Real Estate Research

June 2026

DWS

Europe Real Estate Strategic Outlook

Mid-Year 2026

IN A NUTSHELL

- Having entered the year strongly the European real estate recovery has taken a pause as the conflict in Iran and higher interest rates slow liquidity. However, as we move through the second half of the year, we see a resumption of this early cycle recovery, driven on by strong fundamentals and ongoing constraints on new supply.
- The fundamentals are unambiguous: Development pipelines remain at historic lows, discount to replacement rents are limiting future supply, and clear structural drivers are supporting demand for high-quality real estate.
- Living and Logistics remain the backbone of strategy, but alpha could also come from sharper market and asset selection, whilst value-add living stands out as one of the clearest higher-return opportunities.

1 / Market Outlook

Recovery, Pause, and Resume

Every cycle moves to a different beat. Rising and falling with a unique, pulsating rhythm. Today we remain firm in our conviction that European real estate is early in its cycle and moving into a sustained period of recovery, but with the conflict in Iran the rhythm has taken an unexpected turn.

Heading into early 2026, the European real estate market was firmly in recovery mode. First quarter returns hit their highest level since 2022, as already strong fundamentals were met by continued improvement in investment liquidity. Yields were falling, as a development starved market pushed prime rents in many cities to new record high levels. All very much in line with our previous expectation.

But with war has come uncertainty. Rising inflation and weaker economic growth have brought back unhappy memories of the 2022 correction, while increases in debt financing costs raise questions over the viability of current pricing. And with that, some investors have decided to slow their investment activity, pausing for either clarity or a sufficient discount to justify a changed risk profile.

A pause though is not the same as a reversal. Almost all features of the market that led us to believe that real estate was in a period of recovery remain in place. Repricing, relative value, higher construction costs, supply shortages and a diminishing development pipeline all appear to point to robust performance, particularly once events in the Middle East have run their course.

This is not to say the immediate future will be easy – even if the conflict draws to a close. But the key question is not whether the recovery continues, but rather when and how it resumes.

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas, Inc. and RREEF America L.L.C., which offer advisory services.

Please note certain information in this presentation constitutes forward-looking statements. Due to various risks, uncertainties and assumptions made in our analysis, actual events or results or the actual performance of the markets covered by this presentation report may differ materially from those described. The information herein reflects our current views only, is subject to change, and is not intended to be promissory or relied upon by the reader. There can be no certainty that events will turn out as we have opined herein.

Marketing Material. In EMEA for Professional Clients (MiFID Directive 2014/65/EU Annex II) only; no distribution to private/retail customers. In Switzerland for Qualified Investors (art. 10 Para. 3 of the Swiss Federal Collective Investment Schemes Act (CISA)). In APAC and LATAM, for institutional investors only. In Australia and New Zealand for Wholesale Investors only. In MENA for professional Clients. Further distribution of this material is strictly prohibited. For business customers only.

In North America, for institutional use and registered representative use only. Not for public viewing or distribution. In Israel for Qualified Clients (Israeli Regulation of Investment Advice, Investment Marketing and Portfolio Management Law 5755-1995). For investors in Bermuda: This is not an offering of securities or interests in any product. Such securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda.

Pause: A sentiment-driven reset

The escalation of the Iran conflict has interrupted the recovery. Not through a sudden deterioration in real estate fundamentals, but through a rapid shift in macro sentiment and capital markets conditions. The conflict has not rewritten the long-term real estate story, but it has changed the tempo.

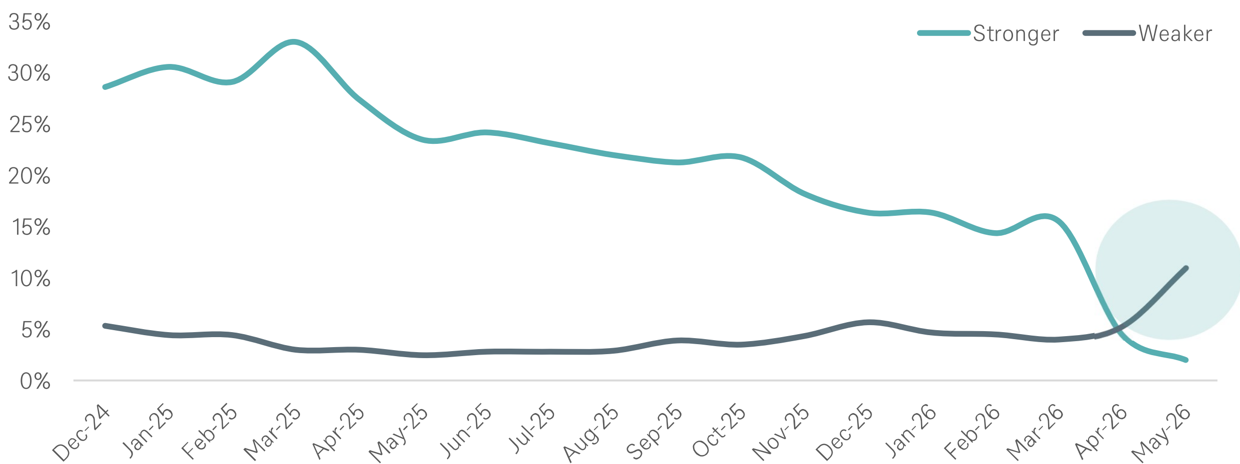
Since the start of the conflict, higher inflation expectations have pushed swap rates materially higher, raising the cost of finance. Five-year swap rates widened sharply after the conflict escalated, with around +50 bps for Euribor and +70 bps for SONIA since February 2026.[1] The speed of this move has had an immediate impact on investor behaviour, with capital becoming more cautious and underwriting assumptions reassessed.

This is already visible in activity levels. European investment volumes fell by around 10% in the first quarter,[2] reversing the steady improvement seen in the second half of 2025. And as we move through the second quarter, caution appears to be the prevailing sentiment. While transactions initiated earlier in the year continue to complete, deal flow is expected to moderate further as we go into the summer.

