

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

## Real estate performance holds firm as market sentiment plunges

The latest edition of INREV Market Insights reinforces the trends identified in the March 2026 publication. While market performance held steady in Q1 2026, both fund and asset level returns remained positive. Market sentiment, however, deteriorated sharply, reaching its lowest level since the monitoring of the market consensus began in March 2023.

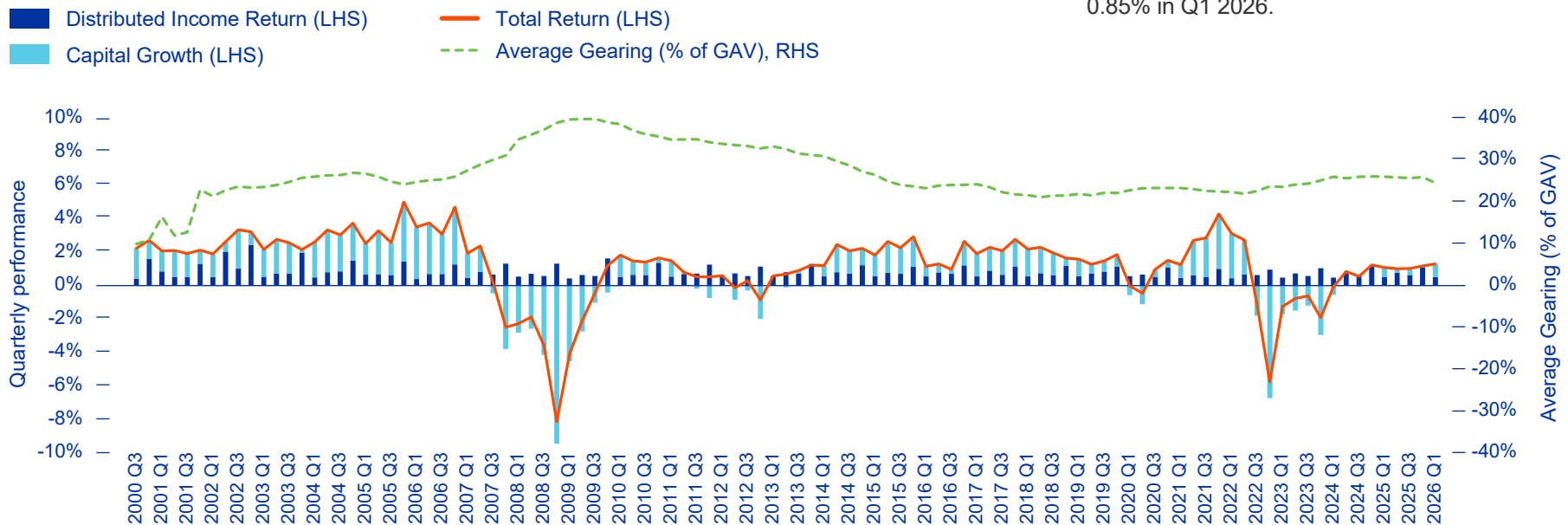
The INREV Consensus Indicator fell from 54.7 in March to 41.0 in June. All underlying sub-indicators declined significantly, with three out of the five now in contraction territory (see p.4 for further details).

The Q1 2026 [INREV Quarterly Fund Index](#) posted a total return of 1.30%, up from 1.24% in Q4 2025. This is a third consecutive quarter of improvement. Notably, the Q1 capital growth increased to 0.79% (0.08% in Q4 2025), its highest measurement since Q2 2022.

All single sector specialists delivered positive results, with residential focused funds outperforming. At 2.71%, they delivered their highest quarterly performance since Q2 2022, up from 1.76% in Q4. Retail was the only sector recording a quarterly decline in performance, albeit it continued to deliver a positive total return of 1.12%.

The Dutch focused funds delivered their ninth quarter of positive performance, at 3.14%. It was also their highest quarterly return since Q1 2022. After a strong Q4 2025, the Nordic funds underperformed the other geographies, with their total returns declining from 3.66% to 0.85% in Q1 2026.

Figure 1: European non-listed real estate performance



## Netherlands, Spain and the Nordics remain the top three performers once again

The [INREV European Quarterly Asset Level Index](#) recorded a total return of 1.67% in Q1 2026, representing a 39 bps quarter-on-quarter increase. Capital growth was the main driver of this, surging from 0.26% in Q4 to 0.64% in Q1.

