throughput across several East Asian markets.

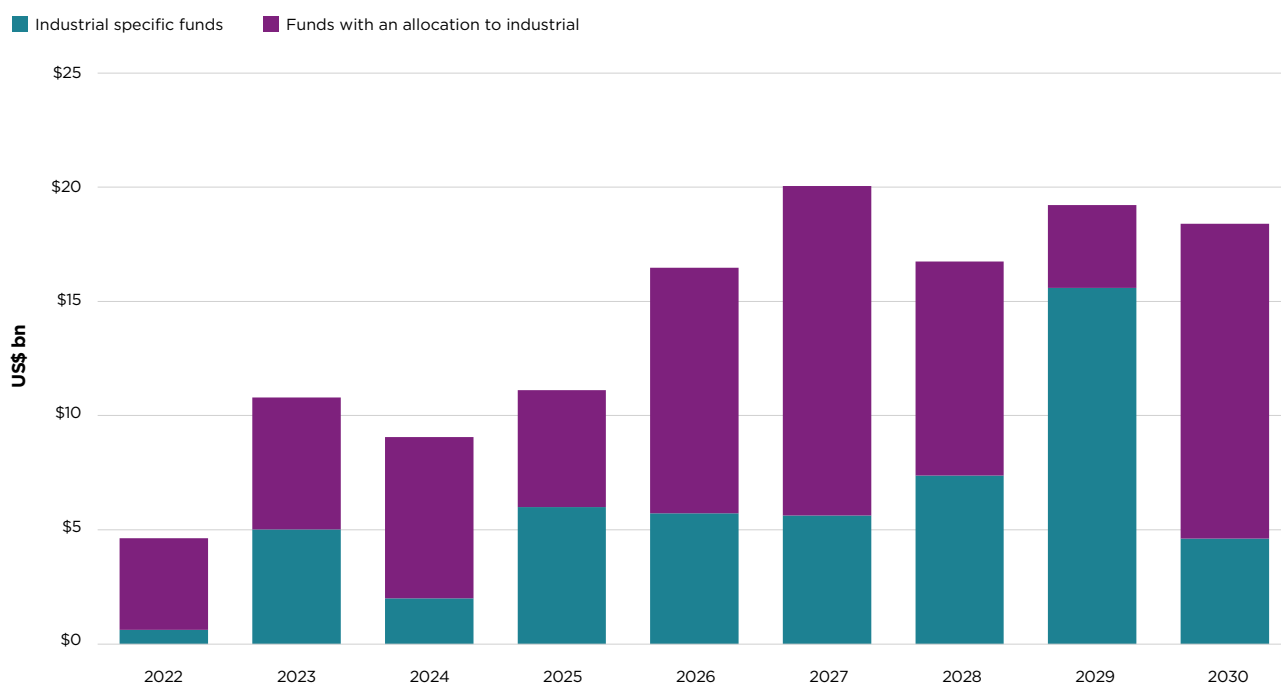
From a liquidity standpoint, the medium term outlook is also becoming more constructive, with growth in advanced manufacturing complementing the sector’s more traditional demand drivers tied to third party logistics and e-commerce.



An emerging opportunity is also developing through the private fund maturity cycle. Between 2026 and 2029, industrial specific private funds with approximately US\$34bn of equity are due to mature, implying potential underlying asset values of roughly US\$50bn to US\$70bn depending on leverage. Diversified real estate funds with industrial exposure add a further US\$38bn of upcoming maturities.

A growing share of these assets, along with assets held in funds that have already moved into extension periods beyond their original maturity dates, are likely to be brought to market over the coming years. The bulk of this potential transaction activity is concentrated in newly developed modern logistics projects across China and Japan.

APAC PRIVATE FUND MATURITY PIPELINE



Source: Savills Research using PERE

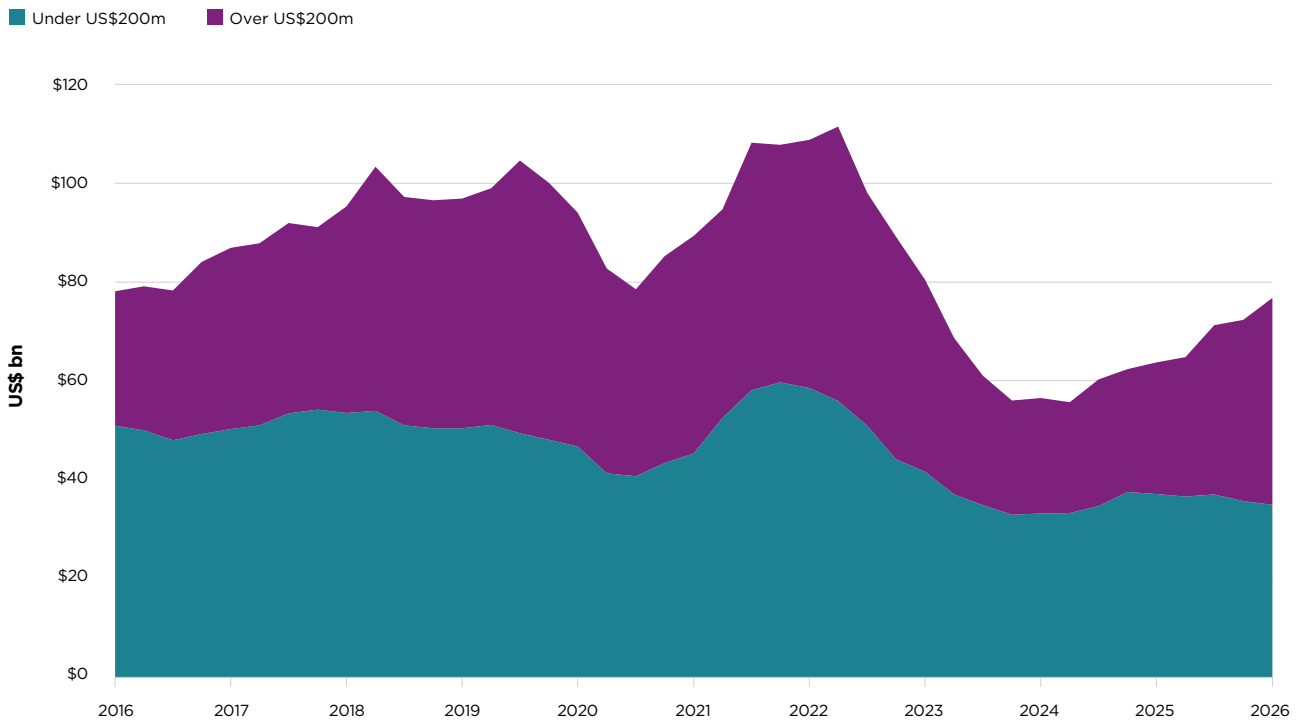
Finally, the booming tech and AI sectors are among a set of factors supporting an explosion of activity in the data centre space. Total announced project value across the APAC region was close to US\$100bn in 2025, up from around US\$65bn the year before. The geographic split is also telling, with South East Asia accounting for roughly 40% of activity and South Asia a further 15%.

