European CRE/CMBS outlook

Issuance levels expected to remain elevated

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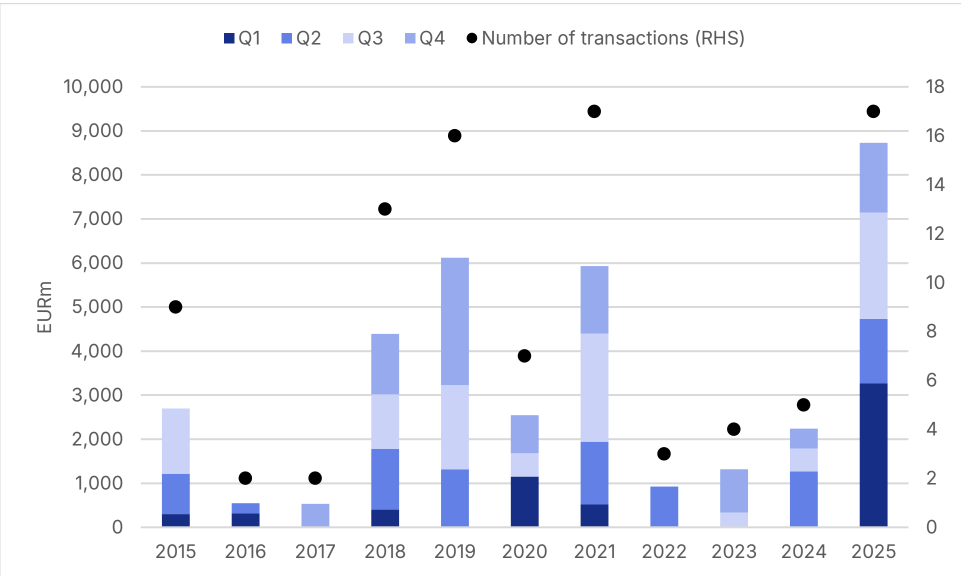
New European CMBS issuance accelerated in 2025 to EUR 8.7bn across multiple sectors, marking the highest annual volume since the post-pandemic recovery. We expect the momentum to continue in 2026, driven by the growing role of private credit in commercial real estate financing alongside sustained demand for securitisation as an alternative to bank lending.

The surge of new supply in 2025 reflected improved investor confidence, supported by stable collateral performance and a more favourable funding environment as interest rates began to normalise.

Refinancing risk for existing securitised loans appears limited to just the office sector. We expect that a quarter of all office loans by number will face high or very high refinancing risk. Borrowers will have to adjust their expectations with regard to certain struggling assets and inject equity in order to refinance.

Figure 1: European securitised CRE loans historical issuance levels



Source: Scope Ratings

Taking stock of 2025

43% of office loans remains delinquent

On the positive side, new CMBS issuance reached a multi-year high, close to 75% higher than the previous three years combined. This more than offset the 17 loans prepaid or repaid in 2025 (six backed by industrial properties, six retail, two telecom exchanges, two residential and one office). Weighted average note margins also decreased, reaching recent lows of +1.72% and +1.79% in the UK and Europe, respectively, for the latest transactions.

On the negative side, liability management remains an important factor, particularly for office loans: 43% of office loans have not repaid on their expected initial maturity dates. Taurus 2020-1 NL, a transaction backed by Dutch office properties, was recently modified and the loan extended by a further three years with a potential additional one-year extension.

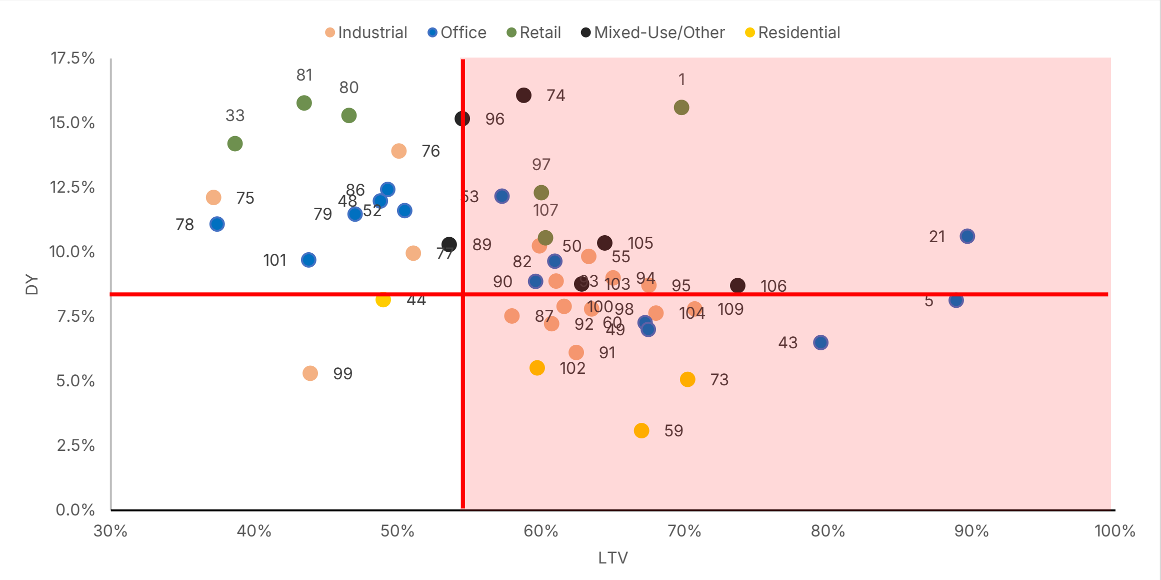
Taurus 2021-3 DEU recently negotiated a three-month extension as the borrowers try to find a more permanent solution. Overall, we had expected six loans (60%) to face high or very high risk of refinancing. Four (40%) were extended.

