

Real Assets Snapshot

European Core Residential:

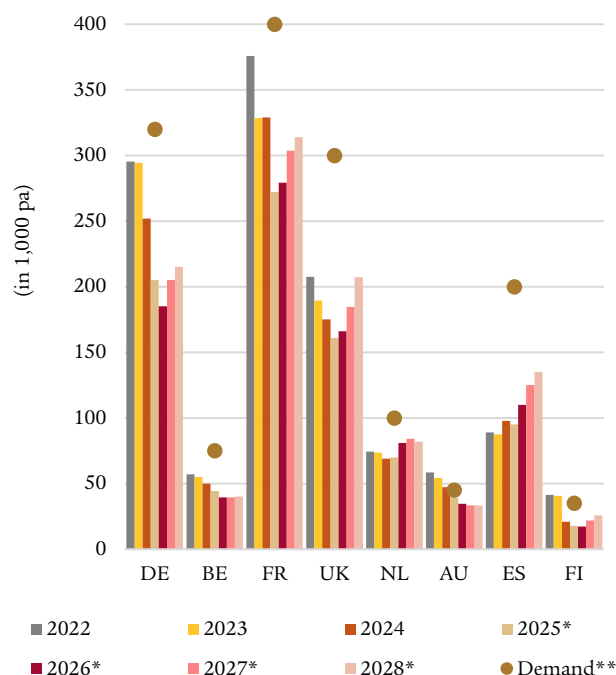
Opportunities and Differentiators



Core Residential Benefits from Structural Imbalances

European core residential real estate stands out as a compelling investment opportunity for institutional investors, combining structural demand with strong defensive characteristics. Across the continent, housing supply continues to lag behind demand, driven by urbanisation, population growth, declining affordability of homeownership and a trend towards smaller units. The latter is pushing the number of renting households to new highs, while construction activity remains persistently below required levels. In this environment of imbalance, core residential assets offer a particularly attractive proposition, as they translate structural undersupply into stable occupancy levels and resilient, inflation-linked income streams, while maintaining limited downside risk due to their exposure to these fundamental imbalances. At the same time, European residential markets are highly heterogeneous. Regulatory frameworks, rental growth dynamics and return expectations differ significantly across countries. Overall, opportunities are less driven by broad market exposure only but by selective allocation, geographic diversification, timing of entry and asset management.

Gap between Demand and Supply of Housing

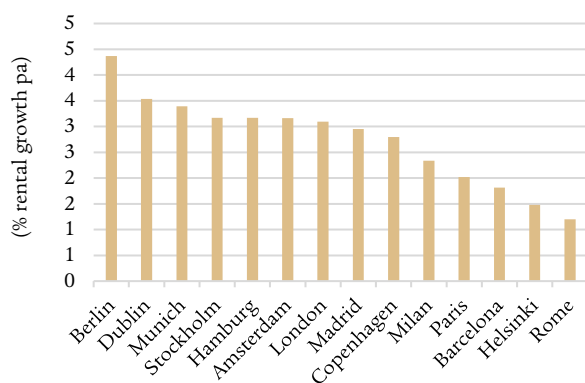


Source: Euroconstruct (as of November 2025), dwelling completions p.a., *forecast, **annual demand of new dwellings needed set by the governments or public institutions

Stable Fundamentals, but Different Local Outcomes

Across Europe, housing shortages remain widespread, especially in the metropolitan areas that strongly benefit from positive net migration. At the same time, more households are renting due to declining affordability of homeownership. These trends underpin stable rental demand and support reliable income streams across the continent. However, despite these shared fundamentals, the translation into income growth – and total returns – varies significantly by country. Differences in regulatory frameworks and market structures lead to distinct performance profiles, creating a wide dispersion of outcomes within the European residential universe.

