



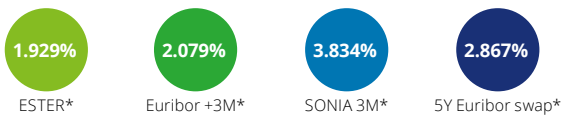
Real Estate
Debt & Capital Advisory
EMEA Marketbeat Q1-2026

Macroeconomic outlook

Inflation outlook

After a general easing of inflation in January 2026, energy price pressures picked up across Europe following disruptions to oil and gas supplies linked to the Middle East conflict. In the Euro Area, inflation rose to 2.6% in March from 1.7% in January and 1.9% in February 2026. Meanwhile, the impact was dampened in the UK, as inflation reached 3.3% in March from 3.0% in January. On the growth side, Euro Area GDP expanded by 0.1% QoQ, the weakest pace since Q2 2025, reflecting tighter energy supply conditions and a more cautious economic environment. In the UK, GDP growth proved more resilient, expanding by around 0.6% QoQ in Q1, notably supported by services activity. Overall, the macroeconomic outlook for 2026 is muted amid geopolitical uncertainty.

Financing outlook



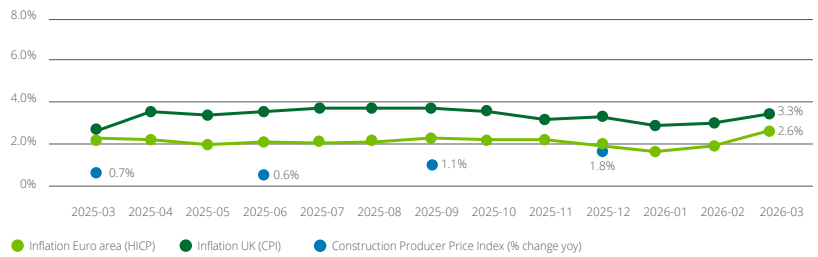
In Q1 2026, lending activity across European real estate markets remained steady, supported by sustained lender appetite and stable financing costs. However, lenders continued to favour prime, income-producing assets with resilient cash flows and strong covenant quality, while closely scrutinizing assets with weaker fundamentals or ground-up development. Overall, although the 2026 real estate financing outlook initially pointed to a more resilient and liquid financing landscape, recent geopolitical developments have introduced a more cautious tone for the months ahead.

Note: (*) Numbers as of the end of March 2026

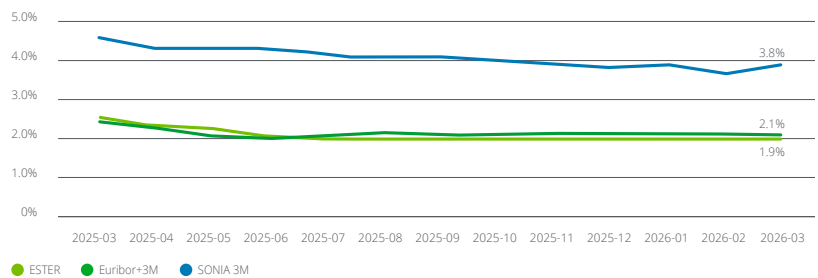
Investment outlook

In Q1 2026, European real estate investment activity carried over the momentum observed in Q4 2025 dynamic, driven by stable financing conditions and sustained investor confidence. However, recent geopolitical tensions have revived inflationary pressures, which moderated the momentum built in previous quarters. Across European markets, investors continued to favour core strategies, while remaining selective towards value-add opportunities amid heightened uncertainty. Within this environment, sectors backed by long-term structural demand, particularly the living and hospitality segments, are expected to remain the most sought-after, while opportunities in retail and office are likely to remain concentrated around prime locations and best-performing assets.

