

# Market Insights on European non-listed real estate in March 2026

## Sharp dive in sentiment after strong Q4 European fund performance in 2025

The latest edition of the INREV Market Insights reflects a mixed picture for European real estate. While market performance showed further signs of improvement at the end of 2025, the sentiment turned for the worse. The war between the USA, Israel and Iran raised inflationary pressure and fears over a global economic slowdown, or possibly

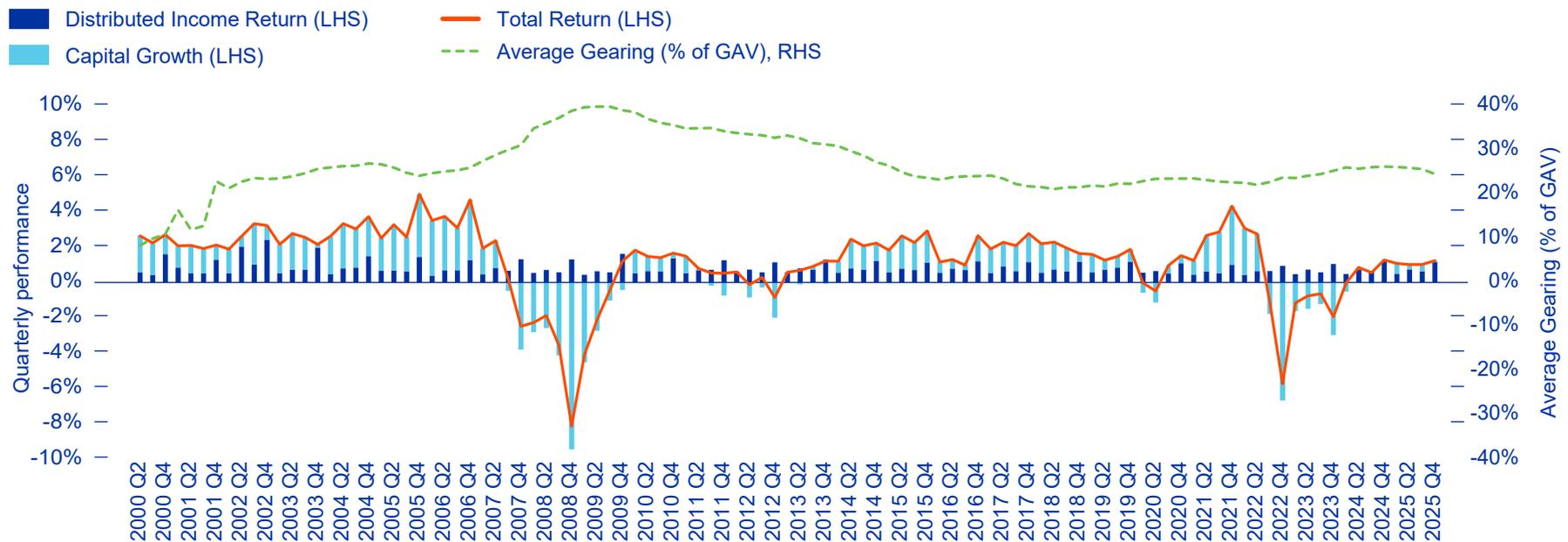
even a recession. [The INREV Consensus Indicator](#) declined from 59.4 in December to 54.7 in March (see p.5 for further details).

The Q4 2025 [INREV Quarterly Fund Index](#) posted a total return of 1.24%, up from 1.02% a quarter earlier. This is the strongest performance of the year, bringing the annualised 2025 performance to 4.43%. However, the Q4 capital growth was only slightly positive at 0.09% (0.38% in Q3 2025). The 2025 annualised capital growth remained positive at 1.33%.

All main sectors, except offices, delivered eight consecutive quarters of positive performance. Residential funds continued to deliver the highest returns among single sector specialists, with 1.77% in Q4, followed by retail funds (1.60%).

Geographically, the Nordic funds outperformed all main countries and regions for the first time since Q2 2021. It is worth noting that the Germany focused funds reported their highest performance since Q1 2023, at 0.75%.

