Outlook 2026
Commercial real estate investment

April 2026	The French CRE investment market	knightfrank.fr/en/research/

Introduction

In our 2025 Market Review & 2026 Outlook, we forecasted a continued recovery in the commercial real estate investment market in 2026, with transaction volumes expected to reach €15–16 billion, representing year-on-year growth of approximately 15–20%.

This outlook, however, did not anticipate the major disruption caused by the outbreak of the war in Iran at the end of February. The inflationary pressures stemming from the ensuing surge in energy prices point to a highly likely scenario of renewed monetary tightening in the near term. While the European Central Bank (ECB) decided not to raise policy rates at its March meeting, financial markets are now pricing in around three rate hikes by the end of the year. This shift is already clearly reflected in bond market pricing: the yield on the 10-year French government bond (OAT), whose downward trend at the start of the year came to an abrupt halt with the onset of the conflict, has since moved onto an upward trajectory, reaching 3.72% to date (compared with 3.56% at end-December 2025 and 3.22% at end-February).

Against this highly unusual backdrop, we sought to identify renewed perspectives for French commercial real estate investment volumes *stricto sensu*, using an econometric forecasting model developed by Knight Frank France.

To account for the heightened uncertainty surrounding the future paths of the various economic indicators analysed, we have retained three scenarios, detailed on page 4. These scenarios underpin three distinct sets of forecasts for investment volumes in France and the Greater Paris Region over a two-year horizon (2026 and 2027).

Table :
Macroeconomic forecasts in December 2025 versus March 2026 for France

	GDP*	Inflation*	10-year French government bond (OAT)**
Forecasts for 2026 made in December 2025	1,0 %	1,3 %	3,5 %
Forecasts for 2026 made in March 2026	0,9 %	1,7 %	3,6 %

* Forecast from the Banque de France ; ** Forecast from the European Central Bank ;

Sources : European Central Bank, Banque de France and Knight Frank France (2026)

France
Commercial Real Estate investment volumes - France

2025 =
14.2 billion €

2026 =
15.5 billion €
(forecast made in January 2026)

This forward-looking analysis was carried out between 30 March and 2 April, based on the latest macroeconomic and monetary indicators available at that time. Given their extreme volatility, caution is advised when interpreting the results of our analysis.

The reason why 2026 is not 2022

One of the first major macroeconomic consequences of the war in Iran has been a global rise in bond yields, reflecting financial markets' forward-looking response to rising inflationary risks and the prospect of slower economic growth. The yield on the French 10-year government bond (OAT), which had decreased over the first two months of the year – falling from 3.56% at end-December to 3.22% at end-February – has since increased gradually. Within eleven days, the earlier rate correction was fully unwound, with the yield reaching 3.72% by the end of March. Over a single month, the French 10-year bond yield therefore rose by 50 basis points. By contrast, in 2022 – the year marking the onset of the Russia–Ukraine conflict – the increase was far sharper, with the same yield rising from 0.2% at end-2021 to 3.1% by year-end.

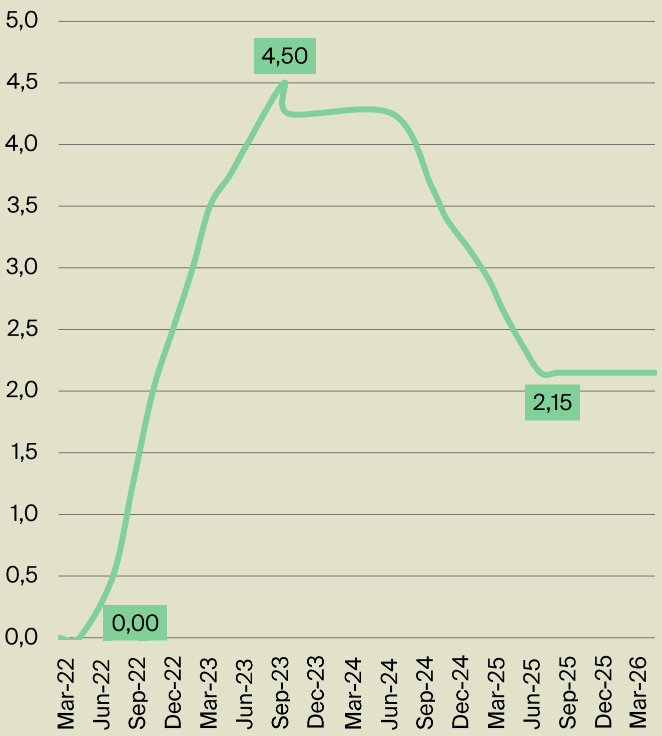
Real estate assets acquisition financing is also highly sensitive to the ECB's policy rates. Here again, the comparison differs markedly, with an unprecedented tightening cycle in 2022, during which policy rates rose from 0% to 4.50% by September 2023 – an historical increase over such a short timeframe. As inflation eased thereafter, successive decisions brought the key rate down to 2.15% by June 2025, where it has since remained. Today, however, renewed inflationary pressures are expected to prompt further tightening. While the timing and magnitude remain uncertain, market expectations currently point to three successive 25-basis-point increases, implying an end-of-year rate of around 2.90%.