This slowdown in liquidity has not yet translated into widespread weaker pricing, but sentiment is changing. Before the Iran conflict, about 15 to 20% of the 600 markets covered by CBRE's monthly yield sheet were experiencing stronger yield trends with expectations of yield compression. That figure dropped to just 2% in May. Meanwhile, over the same period, the proportion of markets showing weaker yield trends more than doubled to 11%.[3]

In markets where fundamentals are softer or financing costs have risen materially, modest outward yield pressure is beginning to emerge. The UK is often one of the first markets to move, particularly in the current environment of higher debt costs: student housing yields came under pressure earlier this year as fundamentals weakened, while logistics and multifamily residential yields are also moving out, driven mainly by financing costs. On UK multi-family, the UK Renters' Rights Act, effective from May 2026, is also likely to have some impact. Paris office yields are likewise widening as occupier demand softens. If these conditions persist, we see further selective outward yield movement over the course of 2026.

European Real Estate Monthly Yield Trend (% Markets Covered)



Note: Based on circa. 600 markets covered by CBRE
Source: CBRE and DWS, May 2026

[1] JLL Debt Advisory Market Monitor as of 27 May 2026
[2] MSCI Europe RCA Capital Trends Report, March 2026
[3] CBRE Monthly Yields Report, May 2026

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Resume: A fundamentals-led recovery

As we move through the second half of this year and into 2027, we expect to see a resumption in recovery. Our outlook is however based on our view that the Iran conflict remains limited in scope, causing only short-term uncertainty without leading to a sustained disruption of global energy markets. The rise in inflation is expected to be brief, with Eurozone consumer price inflation returning to approximately two per cent in 2027.[4] As volatility diminishes and clarity returns, the recovery is anticipated to regain momentum, with liquidity increasing and activity resuming normal patterns.

But the return of liquidity is only part of the story, and indeed we do not see this as the main driver of recovery. The most compelling aspect of this recovery is the supply side. New supply across Europe has slowed, as development economics have become less favourable. Construction costs have risen sharply since 2021, while exit values have declined, squeezing development margins and reducing new supply. Leading indicators show development starts down by nearly 40% from their peak,[5] suggesting downward pressure on vacancy as completions decrease. The Iran conflict is further reinforcing these supply constraints, with rising construction costs a key channel in tightening the development pipeline.

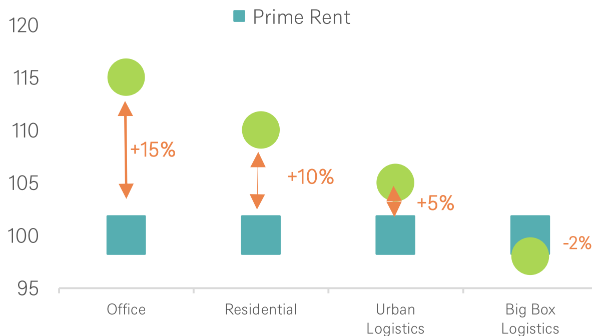
Replacement rents – the rent required to make a development viable at a sufficient development margin – are once again a key consideration. In both residential and office, replacement rents are well above current prime rents, limiting new development. And while it does not imply rents will rise everywhere, where demand for prime quality property exists and location and stock remain scarce, the typical supply response that usually caps rental growth is less likely to occur. As a result, rental growth is expected to be strong, especially in high demand and low vacancy markets, such as London City and West End office markets, and German residential markets.

Supply alone may not be enough to support rising rents. However, many of Europe's major cities continue to grow rapidly, with places like London, Dublin and Madrid seeing strong population and employment growth. On top of this, we see several areas where European demand may come in stronger than expected. Fiscal spending, especially in Germany, could support additional economic growth over the coming decade, while in line with the past decade, population growth may surprise on the upside, particularly if ongoing geopolitical volatility continues to drive higher than anticipated migration. Finally, we shouldn't underestimate the ability of European economies to embrace and benefit from artificial intelligence. Europe may not be a leader in its development but could still see a major boost to productivity as businesses adapt the technology.

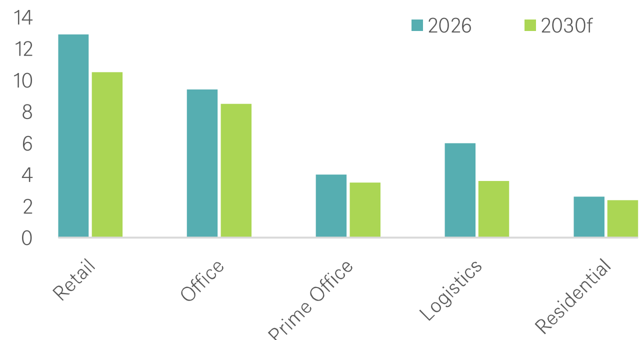
We came into this year expecting the European real estate market to accelerate and move into a period of sustained growth. Having previously acknowledged the geopolitical risk and noted that recoveries rarely tend to be smooth, it would be wrong to say that we anticipated the conflict in Iran. Nonetheless, as we look out over the coming five years, our latest forecasts show a real estate market potentially well positioned for performance. As we've said before, at times recovery can feel more challenging than the correction, but ultimately as we look beyond the beats of disruptions, we remain firm in our view that we could now face an extended period of above average return.

Discount to replacement rents and vacancy rates in Europe

Prime Rent vs. Replacement Rent - Europe



Vacancy Rate - Europe



Source: DWS, May 2026

[4] Oxford Economics, May 2026
[5] DWS analysis based on Destatis and PMA data, 2026

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Country outlook

Major capital cities as well as several regional champions expected to top the bill

We maintain a generally strongly positive outlook for German real estate. Not universally held, our position is anchored by supply fundamentals and the prospect of fiscally supported occupier demand. Facing challenges to its economic model, government spending alone may not be enough to sustain performance, but in cities like Berlin and Munich, and regional markets like Leipzig, we see innovation, employment and population growth, and critically low new supply, leading to some of Europe's highest rent growth. Supported in time by the return of domestic capital, the risk-adjusted performance of German real estate is forecast to be some of the highest in Europe over the coming five years.