Figure 1: European non-listed real estate performance



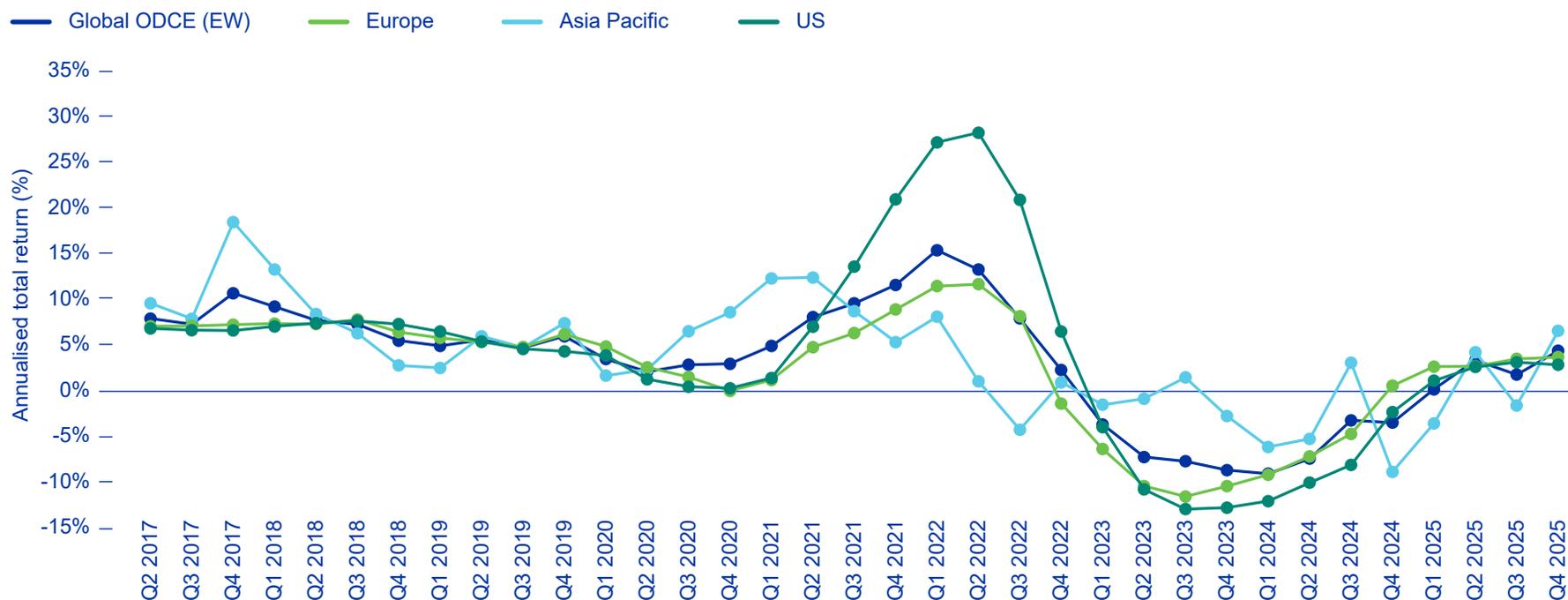
## European ODCE funds ahead of their other regional peers at year-end

The Q4 2025 [Global ODCE Index](#) results showed the stable performance of European open-end diversified core equity (ODCE) funds, reporting seven consecutive quarters of positive total returns. With 1.12%, the European ODCE Index outperformed its Asian (-0.57%) and American peers (0.70%).

On an annualised basis, the European ODCE funds' total return (3.75%) stood 70 bps below the equally weighted global performance of 4.45%, which was mainly driven by the 6.63% reported by their Asia Pacific counterparts. That said, the Asia Pacific ODCE results are highly influenced by currency impact, due to the US\$ being the funds' reporting currency. After taking out the currency impact of 4.11%, the annualised 2025 Asia Pacific ODCE Index' local currency equivalent net total return was 2.42%.

European ODCE funds recovered faster from the lowest point during the downturn in the second half of 2022 than their US peers. On a three-year rolling basis, European ODCE funds posted a -2.19% total return, outperforming the US funds by 206 bps.

**Figure 2: Global annualised ODCE total returns (reporting currency results)**



## Spain and retail end the year on a strong note

The [INREV European Quarterly Asset Level Index](#) recorded a total return of 1.28% in Q4 2025, marking a moderation from 1.53% in Q3 2025. Capital growth slowed further to 0.26%, reaching its lowest level since Q2 2024.

At the country level, Spain outperformed in Q4 with a total return of 2.69%, primarily driven by strong retail performance (4.73%). The