At the country level, the top three performing markets remained unchanged from Q4 2025, although their ranking shifted. The Netherlands

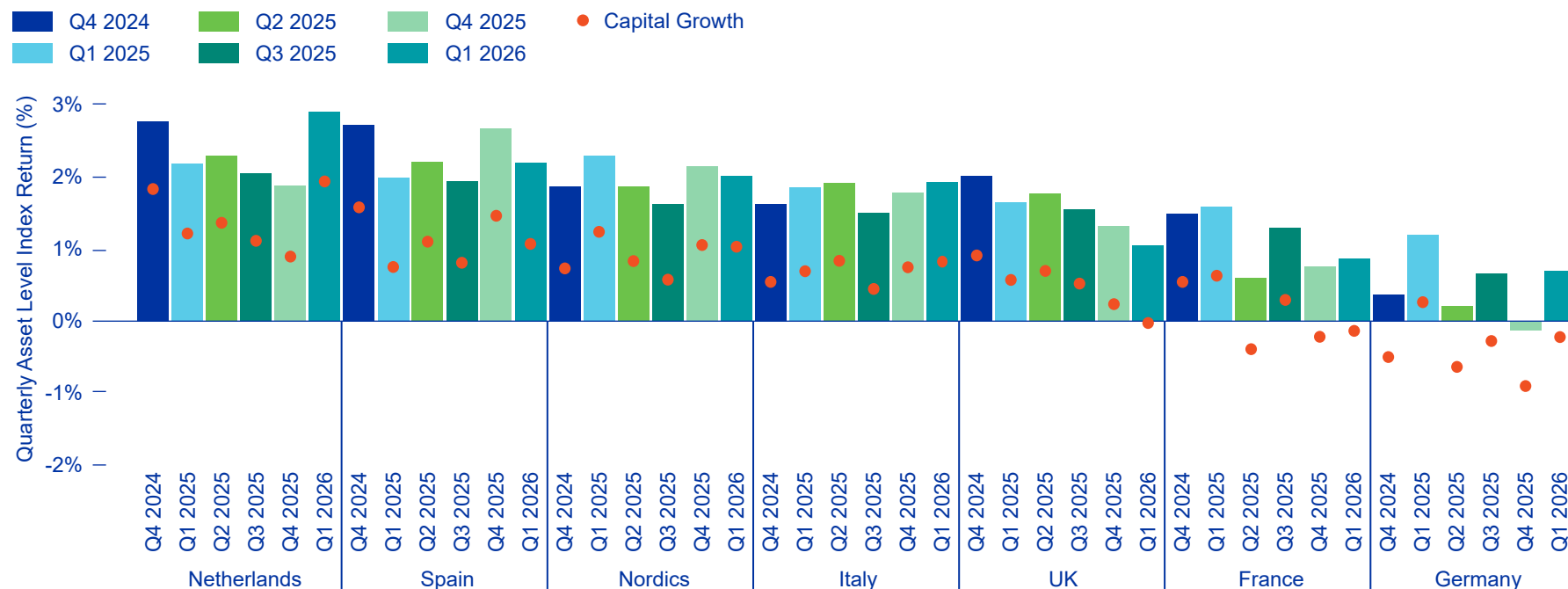
emerged as the strongest performer, delivering returns of 2.90%, up from 1.87% in the previous quarter. Dutch residential assets once again led market performance, returning 3.64%. The sector benefited from a reduction in transfer tax from 10.4% to 8.0% implemented at the start of the year.

Spain and the Nordics followed, delivering 2.20% and 2.01%, respectively. Spain's performance was largely driven by its strong retail return (2.82%), while the Nordics driver was its residential assets (3.73%).

In the UK, quarterly performance moderated from 1.31% in Q4 2025 to 1.05% in Q1 2026. Capital growth turned negative for the first time in two years, at -0.03%.

French assets returned 0.86% in Q1 2026, also driven by negative capital growth of -0.14%. The industrial/logistics sector outperformed, returning 1.06%. German assets came back into positive territory at the start of the year, with a performance of 0.69%. This was supported by the industrial/logistics sector, which returned 1.31%.

**Figure 2: European real estate asset performance by country**



The residential sector recorded the strongest performance in Q1 2026 with a total return of 2.85%, including a capital growth of 2.04%. Both measures represent the sector's highest quarterly outcome since Q3 2024.

Retail assets followed with a total return of 1.47%, down 39 bps quarter-on-quarter. Despite the moderation in performance, capital growth remained positive at 0.10%.