We hold a similar view for London. The UK does look to be more vulnerable to events in the Middle East – particularly if interest rate cuts are delayed – but despite this London is expected to remain one of our strongest rental markets globally. Over a five-year horizon, much of UK real estate could benefit from a resumption of interest rate cuts, but unless we see a notable increase in economic growth, we're sceptical that higher replacement costs alone are enough to sustain strong rent growth across all regional cities.

Moving to France, on top of a recent moderation in performance we remain concerned about political risks in the run up to next year's Presidential elections. This is not to say we don't see opportunities, but are more selective, looking for areas of tight supply in Central Paris, or pockets of performance such as logistics around the Port of Marseille.

Market Calls (all sector average)

Source: DWS, June 2026
Note: Based on risk-adjusted DWS in house real estate return five-year forecasts for office, logistics, residential and shopping centres. Green = Positive, Orange = Neutral, Red = Negative. Country colour coding represents European regions.

Our positive outlook for Spain remains centred on Madrid. But while the capital continues to see some of the fastest growing employment and population growth in Europe, we have recently witnessed areas of weakness emerging in Barcelona, particularly within the residential sector. As such, our approach to Spain has become a little more selective, focusing on sectors experiencing sustained structural supply-demand imbalances, logistics hubs such as Valencia, and living space in more affordable regional cities like Seville.

Milan and Amsterdam have a neutral all-sector outlook, but for example the logistics sector in these markets are poised for potential outperformance. Dublin looks well positioned to benefit from both the coming AI-led demand, as well as renewed investor interest in the residential sector following the recent relaxation of rental regulation.

Having been some of the top performers of recent years, the Nordic markets have recently slipped down the rankings, although given the expected strength of occupier demand going forward, investors may wish to look for more active strategies in Copenhagen and Stockholm. This is less true for Helsinki, although having seen its recovery lag over recent years, relative pricing and falling residential vacancy, suggest a more positive outlook for the Finnish capital.

Poland, having been out of favour with investors for some time, is now increasingly on the radar. This is especially true for Warsaw where a recent absence of capital – particularly German capital – has widened the yield gap over Core Europe, alongside robust economic growth and a reduction in a previously large supply pipeline, puts both current pricing and the rental outlook in notably strong positions.

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

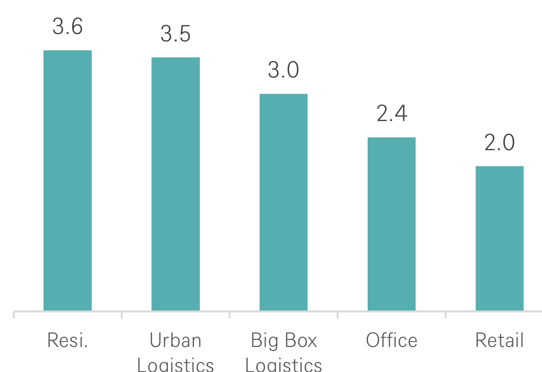
Sector outlook

Shortages suggest attractive options may exist across all four sectors

We remain positive in outlook for the residential sector. And while there have been some concerns raised over the sector's lower yielding assets in the face of rising financing costs, occupier fundamentals have only further strengthened. Not only have construction costs increased, but rising mortgage costs also once again support the case for rental.

We forecast annual residential rental growth of around **3.6%** over the five years to 2030, in line with projected nominal disposable income growth. Should rental growth move well above these levels, this may create concerns over affordability and potential for political intervention, leading some investors to consider residential alternatives, smaller format concepts such as co-living and student housing. Indeed, with urbanisation, smaller households, and constraints over affordability, this trend towards smaller residential units is an increasingly widespread feature of European Living.

Sector Outlook – Rent Growth 2026-30 (% p.a.)



Source: DWS, June 2026

Faced with a post-Covid surge in development as well as a normalisation of e-commerce-led demand, the logistics occupier market has seen a period of relative occupier weakness. With Iran again raising concerns over fuel costs and global supply chains, this could potentially negatively impact demand for logistics in the short-term. However, looking beyond this, we are increasingly confident about the prospects for rental growth. Not only has the supply pipeline moderated, but the war has also reinforced the need for both manufacturers and distributors to be closer to the end consumer. Furthermore, with e-commerce resuming its upwards trajectory – a trend that may be further boosted by agentic-supported online retail – over the coming five-years we see rental growth averaging **3.0%** per annum, with urban locations rising to **3.5%**.

The picture for Office remains somewhat mixed. Investor sentiment has improved and in markets like Central London a lack of high-quality stock has pushed rents to record high levels. However, this positivity is by no means universally true. Out of town locations remain firmly out of favour, first quarter year-on-year take-up fell sharply across several major markets, and across the sector the debate over the long-term impact of artificial intelligence continues to rage. With this in mind, we remain cautious on the long-term prospects for Office, seeing attractive opportunities often limited to central locations of major cities, where sustained demand – aided by productivity growth through the adoption of AI – and a wide gap between current values and replacement costs supports the case for future rental growth. In these markets we see rental growth averaging around **2.4%** per annum, but in less in-demand cities, despite an even larger gap to replacement costs, we see less justification for rental growth, but rather a sustained period of reduced development.

Retail in many markets is now finally in recovery. While performance in the sector remains highly polarised both between and within subsectors, the exceptionally long period of rental and capital value adjustment we are just emerging from has depressed development activity and set the scene for a return to growth. The UK and Ireland are now seeing rents rebound throughout the retail sector, and in Spain and CEE markets, faster growth in domestic consumer spending combined with tourism is supporting strong performance. Retail parks are seeing stronger rental growth than shopping centres, driven by robust demand, low vacancy and lower base rents. As such, investor interest in retail parks and convenience retail is rising, supported by favourable demographics and constrained supply.