For investors, it is opening up a clearer entry path into emerging markets that is often harder to access through traditional real estate sectors. Entry routes are also evolving. Average project size over the past three years has exceeded US\$1bn across the region, up from roughly US\$400m between 2020 and 2022. This increasing scale has brought more complex capital structures, with deals increasingly financed through structured debt, project finance and syndicated equity.

Sentiment toward the office sector has improved more quickly than expected in recent quarters, with stronger investor engagement and trading activity emerging across most core APAC markets.

Office investment increased 26% y/y in Q1 2026, while total transaction activity over the 12-months to the end of Q1 2026 rose 21%. The recovery has been supported by a pickup in larger institutional transactions, with deal flow above US\$200m increasing 58% y/y during the first quarter. These large deals were particularly noticeable in Singapore, Seoul and Tokyo.

APAC OFFICE INVESTMENT BY SIZE



Source: Savills Research using PERE

The office investment rationale differs materially across markets, although the result has been a broader recovery in liquidity and investor engagement. In Australia, the sharp repricing cycle has started to attract capital back into the sector, particularly as future supply pipelines continue to contract toward cyclical lows. Investors are increasingly focused on the combination of a discount to replacement cost entry pricing and an improving medium term rental growth outlook.

Singapore has also emerged as one of the region’s more attractive office markets. Rental growth expectations continue to strengthen, while the market has been comparatively insulated from the scale of interest rate increases seen elsewhere in the region. As a result, debt costs remain relatively accretive to prime office yields, supporting investor underwriting.

Tokyo has similarly benefited from improving leasing fundamentals and accelerating rental growth over the past year, with above trend rental growth likely to continue in the near term. Looking further ahead though, the market faces a more mixed outlook as larger supply completions toward the latter part of the decade coincide with slowing employment growth and gradually rising funding costs.

Seoul remains one of the most active investment markets in the region, in part because investor views on the outlook are becoming increasingly divided. After several years as arguably the strongest performing office market globally, rental growth has started to moderate while vacancy rates have begun to edge higher, off a very low base. With a larger development pipeline scheduled through to 2029, upward pressure on vacancy is likely to persist over the medium-term.

Hong Kong has also re-emerged on investor radar screens, particularly among private equity and opportunistic capital targeting distressed or repositioning opportunities as values seem to have passed their cyclical trough and rental growth is present in some sub-markets.

ASIA PACIFIC

PRIME APAC YIELDS, Q1 2026 (AS AT END OF MARCH)

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%	1.8%	5.6%	0.9%
Logistics	Hong Kong	4.12%	No change	40%	3.3%	4.7%	1.3%
Logistics	Sydney	4.88%	Up	50%	5.7%	4.1%	-0.1%
Logistics	Seoul Metropolitan Area	5.30%	No change	60%	5.0%	5.8%	1.4%
Logistics	Shanghai	5.50%	Up	50%	3.7%	7.3%	3.7%
Logistics	Singapore	6.50%	No change	55%	2.2%	11.7%	4.2%
Office	Hong Kong (CBD)	2.00%	No change	40%	3.3%	1.2%	-0.8%
Office	Tokyo	2.60%	No change	60%	1.8%	3.8%	0.2%
Office	Singapore	3.88%	No change	55%	2.2%	5.9%	1.6%
Office	Seoul	4.15%	No change	60%	4.2%	4.1%	0.3%
Office	Shanghai (Lujiazui)	5.25%	Up	50%	3.5%	7.0%	3.4%
Office	Sydney	6.00%	Up	50%	5.8%	6.2%	1.0%
Office	Mumbai	8.25%	Up	60%	9.5%	6.4%	8.3%
Multifamily	Tokyo	3.40%	No change	60%	1.8%	5.8%	1.0%
Multifamily	Sydney	4.13%	No change	55%	6.0%	1.8%	-0.8%
Multifamily	Melbourne	4.25%	No change	55%	6.0%	2.1%	-0.7%
Student	Sydney	4.75%	No change	55%	6.0%	3.2%	-0.2%
Student	Melbourne	5.25%	No change	55%	6.0%	4.3%	0.3%

Source: Savills Research and Macrobond

DENTSU HQ, TOKYO, JAPAN



Sector: Office

Tenant: Dentsu

Lease length (WAULT):

Undisclosed

Area: 2.4m sqft (226,000 sqm)

Price/NIY:

JPY 300bn (US\$1.9bn) /

Undisclosed

Vendor: Hulic JV Mizuho Leasing

Vendor nationality: Japan

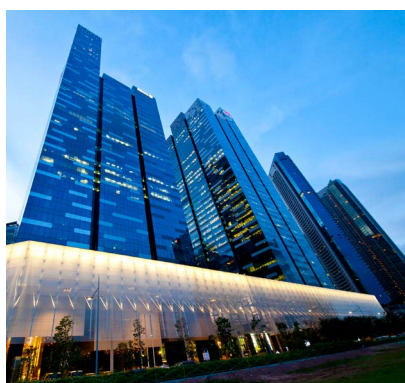
Purchaser: Brookfield AM

Purchaser nationality: Canada

Other comments:

The office was last sold in 2021 in a sale-leaseback transaction for JPY 270bn (US\$2.5bn), the sale realises a reported gain of JPY 30bn for the vendor.

ASIA SQUARE TOWER 1, SINGAPORE



Sector: Office / Mixed Use

Tenant: Undisclosed

Lease length (WAULT):

Undisclosed

Area: 1.29m sqft (120,000 sqm)

Price/NIY:

SG\$ 4.1bn (US\$3.2bn) /

Undisclosed

Vendor: Qatar Investment Authority (QIA)

Vendor nationality: Qatar

Purchaser: Hongkong Land with QIA and ABP retained as founding investors

Purchaser nationality: Hong Kong

Other comments:

Asia Square Tower 1 was acquired to seed Singapore's largest-ever office-focused private real estate fund at launch (US\$6.4bn AUM), with Hongkong Land acting as GP and holding a majority stake. The deal is being widely cited as a benchmark "quasi-exit" and capital-recycling reference for prime Singapore offices rather than a traditional single-asset sale.