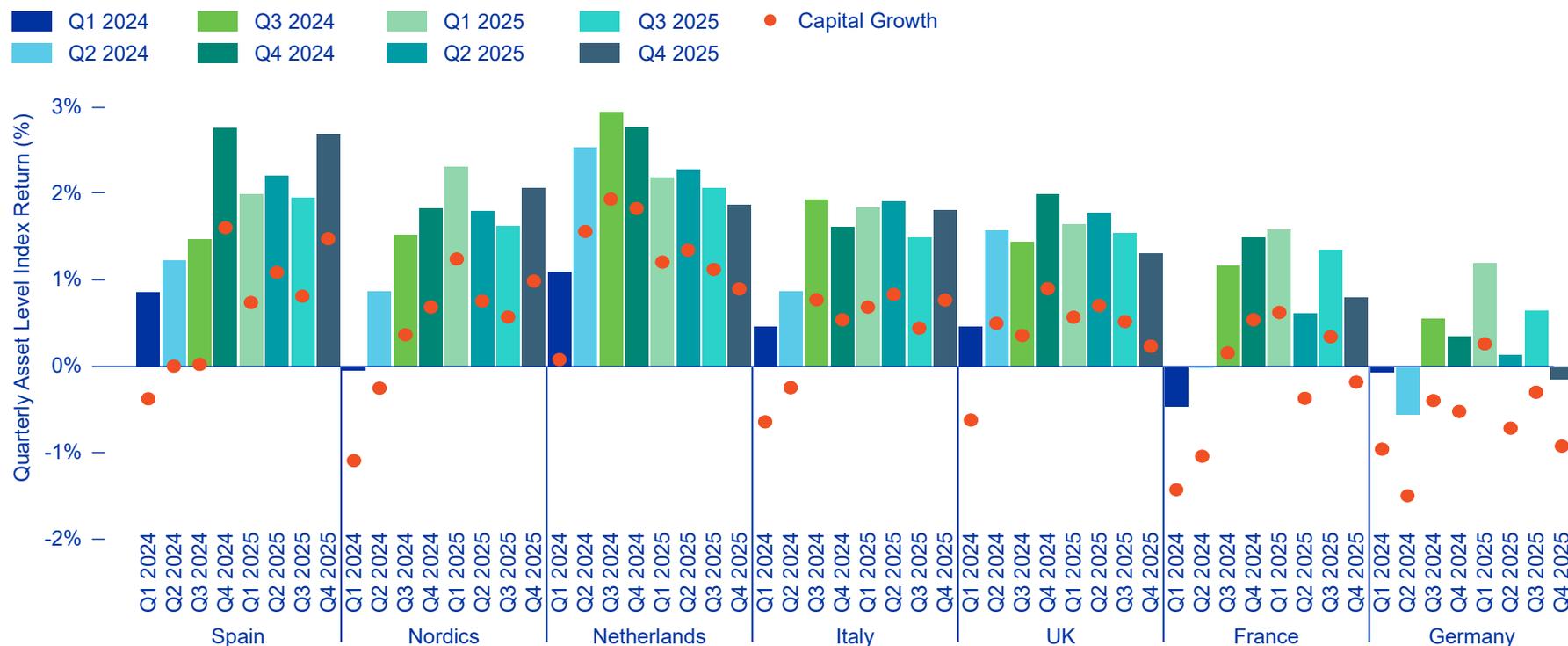
Nordics followed, delivering 2.07%, supported by resilient industrial/logistics assets (2.40%) and continued strength in the residential sector (2.66%). Among the four largest markets, the Netherlands was the strongest performer, posting a return of 1.88%, slightly below its Q3 level (2.06%). This resulted in the 2025 annualised return of 8.68%, compared with 9.68% in 2024.

The UK recorded a 2025 annualised return of 6.44%, broadly in line with the Netherlands.

Its Q4 2025 returns remained positive at 1.32%, although this represents the second consecutive quarterly decline.

In France, total returns declined from 1.35% in Q3 to 0.80% in Q4. However, capital growth turned negative, reflecting weakening market dynamics and a decline in investor sentiment (see page 8). Germany underperformed this quarter, with total returns turning negative to -0.15%, driven by a contraction in capital values (-0.92%).

**Figure 3: European real estate asset performance by country**



Retail assets outperformed residential at year-end 2025, delivering a total return of 1.88%, up from 1.53% in the previous quarter. This brought the sector's 2025 annualised return to 7.85%, just slightly below the residential equivalent of 8.16%.