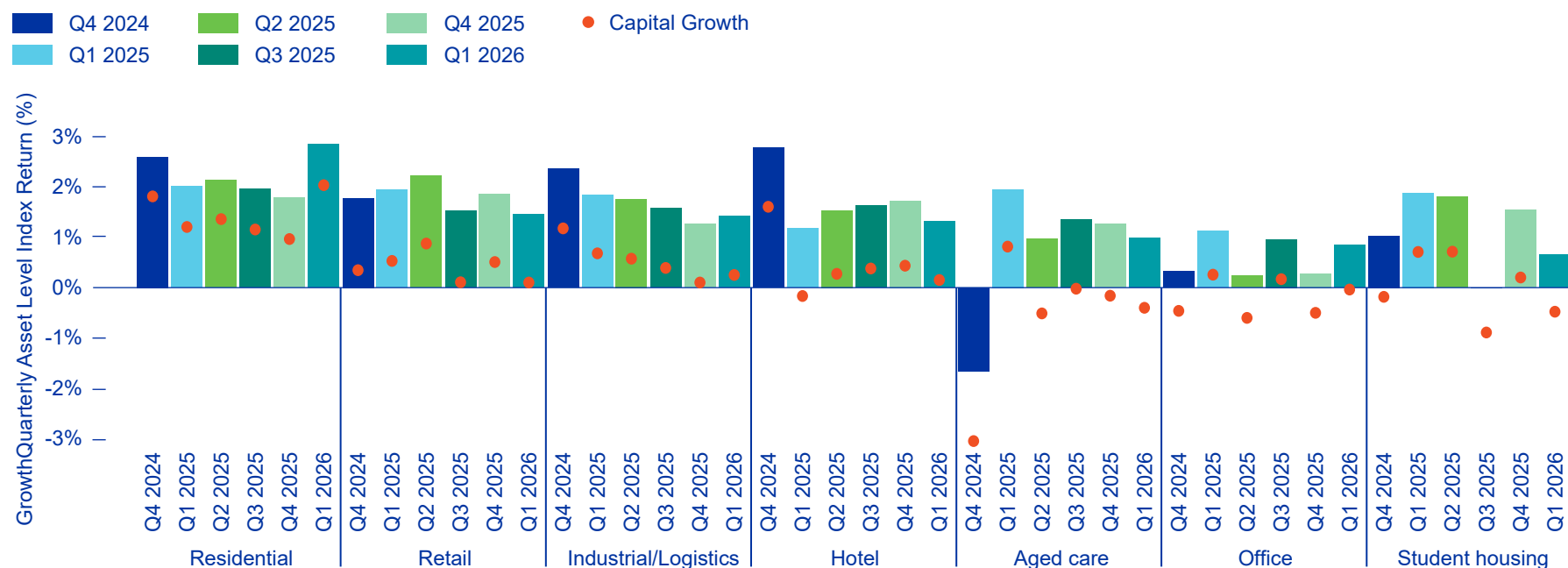
while investor sentiment towards the sector stayed relatively strong, with a net sentiment reading of 27% (see page 9).

Industrial/logistics assets delivered returns of 1.43% (+16 bps q-on-q), supported by positive capital growth of 0.26%. Italy and Spain recorded the strongest sector performance, at 2.80% and 2.30%, respectively. This quarter's performance is in

line with the previous four quarters' average (1.52%). However, the investors' sentiment towards industrial/logistics turned negative in June 2026 (see page 9).

Office assets remained in positive territory for a seventh consecutive quarter, returning 0.85%, up from 0.28% in Q4 2025. Capital growth remained marginally negative, at -0.04%.

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



## INREV Consensus Indicator falls to a historic low of 41.0

The June [INREV Consensus Indicator](#) recorded a headline reading of 41.0, falling 13.8 points from 54.7 in March 2026. This is the lowest reading since monitoring of market consensus began in March 2023, dropping below the previous trough of 41.2 recorded in September 2023. This represents the first contraction since December 2023 and reflects a widespread weakening in sentiment.

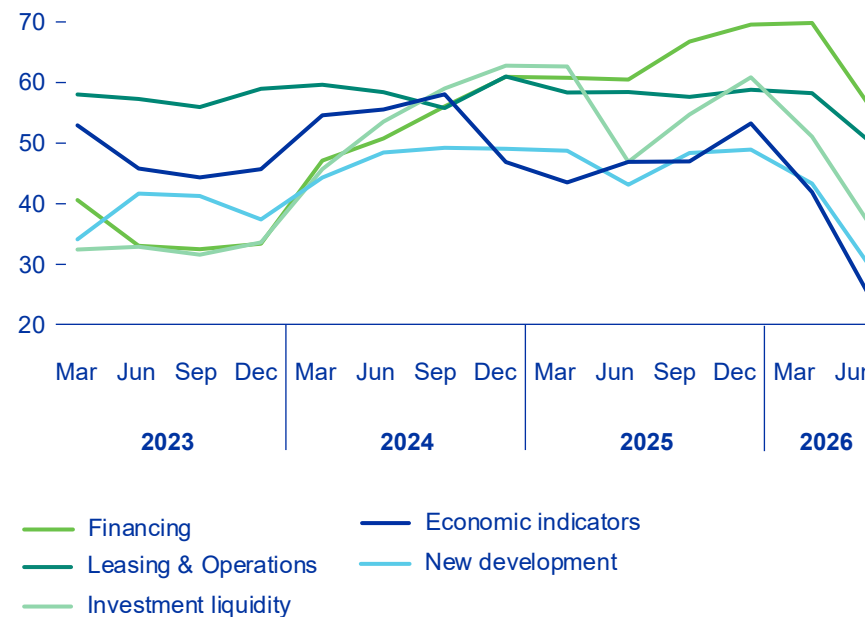
All five subindicators declined this quarter, marking the most significant shift in European non-listed real estate sentiment since the series began. The economic subindicator recorded the sharpest deterioration, falling 18.4 points from 42.4 in March to a historic low of 24.0 in June. Investment liquidity declined sharply from 51.6 to 36.1, sliding back into contraction after three consecutive quarters above the 50 mark. New development fell further to 29.3 from 43.8, also reaching the lowest point since the monitoring began in March 2023.