Table 2: Securitised loans: outcomes compared to January 2025 expectations

Refinancing risk	Modified	Extended	Repaid	Corrected	Expectation	Sub-total %
Very high	0	4	0	0	**4**	40%
High	0	0	2	0	**2**	20%
Medium	0	0	1	0	**1**	10%
Low	0	0	1	0	**1**	10%
Very low	0	0	2	0	**2**	20%
None	0	0	0	0	**0**	0%
Sub-total outcome	0	4	**6**	**0**	**10**	**100%**
Sub-total outcome %	**0%**	**40%**	**60%**	**0%**	**100%**	
N/A	2	0	11	0	**13**	
Outcome exc. prepaid %	**18%**	**36%**	**46%**	**0%**	**100%**	

Source: Scope Ratings, Euronext, investor reports

Figure 3: European securitised CRE loans: latest LTV and debt yield ratios



Source: Scope Ratings, investor reports

Industrial and logistics stabilises, retail strives, office lags

Most loans have shown an improvement in at least one of their key metrics, except office

Most loans have shown an improvement in one or both debt yield (DY) or loan-to-value (LTV) compared to December 2024. Sixteen loans (46%) improved on both metrics and 15 (43%) on at least one. Of the four loans (11%) with both metrics deteriorating, three are secured by office properties, and one by industrial properties.

The industrial and logistics sector stabilised in 2025, with eight of the nine loans exhibiting an improvement in at least one of the two metrics. Noteworthy here is the LTV improvement of -7.6 percentage points (pp) of the Jupiter loan of Cassia 2022-1 S.R.L. following the sale of two assets and an appraisal value that increased by 14% from a year earlier.

Office is showing signs of recovery, with five of the 14 loans showing improvements on both metrics, predominantly driven by property sales (HERA Financing 2024-1, Magritte CMBS NV/SA, Taurus 2021-2 SP), and scheduled amortisation (BERG Finance 2021, Canary Wharf Finance II plc).

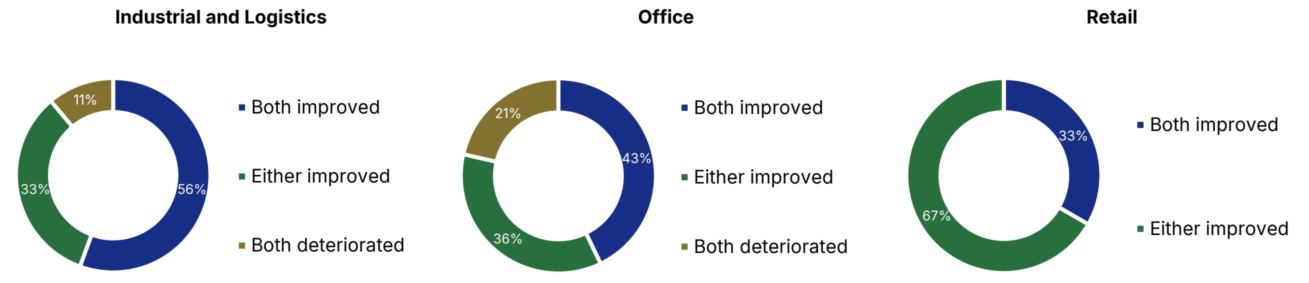
However, revaluations continue to take their toll on LTV, particularly for the single asset transactions we highlighted a year ago: River Green Finance 2020 DAC (RGF 2020) and ELoC No. 33.