In conclusion, while the trends of these two indicators in 2026 are comparable to those observed in 2022 in terms of direction, the intensity of the adjustment is markedly lower. At this stage, the current movement reflects a recalibration rather than a sudden shock.

10-year bond yield - France

Source: European Central Bank

ECB key interest rates



Source: European Central Bank

Forecasting models
Our hypothesis

We have made forecast for three variables :

- Investment, commercial real estate, France
- Investment, commercial real estate, Greater Paris Region
- Investment, office real estate, Greater Paris Region

To this end, we relied on modern econometric models (ARIMAX), incorporating two core exogenous variables alongside additional controls:

- the French 10-year government bond yield (OAT), lagged by two to three quarters to reflect legal and administrative delays between investment decisions and accounting execution
- Real GDP growth for France
- The models also include a constant term and time variables capturing effects not explained by the explicit regressors (structural trends, emerging investment opportunities, etc.).

Our modelling approach followed a rigorous methodological process, combining theoretical formalisation with empirical testing across different periods and geographies, and multiple model specifications. Once developed, the models were subjected to an extensive set of robustness tests to ensure they were both unbiased and efficient. To enhance forecast reliability, our assumptions were aligned with the Banque de France scenarios and the technical assumptions adopted by the European Central Bank.

Overall, the models converge on a clear result: all else being equal, movements in the OAT yield have a stronger impact on investment volumes than real economic growth.

Our 3 forecast scenarios

	Scenario 1 - Stable → Temporary rise in the OAT → Real GDP growth stable	Scenario 2 – Unfavourable → Continuous rise in the OAT → Slowed real GDP growth	Scenario 3 – Very Unfavourable → High and continuous rise in the OAT → Highly slowed real GDP growth
2026	• 10-year OAT yield rising in H1 before converging back to the ECB's expected year-end level of 3.6% • Real economic growth slowing in H1, before reverting from H2 to the level assumed in the Banque de France's baseline scenario (+0.9%)	• 10-year OAT yield rising above the 4% threshold by the end of H1 and then stabilising through to the end of H2 (4.1%) • Real economic growth slowing throughout the year, in line with the Banque de France's adverse scenario (+0.6%).	• 10-year OAT yield rising above the 4% threshold by the end of H1 and continuing to increase significantly in H2, reaching 4.4% • A sharp slowdown in real economic growth, including one quarter of contraction as early as H1, in line with the Banque de France's very adverse scenario (+0.4%).
2027	• A steady but modest increase in the 10-year OAT yield, converging towards the level projected by the ECB (3.9%) • An improvement in real economic growth to a level broadly comparable to that expected for 2026, in line with the Banque de France's baseline scenario (+0.8%)	• 10-year OAT yield increasing up to the presidential and parliamentary elections, before declining in H2 to reach the level projected by the European Central Bank by the end of the second half (3.9%) • A return of real economic growth to a rate consistent with the Banque de France's adverse scenario (+0.8%)	• A persistent increase in the 10-year OAT yield, peaking around the presidential and parliamentary elections, followed by a modest decline towards the end of H2 (4.6%) • A continued slowdown in real economic growth, in line with the Banque de France's very adverse scenario (+0.4%)

NB : Hypothesis were built from the ones of the European Central Bank and scenarios from the Banque de France