Hotels have had several years of strong performance and transaction volumes in 2025 reached their highest level since 2019. Despite the recent spate of transactional activity, pricing is looking attractive in many markets and the uncertainty brought about by the conflict in Iran may provide a window of opportunity to enter at a marginally higher yield. The outlook for visitor number growth generally exceeds forecasts for growth in room numbers, which may support sustained room rate increases and high occupancy. Business-oriented markets such as Frankfurt are still struggling to return to pre-pandemic levels of occupancy, but leisure-led destinations have generally recovered or even exceeded pre-pandemic performance metrics.

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

2 / Investment Strategies

The bedrock of any institutional allocation remains beds and sheds, as these sectors continue to benefit from structural, policy-backed demand that transcends the cycle. In contrast, office and retail require more selective underwriting, but can still offer compelling upside where mispricing, asset management or locational advantages are strong.

Investment strategies can be categorised in three distinct groups: Core Income for investors prioritising durable cash yield, Core Alpha for those seeking total return outperformance through better sector, market and asset selection, and Value-Add for strategies that can unlock returns through repositioning, refurbishment, development or operational improvement.

Core Income

Focus on generating durable cash yield that can exceed fixed income alternatives by a healthy margin, without compromising on asset quality. The most compelling opportunities are likely to sit in sectors and markets where income is underpinned by structural demand, but entry pricing still offers a meaningful premium to the most competitive gateway markets. That includes for example regional residential markets with strong affordability and demographic support. In practice, core income is about prioritising stable cash flow over cyclical beta, while remaining selective on asset quality and location.

Core Alpha

Target total return outperformance of the broader market or core benchmarks through sharper sector, market and asset selection, while remaining within a core risk profile. The strongest opportunities are likely to sit where structural demand is well established, but pricing, yield differentials or execution are not yet fully reflected, including new living formats, multi-let logistics, and selected office strategies in core submarkets. Core alpha focuses on the parts of the market where income remains resilient but return potential can be enhanced through market selection, more active leasing and clear rental growth optionality.

Value-Add

Taking on greater leasing, capex and execution risk to target higher returns through refurbishment, repositioning and selective development. The strongest opportunities are likely to sit in strategies where structural demand drivers are already evident but current stock is misaligned with occupier needs, including residential refurbishment or conversion in supply-constrained cities. At this stage of the cycle, value-add is less about taking directional market risk and more about buying the right assets at the right price, with a clear and credible plan to create value.

Investment Strategies by Risk and Return Profile

	Core Income	Core Alpha	Value Add
	Cash Return	IRR Performance	Higher Return
Status Quo *Beds & Sheds*	Regional Residential Senior Housing & Care S. Europe and CEE logistics	Commuter Residential Student & Flex Living Urban & Multi-Let Logistics	Living-2-Living Refurb Conversion to Living Privatisations / Break Ups
Contrarian *Office & Retail*	Food-Anchored Retail Parks Discount Supermarkets	Mid-Capex Office Refurbs	
	Whole Loans		

Note: Indicative levered returns after taxes and fees. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.
Source: DWS, June 2026

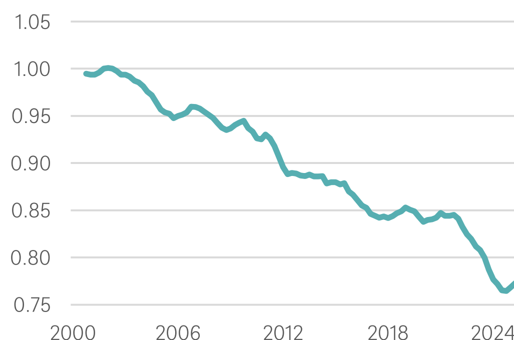
This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Regional Residential & Commuter Locations

European residential markets remain characterised by a structural undersupply. While construction activity is showing a modest recovery in some markets like Germany, suggesting the cycle is reaching a floor at a low level, our outlook for the sector remains positive. This view is supported by an uneven distribution across countries with a substantial share of new supply often directed towards the owner-occupier market, leading to continued scarcity and sustained upward pressure on rents across most major cities.

Subsequently, affordability considerations are becoming increasingly relevant. One visible adjustment is a form of "shrinkflation" in unit size: a shift towards smaller, more efficient layouts as tenants prioritise absolute rent levels over overall space to keep housing costs manageable. Importantly, this trend should not necessarily be viewed negatively, but rather as a pragmatic response to affordability constraints.

"Housing Shrinkflation" EU27 – Change in Size of Residential Building Permits (Indexed, Q1/2020 = 100)



Note: EU 27, rolling annual average, seasonally adjusted data
Source: Eurostat, DWS, April 2026

We continue to favour forward purchase strategies focused on commuter and fringe locations in major gateway cities such as London, Madrid, and Germany's Top-7 markets. These locations combine relatively more accessible price points with strong underlying demand fundamentals. At the same time, regional cities are increasingly attracting investor interest, as locations such as Leipzig, Valencia or Manchester still provide higher entry yields alongside more affordable rental levels, supporting a stable, income-oriented return profile.

Looking ahead, modular housing and industrialised construction could be an innovative approach to residential developments and forward purchases. Shifting construction off-site would enable shorter build times, greater cost certainty, higher quality and earlier cash flows. Partnering with an established modular housing developer would allow institutional investors to gain exposure to this innovative market segment. However, the scalability of this approach is likely to remain constrained by structural factors, most notably limited land availability.

Flexible Living

We believe flexible living has emerged as an increasingly relevant segment, characterised by furnished units, flexible lease terms and service-oriented, amenity-rich environments. It monetises flexibility and convenience by combining housing with hospitality-style services, while attracting rising institutional capital. At the same time, the sector is experiencing a structural shift towards more mid-term rental models with longer average stays, improving income visibility and better aligning with institutional investment criteria. The key underlying drivers are persistent housing shortages, coupled with changing labour market dynamics, including increased mobility, the rise of hybrid working and growing long-distance commuting patterns.