River Ouest, the property backing the RGF 2020 loan, leads the declines with a 55% decrease from the March 2022 valuation, resulting in a 67.5pp LTV increase. CityPoint, the property backing the ELoC No. 33 loan, also exhibited a 40% market-value decline from the March 2023 valuation to GBP 405m, resulting in a 35pp increase in LTV. The Squaire property backing the senior loan of Taurus 2021-3 DEU has not been revalued since December 2024. However, given the recent negative news regarding the departure of the main tenant, we expect a reduction in the valuation and higher LTV.

The retail sector continues to show signs of resilience and growth, with all the loans improving on at least one metric since December 2024. Six transactions secured against loans backed by retail (notably shopping centres) repaid in full in 2025. All three super-regional shopping centres backing the Meadowhall Financing, The Trafford Centre and Westfield Stratford City No.2 transactions saw their valuations increase which, together with scheduled amortisation for the first two transactions, helped to reduce the transactions' overall leverage.

There are two exceptions: the loans securing the Emerald Italy 2019 and the Taurus 2017-1 IT transactions showed improvements thanks to property disposals or a cash sweep but are still struggling on the DY and LTV fronts.

Figure 4: Debt yield and LTV year-on-year change by sub-sectors

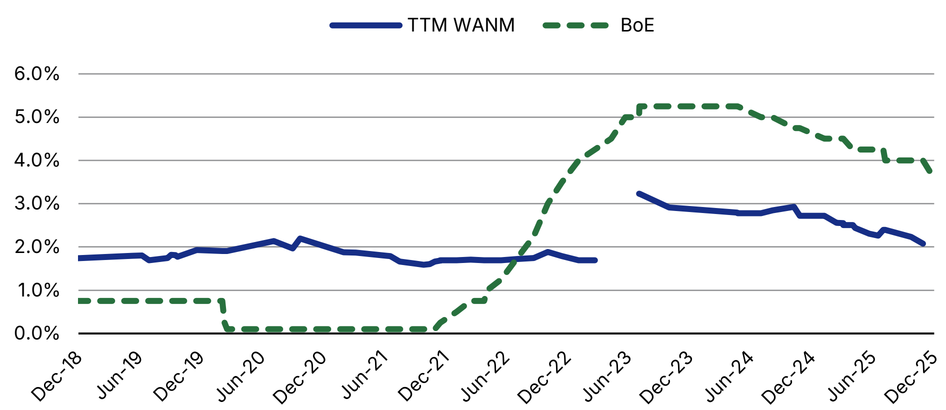


Source: Scope Ratings, investor reports, Euronext

CMBS weighted-average note margins tightening

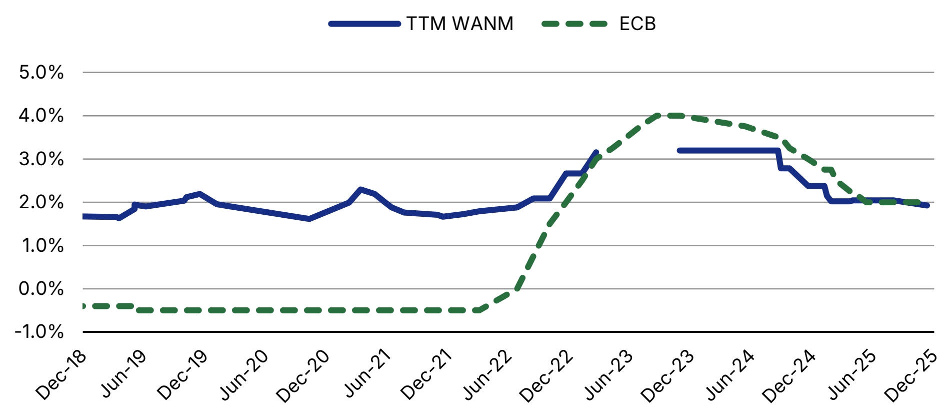
Weighted average note margins (WANM) in CMBS are tightening from the higher levels of 2023, which were driven by sharp interest-rate increases and concerns in the commercial real estate sector. Recent GBP and EUR deals have priced at their tightest levels in four years, bringing the trailing 12-month WANM down to 2.04% and 1.93%, compared with 2.72% and 2.38% previously for GBP and EUR transactions.