CRE investment volume - Greater Paris Region Forecasts for 2026 and 2027

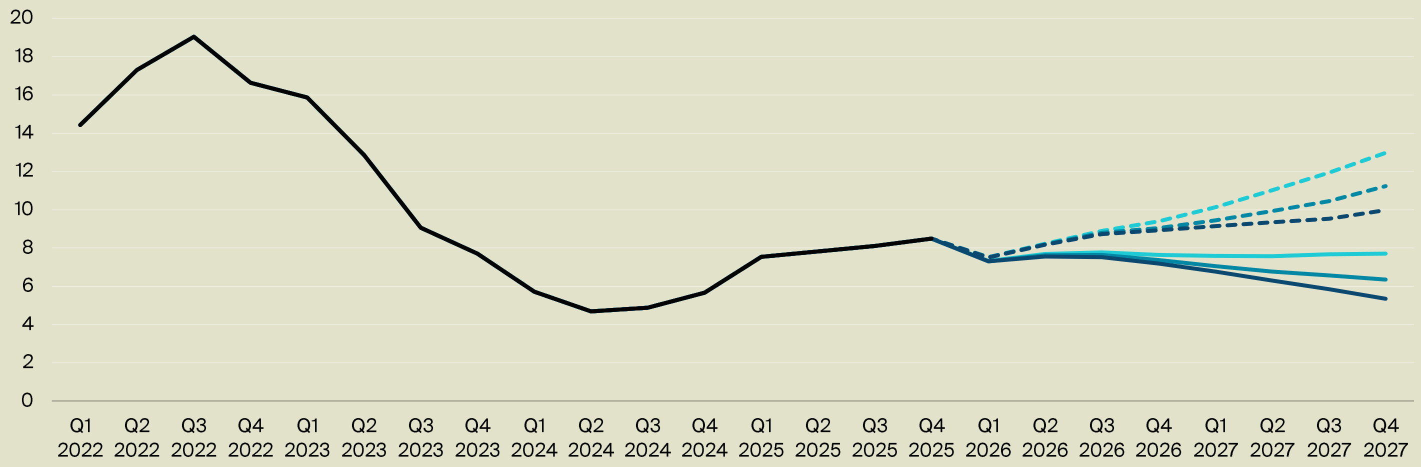
In the Greater Paris Region, commercial real estate investment is expected to be adversely affected by increases in the 10-year OAT yield at least throughout 2026, with declines ranging from 10% to 15% depending on the scenarios considered. Given the lagged effect of interest rates on investment – with investment decisions typically taken six to nine months before being reflected in accounting figures – this impact is likely to become more visible in the second half of 2026.

At this stage, investment activity is primarily being affected by the increases in OAT yields associated with the dissolutions of the Bayrou and Lecornu I governments, which occurred in the second half of 2025. Should the upward pressure on OAT yields ease from the end of the first half of 2026, a recovery would be expected as early as 2027 (+1%). Conversely, in the event of a sustained rise in yields, the decline in investment is likely to extend into 2027.

That said, our models also identify a significant underlying upward trend, independent of both OAT yield movements and real economic activity. In practical terms, this upside potential reflects the emergence of new structural investment drivers, including asset upskilling, portfolio diversification and the development of data centres.
Although we have chosen to neutralise this upside potential in our main scenarios, a renewed increase in investment cannot be ruled out. Prior to the inflationary shock and the uncertainties arising from the disruption of the Strait of Hormuz, the Greater Paris Region market was already on a clear recovery trajectory, driven by these structural opportunities. Ultimately, the key issue is whether investor confidence will align with this structural potential rather than with the prevailing macroeconomic environment.

Investment – Commercial Real Estate – Ile-de-France
Four-quarter cumulative total– Seasonally adjusted series– In billions of euros – Year-on-year growth rate (%)

	scenario 1	Potential - scenario 1	scenario 2	Potential – scenario 2	scenario 3	Potential – scenario 3
2026	€7.6 bn (-10%)	€9.3 bn (+11%)	€7.3 bn (-13%)	€9.0 bn (+6%)	€7.1 bn (-15%)	€8.9 bn (+5%)
2027	€7.7 bn (+1%)	€12.9 bn (+38%)	€6.3 bn (-14%)	€11.2 bn (+24%)	€5.3 bn (-26%)	€9.9 bn (+12%)



Note : The "Potential" series fully incorporate the effects of OAT yields and economic activity, but differ in that they assume the upward structural momentum unfolds to its full extent

Source : *Knight Frank France (2026)*

Office investment volume - Greater Paris Region Forecasts for 2026 and 2027

In the Greater Paris Region, we expect the office investment market to prove more resilient than other asset classes. Our models continue to incorporate a six-to-nine-month lag between changes in the 10-year OAT rate and transactional activity.

