REVIEW

INVESTMENT MARKET

FRANCE Q2 2026

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RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

KEY FIGURES

+3.61 %
10-YEAR OAT (Q2 2026)

+0.8 %
GDP growth in France in 2026
(Forecast BNP Paribas – July 2026)

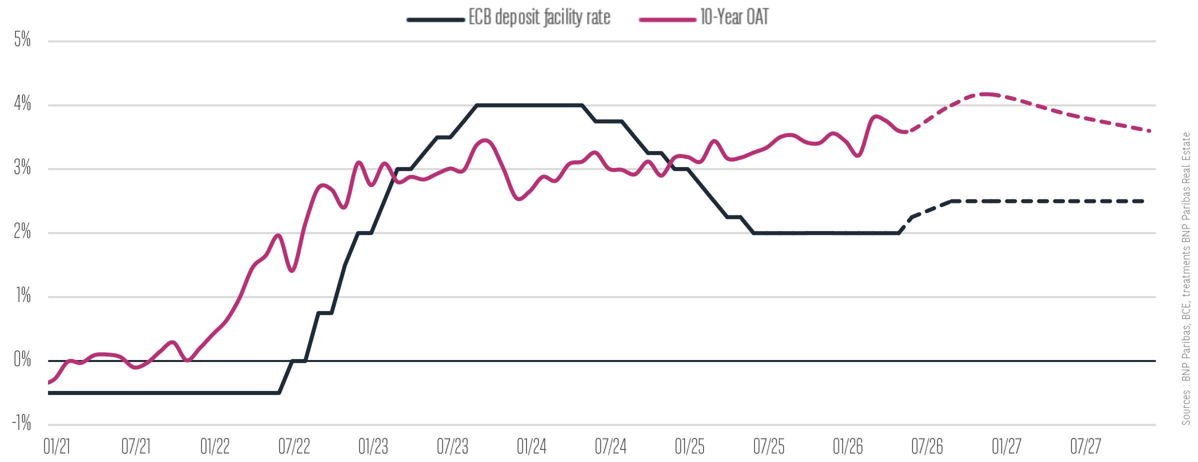
ECONOMICAL BACKDROP

The conflict in the Middle East continues to cloud the global outlook. Although the closure of the Strait of Hormuz caused a sharp rise in oil prices from February onwards, the fall back to around US$70 a barrel in June should help to limit the spread of the energy shock to the rest of the economy. Following average inflation of +1.0% in France last year, the Consumer Price Index is expected to rise to around +2.2% in 2026, before slowing again from 2027.

However, the European Central Bank raised its key interest rates by 25 basis points in June, showing that it is still wary of inflationary risks. Although markets now expect interest rates to stabilise, the ECB is keeping a wary eye on economic developments and persistent price pressures.

Against this backdrop, economic growth in Europe remains subdued. Geopolitical and economic uncertainties are dampening economic activity. Growth in the eurozone is expected to be around +0.6% in 2026, and +0.8% for France.

ECB deposit facility rate and 10-Year OAT



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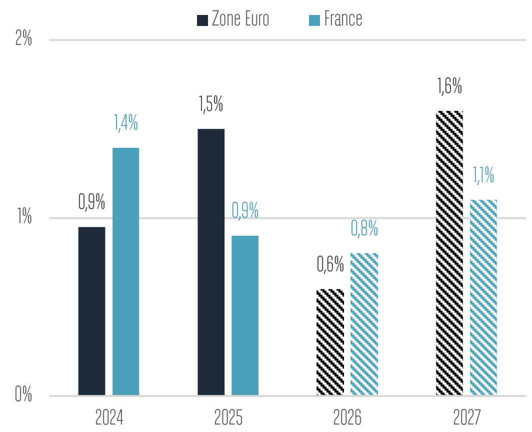
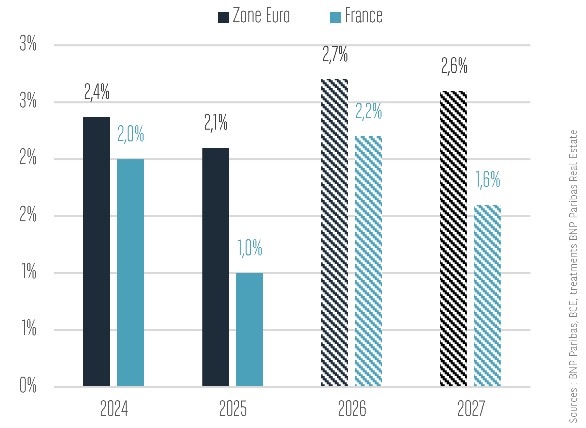
GDP growth



Inflation



Investment in commercial real estate: a misleading recovery amid ongoing uncertainty.