Average Prime Rental Growth 2026 – 2030 pa



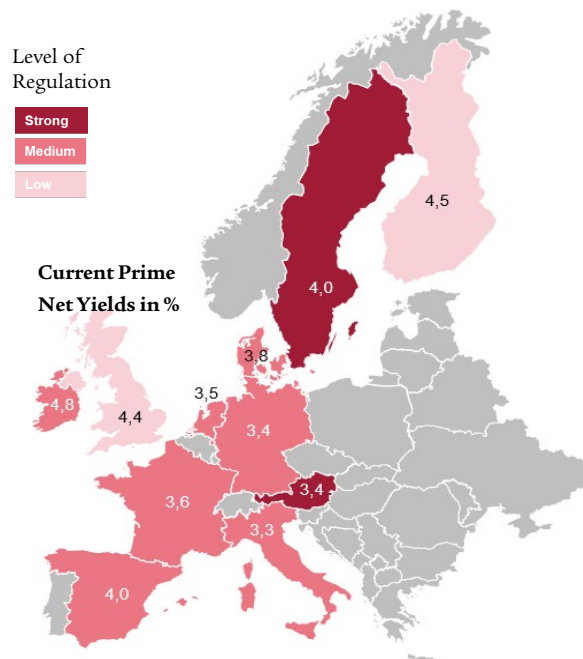
Source: Swiss Life Asset Managers, PMA

Regulation a Key Differentiator

An important differentiating factor of European residential markets is the degree and structure of rental regulation. While all countries benefit from strong structural demand and persistent supply shortages, regulation determines how this translates into rental growth and ultimately returns. Highly regulated markets, such as Sweden, restrict short-term rent increases, but income growth remains positive over time and typically unfolds more gradually, supported by indexation, periodic adjustments and structural undersupply. These markets offer high income stability and visibility, albeit with more limited upside. Moderately regulated markets, including Germany and France, combine regulatory intervention with flexibility. Here, strong demand continues to support rental growth, while mechanisms such as rent caps or indexation mainly affect the pace rather than the direction of increases. More liberal markets, such as the United Kingdom, allow rents to adjust more directly to market conditions, resulting in stronger but also more cyclical growth dynamics.

In the context of investing into European residential, regulation should be understood as a factor shaping the timing, volatility and visibility of income development rather than a long-term constraint on performance.

European Multifamily: Level of Regulation and Prime Net Initial Yields

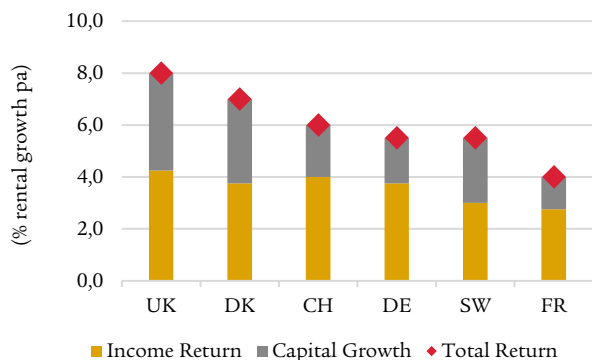


Source: PMA, Swiss Life Asset Managers

Diverging Total Return Profiles across Countries

European residential markets do not only differ in rents and regulation but also show diverging total return profiles, driven by income and capital growth. While income remains the dominant and stable component, its growth can be actively enhanced through asset management, particularly in supply-constrained markets. Core markets such as Germany and France offer resilient income streams with moderate capital growth, creating balanced return profiles and opportunities to unlock rental growth. Markets like the Netherlands and Ireland benefit from stronger capital growth potential, amplifying overall returns, while southern markets such as Italy and Spain remain more income-driven, where performance depends more on capturing income through operational execution. The United Kingdom combines strong income dynamics with relevant capital growth, resulting in a leading return profile, whereas Finland demonstrates that income alone is insufficient without supportive growth.