Q1 2026

EUROPE



SELECTIVE LIQUIDITY AND AN UNEVEN MAP



LYDIA BRISSY

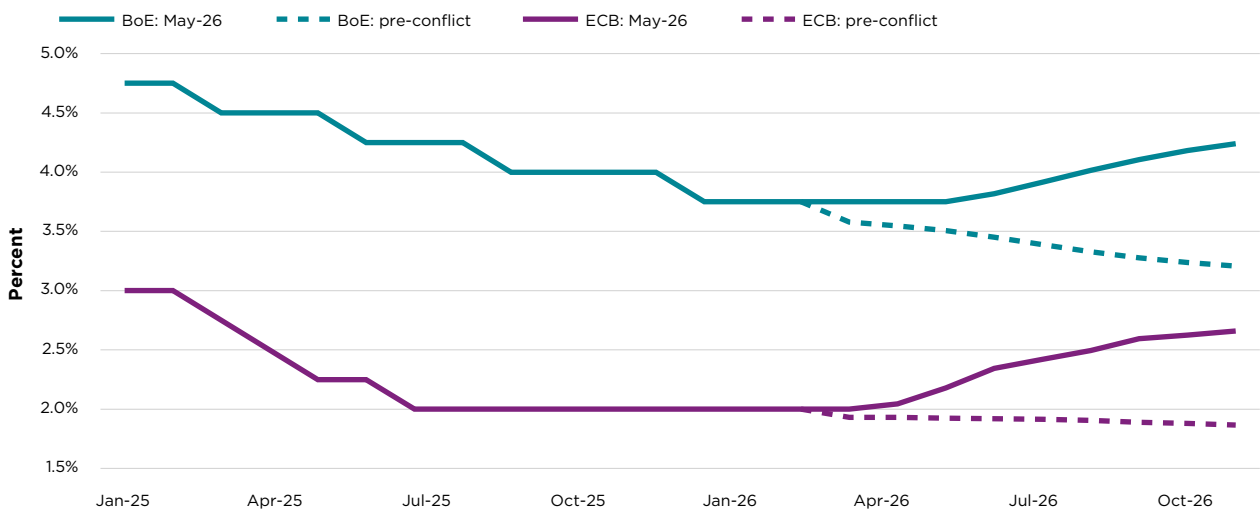
Director, European Research

European real estate investment reached approximately €48bn (US\$56bn) in Q1 2026, down 5% on the year. The quarter was characterised by slower processes, tighter underwriting and a higher bar for conviction. Sentiment remained cautious, but transactions continued, with longer decision-making and more late-stage renegotiations defining the market.

The main constraint remains the shift in interest rate expectations. Earlier hopes of UK policy rate cuts and Euro area stability have been replaced by the prospect of renewed tightening in 2026, softening buyer confidence and slowing momentum. Yet fundamentals

have improved. Pricing appears to have found a floor, total returns are back in positive territory, particularly in shopping centres and retail warehouses, and limited development activity is supporting rental growth across most sectors.

EUROPEAN INTEREST RATE EXPECTATIONS



Source: Savills Research using Macrobond and MSCI RCA

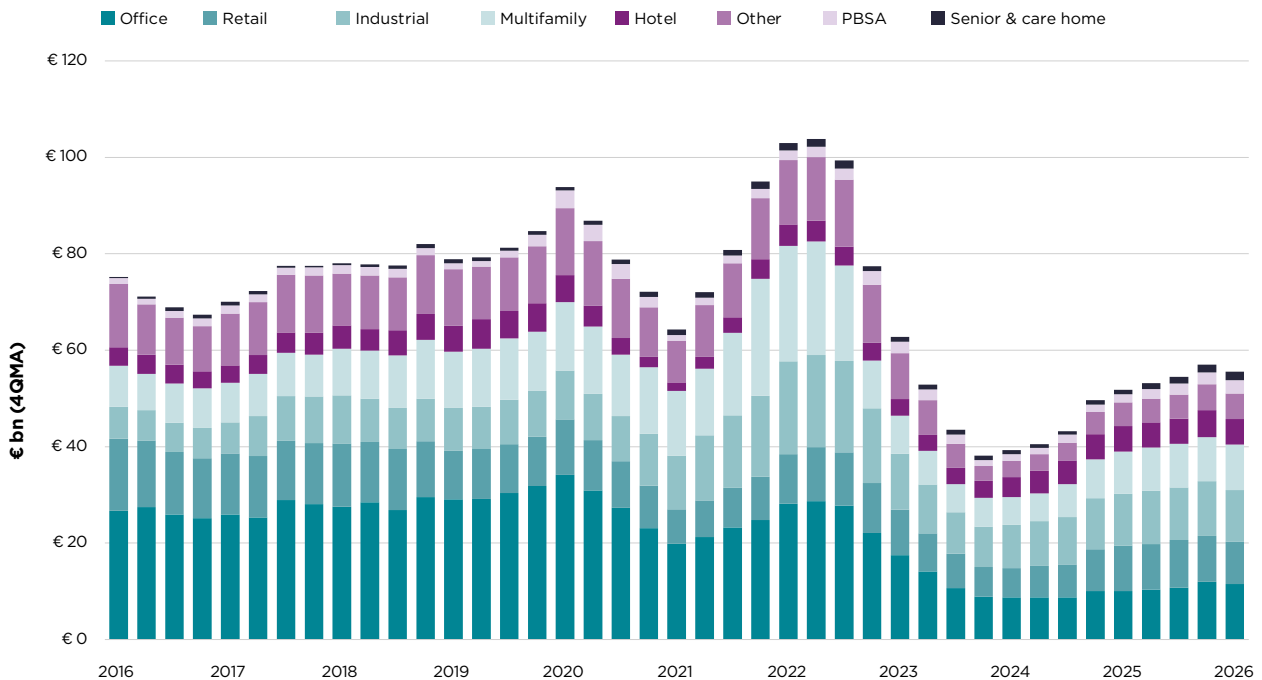
EUROPE

Debt markets are open, but not straightforward. Lending remains available, although higher all-in costs, tighter leverage assumptions and stronger covenants are shaping pricing and asset selection. This is encouraging lower leverage and a stronger focus on income durability. Hence, sector performance continues to favour income resilience and operational conviction.

Living segments remain dominant in supporting regional growth, with total investment in care homes more than doubling in the first quarter, relative to Q1 2025, while PBSA investment rose by 84% y/y, and multifamily by 20%. Activity was largely supported by portfolio activity, including Aedifica's acquisition of an 80% stake in Cofinimmo's €2.6bn (US\$3.0bn) pan-European healthcare portfolio. By contrast,

most other sectors recorded negative growth versus Q1 2025, notably retail at -30% y/y and logistics at -27%, albeit this data reflects more selective capital deployment rather than an overall lack of investor interest.

EUROPEAN REAL ESTATE INVESTMENT TURNOVER



Source: Savills Research

Beyond the living sectors, capital remains active where income visibility is strong. Retail is a clear example, benefiting from repricing, with Aware Super's acquisition of a 31% stake in the pan-European portfolio of 4 factory outlets, highlighting appetite for scaled, cashflow-led formats. The logistics sector remains attractive but more selective following repricing, while in offices, interest is gradually returning to prime assets, as illustrated by Criteria

Caixa's €385m (US\$450m) acquisition of the Estel Building in Barcelona, the largest office transaction ever completed in the city. However, overall liquidity remains constrained and highly bifurcated.

