Three main reasons to be cheerful about 2026

Alex Jeffrey
Savills IM

How do you assess the sector's current state as we enter 2026?
We are beginning to see the light at the end of the tunnel following a period of elevated macroeconomic and geopolitical instability.

While the last few years have undoubtedly provided immense challenges for the industry, there are reasons to be cheerful about the outlook going forward. First, GDP growth is expected to gain momentum in the second half the year. Second, looser monetary policy in the absence of another sharp slowdown could see economic growth surprise to the upside. And third, a pullback in construction activity is providing a degree of resilience in the occupational markets which continue to see rental growth.

Recent dislocation has also created opportunities to access real estate at attractive entry points, which can limit downside risk for investors that are astute with their stock selection.

Elements of the recovery remain fragile, however, so engaging with the current market requires a high degree of discipline to protect and enhance capital.

What key transaction or milestone stood out for your business in the past 12 months, and why did it matter?
Our joint venture with EDF Invest to build a pan-European multifamily and student housing portfolio, which is set to exceed €600m GAV within the next two years.

The partnership represents a significant milestone for Savills IM as we look to solidify our reputation as a leading investor and manager in the living sector, an asset class that marries well into our ongoing focus on resilience and rental growth.

What are the main opportunities and prospects you see for the sector and for your business in 2026?
Recent market conditions have only served to reinforce our view that investors will be best served by focusing on strategies underpinned by enduring supply/demand fundamentals.

Key takeaways for 2026

- **GDP growth expected to gain momentum in second half**
- **Opportunities in well-located offices and high-street spaces**
- **Pullback of traditional lenders creates opportunity in debt space**

Savills IM formed a joint venture with EDF Invest to target European student housing

Private markets offering stable cashflows and growth in operating income will play an increasingly important role in real estate's performance relative to other asset classes.

For us, this means a focus on resilient sectors such as logistics, residential, student accommodation, food retail and convenience-led retail parks. This must be grounded, however, in disciplined stock selection as opposed to blindly chasing yield in sectors perceived to be in vogue.

Constrained development pipelines will also see tactical opportunities emerge in well-located offices and select high-street spaces and shopping centres, as well as value-add plays for underutilised, but strategically located assets more generally.

A pullback of traditional lenders has created significant opportunity in the debt space, where asset-backed real estate lending stands out for us as a transparent, yield-rich strategy well positioned to deliver attractive risk-adjusted returns.

What are your key strategic priorities for the year ahead?
We are tuning out the background noise and focusing on sectors and assets featuring a combination of sound long-term fundamentals and resilient operational dynamics. Here, investors still have an opportune window to move early in what will likely come to be regarded as an excellent vintage for discerning real estate investment.

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