KEY FIGURES

€ 8.0 bn
INVESTED IN 2026 H1

+11%
vs 2025 H1

303
DEALS

€ 26 M
AVERAGE SIZE

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OVERVIEW

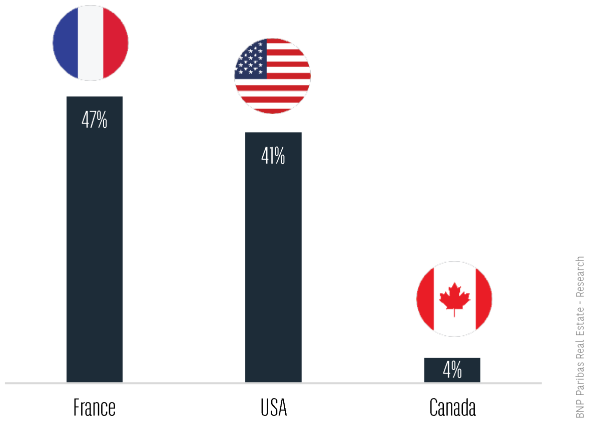
Investment in commercial real estate in France came in at around € 8bn in H1 2026, up 11% on the year-earlier period. Yet this increase should be seen in perspective. After a very weak first quarter, the market picked up considerably in Q2. However, this was largely attributable to the sale of Proudreed's industrial portfolio to Blackstone for over € 2bn, a one-off deal that inflated the figure.

Apart from this exceptional deal, there were several other significant transactions, with six sales worth over € 200m, five of which in Central Paris. As such, Central Paris remains a prime location, living up to its reputation as a safe haven in uncertain times.

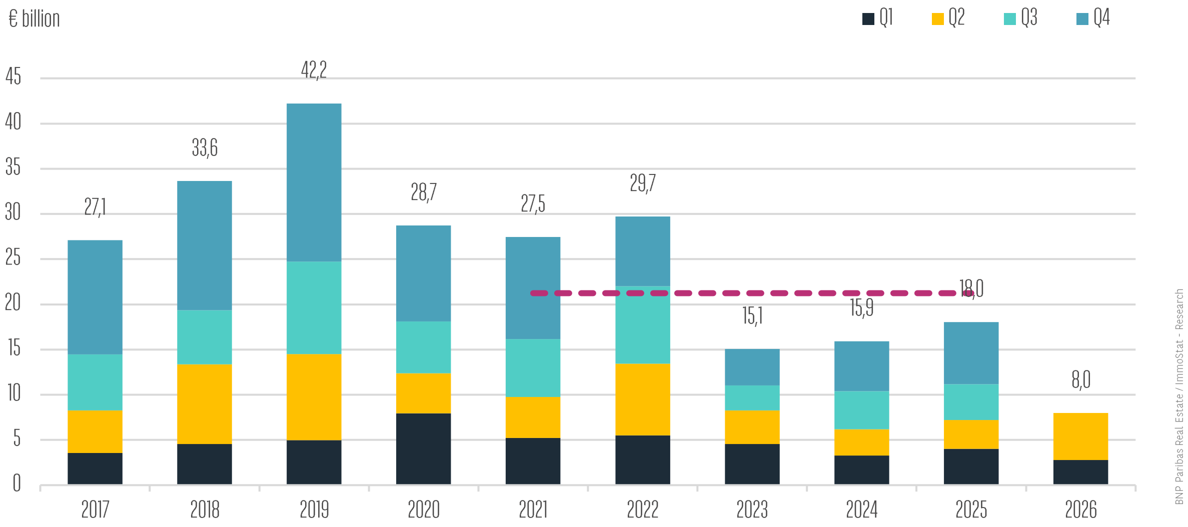
French investors are still in first place, representing 47% of total investment, ahead of US investors (41%), whose share was greatly bolstered by the sale of the Proudreed portfolio. Next were the Canadians, thanks to Brookfield Properties' acquisition of the BHV portfolio.

Investors remain cautious and are waiting for greater economic, financial and monetary stability before making more substantial allocations. As such, the market awaits positive signals that will revive momentum. Against this backdrop, investment is bound to decline in 2026.