Geographically, dispersion was pronounced and arguably the most important story of the quarter. Activity across core markets continued to underperform expectations, with France down 36% y/y, the UK down 11% and Germany

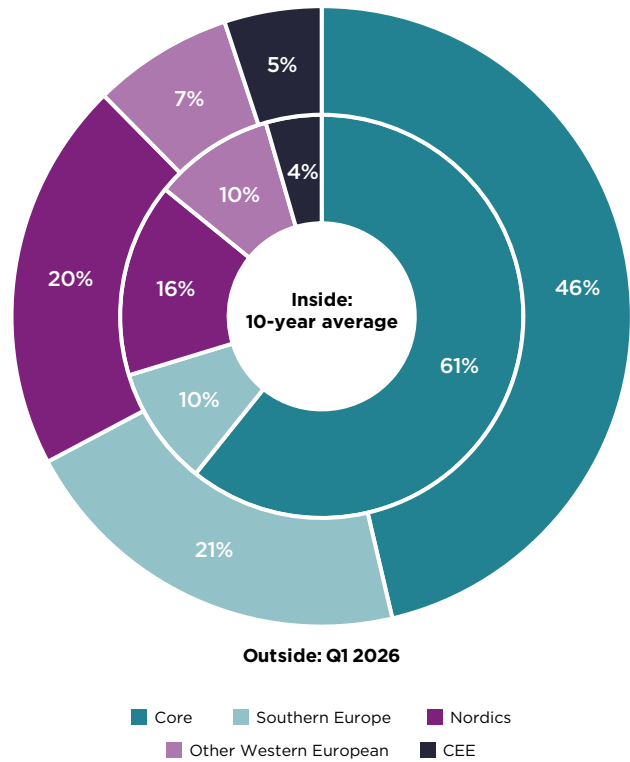
down 5%, albeit that this largely reflected delays in executing larger transactions, rather than a material withdrawal of capital. In contrast, momentum shifted decisively towards more peripheral and higher growth markets, with Finland, Poland, and Spain each recording annual increases of more than 50%.

At a subregional level, this rebalancing is reflected in the rising weight of Southern Europe and the Nordics in overall allocations, both accounting for slightly more than 20% of total European investment year-to-date, a record high for each. Southern Europe remained a key liquidity area, led by Spain, where turnover exceeded €6bn (US\$7bn) in the first quarter, up 58% y/y, supported by multiple transactions above €100m and a clear increase in international capital participation. Portugal also saw activity approach €1bn (US\$1.2m) in the quarter, up 39% y/y, with hospitality and retail together representing more than 70% of the country's investment. Italy, meanwhile, recorded around €2.7bn (US\$3.2bn), broadly stable on the year, with retail and hospitality again among the most active sectors and international investors accounting for approximately 70% of deployed capital.

In the Nordics, the recovery is more recent but increasingly visible. Finland stands out, with investment rising by around 150% y/y, supported by residential and logistics activity, as well as a meaningful contribution from cross-border capital, estimated at around 40%. Transaction evidence reinforces this trend, notably the €900m (US\$1.5bn) acquisition of a 60-asset mid-rise residential portfolio by Kojamo from Varma, alongside the disposal of a pan-Nordic industrial portfolio by Urban Partners for €830m (US\$970m) to Catena, marking the largest direct logistics portfolio transaction in the region since 2002. Together, these two deals point to a market increasingly driven by larger, high-value transactions.



EUROPEAN INVESTMENT BY REGION



Source: Savills Research

Indeed, deal momentum is increasingly concentrated in fewer, larger, high conviction transactions. This is evident in the rise of M&A, large portfolio and trophy asset deals, including the pan-European healthcare stake acquired by Aedifica, the pan-Nordic logistics portfolio, the Southern Europe factory outlet portfolio, several luxury retail deals, and the Estel office transaction in Barcelona.

This reflects a changing buyer base, with large institutions, including sovereign wealth funds, pension funds, and insurers, gradually returning to the market, albeit on a selective basis, mainly to core or core plus assets where income security is strong. Private equity funds and family offices remain important sources of equity, often less constrained by slower committee processes and able to move quickly on attractively priced assets. At the same time, a number of open-ended core funds in Europe are still facing redemption pressures and are expected to increasingly become net sellers, creating opportunities for more agile investors.

EUROPE

Cross-border capital accounted for 35% of Q1 investment turnover, below the long-run average generally north of 45%. The weakness was more pronounced in long-haul capital, with global inflows at only €6.9bn (US\$8.1bn), a record low, largely due to US inflows falling by more than 50% y/y. Continental European cross-border activity held up better, supported by capital from the UK, Sweden, and the Netherlands. Southern Europe continues to attract increasing international capital, mainly from European investors, with some participation from the Middle East.

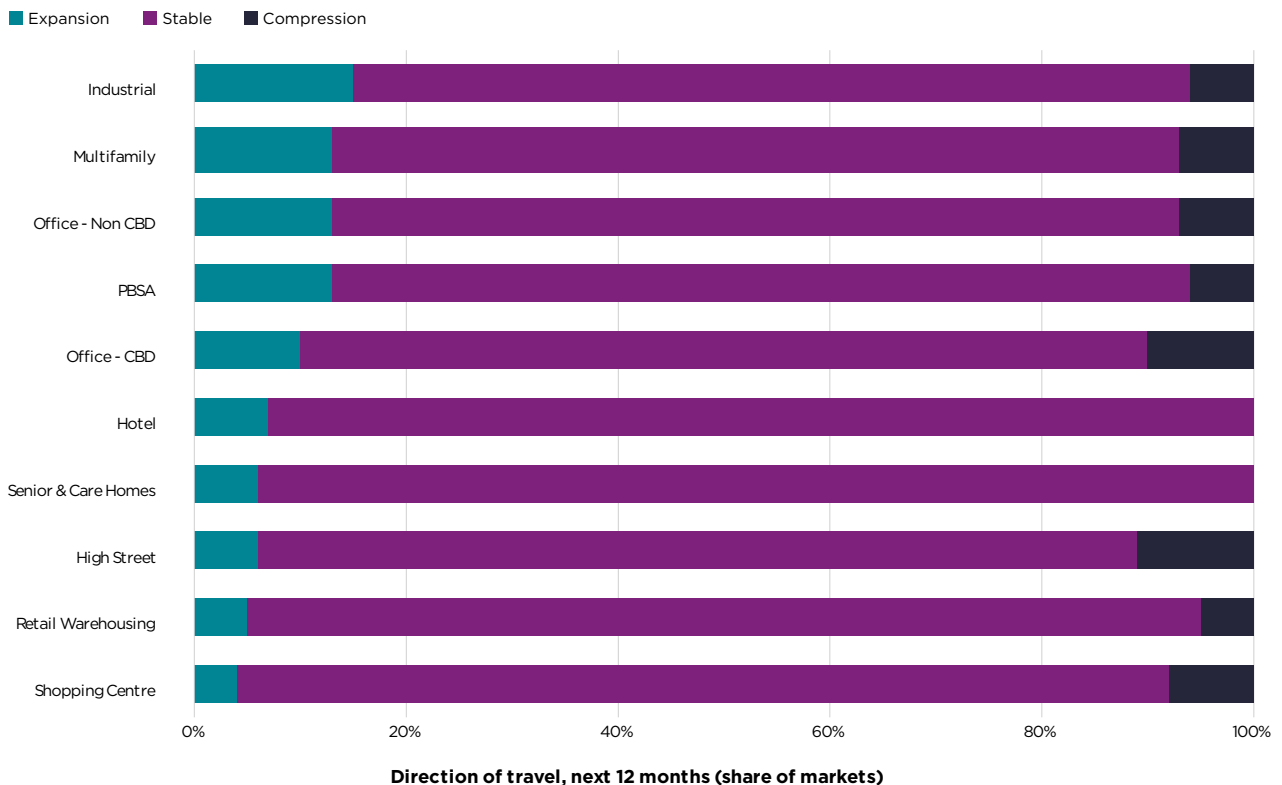
The fundraising backdrop helps explain current transaction dynamics. In Q1 2026, total fundraising reached US\$44bn, according to PERE. Europe-focused funds raised nearly

US\$7bn, around 16% of the total, indicating that Europe is attracting meaningful but not dominant allocations. The strategy mix is particularly telling, with value-add accounting for around 56% of capital raised and debt strategies at around 18%, while core and core plus strategies remain comparatively limited, at 8% and 18%, respectively. This aligns with transaction activity, where investors are prioritising strategies that can generate returns through active management, capital structure, and selective repricing, rather than relying on broad yield compression.