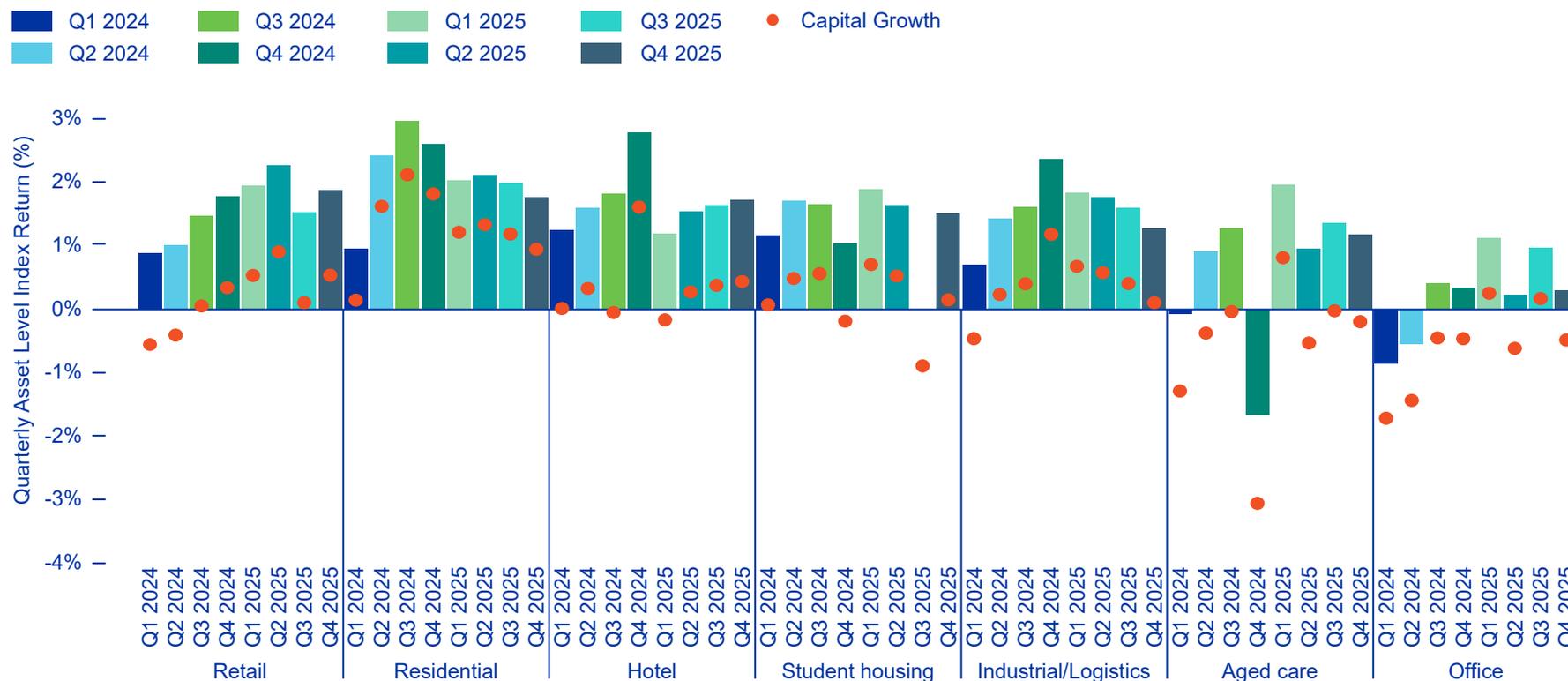
Residential assets recorded a return of 1.77% in Q4, marking their weakest quarterly performance of the year and falling below the 2.00%

threshold. The moderation in performance is reflected in a decline in investor sentiment (see page 9), representing a notable shift for a sector that has consistently ranked among the top three in terms of investor preference.

Industrial/logistics assets posted a Q4 2025 return of 1.28%, also their lowest quarterly performance of the year, resulting in a 2025 annualised return of 6.65%.

Offices remained the weakest-performing sector, with a total return of 0.30%. However, 2025 marks the first year since 2021 in which the sector recorded positive returns in all four quarters. The 2025 annualised return stood at 2.65%.

**Figure 4: European real estate asset performance by sector**



## INREV Consensus indicator declines to 54.7

The March [INREV Consensus Indicator](#) recorded a headline reading of 54.7. This is notably down from the all-time high of 59.4 in December, the highest level recorded since we started monitoring the market consensus in March 2023. Notably, 26 of the 35 responses were submitted after the start of the Iran war, which is likely to have weighed down the near-term expectations.

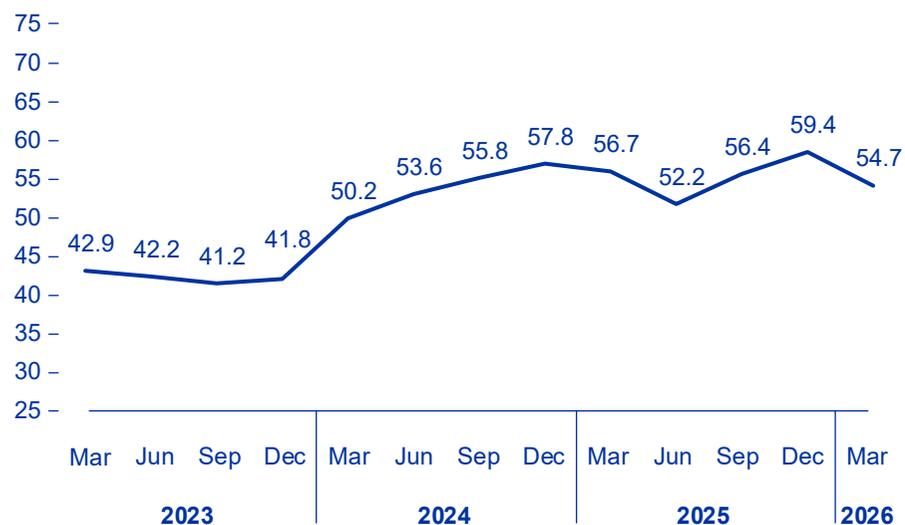
Four of the five subindicators declined, marking a notable shift in European non-listed

real estate sentiment. Investment liquidity (51.6), having demonstrated substantial improvement last year, declined from 61.4 in December. Respondents highlight increased concern over the liquidity of the direct European real estate market in the coming quarter (18% of respondents on a net basis).