If the increase in OAT proves temporary, office investment could even record modest growth in 2026 (+2%), reaching close to €6 billion, before remaining broadly stable in 2027. Under a scenario of persistently higher yields, however, investment activity would be expected to slow more markedly, particularly in 2027, falling to around €4.0–4.5 billion.

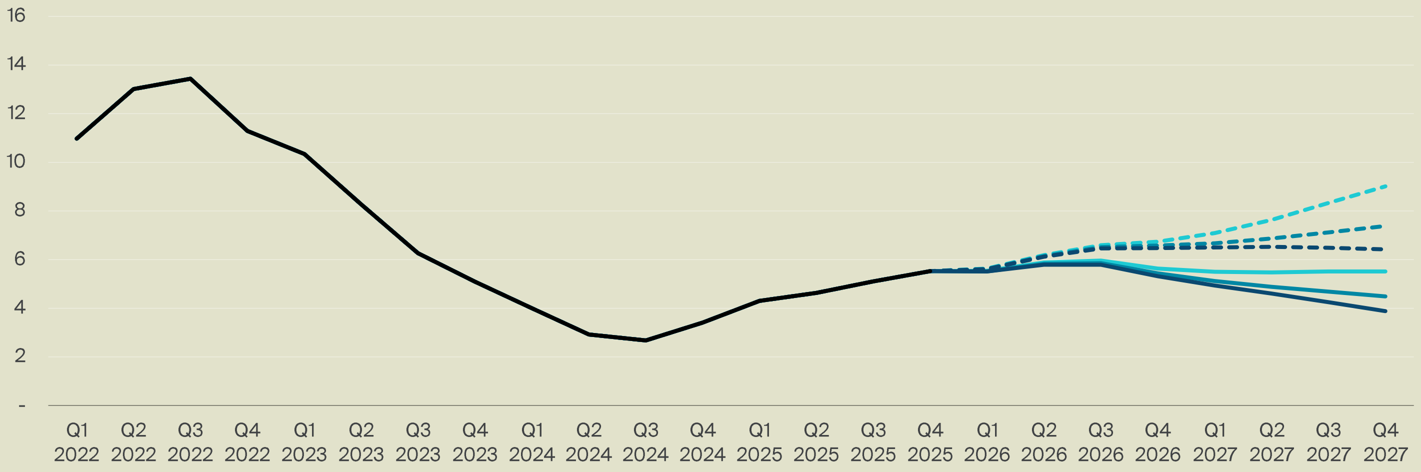
The Paris office market also benefits from significant upside potential, driven by asset upgrading and the diversification of uses. This upside is more pronounced (+17% to +22%) than that identified across all asset classes (+5% to +11%), regardless of the 2026 scenario considered. In such a case, investment volumes could reach approximately €6.5 billion.

This greater resilience reflects the office sector's traditional role as a defensive asset class in uncertain environments. As rising OAT yields reduce investors' risk appetite, capital tends to gravitate towards assets perceived as safer, combined with a high degree of geographic selectivity that should continue to favour the most mature locations, notably the Paris Central Business District submarket.

Investment volume – Office assets – Greater Paris Region

Four-quarter cumulative total– Seasonally adjusted series– In billions of euros – Year-on-year growth rate (%)

	scenario 1	Potential - scenario 1	scenario 2	Potential – scenario 2	scenario 3	Potential – scenario 3
2026	€5.6 bn (+2%)	€6.7 bn (+22%)	€5.4 bn (-2%)	€6.5 bn (+19%)	€5.3 bn (-4%)	€6.5 bn (+17%)
2027	€5.5 bn (-2%)	€9 bn (+34%)	€4.5 bn (-18%)	€7.4 bn (+12%)	€3.9 bn (-27%)	€6.4 bn (-1%)



Note : The "Potential" series fully incorporate the effects of OAT yields and economic activity, but differ in that they assume the upward structural momentum unfolds to its full extent

Source : *Estimations Knight Frank France (2026)*

Commercial Real Estate investment market– France Forecasts for 2026 and 2027

At the national level, commercial real estate investment in France (all commercial asset classes combined) is expected to contract in proportions like those anticipated for the Greater Paris Region market, regardless of the timing or intensity of the increase in the 10-year OAT yield (-9% to -14% in 2026). As with our other models, we incorporate a lagged impact of OAT yields on total commercial real estate investment, resulting in projected volumes of between €12.6 billion and €13.4 billion in 2026.