Figure 5: Trailing 12-month weighted average margin over SONIA vs deposit rate



Source: Scope Ratings, transactions' offering circulars, Bank of England ('BoE')

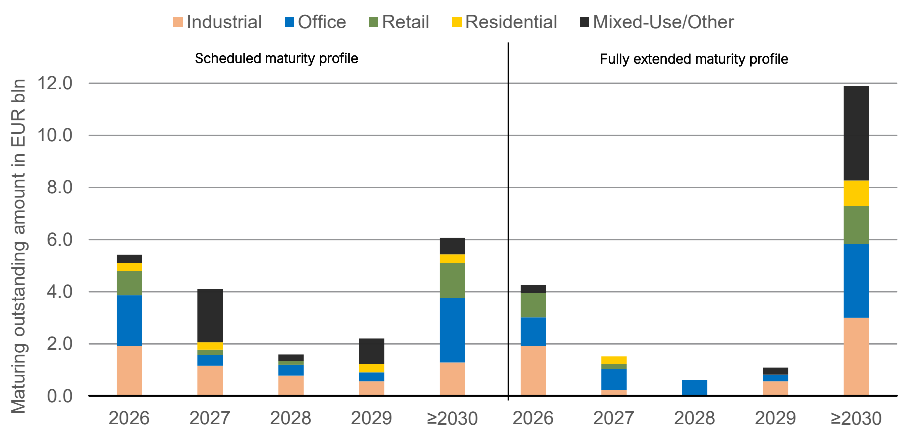
Figure 6: Trailing 12-month weighted average margin over Euribor vs deposit rate



Source: Scope Ratings, transactions' offering circulars, European Central Bank ('ECB')

Despite the reduction in margins, we expect borrowers to continue exercising loan-extension options in 2026 to benefit from locking in advantageous financing conditions, especially as the cost of extending interest-rate hedges continues to decrease with lower central bank deposit rates. As a result, the EUR 5.4bn refinancing needs of 2026 are expected to slightly decrease to EUR 4.3bn (see Figure 7).

Figure 7: Scheduled vs fully extended maturity profile of the European securitised CRE loans



Source: Scope Ratings, investor reports, transaction notices

Refinancing risk: lower but the office sector remains under pressure

Refinancing will remain challenging for a quarter of the loans reaching their fully extended maturities: 25% by loan count face high to very high refinancing risks. These loans present LTVs that are considered too high in the current lending environment combined with persistent high structural vacancies and relatively low debt yields (see Table 8). Most have also already benefited from some extensions and will need to be modified and/or require concessions from sponsors such as equity injections to extend further.

We expect 25% of securitised loans maturing in 2025 will not be able to refinance without equity injections

Table 8: Refinancing risks for securitised loans maturing in 2026

CMBS	Loan	Country	Sector	Vacancy	DY	LTV	Refinancing risk
Last Mile Logistics Pan Euro Finance	*Senior*	Mix	Office	14.41%	9.83%	63.31%	Low
Last mile Securities 2021-1X	*Senior*	Mix	Office	12.45%	10.24%	59.88%	Low
Logicor 2019-1 UK	*Senior*	UK	Hotel	11.71%	12.11%	37.16%	Very low
ERNA S.R.L.	Raissa	Italy	Mixed-use	0.00%	51.95%	14.48%	None
Highways 2021	*Senior*	UK	Other (MSA)	0.00%	16.07%	58.77%	Medium
Atom Mortgage Securities	*Senior*	UK	Office	27.00%	7.27%	67.24%	Very high
BERG Finance 2021	Sirrocco	Austria	Office	17.56%	11.61%	50.49%	Medium
Bruegel 2021 DAC	*Senior*	Netherlands	Office	5.50%	12.60%	57.26%	Medium
Taurus 2021-3 DEU	*The Squaire*	Germany	Office	19.16%	7.00%	67.45%	Very high
Taurus 2017-1 IT	*Senior*	Italy	Office	68.88%	3.16%	121.63%	Very high
Westfield Stratford City No.2	*Senior*	UK	Retail	5.82%	14.20%	38.66%	Low

Source: Scope Ratings, investor reports, transaction notices

Outlook: liquidity returns

Commercial real estate will continue to stabilise in 2026. Refinancing risk will remain elevated for the office sector but improving financing conditions combined with good fundamentals and increased liquidity will improve access to capital for the other sectors. We expect capitalisation rates to remain stable as the commercial real estate risk premium is expected to increase while euro risk-free rates settle around 2.0% and sterling rates reduce to 3.5% by the end of 2026.

Capitalisation rates to remain stable

Traditional real estate sectors:

Our outlook is cautiously positive for industrial and logistics and multifamily; neutral for retail; and negative for office (see Table 9).

Outlook: industrial and logistics and residential (cautiously positive), retail (neutral), office (negative)

The logistics sector is expected to remain one of the most resilient performers, supported by strong structural drivers such as e-commerce penetration, supply-chain reconfiguration, and near-shoring trends. Vacancy rates should stay historically low, while inflation-linked rental agreements will continue to provide a hedge against cost pressures and support stable income streams.