Given the current geopolitical backdrop, yields that were previously expected to harden in line with interest rates have now stabilised.

Prime retail warehouses are the main exception, with yields compressing by around 10bps since the end of 2025 to 5.7% on average across Europe in Q1. CBD office yields averaged 4.9%, while shopping centres stood at 6.1%, both broadly stable on the quarter. Industrial yields moved out slightly to 5.1%, luxury high street to 4.2%, multifamily to 4.3% and PBSA to 4.7%. The key message is that repricing has largely been absorbed, although there is some interest rate pressure in low yielding markets, and a broad yield compression cycle will remain on hold until the geopolitical and economic context improves. In some cases, late-stage price adjustments of around 1% to 5% are being agreed to bridge bid-ask gaps, given the shift in financing assumptions between signing and completion.

EUROPEAN PRIME YIELD EXPECTATIONS



Source: Savills Research. Yield outlook based on average of European prime markets

EUROPE

Overall, the outlook remains cautiously constructive, providing the conflict in the Middle East remains relatively short-lived. Investment should improve over the coming quarters as pricing has largely adjusted, debt markets have stabilised, and institutional capital remains relatively underallocated to real estate following several subdued years. However, full year performance is still likely to remain below initial expectations, as geopolitical tensions and ongoing volatility around

inflation and interest rate expectations continue to weigh on sentiment and early year activity.

The market is moving from forced repricing to selective deployment, with liquidity strongest where pricing, debt and income growth align. The recovery will therefore remain uneven, led by liquid cities, resilient subregions, and sectors where investors can underwrite durable income rather than rely solely on capital growth.

PRIME EUROPEAN YIELDS, Q1 2026 (AS AT END OF MARCH)

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%	4.3%	4.3%	1.5%
Logistics	Madrid	4.80%	No change	55%	4.7%	4.7%	1.3%
Logistics	Île-de-France	5.00%	No change	55%	4.3%	4.3%	1.2%
Logistics	Amsterdam	5.00%	Up	55%	4.3%	4.3%	1.9%
Logistics	London	5.25%	No change	60%	5.7%	5.7%	0.3%
Office	Paris	4.00%	No change	55%	4.3%	4.3%	0.2%
Office	Milan	4.25%	Down	55%	4.9%	4.9%	0.3%
Office	Berlin	4.40%	No change	55%	4.3%	4.3%	1.4%
Office	Frankfurt	4.50%	No change	55%	4.3%	4.3%	1.5%
Office	Madrid	4.65%	No change	55%	4.7%	4.7%	1.1%
Office	London (City)	5.25%	Down	60%	5.7%	5.7%	0.3%
Multifamily	Berlin	3.60%	No change	55%	4.3%	4.3%	0.6%
Multifamily	Copenhagen	3.75%	No change	63%	3.9%	3.9%	0.9%
Multifamily	Madrid	3.90%	No change	55%	4.7%	4.7%	0.4%
Multifamily	Paris	4.25%	No change	55%	4.3%	4.3%	0.5%
Multifamily	Stockholm	4.25%	Up	60%	3.8%	3.8%	1.4%
Multifamily	London	4.50%	No change	60%	5.7%	5.7%	-0.4%
Student	Paris	4.50%	No change	55%	4.3%	4.3%	0.7%
Student	Berlin	4.50%	No change	55%	4.3%	4.3%	1.5%
Student	Madrid	4.50%	No change	55%	4.7%	4.7%	1.0%
Student	London	4.75%	No change	60%	5.7%	5.7%	-0.2%

Source: Savills Research and Macrobond

CATENA / URBAN PARTNERS PORTFOLIO



Sector: Industrial and Logistics

Tenant: Multiple

Lease length (WAULT): 11 years

Area: 612,000 sqm (6.6m sqft)

Price/NIY:
€830m (US\$986m) / Undisclosed

Vendor: Urban Partners

Vendor nationality: Denmark

Purchaser: Catena

Purchaser nationality: Sweden

Other comments:

This marks the largest direct logistics portfolio transaction in the Nordics since 2021. Assets are high-spec, modern facilities with a vacancy rate of around 3.5% and high-quality tenants (e.g. Dagab, Dahl, Tokmanni).

AEDIFICA/COFINIMMO MERGER



Sector: Healthcare

Tenant: N/A

Lease length (WAULT): N/A

Area: Undisclosed

Price/NIY:
€2.6bn (US\$3.1bn) / Undisclosed

Vendor: Cofinimmo

Vendor nationality: Belgium

Purchaser: Aedifica

Purchaser nationality: Belgium

Other comments:

Merger by absorption following Aedifica acquiring 80% of Cofinimmo, creating Europe's largest healthcare REIT and the fourth-largest globally.