Financing (55.8), while recording its largest quarterly decline of 14.6 points from a series high of 70.4 in March, remains the strongest subindicator in expansionary territory. Leasing and operations fell to 50.3 from 58.8, its lowest reading since the series began. While it remains just above the neutral threshold, the 8.5-point quarterly decline marks its sharpest decline on record.

Figure 4: INREV Consensus Indicator\*



Figure 5 : INREV Consensus subindicators



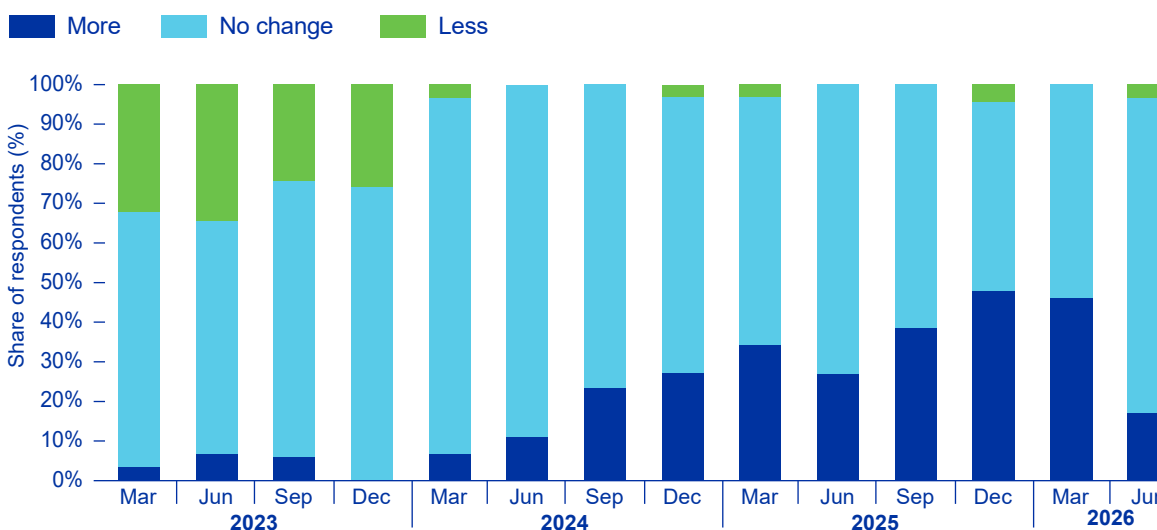
\*A Consensus Indicator of above 50 represents growth, while a reading of 50 represents no change. A reading of under 50 indicates contraction. The further away from the 50 mark the results, the greater the level of change.

## Financing conditions broadly stable, but tightening for some

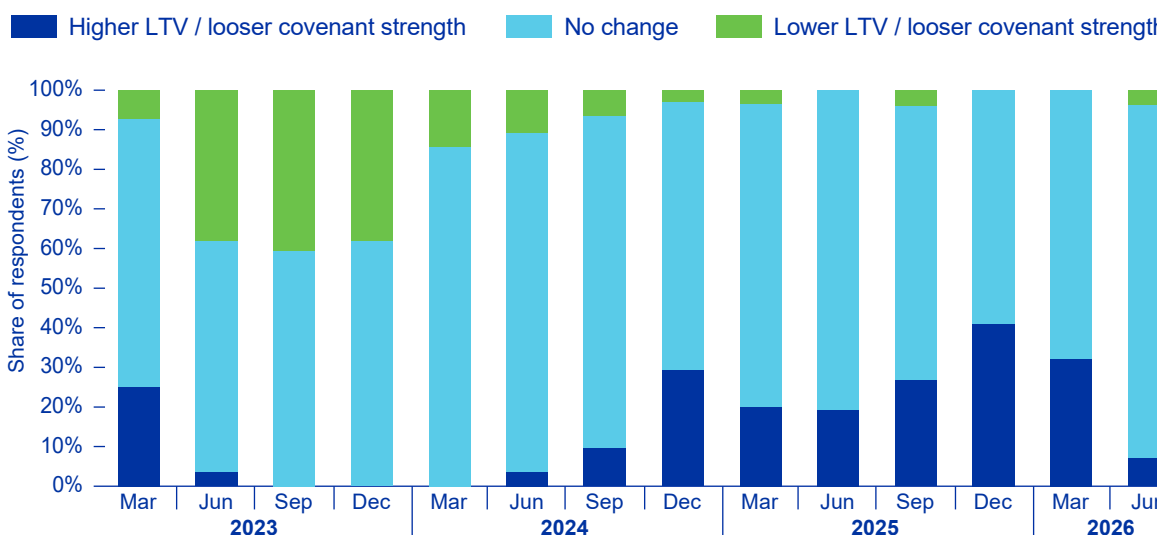
Financing remains the strongest INREV Consensus subindicator at 55.8, though its decline from a series high of 70.4 in March signals a meaningful shift in lending conditions. The availability of financing has moderated considerably, with the share of respondents reporting increased availability falling to 17% in June from 46% in March. A small share of respondents (3%) reported reduced availability for the first time since late 2025, suggesting that the lending conditions are broadly stable, with pockets of tightening.