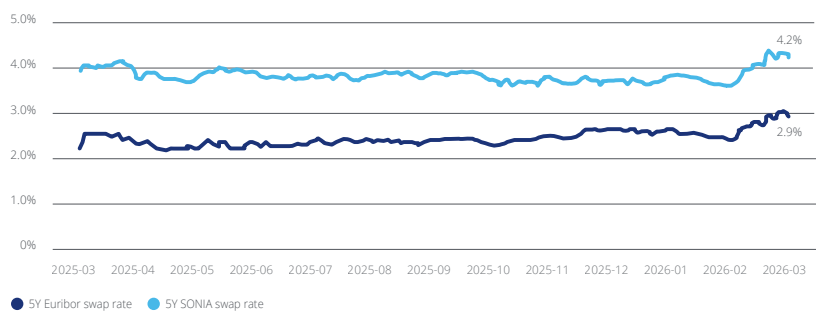
Inflation (one year average rate of change)



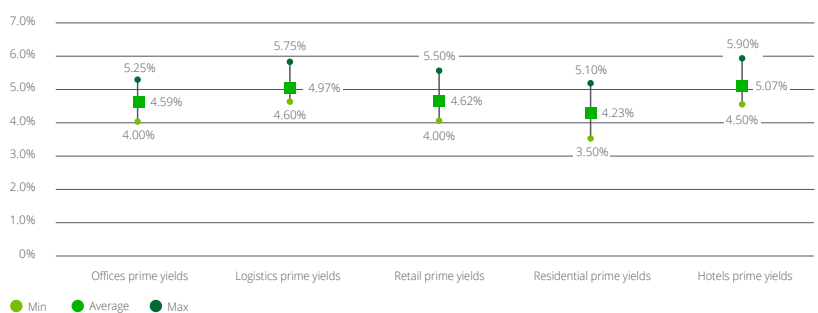
Euribor +3M, ESTER & SONIA 3M (one year evolution)



5Y Euribor & SONIA swap rates



Prime yields levels by asset class** (Europe)



Note: (**) Prime yields are reported for Q4 2025
Sources: Eurostat, Refinitiv, Statista, BoE, ECB

Market drivers



Interest rates' evolution

In Q1 2026, the ECB and the BoE kept interest rates unchanged after their latest adjustments in June and December 2025, respectively. However, recent developments in the Middle East have renewed inflationary pressures and increased the likelihood of a reversal in monetary policy, potentially leading to higher financing costs.



Global trade dynamics

The emergence of geopolitical and trade tensions, driven by the conflict in the Middle East, renewed inflationary pressures at the end of Q1 2026, contributing to a more cautious business outlook and weighing on economic sentiment across Europe.



Political environment

The European political landscape was broadly stable in Q1 2026. Investors continued to monitor geopolitical developments and fiscal policy discussions across the region, although no major political events materially altered market dynamics during the quarter.

Real estate financing trends

Trends in financing products

Senior debt was widely available across European real estate markets in Q1 2026, although banks maintained a disciplined and selective approach, closely monitoring leverage levels, loan-to-value ratios and debt service metrics. As traditional lenders often faced constraints on leverage, particularly beyond c. 60% LTV, borrowers were required to inject additional equity to bridge financing gaps and preserve covenant headroom. In this context, alternative lenders continued to gain traction by offering competitive terms and greater flexibility, notably in terms of leverage, amortization profiles and structuring. Mezzanine structures were particularly relevant for borrowers seeking higher leverage, often helping to bridge residual funding gaps in a context of elevated construction costs and tighter liquidity conditions.

★ Senior debt

Equity

Mezzanine debt

Whole loan

Junior debt

Trends in financing purpose

In Q1 2026, refinancing remained a key driver of European real estate lending, as borrowers continued to monitor the interest rate outlook and sought to lock in current financing conditions. In some markets, acquisition financing is increasing, supported by stable lending conditions and a gradual narrowing of bid-ask spreads, improving price alignment between buyers and sellers, albeit on more conservative LTV levels. Development finance continue to target structurally undersupplied markets, with lenders favouring schemes supported by pre-let or pre-sold commitments. Capex financing is also gaining traction, as tenant demand increasingly shifts toward top-tier properties.