In parallel, demand profiles have broadened beyond the traditional focus on young professionals. While this group remains central, flexible living now attracts a wider demographic spectrum with trends such as corporate relocation and "leisure" travel further reinforce demand for mid-term accommodation. Regulation has also played a supportive role with restrictions on short-term rentals in cities such Barcelona, redirecting demand into professionally managed schemes. Geographically, the sector is most advanced in the UK, particularly in London, while supply constraint and densely populated rental markets such as Paris, Munich, Berlin and Amsterdam stand out as key hubs. Southern European markets, notably Spain and Portugal, rank among the fastest-growing, supported by international demand and the overlap with tourism.

Student and Senior

The serviced living sector with all its facets remains an attractive proposition. Student housing remains an attractive subsector, albeit with the spread to residential yields limiting scope for further yield compression. Returns are likely to be underpinned by rental growth, which we expect to at least match or exceed the private rented sector (PRS) across most Continental European markets, driven by high occupancy and structural imbalance between supply and demand. Against this backdrop, improving transaction liquidity in Continental Europe reflects increasing investor conviction and the sector's resilience through recent repricing cycles. Execution will be critical to realise rental growth potential, with successful strategies reliant on selecting locations which are within a tight radius of university hubs and partnering with experienced local operators to navigate materially different letting dynamics, pricing sensitivities, and occupancy drivers across markets.

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Senior living is increasingly emerging as a promising segment, underpinned by strong demographic tailwinds. Mounting pressures on public health and social systems are also exposing the limitations of traditional care models, with conventional nursing homes becoming increasingly costly and difficult to sustain. In this context, more flexible and service-oriented senior living formats are gaining traction as a viable alternative. Markets such as France, Germany, and the Netherlands are particularly attractive, where local partnerships help navigate regulatory complexity and support scalable strategies.

Value Add Living

Europe's living sector offers one of the clearest value-add opportunities in real estate. It remains the most supply-constrained segment, with chronic undersupply now worsened by a sharp fall in development activity. Residential starts and permits are materially below prior peaks, while vacancy averages only around 2.5% across Europe and sits closer to 1% in some markets, leaving little buffer in a sector where demand continues to be supported by urbanisation, smaller households and affordability pressure in the for-sale market.

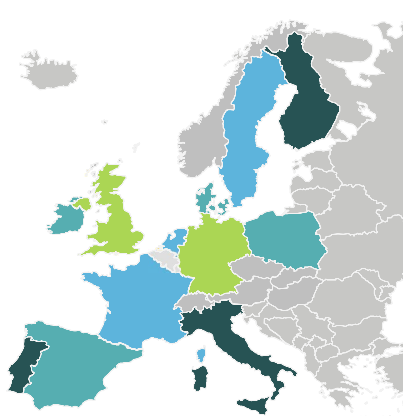
That imbalance appears to have no near-term resolution. The supply response remains constrained, yet demand remains deep, which could support high occupancy and rental growth. The broader shortage is also significant, with market estimates pointing to a substantial gap between current housing stock and what Europe needs to accommodate underlying demand. For investors, this means value creation does not depend on optimistic leasing assumptions; it starts from a structurally tight market. At the same time, pricing has reset. Lower-quality offices have seen materially larger value declines, but lower-quality residential has also repriced, improving basis for investors able to execute. That creates a clearer opening for refurbishment, energy upgrades, reconfiguration and selective conversion, including office-to-living and repositioning within living into formats such as student housing and flex living. In this part of the cycle, weaker development activity and slower sales rates are also creating opportunities to secure more competitive pricing from developers, contractors and operating partners.

The opportunity, however, is highly selective. Europe's living market remains fragmented by regulation, taxation, liquidity and institutional maturity, and the best outcomes will come from fundamentals-led market and asset selection rather than broad thematic exposure. The key is to identify where undersupply is most acute, regulation remains investable, and assets can be acquired at a basis that leaves room for value creation and exit.

Germany presents the most compelling case, as the most liquid and mature market with the highest undersupply. A substantial share of housing stock was built between the 1960s and 1980s, accounting for roughly 40% of all units. Despite these units generally being smaller than today's more generous standards, this strategy also aims to capitalise on "shrinkflation" by reconfiguring larger apartments into smaller, more efficient units that better align with the growing prevalence of smaller households. Privatization strategy of residential units looks appealing in Netherlands and has been executed successfully by various institutional investors. Privatizations can generate notable price premiums of approximately 30–40% over institutional block sales. These vacant possession values are expected to keep rising as supply bottlenecks, favourable house purchase incentives for first-time buyers and an already high population density mean the persistent undersupply will continue. In markets such as United Kingdom and Spain, and specifically London and Madrid, there is a case for converting stranded offices into living as tertiary office values have plummeted. These markets are also well-placed for student housing and other operational living models such as co-living and flex living.

European Living Market Segmentation

Segment	Markets
Large liquid Markets	• Germany • United Kingdom
Mid-size Liquid Markets	• Netherlands • France • Sweden
Growth Markets	• Spain • Denmark • Poland
Opportunistic/ Cyclical Markets	• Italy • Portugal • Finland



Source: DWS, June 2026

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

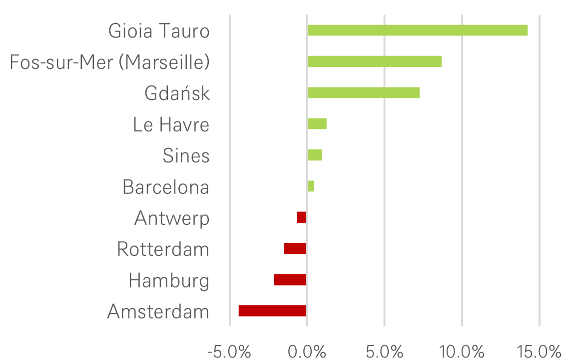
Big Box Logistics

For investors prioritising cash yield, the more compelling big-box opportunities increasingly sit in Southern Europe and CEE. In parts of Iberia and Italy, investors can still access logistics at a meaningful yield premium to the more crowded Northern European markets. One part of the case is e-commerce. Online penetration remains below the levels seen in more mature Northern markets, which means logistics demand has greater room to deepen as digital retail continues to expand, and distribution networks become denser over time.