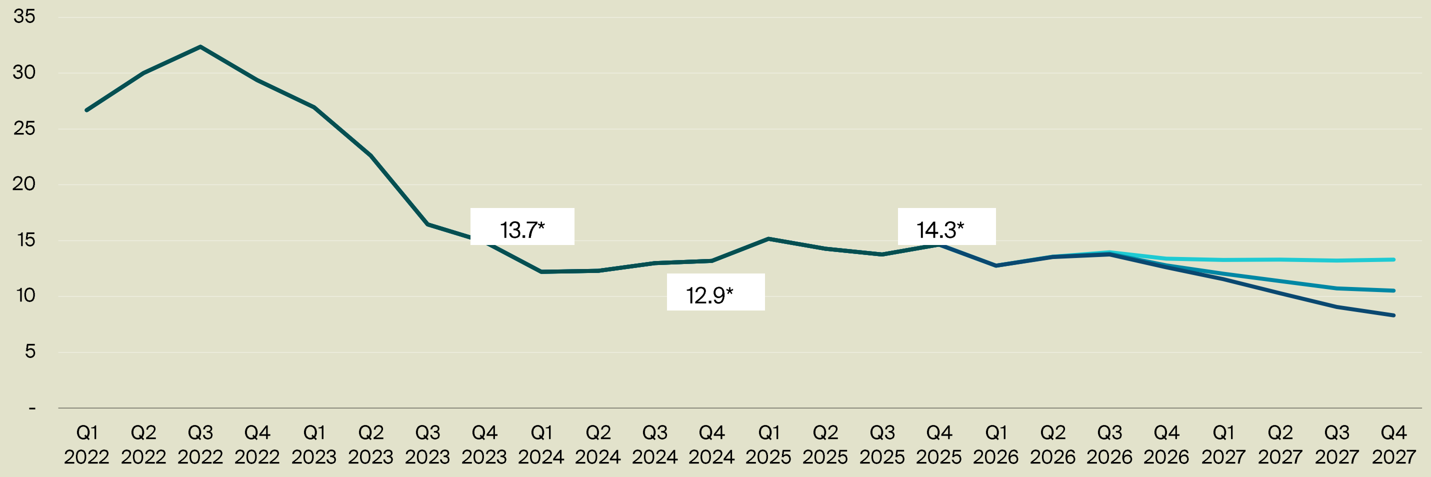
A temporary rise in OAT yields that eases from the second half of 2026 would allow for near stability in 2027 (-1%). By contrast, should OAT yields remain durably higher, a marked slowdown in commercial real estate investment in France appears highly likely, with a sharp deterioration in volumes, potentially declining to €10 billion or even as low as €8 billion (Scenario 3). It should be noted that 2027 forecasts are inherently more uncertain than those for 2026 and are highly sensitive to our most pessimistic scenarios (worst case).

Unlike the Greater Paris Region markets, our models did not identify any significant upside potential at the national level. This does not, however, imply that no such potential exists. The most likely explanation is that upside potential is more readily captured at a more granular geographic level or within specific asset classes, as illustrated by the results of our previous models for the Greater Paris Region and the Paris office market.

Investissement – Commercial real estate – France

Four-quarter cumulative total– Seasonally adjusted series– In billions of euros – Year-on-year growth rate (%)

	scenario 1	scenario 2	scenario 3
2026	€13.4 bn (-9%)	€12.8 bn (-13%)	€12.6 bn (-14%)
2027	€13.3 bn (-1%)	€10.5 bn (-18%)	€8.3 bn (-34%)



***Note** : The figures reported for 2023, 2024 et 2025 correspond to actual volumes (non-seasonally adjusted)

Source : *Knight Frank France (2026)*

The Knight Frank Research Team

provides market analysis and strategic consulting services in real estate for numerous French and international clients, including private individuals, institutions and users.

The data used to compile this study comes from sources widely recognised for their reliability, as well as Knight Frank's property market monitoring tools.