European Multifamily: Annual Total Return Composition by Country, 2026-2030



Source: Swiss Life Asset Managers Forecast based on MSCI

Investment Market Dynamics and Entry Opportunities

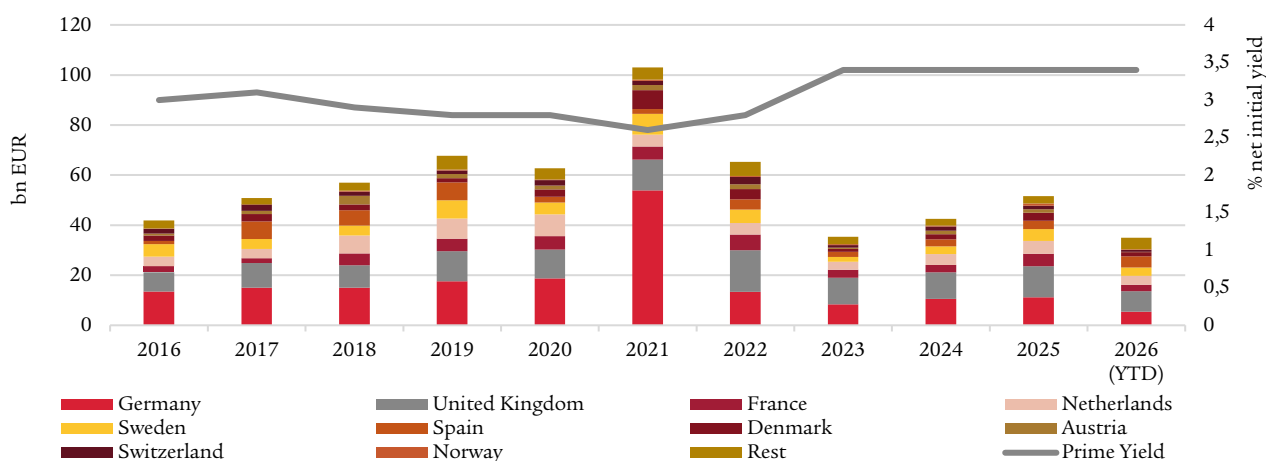
The European residential investment markets also differ in their degree of liquidity and institutional maturity. Large markets such as Germany, the United Kingdom, and the Netherlands offer deep transaction volumes and well-established structures, supporting efficient entry and exit. In contrast, smaller or more regulated markets tend to be less liquid and often require local expertise. Following the market correction in 2022 and 2023, pricing has adjusted to higher interest rates, with values declining by up to 20-30% in some markets. The currently discounted pricing enhances forward total returns – especially in markets where capital growth and active income strategies can be combined – and has created attractive entry opportunities for long-term investors, while rental demand has remained robust, leading to a disconnect

between pricing and fundamentals. As a result, the period from 2026 onwards represents a favorable investment window, particularly in markets with strong price adjustments such as Germany and France, or in markets with sustained growth dynamics such as the United Kingdom and the Netherlands.

European Core Residential – Stability Driven, Value Enhanced

European core residential real estate remains a highly attractive and resilient investment opportunity, anchored in structural supply shortages and sustained rental demand across the continent. Within the living sector, core strategies stand out as they inherently benefit from these imbalances. While total returns at the European average are expected to stabilise at above 5% pa, performance is largely driven by stable income growth, which can be further enhanced through active asset management – particularly in supply-constrained markets. At the same time, significant differences across countries in rental dynamics, market liquidity and return composition require a selective and active approach. Core markets such as Germany and France offer scalability and stability, while markets like the Netherlands or the United Kingdom provide additional growth upside. In this environment, the combination of core positioning, selective country allocation, disciplined entry pricing and active income-focused asset management becomes the key lever to unlock attractive, risk-adjusted returns in European residential portfolios.

European Multifamily: Investment Volumes by Country and Prime Yield Europe*



Source: MSCI/RCA, YTD = August 4, 2026, *including UK, Prime Net Initial Yield based on PMA Europe incl UK



Britta Roden
 Head Research Real Assets
 Britta.Roden@swisslife-am.com
 in @Britta_Roden



Gudrun Rolle
 Senior Analyst DE
 Gudrun.Rolle@swisslife-am.com
 in @Gudrun_Rolle

Disclaimer

Released and approved by the Real Asset Research Department, Swiss Life Investment Management Holding Ltd, Zurich

Swiss Life Asset Managers may have acted upon or used research recommendations before they were published. The contents of this document are based upon sources of information believed to be reliable but no guarantee is given as to their accuracy or completeness. This document includes forward-looking statements which are based on our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements | **France:** This publication is distributed in France by Swiss Life Asset Managers France, 122, rue La Boétie, 75008 Paris to its clients and prospects. | **Germany:** This publication is distributed in Germany by Swiss Life Asset Managers Deutschland GmbH, Clever Strasse 36, D-50668 Köln, Swiss Life Asset Managers Luxembourg, Niederlassung Deutschland, Darmstädter Landstraße 125, D-60598 Frankfurt am Main and BEOS AG, Kurfürstendamm 188, D-10707 Berlin | **UK:** This publication is distributed by Swiss Life Asset Managers UK Ltd., 55 Wells Street, London W1T 3PT | **Switzerland:** This publication is distributed by Swiss Life Asset Management Ltd., General-Guisan-Quai 40, CH-8022 Zürich | **Norway:** This publication is distributed by Swiss Life Asset Managers Holding AS, Haakon VII's gt 1, NO-0161 Oslo | **Italy:** This publication is distributed by Swiss Life Asset Managers Luxembourg, succursale Italia, Via San Prospero 1, I-20121 Milano | **Denmark:** This publication is distributed by Swiss Life Asset Managers Danmark, filial af Swiss Life Asset Managers Luxembourg, Luxembourg Frederiksgade 11, 1. tv, 1265 København K.

Further information can be found at:

www.swisslife-am.com



We enable people to lead a financially self-determined life.