Financing (70.4) was the only subindicator to improve since December, maintaining its position as the strongest of the five and remaining the only reading above 70. In contrast, leasing and operations eased slightly to 58.8, down from 59.3 in December, though it continues to indicate positive sentiment.

The Economic subindicator declined sharply to 42.4 from 53.8 in December, falling into contraction territory and reaching its lowest level since the tracking began in March 2023. This reflects growing concern around the economic outlook, with respondents expecting rising inflation to weigh on real estate performance over the next 12 months (17% of respondents on a net basis). New development was the only other subindicator below 50 this March, decreasing to 43.8 from 49.4 in December.

Figure 5: INREV Consensus Indicator



\*A Consensus Indicator of above 50 represents growth, while a reading of 50 represents no change. A reading of under 50 indicates contraction. The further away from the 50 mark the results, the greater the level of change.

Figure 6 : INREV Consensus subindicators

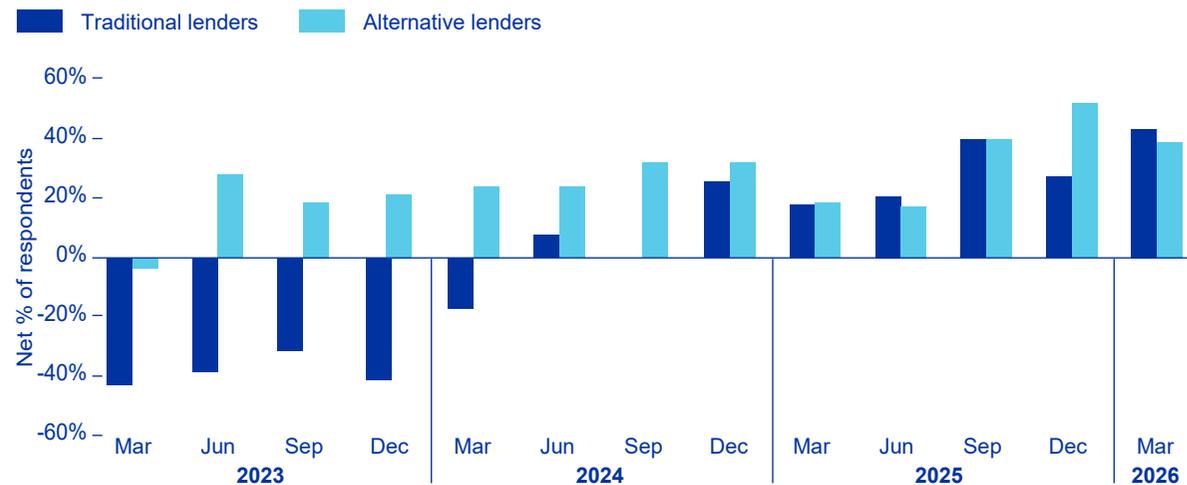


## Steady availability of financing

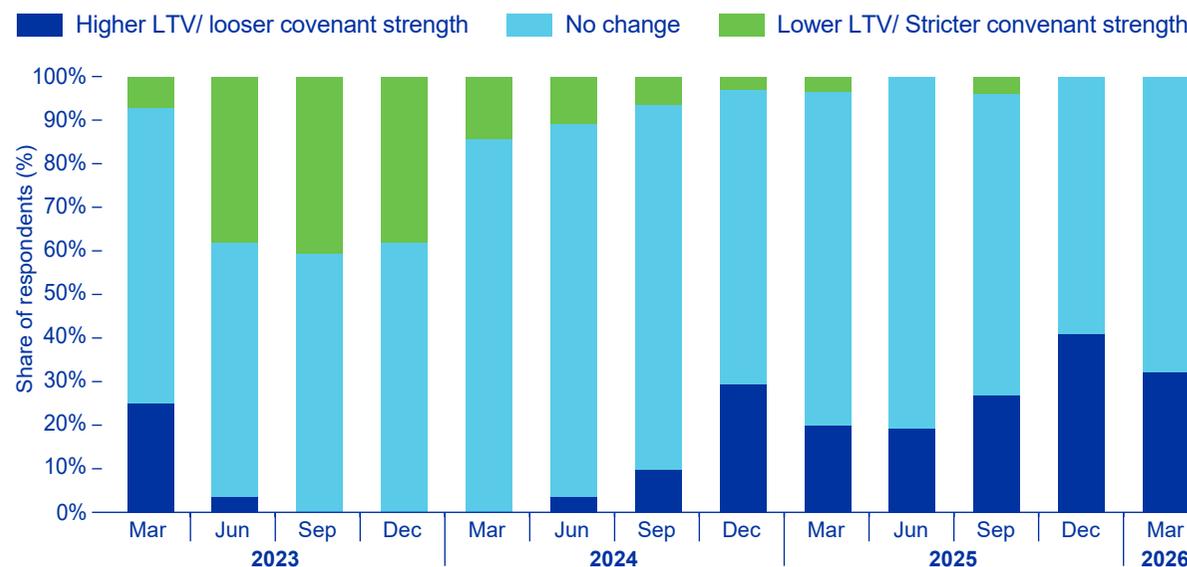
Financing remains the only INREV Consensus subindicator with a reading above the 70 mark. As of March 2026, the availability of financing across both traditional bank lenders and alternative lenders remains positive on a net basis, underscoring continued resilience in capital markets. The share of respondents reporting increased availability from alternative lenders has slowed to 39%, from 52% in December. In contrast, the proportion of respondents noting improved availability from traditional bank lenders has increased to 43% in March, representing the highest level recorded since tracking began in March 2023.