Q1 2026

NORTH AMERICA



STABILITY AMID THE NOISE



OLIVER SALMON
Director, World Research

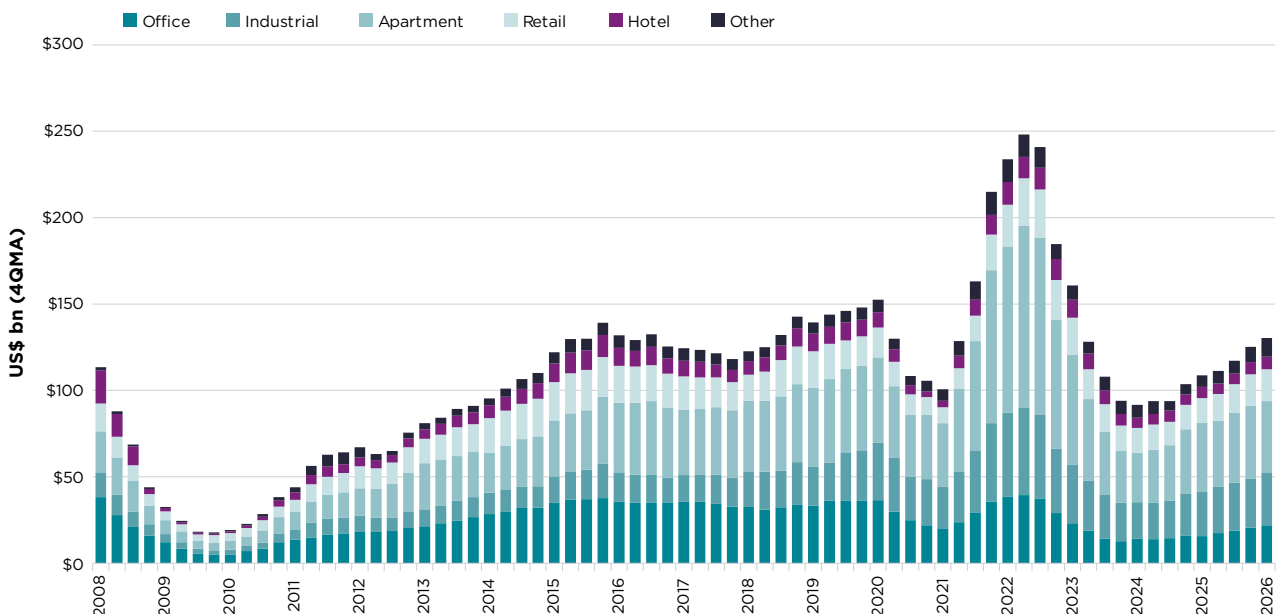


CHARLOTTE RUSHTON
Associate, World Research

The US real estate investment market made a strong start to 2026, with activity rebounding sharply across most sectors and markets. Total transaction activity reached US\$120bn in Q1, up 19% y/y, making it the strongest start to a year since 2022. Conflict in the Middle East clearly brings new headwinds to the global economy, however the US real estate market remains somewhat resilient for now; investment of US\$46bn in March was up 36% on the year, outperforming both January and February.

The resilience in the transactional data is reinforced by signals on pricing. Prime yields have broadly stabilised over the last year, and we’re expecting little change over the next 12 months. This represents a slight shift in the outlook; going into 2026, yields were largely expected to follow interest rates lower, however the inflationary impact of the energy supply crisis is now likely to keep the Federal Reserve on hold this year. Nevertheless, positive income growth continues to support some price appreciation in aggregate, and particularly at the top end of the market.

US REAL ESTATE INVESTMENT TURNOVER



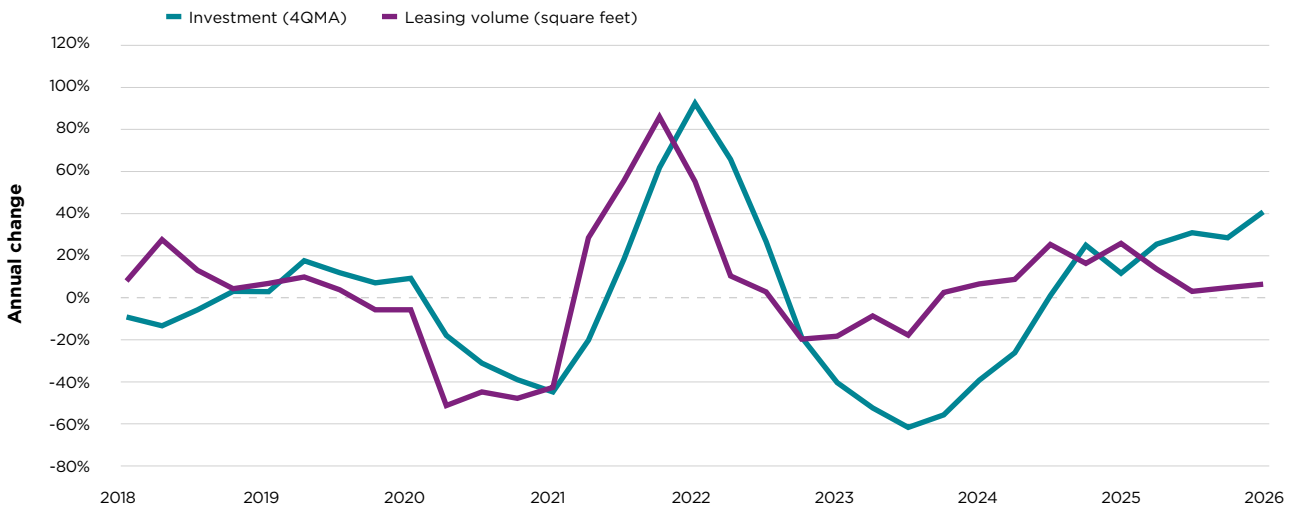
Source: Savills Research using MSCI RCA. Excludes development sites.

The office sector was one of the clearest areas of improvement in US capital markets in the first quarter, with investment activity rising sharply and liquidity returning more convincingly than in recent quarters. Total office investment surpassed US\$20bn, up 40% on the year. This was the fourth consecutive quarter of double-digit growth, as investors continue to re-engage with a sector showing a meaningful improvement in fundamentals.

US institutional investors have been the buyers of nearly one-quarter of completed deals by

value in early 2026, the highest share since 2022, while over 30 deals in excess of US\$100m were finalised in the quarter, more than double the low-point in the recent cycle. Included within this list was the completion of the US\$1.1bn take private acquisition of Vancouver-based City Office REIT by Elliott Investment Management and Morning Calm Management, highlighting the growing conviction in traditional office assets, and the potential arbitrage opportunity with the listed sector continuing to trade at a significant discount to NAV.

US OFFICE SECTOR INVESTMENT AND LEASING DEMAND



Source: Savills Research using MSCI RCA

Distress remains central to the narrative surrounding the office sector. However, it is increasingly supporting price discovery rather than simply weighing on sentiment. Offices accounted for nearly 40% of total new distress in the first quarter, yet the sector also led on workouts. The value of distressed office sales rose by 45% y/y, and accounted for over 7% of all deals in the quarter. Delinquency rates remain elevated, but appear to have plateaued at around 11.5%, according to Trepp.

However, the shift in sentiment is also grounded in the underlying fundamentals, rather than being opportunistic in nature. The occupational backdrop has become more supportive of the underwrite, with leasing activity reaching its highest level in five years. The major gateway and innovation-led markets continue to lead the way; Manhattan registered its best quarter since 2019, while in San Francisco, Q1 leasing demand was the strongest in over a decade.

Against this backdrop, the development pipeline remains extremely tight, with annual new completions expected to barely register a quarter of pre-Covid-19 levels for this year and next, providing an anchor to asking rents and supporting a steady decline in vacancy across most markets.

Industrial and logistics overtook multifamily as the largest invested sector in the US at the beginning of this year, underlining the sector’s continued appeal to investors, even as occupier fundamentals become more mixed. The total value of transactions rose by 26% on the year, pushing above US\$30bn in the process, making it the sector’s best start to a year since 2022. Notably, US institutional investors were strong net buyers of industrial and logistics assets in early 2026, after being net sellers for the last three years.

Occupier demand, however, is becoming increasingly polarised. Southern markets such as Dallas, Houston and Atlanta continue to see healthy leasing momentum, firming rental growth and tightening vacancy, while a number of coastal gateway locations, including Los Angeles and Northern New Jersey, are experiencing a softer backdrop. Trade tensions and tariff-related uncertainty are contributing to that divergence, particularly in Los Angeles and the Inland Empire, where volatile port volumes are weighing on occupier sentiment and encouraging a 'wait-and-see' approach from many businesses.