★ Refinancing

Asset acquisition

Development finance

Corporate financing

Portfolio acquisition

Trends in financed sector

Living-related asset classes remained a strong focus for lenders across Europe in Q1 2026, supported by persistent housing shortages, resilient rental demand and strong interest in alternative residential formats. Similarly, hospitality financing activity proved resilient, supported by healthy tourism dynamics and improving operational performance. The logistics sector continued to benefit from solid occupier fundamentals and sustained demand for prime assets, although some markets showed signs of stabilisation following several years of strong growth. Retail financing activity remained selectively active across countries, with lenders focused on assets supported by strong fundamentals and sustainable cash flows. Financing conditions for prime office assets were generally supportive, particularly for well-located and ESG-compliant properties, whereas secondary assets continued to face selective lending conditions.

★ Residential

Hotels

Logistics

Retail

Offices

Deloitte's sample of credentials for the quarter



Retail

Project 91 CE

Amount raised:

€320 million

Financing:

Senior loan + Mezzanine

Lender:

Cheyne Capital and Zetland Capital
Deloitte France provided debt advisory services to Mimco & Foncière Renaissance on the acquisition financing for a mixed-use asset located on Avenue des Champs-Élysées in Paris.



Residential

Project Airport

Amount raised:

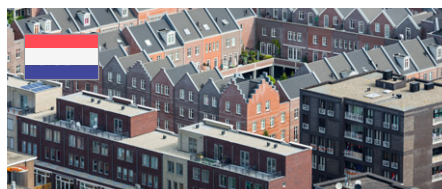
Confidential

Financing:

Senior loan

Lender:

ABM Amro & Handelsbanken
Deloitte Netherlands provided debt advisory services to a client for the refinancing of a 1300+ residential portfolio spread throughout the Netherlands.



Hotels

Project Roca

Amount raised:

€80 million

Financing:

Senior loan

Lender:

Barings
Deloitte Spain provided debt advisory services to AR Hotels & Resorts, a leading real estate and hospitality group based in Alicante, on securing recapitalisation financing.



Real estate financing sectoral trends and key indicators



Offices

In Q1 2026, transaction activity for office assets remained concentrated on well-located, high-quality properties across several European markets, reflecting sustained interest from core investors. Prime, Grade A and ESG-compliant offices located in central business districts and major city centres continued to attract strong occupier demand, supporting rental growth and further prime yield compression in selected markets. In contrast, secondary and structurally weaker assets continue to face softer occupier demand and weaker investor appetite. Financing conditions for these assets remain more selective and restrictive, due to elevated refinancing risk and increased concerns over long-term asset obsolescence.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	50-60%	→	170-225 bps	→
Denmark	60-65%	→	80-120 bps	→
France	45-60%	→	160-190 bps	→
Germany	50-60%	→	150-300 bps	→
Ireland	45-55%	→	250-300 bps	→
Italy	40-50%	→	250-350 bps	→
Luxembourg	50-60%	→	150-250 bps	→
Poland	<60%	→	200-230 bps	↓
Spain	50-60%	→	200-250 bps	→
Sweden	45-55%	→	150-250 bps	→
The Netherlands	50-60%	→	175-275 bps	↓
United Kingdom	<65%	→	200-300 bps	→