The proportion of respondents reporting higher loan-to-value ratios or looser covenant strength fell sharply to 7% in June from 32% in March, while 4% of respondents reported stricter terms, the first such reading since September 2025. The overall picture is predominantly stable, with 89% of respondents reporting no change in terms. This reflects a clear directional shift away from the highly accommodative conditions that characterised financing sentiment through 2025 and into early 2026.

**Figure 6: Availability of financing (q-on-q)**



**Figure 7: Changes in financing terms offered (q-on-q)**



## The concept of duration as a way to consistently assess and manage interest rate risk

In the current market conditions, where there are an increasing economic uncertainty and rapid shifts in monetary policies and a greater likelihood of unexpected inflation, it is pivotal for investors to consistently assess and manage interest rate risk.

Duration is used in fixed income to measure a bond's price sensitivity to interest rate changes. Higher duration indicates greater price volatility when rates move.

The post-2022 rate cycle repriced real estate faster than most investors expected. But the adjustment was anything but uniform.

Duration - borrowed from fixed income - offers a disciplined way to explain this divergence. Modified duration expresses the percentage price change in the asset for a 1% move in interest rates. A modified duration of 10 represents a 10% move in the price of the asset (i.e. bond) for a 1% move in interest rates<sup>1</sup>. Applied to real estate, it shows why some assets shrug off rate moves better while others absorb them fully and for longer.

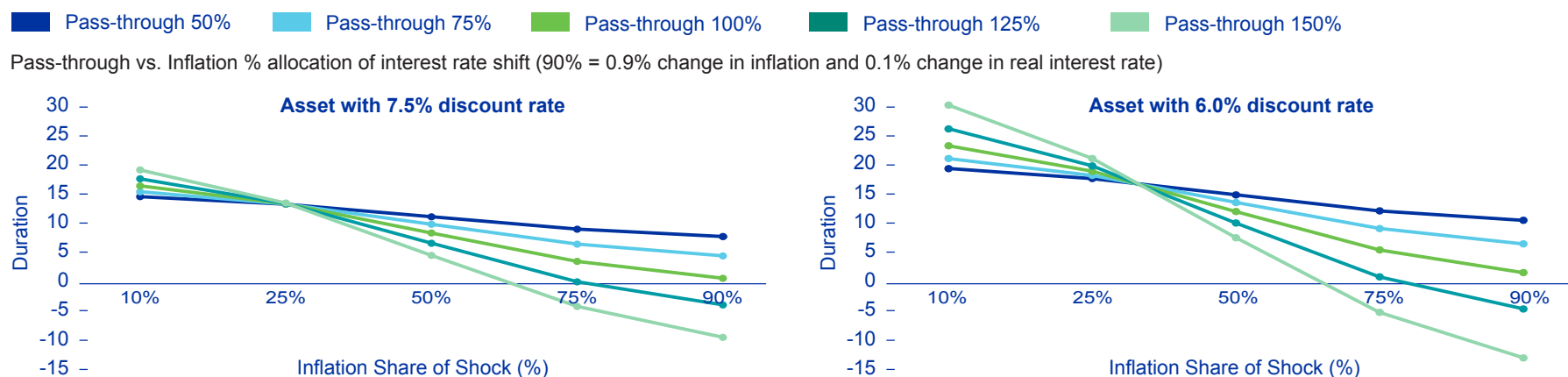
[INREV's latest research 'Duration in Real Estate: Understanding Interest Rate Sensitivity Across Property Strategies'](#) explains that true duration depends on the interaction between discount rates, growth expectations, inflation transmission and capital structure, as higher leverage increases duration when real rates increase.

Our modelling varies three inputs simultaneously - discount rate, inflation pass-through, and the inflation/real-rate composition of a 1% rate shock. The results illustrate how dramatically duration can differ across real estate exposures, even before factoring in leverage.

At a 7.5% discount rate and a balanced shock (50% inflation, 50% real rate), based on a 2% inflation assumption, an asset with only 50% inflation pass-through shows an effective duration of roughly 11 - comparable to a long-dated bond. Increase pass-through to 150% (above-inflation rental growth), and duration drops to around 5. That is a more than twofold difference, driven entirely by how fast rents adjust.

For everyone interested in the working model - explore here: [re-duration.replit.app](https://re-duration.replit.app)

**Figure 6: Duration by inflation share and pass-through<sup>2</sup>**



Source: INREV's 'Duration in real estate: understanding interest rate sensitivity across property strategies', May 2026

1 Linear first-order approximation; convexity correction needed for large moves.  
 2 The charts above illustrate effective duration across combinations of inflation pass-through (rows) and the inflation share of the rate of the shock (columns), for two discount rate levels and based on the general framework presented above.