Investment in the multifamily sector also surpassed US\$30bn in the quarter, although this represented a 4% decline on the year. This is largely due to a lack of activity from institutional investors, and consequentially, fewer portfolio deals. The aggregate value of portfolios trading in Q1 was down 24% on the year, with no deals exceeding US\$500m registered year-to-date.

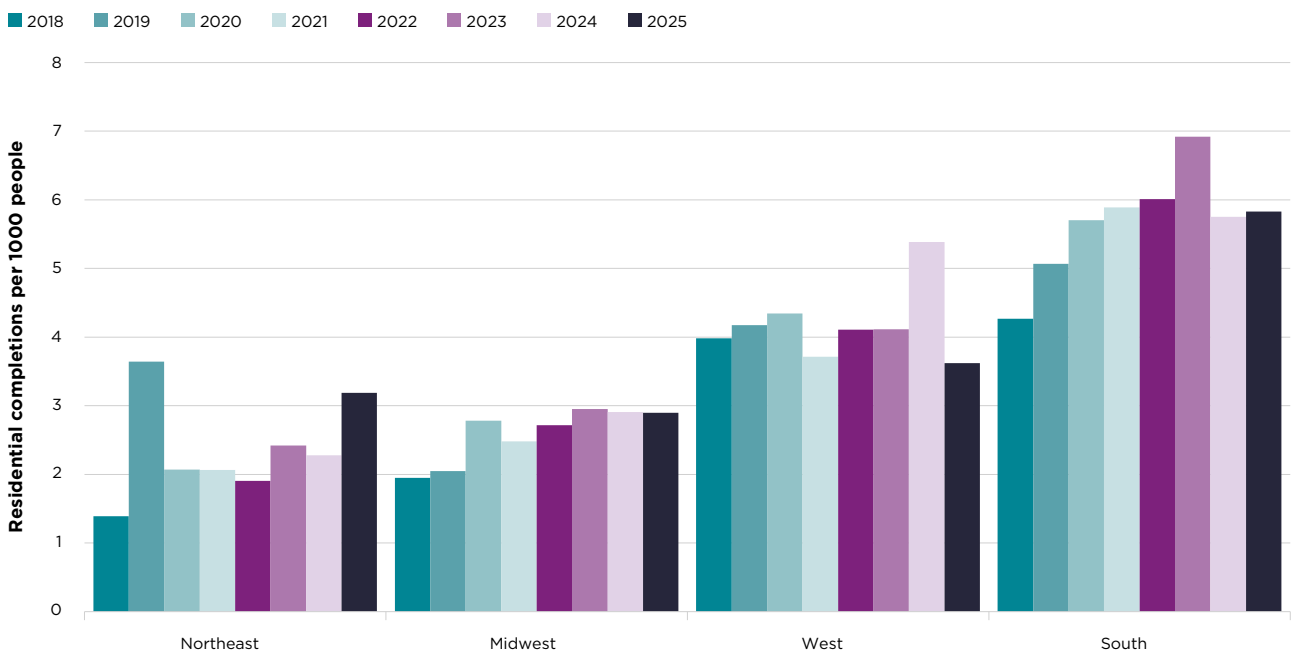
Occupationally, the market began the year on a relative positive note. In total, the US market absorbed over 90,000 multifamily apartments in Q1, according to RealPage, one of the strongest first quarter outturns in the past decade. Demand in general continues to benefit from positive household formation, as well as homeownership affordability constraints. Class A properties are

outperforming, underpinned by a 'flight-to-quality' trend that mirrors the wider commercial real estate sector, as well as a more balanced tenant-landlord relationship.

However, headwinds are also apparent in the form of a softening labour market and lack of employment growth. As such, from a wider perspective, the Q1 data was more anomaly than trend, with demand conditions remaining below the long term average on a 12-month rolling basis. The national vacancy rate has risen by 30bps over the last year to 6.8% as a consequence, according to Moody's Analytics, albeit that it is has broadly plateaued on a sequential basis.

Annual demand is also running below supply, with regional polarisation underpinned by contrasting supply dynamics. The Sunbelt region in particular is struggling to onboard new supply, despite also leading the US in absorption rates, following a post-Covid-19 construction boom that is yet to fully work through the sector. These trends are driving some weakness in asking rents, which were down by 0.5% on average nationwide against the same period last year. High supply markets continue to see the steepest rental corrections; in Austin, the annual asking rent has fallen by more than 7% over the last 12 months, while in Phoenix is it down by nearly 5%.

US RESIDENTIAL CONSTRUCTION BY REGION



Source: Savills Research using US Census Bureau.

NORTH AMERICA

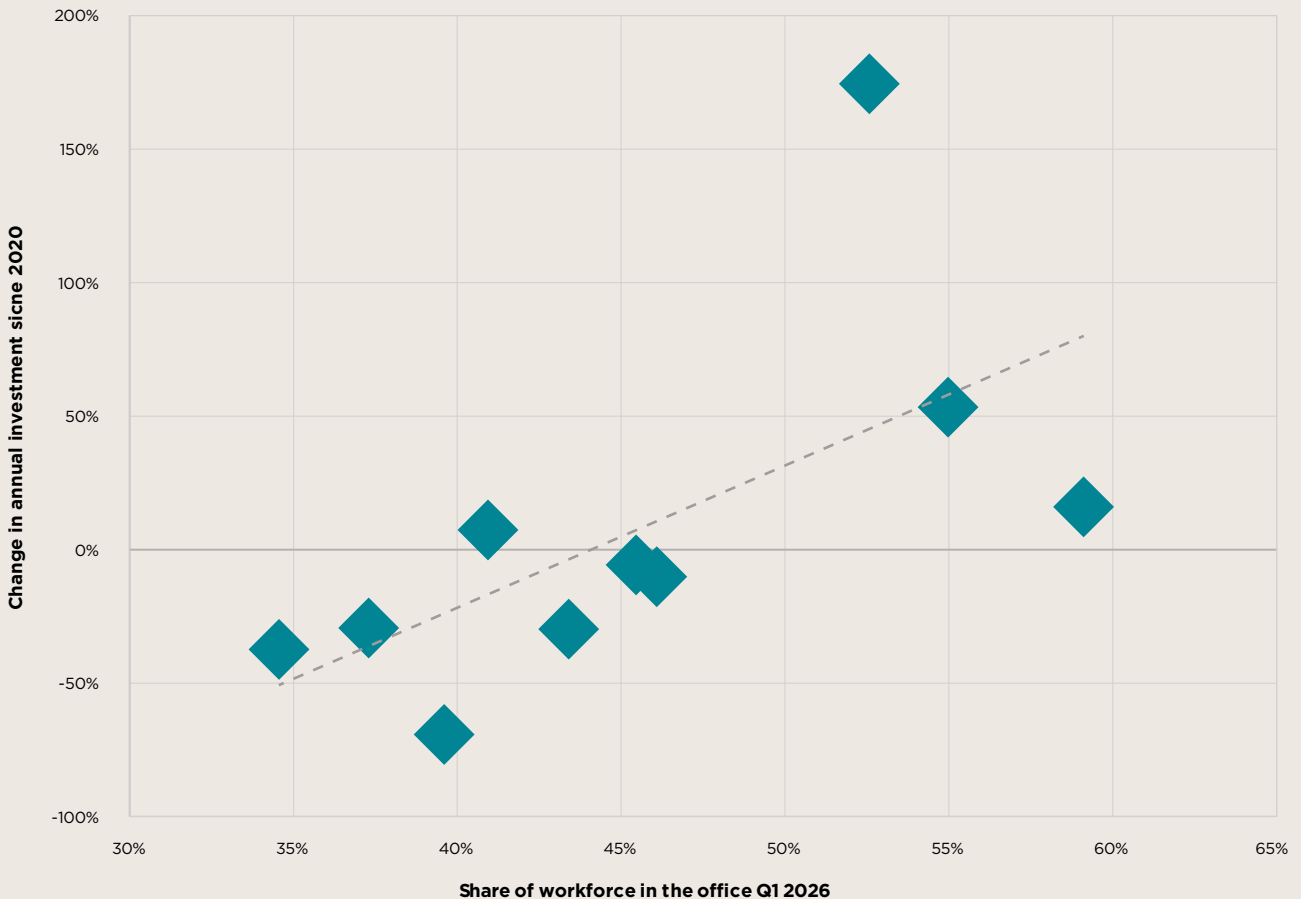
These supply dynamics are broadly mirrored in the data on transactional activity. Major cities in the South and West regions, which have struggled with oversupply, have seen investment fall on the year by an average of 14%. By contrast, markets in the Midwest with a more constrained supply backdrop, such as Chicago and Cleveland, have seen investment rise by 15%. One of the largest deals this quarter, the US\$455m acquisition of a seven property portfolio by a JV between LaTerra Development and Respark, was in Chicago.