Source: Deloitte based on a market sounding



Residential

In Q1 2026, residential real estate continued to be a key and resilient segment of the European real estate market, underpinned by persistent housing shortages and structurally strong demand. The asset class continues to attract significant investor interest, particularly in the PBSA (Purpose-Built Student Accommodation), co-living, and flex living segments, which address structural housing supply constraints as well as evolving lifestyle and occupancy preferences. Against this backdrop, lender appetite remained supportive across the sector, reflecting the stable income profile and defensive characteristics of residential assets in a more uncertain macroeconomic environment, continuing to sustain robust financing activity across core residential strategies.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	55-65%	→	125-200 bps	→
Denmark	55-60%	→	80-120 bps	→
France	45-55%	↑	110-135 bps	↓
Germany	60-70%	→	120-200 bps	→
Ireland	50-60%	→	175-225 bps	↓
Italy	40-60%	→	220-350 bps	→
Luxembourg	60-70%	→	150-200 bps	→
Poland	<75%	→	210-240 bps	↓
Spain	50-65%	→	200-250 bps	→
Sweden	50-60%	→	150-250 bps	→
The Netherlands	55-65%	→	150-200 bps	→
United Kingdom	<70%	→	190-225 bps	↓

Source: Deloitte based on a market sounding



Retail

Activity in the European retail sector showed gradual improvement in Q1 2026, supported by solid investor demand for prime retail assets and resilient consumer spending. In most markets, lender appetite was supportive of prime shopping centres and well-located retail parks. In some countries, such as Spain and the Netherlands, high-street retail has also regained traction with stable income generation and strong occupier demand. Secondary locations and assets with weaker operational track records continued to face more selective financing conditions, as lenders maintained a strong focus on asset quality and income stability, reinforcing the ongoing bifurcation across European retail markets.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	50-60%	→	170-275 bps	→
Denmark	50-55%	→	80-120 bps	→
France	50-60%	↓	190-210 bps	→
Germany	50-60%	↓	200-325 bps	→
Ireland	50-55%	→	250-325 bps	→
Italy	30-50%	→	250-350 bps	→
Luxembourg	50-55%	→	100-250 bps	→
Poland	<70%	→	195-220 bps	↓
Spain	50-60%	→	300-350 bps	↓
Sweden	50-65%	→	150-250 bps	→
The Netherlands	50-60%	→	150-250 bps	↓
United Kingdom	<65%	→	200-400 bps	→

Source: Deloitte based on a market sounding

Real estate financing sectoral trends and key indicators



Logistics

In Q1 2026, market performance was uneven across Europe, as solid occupier demand and constrained supply continued to underpin the logistics sector in some markets, while others began to normalise. In Spain, prime rents increased and vacancy rates stayed at relatively low levels, supporting sound occupier fundamentals. By contrast, other markets, including the Netherlands, entered a phase of stabilisation after a decade of rapid growth, with supply and pricing normalising while tenant demand held firm. Despite this divergence across markets, the European logistics sector maintained strong momentum from an investment and financing perspective. Prime, Grade A and ESG-compliant assets attracted strong demand, with financing conditions staying supportive and offering competitive leverage for high-quality assets.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	55-65%	→	125-200 bps	→
Denmark	60-65%	↑	80-120 bps	→
France	50-55%	→	180-215 bps	→
Germany	55-65%	↓	150-250 bps	→
Ireland	50-60%	→	200-250 bps	→
Italy	40-60%	→	220-300 bps	→
Luxembourg	50-60%	→	150-250 bps	→
Poland	<70%	→	170-210 bps	↓
Spain	50-60%	→	250-350 bps	↓
Sweden	50-65%	→	150-250 bps	→
The Netherlands	50-60%	→	150-225 bps	→
United Kingdom	<60%	→	230-350 bps	→