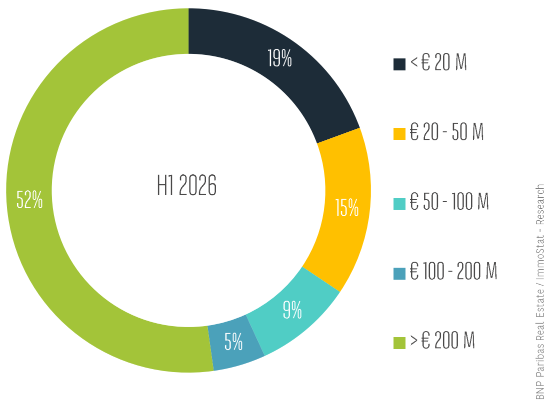
Investors' nationality
All asset classes



Investment in commercial real estate in France



Breakdown of investment by volume size
All asset classes

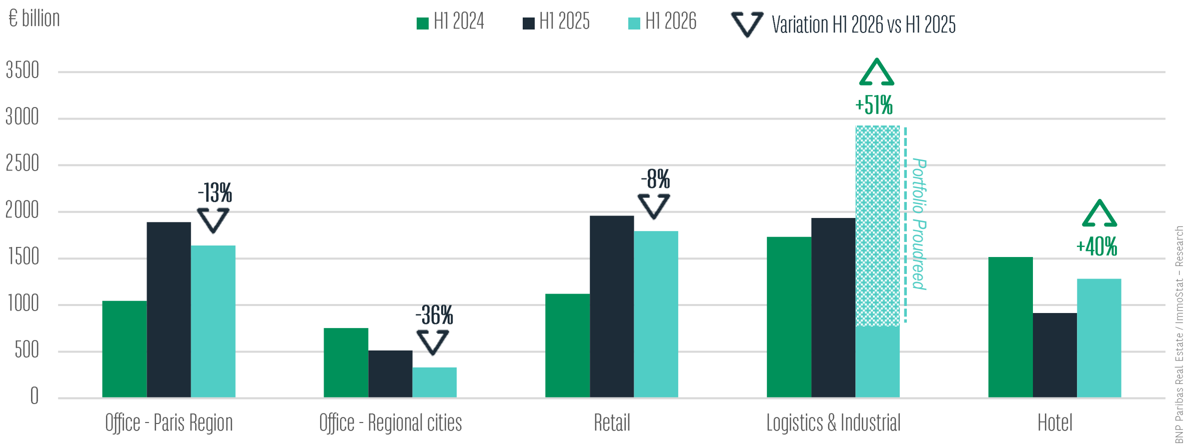


Q2 2026 INVESTMENT FRANCE

Performances vary across asset classes.

INVESTMENT MARKET BY ASSET CLASSES

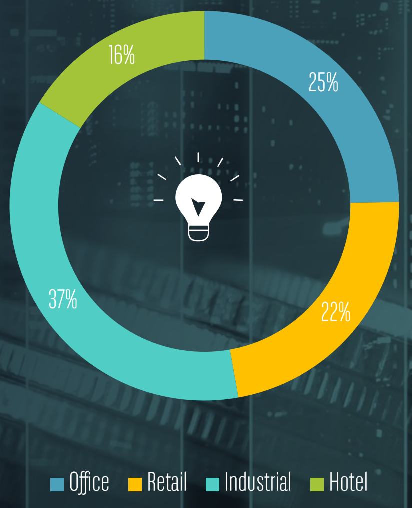
Investment by asset classes



Major deals

TYPOLOGY	ASSET CLASS	BUYER	PRICE
Industrial	Portfolio Proudreed	Blackstone	> € 2 bn
Retail	29-33 Champs Elysées	Bain Capital / Black Swan Real Estate Capital / Revcap	€ 430 M
Hotel	Pullman Paris Tour Eiffel	Batipart, / CDC Investissement / Société Générale Assurances / QuinSpark	€ 430 M
Retail	91 Champs Elysées	Foncière Renaissance / Mimco	€ 322 M
Office	83 Marceau - Paris 08	Hines	€ 244 M

Breakdown of investment by asset classes - 2026 H1



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Office

Offices are still under pressure and struggling to regain lasting momentum. Almost all investment is in the Paris region, with Central Paris dominating (70% of investment in Ile-de-France). There were only a few major deals outside the capital, such as the acquisition of the Magnetik building in Montrouge by Batipart and Sofidy or the investment of Blue Owl Capital in Thalès campus in Vélizy. Regional markets remain sluggish, with less than € 350m invested since the beginning of the year, highlighting the segment's ongoing difficulties outside the safest locations.