New supply continues to slow, however, with Q1 marking the fifth consecutive quarter of declining annual completions nationwide, allowing new additions to fall back in line with the long term average. This should provide for a more supportive backdrop for investors underwriting new deals, bringing some stability to the occupational dynamics, particularly given that the structural undersupply of housing in the US will keep occupancy rates high.

Investment in the retail sector was also broadly stable on the quarter, with turnover edging up by 1% y/y to US\$18bn. This followed a very strong 2025, which delivered growth of around 30%. The modest headline increase in Q1 masks a clear divergence in deal activity; portfolio transactions fell sharply, down almost 50% y/y, as investors continued to favour single-asset deals. Indeed, Q1 was the fourth consecutive quarter of double-digit growth in single asset sales. The largest transaction was the sale of Victoria Gardens in suburban Los Angeles, where Brookfield sold the asset for US\$530m to Redwood West, Panattoni Development and Prime Finance.

At a regional level, markets in the South recorded the strongest growth, with investment up 20% on the year. This reflects continued positive demographic trends and a more pronounced return-to-office impetus. Among the ten largest US cities by population, there is a good correlation between office attendance and retail investment.

US RETAIL INVESTMENT AND RETURN TO OFFICE



Source: Savills Research using Macrobond and MSCI RCA

NORTH AMERICA

Finally, the hotels sector recorded substantial growth of 18% y/y in Q1, with investment of US\$7bn. However, growth was concentrated across a relatively small number of large transactions, with the total value of portfolio deals doubling on the year to US\$2bn. Capital has been directed primarily towards luxury and upscale properties, particularly trophy assets in New York, Miami, and resort markets. By contrast, economy and midscale hotels continue to transact at lower prices and higher yields. These trends were illustrated by the US\$1.1bn sale of a portfolio comprising of two Four Seasons hotels in Orlando and Jackson Hole.

The operational backdrop for US hotels remains fragile, reinforcing investor selectivity.

National RevPAR fell by 0.3% in 2025, one of the only non-recessionary periods on record to post an annual decline, and remained broadly flat on a trailing 12-month basis into Q1 2026. Performance divergence is pronounced; luxury hotels continue to deliver positive revenue growth, while economy hotels remain under pressure, with mid-single digit declines extending into 2025.

International travel to the US in 2025 remained 14% below 2019 levels, however, major events such as the 2026 FIFA World Cup and the 2028 Los Angeles Olympics are expected to deliver a meaningful, although geographically concentrated, uplift to demand in gateway and host markets.

PRIME US YIELDS, Q1 2026 (AS AT END OF MARCH)

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%	1.0%
Logistics	Los Angeles	5.25%	No change	65%	6.0%	3.9%	1.0%
Logistics	Chicago	5.50%	No change	65%	6.0%	4.6%	1.2%
Logistics	Houston	5.75%	No change	65%	6.0%	5.3%	1.5%
Office	New York	5.50%	No change	65%	6.3%	4.1%	1.2%
Office	Los Angeles	7.50%	No change	65%	6.3%	9.8%	3.2%

Source: Savills Research and Macrobond

TRANSAMERICA PYRAMID, SAN FRANCISCO



Sector: Office

Tenant: Morgan, Lewis & Bockius
LLP, Mizuho

Lease length (WAULT):
Undisclosed

Area: 750,000 sqft (70,000 sqm)

Price/NIY:
US\$690m / Undisclosed

Vendor: SHVO JV BVK JV
Deutsche Finance

Vendor nationality:
US / Germany

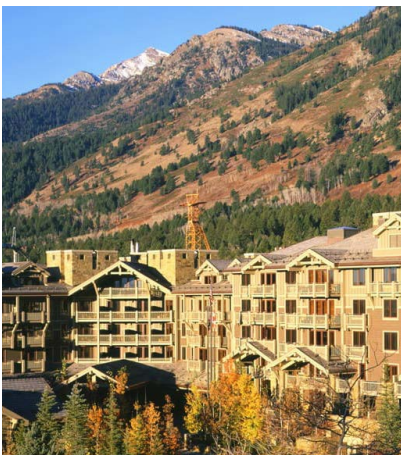
Purchaser: Yoda PLC

Purchaser nationality:
Cyprus

Other comments:

A 3 property portfolio, with the key asset being the Transamerica Pyramid. Portfolio was last sold in late 2020 for US\$650m and has been heavily renovated costing an estimated US\$250m.

HOST FL/WY HOTEL PORTFOLIO, ORLANDO & JACKSON HOLE



Sector: Hotel

Tenant: Four Seasons

Lease length (WAULT): N/A

Area: 569 units

Price/NIY: US\$1.1bn / Undisclosed

Vendor: Host Hotels & Resorts

Vendor nationality: US

Purchaser: BDT and MSD
Partners

Purchaser nationality: US

Other comments:

Portfolio comprises Four Seasons Orlando at Walt Disney World and Four Seasons Resort & Residences Jackson Hole. The Orlando asset is the only luxury resort within the resort that is not owned by Disney.

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 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. 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.





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