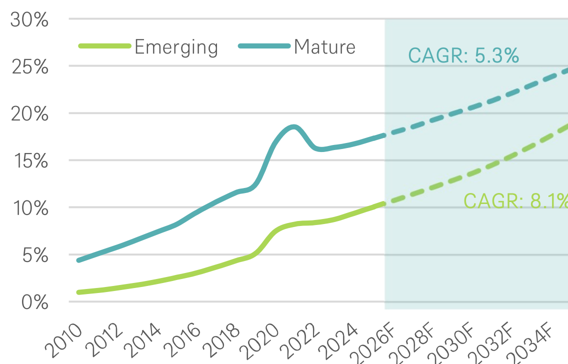
That demand story is reinforced by trade flows. Southern ports have become more important nodes in European supply chains, with gateways such as Marseille, Gioia Tauro, Barcelona and Sines seeing increased strategic relevance as companies diversify routing, build more resilient networks and look for efficient access into both southern consumption centres and inland Europe. Put simply, Southern Europe offers a combination that is becoming harder to find elsewhere in logistics: better entry pricing, a lower starting point for e-commerce-led demand, and port-led infrastructure that can support further occupational growth.

One logistics market that has been firmly on the investment radar for several years is Poland. Underpinned by favourable macroeconomic conditions, substantial EU funding and strong structural growth drivers, the sector continues to benefit from a well-educated yet cost-competitive labour force. At the same time, the planned introduction of a nationwide zoning framework in 2026 is expected to gradually constrain land availability, not only in Warsaw, but also strong regional hubs.

Port: Import & Export Volumes (2019-2025 CAGR)



E-Commerce as % of Total Retail Sales*



*Emerging Markets: Czech Rep., Greece, Hungary, Italy, Poland, Portugal, Spain
Mature Markets: Austria, Denmark, Finland, France, Germany, Ireland, Netherlands, Norway, Sweden, Switzerland, UK

Source: IMF Portwatch, Oxford Economics, DWS, May 2026

Urban and Multi-Let Logistics

In the more established northern European markets, our conviction is stronger in multi-let and urban logistics, where the income profile is often more attractive than headline yields initially suggest. These assets sit close to dense population centres, embedded within locations where land is scarce, alternative uses compete aggressively and replacement supply is difficult to bring forward. That scarcity matters because it supports a broad occupier base extending well beyond traditional warehousing.

Last-mile distribution, parcel delivery, food logistics, trade counters, local manufacturing, repair and servicing activities all depend on proximity to end consumers and benefit from flexible, well-located stock. From an investment perspective, this creates several advantages. Tenant demand is more diversified, lease events tend to occur more frequently, and low passing rents often create clearer opportunities for reversion than in long-let big-box assets. In other words, investors are not only buying income but also embedded optionality through active leasing and asset management.

This is already well understood in the UK, where the segment has institutionalised materially and the yield premium to big-box has converged. In continental Europe, however, the market remains far less mature. Across Germany, the Netherlands and several adjacent markets, ownership is still fragmented and operational expertise is less widely embedded, which creates a broader set of opportunities for investors willing to assemble scale and manage assets actively.

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Mid-Capex Office Refurbishment

We see potential opportunities in Europe's office market to acquire well-located, average-quality assets in central locations that may require only a mid-capex refurbishment to unlock rental upside. A mid-capex refurbishment goes beyond cosmetic works but stops short of a full repositioning, typically involving targeted upgrades that improve leasing appeal and support rental uplift. In essence, creating modern, flexible space that appeals to tenants without incurring the cost of full super prime repositioning. While these assets may not achieve the absolute top market rents, they could potentially capture a meaningful uplift and may deliver more attractive returns, at lower capex-related risk. Studies have shown rental uplifts between 20-40% for mid-capex refurbishments in Europe.

This approach may appeal to occupiers seeking flexibility and affordability without sacrificing connectivity and amenities. Typical tenants include professional services firms, tech start-ups, and creative agencies as well as smaller, cost-efficient coworking operator which cater to hybrid work and offer leaner footprints compared to large-scale operators.

We do acknowledge that the office market is likely to shrink over the coming decade due to remote, demographics and AI. As a result, we believe tenants will continue to consolidate footprints in major city centre locations and gravitate toward locations with strong connectivity and amenities.

We see potential in gateway cities such as London, Berlin, Amsterdam, Milan and Madrid. These markets are characterised by strong job growth, a young and tech-driven workforce, and high concentrations of research and development activity. They also may benefit from deep venture capital pools and high innovation scores, potentially reinforcing long-term demand.

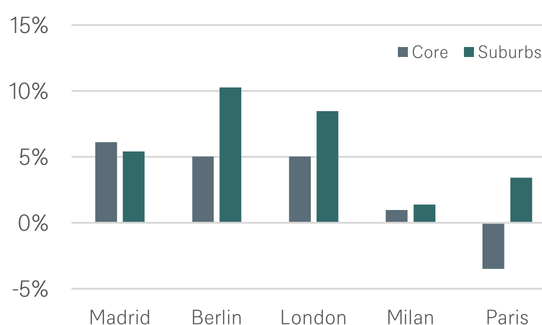
Grocery-Anchored Retail and Discount Supermarkets

Retail parks have been a strategic focus for some time, thanks to a combination of favourable demand trends and investment characteristics. The so-called 'donut development' of some cities (London, Paris, Berlin, and Madrid are good examples), whereby strongest population growth is found in the suburbs, supports retail park performance in suburban and city fringe locations. In addition, the adaptability of many retail parks for last-mile logistics and click-and-collect purposes mean retailers can service e-commerce needs as well as in-store spending. Manageable lot sizes allow for portfolio scale and diversification. Given pricing today leaves limited room for error, we would take a selective approach, focusing on grocery-anchored parks in highly accessible locations close to large population centres in Spain, Italy, CEE markets, and the United Kingdom.