## Transaction volumes contract in Q1 2026 amid decreasing sentiment

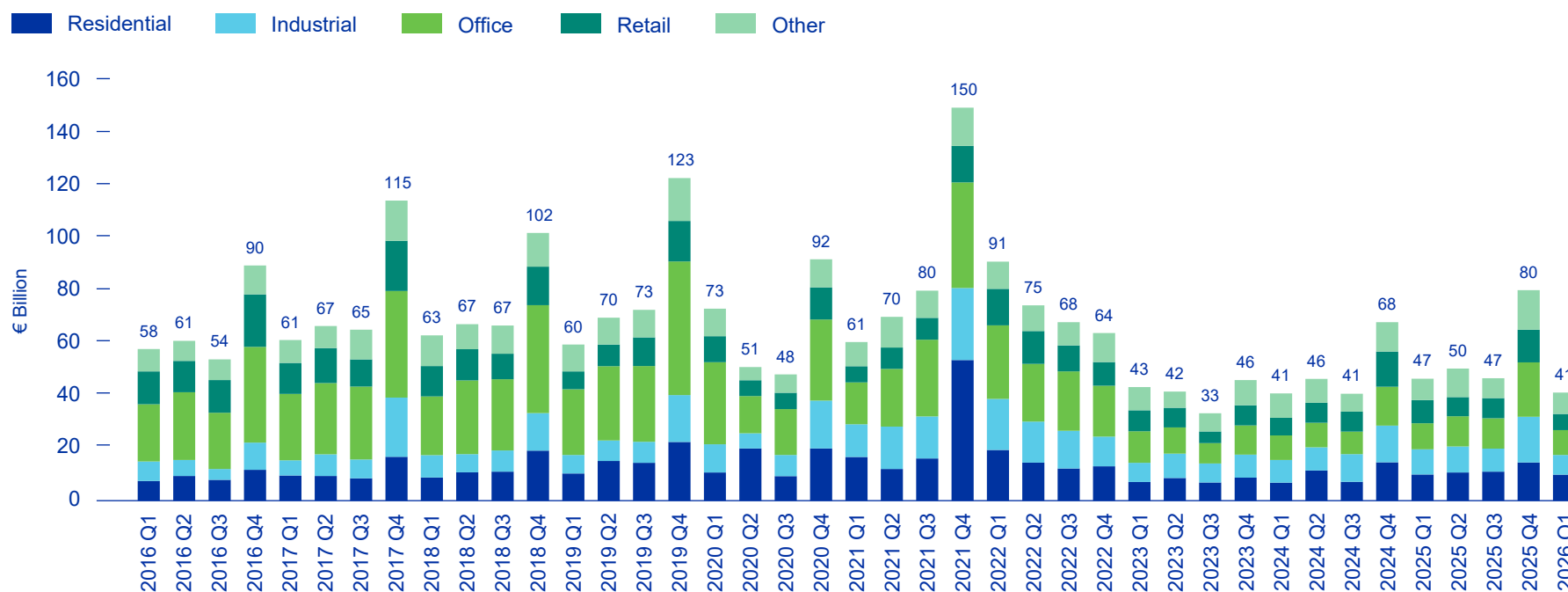
European transaction volumes fell to €41.3 billion in Q1 2026, down from €80.3 billion in Q4 2025 and €46.5 billion in Q1 2025. The first quarter results are typically a seasonal low. However, at €41.3 billion, the Q1 2026 volumes sit €26.6 billion below the ten-year quarterly average of €67.9 billion.

They are also down on the Q1 2025 results, representing a more substantive weakening than seasonal patterns alone would suggest.

This contraction is consistent with the cautious outlook signalled in the March edition of the Market Insights, where the moderation in the investment liquidity subindicator to 51.6 was pointing to stabilisation rather than an anticipated increase in direct investment market activity. The subsequent deterioration

in transaction volumes through Q1 2026 confirms that assessment. The [June Consensus Indicator](#) reinforces this picture, with the investment liquidity subindicator falling sharply to 36.1 and sliding into contraction territory (see page 4). With 71% of respondents expressing greater concern over liquidity in the direct European real estate market in the coming quarter.