Retail

Retail premises have proven resilient, with investment close to its ten-year average. This was largely driven by several landmark deals, including two major transactions on the Champs-Élysées. However, the street-level segment remains hampered by sellers and buyers disagreeing on the yield levels for core assets. Conversely, retail parks are still thriving thanks to robust fundamentals and strong investor interest, as shown by Redevco's acquisition of the Pont-de-Pierre retail park in Garges-lès-Gonesse.

Industrial

The logistics and industrial premises segment had a mixed H1. On the one hand, Blackstone's acquisition of the Proudreed portfolio for over € 2bn greatly boosted investment levels and sent a positive signal for the asset class. On the other hand, apart from this exceptional transaction, activity remained limited, with very few deals for over € 50m. Ongoing doubts have prompted many landlords to withdraw their assets from the market, further reducing availability. Nevertheless, investor interest remains strong, as shown by the many negotiations currently underway.

Hotel

Hotels remain appealing, supported by strong fundamentals. The healthy tourism sector in France is underpinning the sector's operational performance, bolstering investor interest in the category. Against this backdrop, investment rose 40% compared with H1 2025, ahead of the ten-year average. The sale of Pullman Tour Eiffel for € 430m was the landmark deal of the period, demonstrating the unwavering appetite for prime hotel assets.

YIELDS

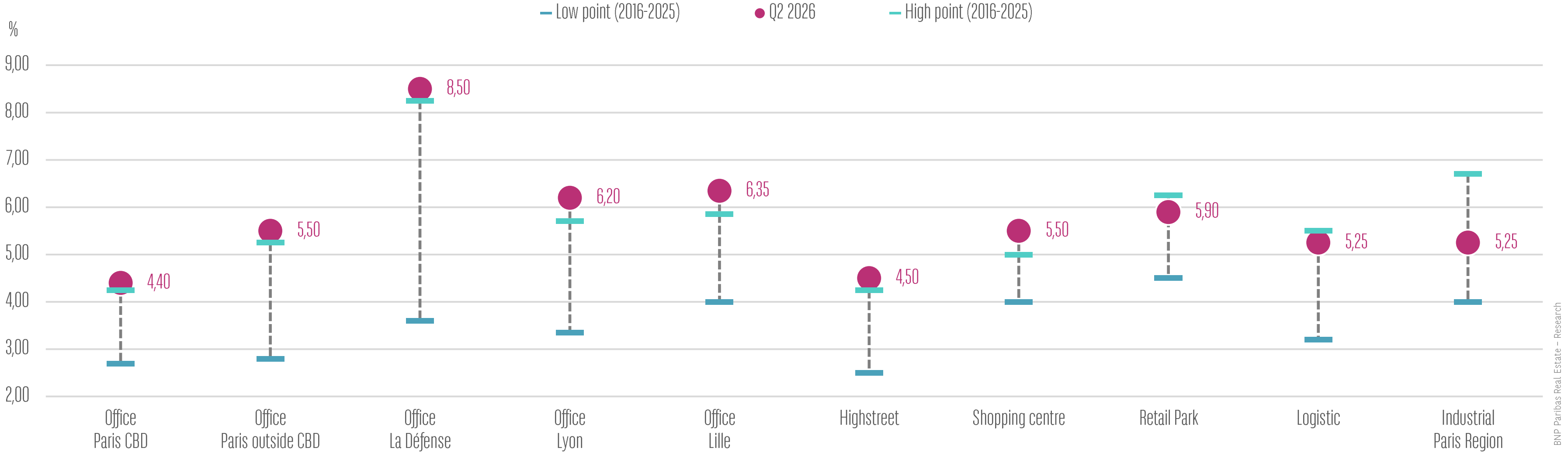
Given this environment, the yield adjustments in various segments are hardly surprising. The prime office yield in Paris CBD has expanded slightly to about 4.40%. In retail, the yield for street-level stores remains stable at 4.50% (although there have been few prime deals to gather data points), whereas the appeal of retail parks to both occupiers and investors is undimmed, encouraging yields to narrow. Logistics assets are more exposed, with prime yields now close to 5.25%.

With the 10-year OAT at 3.61% at the end of June, the real estate risk premium is under pressure, making investors cautious. Therefore, even though the correction phase appears to be ending in some segments, future yield trends will remain closely linked to sovereign bond trajectories.

"Against an uncertain economic and financial backdrop, sellers continue to demand prices that many buyers find incompatible with their yield targets. This mismatch between the two parties is preventing deals from closing and keeping transaction levels short of their potential."

Brice de Germay
Deputy CEO
BNP Paribas Real Estate Advisory France

Prime yield



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