Discount supermarkets offer a compelling near-term investment opportunity as both Aldi and Lidl continue to expand. Underpenetrated Southern European markets are a particular focus given structurally higher grocery spending, low e-commerce penetration, and fragmented competition support further market share gains. Returns are most attractive through forward funding new developments—typically delivering 7–8% IRRs—rather than stabilised assets. To mitigate liquidity risk associated with the type of secondary retail locations that discounters favour, and the capital value discount associated with individual, small ticket opportunities, we would prefer portfolio transactions with a high proportion of retail park or neighbourhood high street locations.

Office: Average Rental Premium After Mid-Capex Refurbishment

Retail: Total population growth suburbs vs core, over latest available 5- year period



Source: JLL, Istituto Nazionale di Statistica Italia, INSEE, ONS, Statistik Berlin Brandenburg, Instituto Nacional de Estadística, Madrid, latest available 5-year period, DWS, May 2026

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

3 / Country Summaries

Germany	– Fiscal and infrastructure spending plus monetary easing expected to boost German real estate, with GDP growth forecast to outpace the euro area. International capital returning, drawn by relative attractive entry points. – In residential, regional cities like Leipzig and Hanover stand out. Focus in Top 7 shifted to PBSA & micro living segments.	– We favour logistics defence hubs like Munich, see potential prospects in Frankfurt and Rhein-Ruhr, and target urban multi-let logistics for potentially higher yield and NOI growth. – Strong potential to acquire Grade B offices in Berlin and Munich for uplifts, as market polarisation deepens and AI reduces back-office demand while prime CBDs could benefit.
France	– The period of political turbulence in 2025 is translating into cautious occupier and investor demand. – However, should the 2027 elections deliver a clear political mandate, there is potential for outperformance as construction has also slowed sharply and any pent-up demand will be released into a constrained market.	– Hotels present some opportunity given pricing is relatively attractive, particularly for management contracts, and supply growth falls well short of visitor number growth. – PBSA still offers opportunity in select locations close enough to a university to deliver rental upside in Paris and undersupplied regional markets.
UK & Ireland	– Higher inflation exposure and political uncertainty have pushed up UK borrowing costs, eroding short-term relative attractiveness versus Europe. – Central London offices remain a core conviction, with further strong rental growth anticipated. Refurbishing well-located Grade B assets offers attractive income and return potential.	– UK build-to-rent faces policy and pricing pressures, reinforcing a selective approach. Value-add strategies offer an attractive route to deliver much needed housing. – Logistics favours urban and multi-let strategies, offering defensive income and rental growth potential. Big Box requires greater selectivity given rising vacancy risks.
Southern Europe	– Real estate demand in Southern European cities is supported by strong office employment, immigration, and ongoing growth in tourist numbers. – Hotels remain a popular sector for value-add and core plus investors, as there are many opportunities to both convert obsolete offices and upgrade existing stock.	– Logistics demand is holding up in Southern Europe and very tight vacancy in Greater Milan, Barcelona, and Valencia is likely to support further strong rental growth. – PBSA is still developing in Southern Europe and in Spain, trading of standing assets is increasingly a feature of the market as well as forward funding development opportunities.
Benelux	– Sustainability and logistics are expected to drive Benelux commercial real estate, potentially creating opportunities in green buildings and industrial assets. – Selective approach to office, with a clear bifurcation by quality and location. We favour transit-linked, low-vacancy locations such as Zuidas, Rotterdam CBD and Kop van Zuid.	– Tight housing supply across the Benelux, especially in Belgium and Netherlands pushing demand and rents upward, supporting long-term value of residential investment. – Student housing demand is currently strong in university towns including Amsterdam and Leuven, with supply shortages pushing rents higher.
Nordics	– Stable, transparent markets continue to support investment demand, with the Nordics retaining safe-haven appeal despite a likely near-term pause in activity. – Nordic real estate continues to price tightly relative to the rest of Europe, limiting scope for medium-term yield compression and constraining returns on a risk-adjusted basis.	– Copenhagen residential's strong fundamentals are offset by tight pricing, while Helsinki's residential recovery presents longer-term value, albeit with selectivity required. – Urban and last-mile logistics remain the key focus, with increasing emphasis on multi-let assets given their defensive income profile and ability to capture rental growth.
Central Europe	– CEE growth remains relatively resilient, with Poland still the region's clearest conviction supported by domestic demand, EU funds and links to Germany. – Warsaw stands out as capital re-engages, helped by stronger pricing, improving liquidity and a reduced new supply pipeline.	– Logistics remains a key focus, but with greater selectivity as occupiers favour prime, well-connected hubs and supply moderates. – Retail parks continue to expand across regional cities, supported by resilient spending, convenience-led formats and limited modern supply.

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions, and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Source: DWS International GmbH.

Real Estate Research Team

Office Locations

Frankfurt
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London
45 Cannon Street
London, EC4m 5SB
United Kingdom
Tel: +44 20 754 58000

New York
875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco
101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore
One Raffles Quay
South Tower
15th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo
Azabudai Hills Mori JP Tower
1-3-1 Azabudai
Minato-ku
16th Floor
Tokyo
Japan
Tel: +81 3 6730 1300

Sydney
Level 16, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000
Australia
Tel: +61 2 8258 1234

Teams

Global

Kevin White, CFA
Global Co-Head of Real Estate Research

Simon Wallace
Global Co-Head of Real Estate Research

Americas

Brooks Wells
Head of Research, Americas

Liliana Diaconu, CFA
Office & Retail Research

Ross Adams
Industrial Research

Sharim Sohail
Self-Storage Research

Europe

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Tom Francis
Property Market Research

Rosie Hunt
Property Market Research

Siena Golan
Property Market Research

Martin Lippmann
Head of Real Estate Research, Europe

Carsten Lieser
Property Market Research

Asia Pacific

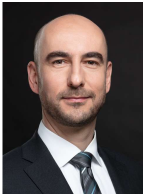
Koichiro Obu
Head of Real Estate Research, Asia Pacific

Seng-Hong Teng
Property Market Research

Matthew Persson
Property Market Research

AUTHORS

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe



Martin Lippmann
Head of Real Estate Research, Europe

Important information

For North America:
The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas, Inc. and RREEF America L.L.C., which offer advisory services.