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



## Italy leads the sentiment ranking

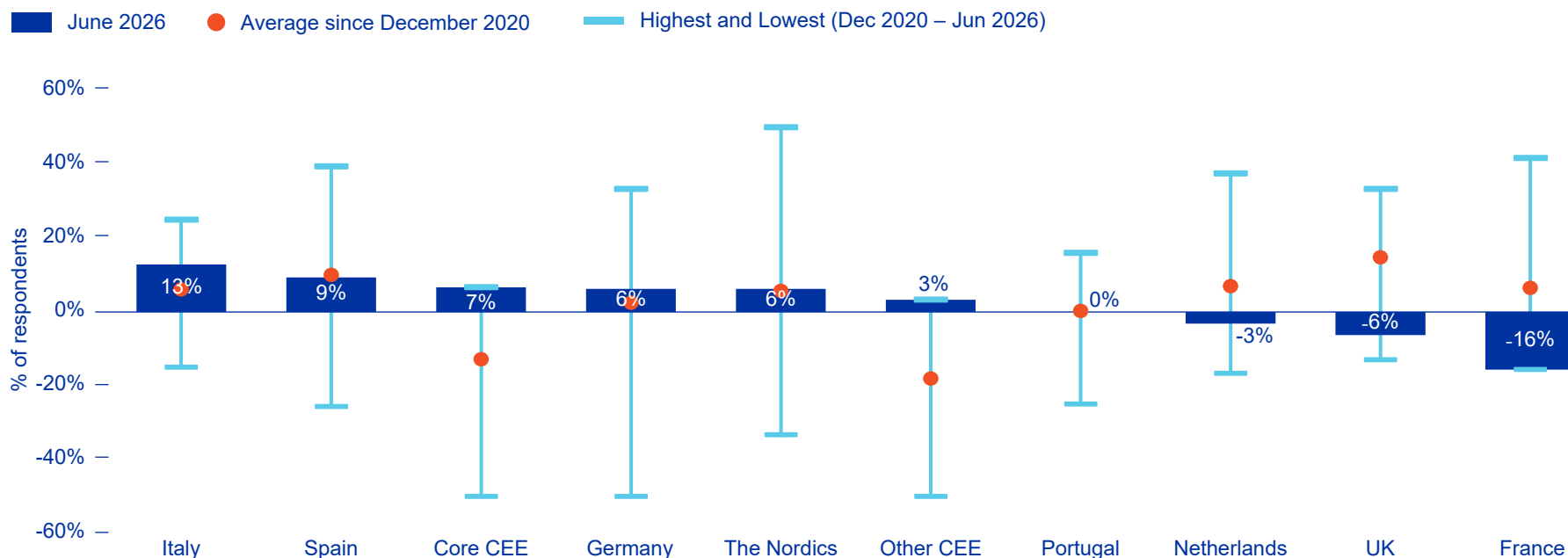
Investor sentiment across European real estate markets shifted markedly in June 2026, with Italy emerging in the lead, recording a net sentiment of 12.9%. This is above its long-term average of 6.1% and up from 9.1% in March. Spain, which had dominated the sentiment rankings in recent quarters and reached 39.4% in March, declined to 9.4% in June, broadly in line with its long-term average of 10.0%. Despite the decline, Spain retains positive net sentiment, consistent with the strong asset level performance recorded at year-end 2025.

Germany and the Nordics both moderated to 6.3% in June, down from 15.2% and 14.7%, respectively, in March. That said, both markets remain above their long-term averages of 2.5% and 5.7%, respectively. Core CEE and Fringe CEE recorded notable improvements, moving from negative readings in March to 6.7% and 3.3%, respectively, in June. This is a significant turnaround relative to their respective long-term averages of -12.9% and -18.1%.

The UK turned negative for the first time in several quarters, declining from 9.1% in March to -6.2% in June, a significant

divergence from its long-term average of 14.8%. The Netherlands also moved into negative territory at -3.1%, compared to a long-term average of 7.0%. France retained the weakest sentiment among surveyed markets at -15.6%, broadly unchanged from -15.2% in March. It continues to lag all other markets by a considerable margin.

**Figure 10: Net sentiment towards European real estate by geography**



## Retail and living sectors are favoured, while industrial/logistics retain negative sentiment

Retail remained the most favoured sector among survey respondents in June 2026, with its net sentiment reading increasing from 23% in March to 27%. As shown in Figure 11, retail continues to stand out from the other sectors, all of which recorded more subdued sentiment readings.

The living sectors, namely senior living, residential and student living, also remained

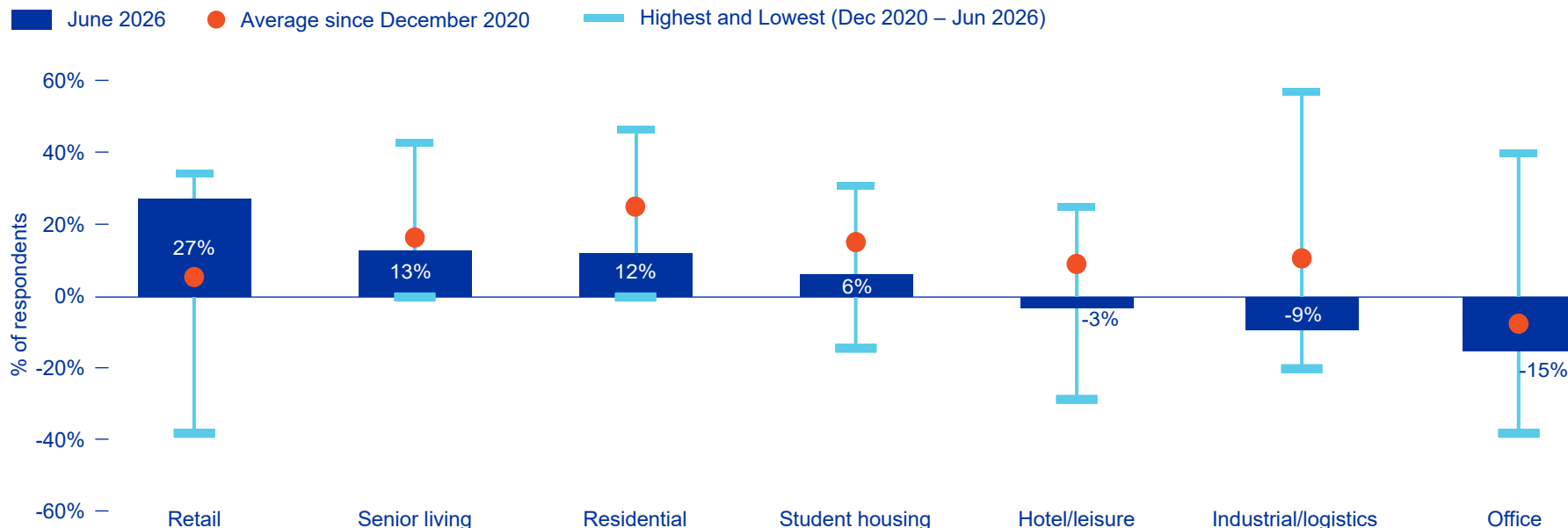
in positive territory, although all three were slightly below their long-term averages. Residential sentiment recovered to 12% in June 2026, following a short-lived decline in March (9%). This improvement is consistent with the sector's strong underlying performance, as residential assets once again delivered the highest returns among the main property sectors in Q1 2026, recording their strongest quarterly result in more than two years (see p.3).