Financing terms remain relatively accommodative, with 32% of respondents continuing to report higher loan-to-value (LTV) ratios and looser covenant strength on a quarter-on-quarter basis. While this represents a slight decline from 41% in December, the overall picture still points to supportive lending conditions.

**Figure 7: Availability of financing (q-on-q change in net sentiment)**



**Figure 8: Changes in financing terms offered (q-on-q)**



## Uptick in transaction volumes at year-end

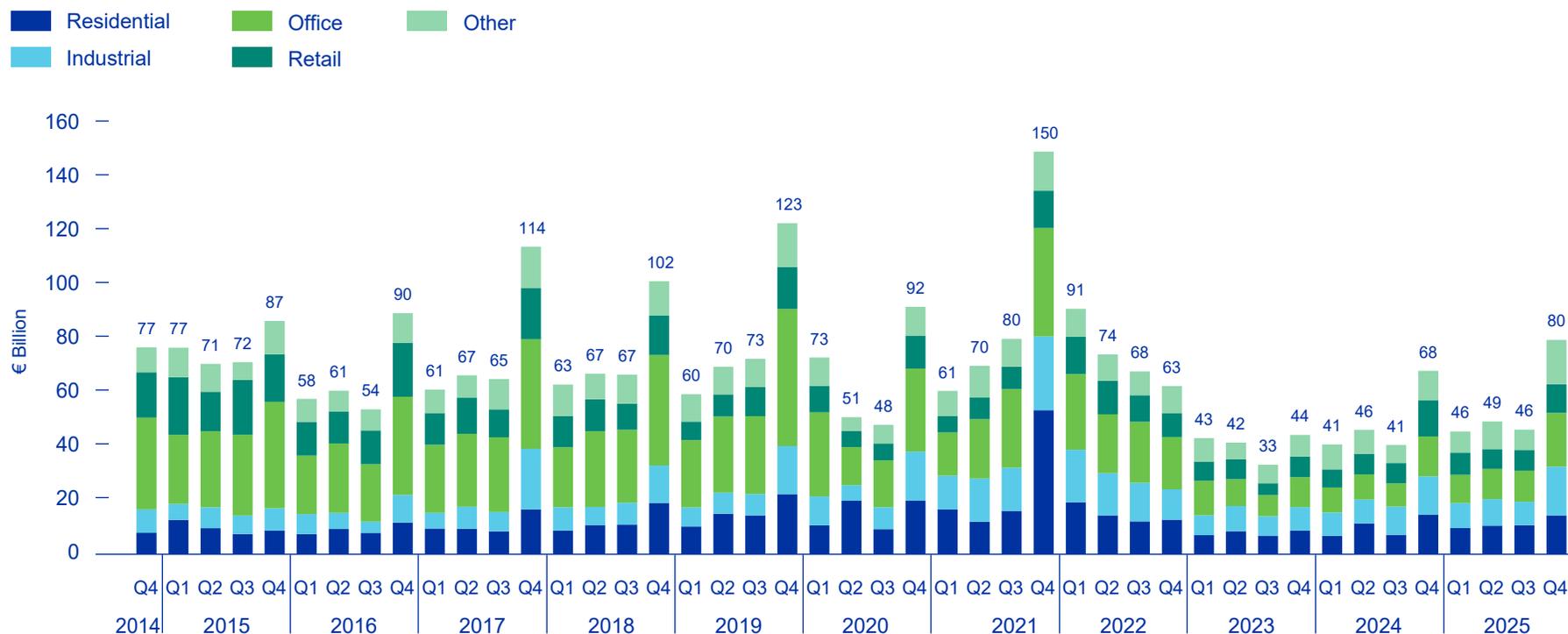
European transaction volumes increased to €79.8 billion in Q4 2025, up from €46.4 billion in Q3 2025. This significant quarter-on-quarter improvement is consistent with the typical year-end uptick in activity (see Figure 9), rather than indicating a sustained market

recovery. The figure stands notably above the ten-year quarterly average of €67.9 billion and represents an increase of €11.5 billion in transaction volumes compared to Q4 2024.