This material was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. It is intended for informational purposes only. It does not constitute investment advice, a recommendation, an offer, solicitation, the basis for any contract to purchase or sell any security or other instrument, or for DWS or its affiliates to enter into or arrange any type of transaction as a consequence of any information contained herein. Neither DWS nor any of its affiliates gives any warranty as to the accuracy, reliability or completeness of information which is contained in this document. Except insofar as liability under any statute cannot be excluded, no member of the DWS, the Issuer or any office, employee or associate of them accepts any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage whether direct, indirect, consequential or otherwise suffered by the recipient of this document or any other person.

The views expressed in this document constitute DWS Group's judgment at the time of issue and are subject to change. This document is only for professional investors. This document was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. No further distribution is allowed without prior written consent of the Issuer.

Investments are subject to risk, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time.

An investment in real assets involves a high degree of risk, including possible loss of principal amount invested, and is suitable only for sophisticated investors who can bear such losses. The value of shares/ units and their derived income may fall or rise.

Environmental, social, and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments: Environmental (how a company performs as a steward of nature); Social (how a company manages relationships with employees, suppliers, customers, and communities); Governance (company's leadership, executive pay, shareholder rights, etc.). Investing in securities that meet ESG criteria may result in foregoing otherwise attractive opportunities, which may result in underperformance when compared to products that do not consider ESG factors.

War, terrorism, sanctions, economic uncertainty, trade disputes, public health crises and related geopolitical events have led, and, in the future, may lead to significant disruptions in US and world economies and markets, which may lead to increased market volatility and may have significant adverse effects on the fund and its investments.

For Investors in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein and any representation to the contrary is an offence. This document is intended for discussion purposes only and does not create any legally binding obligations on the part of DWS Group. Without limitation, this document does not constitute an offer, an invitation to offer or a recommendation to enter into any transaction. When making an investment decision, you should rely solely on the final documentation relating to the transaction you are considering, and not the document contained herein. DWS Group is not acting as your financial adviser or in any other fiduciary capacity with respect to any transaction presented to you. Any transaction(s) or products(s) mentioned herein may not be appropriate for all investors and before entering into any transaction you should take steps to ensure that you fully understand such transaction(s) and have made an independent assessment of the appropriateness of the transaction(s) in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment. If you decide to enter into a transaction with DWS Group, you do so in reliance on your own judgment. The information contained in this document is based on material we believe to be reliable; however, we do not represent that it is accurate, current, complete, or error free. Assumptions, estimates, and opinions contained in this document constitute our judgment as of the date of the document and are subject to change without notice. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results. The distribution of this document and availability of these products and services in certain jurisdictions may be restricted by law. You may not distribute this document, in whole or in part, without our express written permission.

For EMEA, APAC, LATAM & MENA:
DWS is the brand name of DWS Group GmbH & Co. KGaA and its subsidiaries under which they do business. The DWS legal entities offering products or services are specified in the relevant documentation. DWS, through DWS Group GmbH & Co. KGaA, its affiliated companies and its officers and employees (collectively "DWS") are communicating this document in good faith and on the following basis.

This document is for information/discussion purposes only and does not constitute an offer, recommendation, or solicitation to conclude a transaction and should not be treated as investment advice.

This document is intended to be a marketing communication, not a financial analysis. Accordingly, it may not comply with legal obligations requiring the impartiality of financial analysis or prohibiting trading prior to the publication of a financial analysis.

This document contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models, and hypothetical performance analysis. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements. Past performance is no guarantee of future results.

The information contained in this document is obtained from sources believed to be reliable. DWS does not guarantee the accuracy, completeness, or fairness of such information. All third-party data is copyrighted by and proprietary to the provider. DWS has no obligation to update, modify or amend this document or to otherwise notify the recipient in the event that any matter stated herein, or any opinion, projection, forecast, or estimate set forth herein, changes or subsequently becomes inaccurate.

Investments are subject to various risks. Detailed information on risks is contained in the relevant offering documents.

No liability for any error or omission is accepted by DWS. Opinions and estimates may be changed without notice and involve a number of assumptions which may not prove valid.
DWS does not give taxation or legal advice.

This document may not be reproduced or circulated without DWS's written authority.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country, or other jurisdiction, including the United States, where such distribution, publication, availability, or use would be contrary to law or regulation or which would subject DWS to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

© 2026 DWS International GmbH
Issued in the UK by DWS Investments UK Limited which is authorised and regulated by the Financial Conduct Authority (Reference number 429806).
© 2026 DWS Investments UK Limited

In Hong Kong, this document is issued by DWS Investments Hong Kong Limited and the content of this document has not been reviewed by the Securities and Futures Commission.
© 2026 DWS Investments Hong Kong Limited

In Singapore, this document is issued by DWS Investments Singapore Limited and the content of this document has not been reviewed by the Monetary Authority of Singapore.
© 2026 DWS Investments Singapore Limited

In Australia, this document is issued by DWS Investments Australia Limited (ABN: 52 074 599 401) (AFSL 499640) and the content of this document has not been reviewed by the Australian Securities Investment Commission.
© 2026 DWS Investments Australia Limited

For investors in Bermuda: This is not an offering of securities or interests in any product. Such securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

For investors in Taiwan: This document is distributed to professional investors only and not others. Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed, and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction, or transmission of the contents, irrespective of the form, is not permitted.

© 2026 DWS Group GmbH & Co. KGaA. All rights reserved. (06/26) 080951_12