Industrial/logistics sentiment declined for a third consecutive survey, falling to -9%. As

a result, the sector's four-quarter average sentiment dropped to 0%, significantly below its long-term average of 11%. This weak sentiment contrasts with asset level performance, which remained positive at 1.43% in Q1 2026.

Sentiment towards offices returned to negative territory, falling to -15% after reaching 9% in December 2025. This represents the sector's weakest reading since the September 2024 edition.

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



## Shot-term sentiment declines further

As of June 2026, performance expectations for European non-listed real estate have moved further into negative territory, reaching the lowest net reading since the survey's inception.

In the same direction, perceptions of investment risk have increased notably. On a net basis, 68% of respondents reported an increase in perceived risk, a record high. This signals that a majority of market participants anticipate a more challenging investment environment ahead.

As the first half of 2026 draws to a close, near-term performance expectations are shaped by the broader economic and geopolitical headwinds affecting multiple industries globally. While sentiment is muted, underlying real estate performance has shown relative resilience, suggesting a degree of divergence between current market conditions and short-term forward-looking sentiment.

This update highlights the latest results from the [INREV European Quarterly Asset Level Index Q1 2026](#), [INREV Quarterly Fund Index Q1 2026](#), [INREV Quarterly German Vehicle Index Q1 2026](#), [INREV Consensus Indicator June 2026](#), and [INREV's 'Duration in real estate: understanding interest rate sensitivity across property strategies' to illustrate the impact on market performance, investment plans and operations.](#)

Figure 12: Net view on European real estate performance

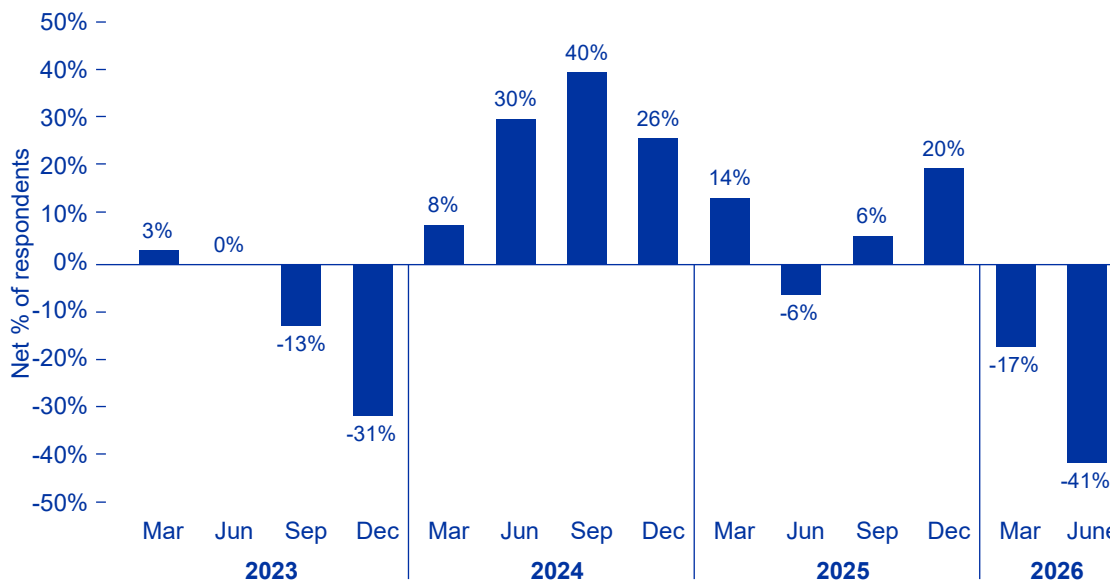


Figure 13: Net assessment of investment risk for European real estate