Looking ahead, this improvement in transaction activity is not necessarily anticipated to continue in the short term, as was reflected

in the latest [INREV Consensus Indicator](#) results. The investment liquidity subindicator recorded a notable moderation to 51.6 in March, but remains above the neutral 50 threshold, signalling stabilisation rather than an anticipation of a notable increase in direct investment market activity.

**Figure 9: European direct real estate transaction volumes by sector**



## Spain continues to lead sentiment ranking

Investor sentiment towards Spain strengthened further, reaching a net balance of 39% in March 2026, matching its record high observed in March 2025. This remains significantly above both its long-term average (10%) and its 2025 average (26%). The positive sentiment is consistent with Q4 2025 asset performance (see Figure 3), where Spain ranked as the top-performing market, supported by particularly strong retail returns.

Investor preference for Southern European markets remains evident, although trends in Italy and Portugal are more nuanced. Both

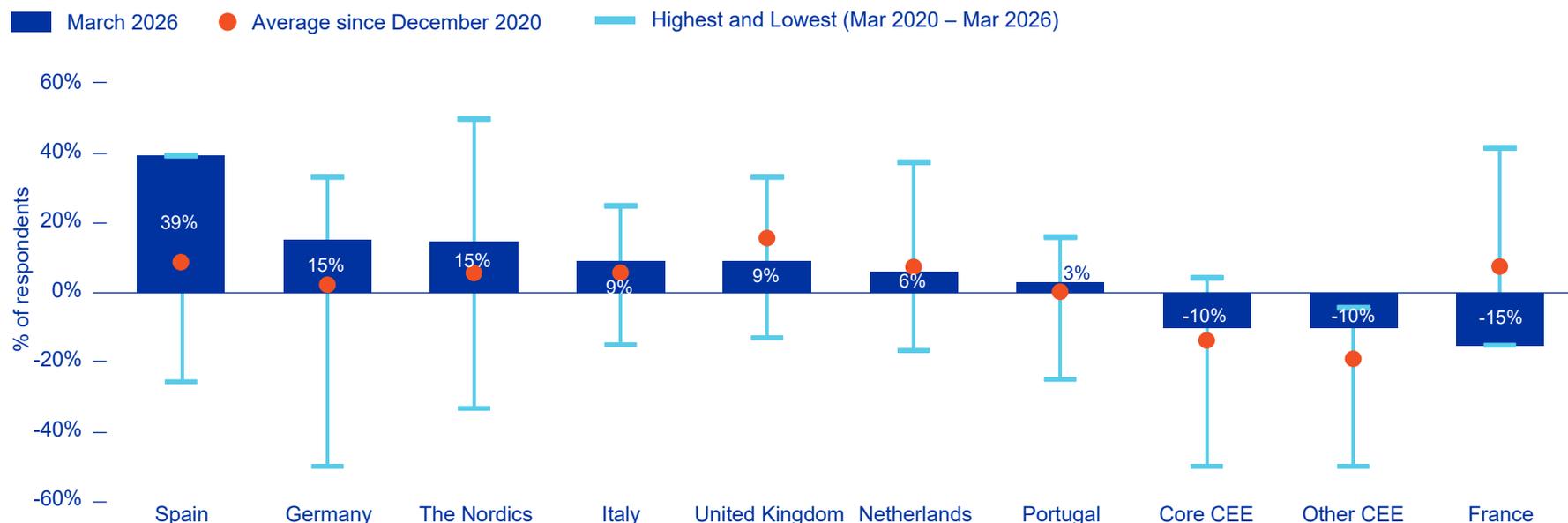
countries retained positive net sentiment, at 9% and 3% respectively, despite a decline compared to December 2025. On an annual basis, Italy recorded the second-highest average sentiment in 2025 (20%), behind Spain, while Portugal retained a more moderate net sentiment of 7%.

Germany moved from third to second position in March 2026, with net sentiment increasing by 4 percentage points to 15%. This improvement contrasts with weaker underlying performance at year-end (see p.3). German assets recorded their weakest quarterly return of the year in Q4 2025 (-0.15%), marking the first negative reading since Q2 2024 (-0.56%).