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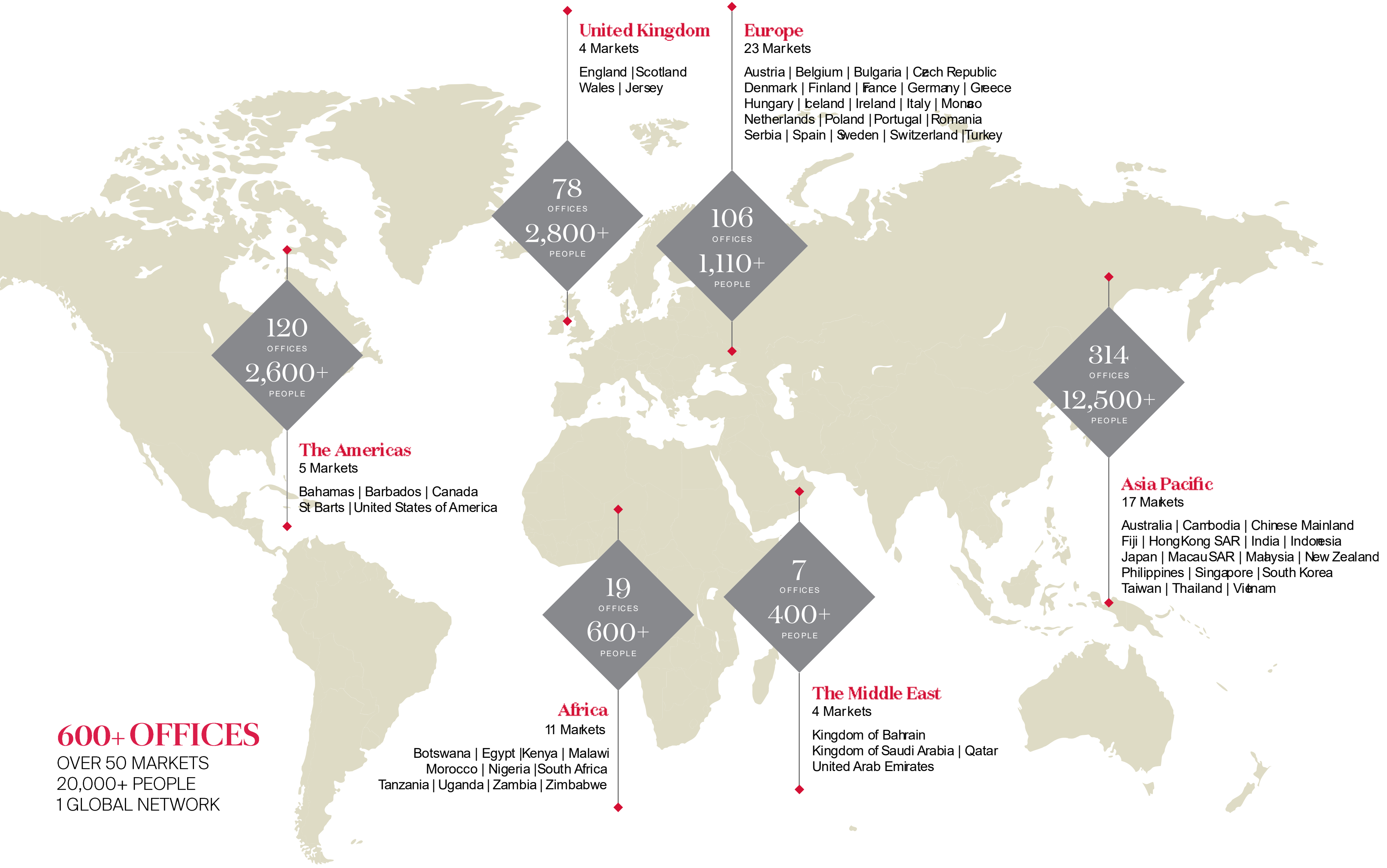
Knight Frank
at a glance

Founded over 125 years ago in Great Britain, the Knight Frank group today provides its expertise as an international property consultancy, with over 20,000 people working from more than 600 offices across 50 countries.Its French branch, established over 50 years ago in Paris, operates across both commercial and residential real estate markets. With more than 120 people based in Paris, Knight Frank France is structured around seven service lines: Capital Markets (investment), Occupier & Landlord Strategy and Solutions (office leasing and occupier advisory), Design & Delivery (workplace design), Retail Leasing, Knight Frank Valuation & Advisory, and Prime Residential. Knight Frank is also established in Lyon.



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