Source: Deloitte based on a market sounding



Hotels

The European hospitality sector benefited from solid market fundamentals in Q1 2026, with strong tourism activity underpinning hotel performance across key European markets. Spain stood out as one of Europe's most attractive hospitality markets, supported by strong international tourism flows, high liquidity and a deep investor base. The market remained particularly appealing to investors pursuing value-add strategies, including asset repositioning, platform aggregation and operational optimisation. More broadly, financing conditions were supportive for prime and luxury hotel assets, as well as for assets offering visible income streams and operational resilience, particularly when backed by experienced operators. Overall, despite potential spillover effects of the Middle East conflict on international travel flows and connectivity, Europe maintained its appeal as a destination for international tourists and hotel investors in Q1 2026.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	45-55%	→	175-275 bps	→
Denmark	50-55%	↓	80-120 bps	→
France	50-65%	→	185-210 bps	→
Germany	50-60%	↓	200-300 bps	→
Ireland	50-65%	→	275-300 bps	→
Italy	40-60%	→	220-350 bps	↓
Luxembourg	45-55%	→	150-250 bps	→
Poland	<60%	→	225-250 bps	↓
Spain	50-65%	↑	250-350 bps	↓
Sweden	50-65%	→	150-250 bps	→
The Netherlands	50-60%	→	175-275 bps	→
United Kingdom	<65%	→	200-400 bps	→

Source: Deloitte based on a market sounding



Luxembourg / Luxembourg team's view

Luxembourg's real estate market shows a clear contrast between the residential and office markets. The office market remains stable, with low vacancies in core locations but higher on secondary stock. Prime office rents are stable around €54/sqm/month and average city rents remain close to €35/sqm/month. In the residential sector, new developments continue to be constrained by high construction costs, tighter lending and weak pre-sales, keeping developer risk elevated. Structural demand is still strong, but affordability and conservative bank underwriting limit a stronger recovery and maintain pressure on the rental market. The potential stabilization of the residential market will be key for 2026. The temporary tax incentives resulted in the volume of apartment sales in 2025 increasing by over 70% from the low volumes of 2023. The upcoming year will be a key test as to whether this has resulted in a true structural change.

Elena Petrova

Meet the team

The European Debt & Capital Advisory team can assist you in your debt and fundraising processes through a broad network of European lenders and investors, leveraging in-depth expertise in financing and investment markets across the continent.



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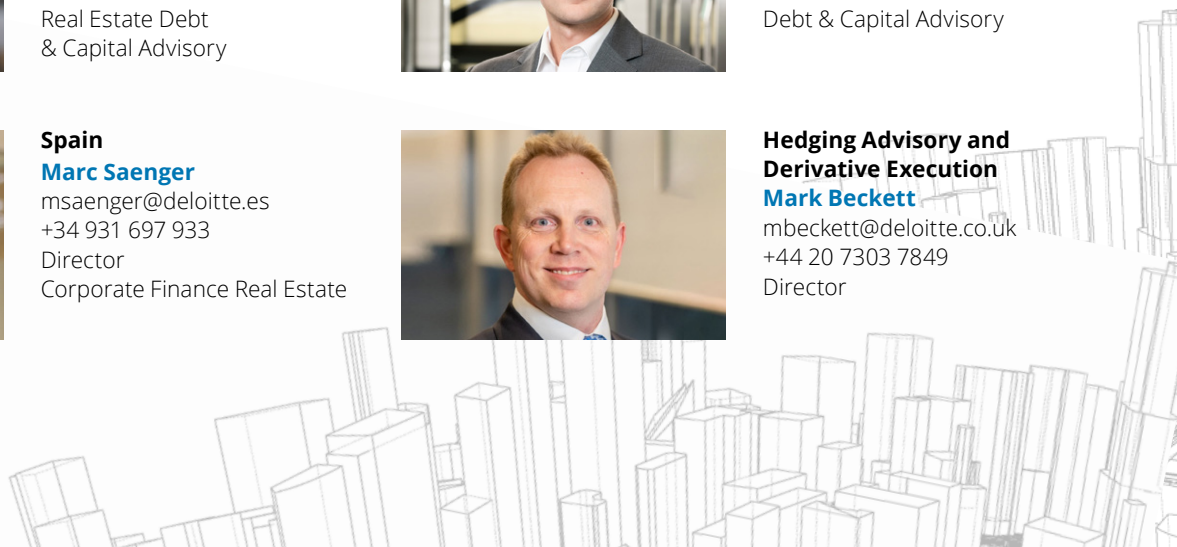
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