Sentiment towards the Nordics remained relatively robust at 15%, above the long-term average of 6%. In contrast, both the UK (9%) and the Netherlands (6%) saw their recent readings fall below their respective long-term averages of 16% and 7%.

France recorded the weakest sentiment among the surveyed markets, declining further to -15% (-4% since December 2025), its lowest level since the record began in December 2020. This deterioration aligns with subdued asset performance, which, while still marginally positive in Q4 2025, continues to lag other major markets.

Figure 10: Net sentiment towards European real estate by geography



## Industrial/logistics sector slides into negative sentiment, while offices gain momentum

As of March 2026, retail ranked as the most preferred sector among survey respondents, with a net sentiment of 23%. While this remains a relatively strong reading, it represents a decline of 9 percentage points compared to December 2025. This moderation comes despite retail being the best-performing sector at year-end, outperforming residential assets.

Residential, which has been the most preferred sector over the past three years, declined in the rankings, with a net sentiment of 9%. Although still positive, this marks its weakest reading since December 2022 (0%) and remains well below its long-term average of 26%.

Office sentiment increased notably, rising from -4% in December 2025 to 9% in March 2026. As a result, the sentiment towards the office and residential sectors is now on a par, despite representing the weakest and

strongest performers respectively at the asset level in recent periods.

Sentiment towards industrial/logistics weakened further, with net sentiment turning negative to -3%. This is below both its 2025 average (8%) and its long-term average (12%), indicating a deterioration in investor preference for the sector.

**Figure 11: Net sentiment towards European real estate by sector**



## Positive performance sentiment into 2026, but risk concerns grow

This year, a refreshed visual approach has been introduced to present near-term expectations on European real estate performance. As of March 2026, performance expectations for European non-listed real estate remain positive, with a net 12% of respondents reporting an improved outlook.

While this represents a decline from the 53% recorded in December, it continues the broader trend of positive sentiment observed throughout 2025. This is consistent with the positive Q4 2025 INREV Fund and Asset Index performance presented in the earlier sections of this report.

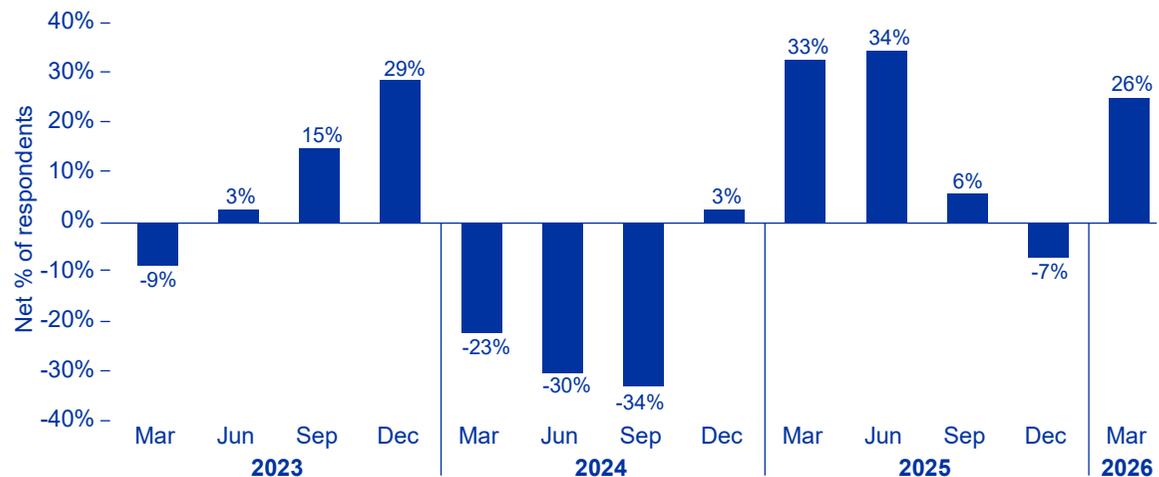
However, perceptions of investment risk have increased notably. On a net basis, 26% of respondents reported a rise in perceived risk, marking a significant shift from the net -7% recorded in December 2025.

As noted previously, this uptick likely reflects heightened uncertainty surrounding the Iran war, with 26 of the 35 responses submitted after its onset, thereby weighing on near-term expectations.

Figure 12: Net view on European real estate performance



Figure 13: Net assessment of investment risk for European real estate



Source: INREV Consensus Indicator Survey, 2026

This update highlights the latest results from the [INREV European Quarterly Asset Level Index Q4 2025](#), [INREV Quarterly Fund Index Q4 2025](#), [INREV Quarterly German Vehicle Index Q4 2025](#), [INREV Global ODCE Index Q4 2025](#) and [INREV Consensus Indicator March 2026](#) to illustrate the impact on market performance, investment plans and operations.