We are cautiously optimistic, noting that while yield expansion may persist in some sub-markets due to higher financing costs, robust occupier demand and limited new supply will help preserve valuations. Prime assets in strategic locations – particularly last-mile and urban logistics – are likely to see the strongest competition from investors seeking defensive, income-generating opportunities.

We expect the residential sector to remain fundamentally strong, underpinned by persistent housing under-supply and demographics, which will continue to drive rental demand. Meanwhile, development activity will stay muted due to high construction costs and tighter financing conditions. This supply constraint should continue to support low vacancy rates and rental growth. With interest rates projected to stabilise but remain above pre-pandemic levels, home ownership affordability challenges will keep renting the preferred option for young professionals and mobile households. Overall, the outlook is cautiously positive, with strong fundamentals and resilient demand, albeit with pressure on margins for highly leveraged operators and potential rent control measures.

The bricks-and-mortar retail market is expected to remain resilient but uneven, with performance increasingly polarised between prime, experience-driven locations and secondary assets. Turnover-linked rents and disciplined cost management should continue to support net operating income for well-located properties, while structural headwinds persist from e-commerce growth and evolving consumer habits.

We anticipate moderate rental growth in dominant shopping destinations, buoyed by tourism and leisure integration, but weaker demand for non-core assets. High-profile bankruptcies in prior years underscore ongoing credit risk for retailers, particularly those with thin margins and exposure to discretionary spending. Overall, sentiment is neutral, with investors favouring assets offering strong tenant covenants and adaptability to omnichannel strategies

The office market is expected to remain under pressure, with structural challenges persisting despite some stabilisation in prime segments. Demand will continue to focus on high-quality, sustainable, and flexible spaces, leaving older, non-compliant buildings exposed to rising vacancy and mounting obsolescence risk. We anticipate elevated capex requirements for landlords seeking to meet ESG and regulatory standards, while tenant incentives remain high to secure occupancy.

Lease terms are likely to stay shorter, reflecting occupiers' preference for flexibility amid hybrid work trends. Overall sentiment remains negative, even with some cautious optimism around prime assets in core locations. These are expected to outperform secondary properties, which continue to face falling valuations and heightened refinancing risk.

Table 9: Outlook for traditional real estate sectors

Sectors		Industrial & Logistics	Retail	Multifamily	Office
Outlook		**Cautiously positive**	**Neutral**	**Cautiously positive**	**Negative**
Macro tends	Positive	e-commerce, increased onshoring	Stabilising costs	Lack of supply, attractiveness of renting over buying	Strong sustainable credentials attract demand
	Negative	Bankruptcy rates, speculative development in non-core areas	Cost-of-living, bankruptcies, e-commerce	Rent control	Work-from-home, recession, environmental regulation.

Alternative real estate sectors:

Outlook: data centres (positive), student housing (cautiously positive), hospitality (neutral), life sciences (cautiously negative)

We have a positive outlook for data centres, are cautiously positive on student housing, neutral on hospitality and cautiously negative on life sciences (see Table 10). Data centres and digital infrastructure transactions benefit from strong fundamentals aided by a lack of supply (both on the property front but also on the power grid), long leases with generally high-quality tenants. Digital transformation combined with AI and increased data protection in the EU mean that the demand is poised for growth.

The student housing sector is expected to remain structurally resilient, supported by sustained university enrolment and strong international student demand, particularly in major academic hubs. While development pipelines are slowing due to elevated construction costs and financing constraints, this supply moderation should underpin rental growth and stable occupancy.

Operators with modern, well-located assets near top-tier institutions are likely to outperform, benefiting from premium pricing and strong pre-leasing trends. Market participants anticipate continued investor interest driven by the asset class's defensive characteristics and predictable cash flows, though yields may compress further as competition for quality stock intensifies.

Overall, the outlook is cautiously positive, with fundamentals supported by demographic trends and limited new supply, despite ongoing cost pressures and selective refinancing risk

The hospitality sector is expected to maintain steady performance, supported by resilient leisure and business travel demand, particularly in major urban and tourist destinations. Occupancy rates should edge closer to pre-pandemic peaks as international tourism continues to recover, and corporate travel gradually normalises.

However, consumer spending remains sensitive to lingering cost-of-living pressures, meaning mid-market and budget segments may outperform luxury in domestic markets. Operators with strong brand positioning and efficient cost structures are likely to benefit most, while secondary locations could face slower growth. Overall, we are neutral with expectations of stable net operating income, underpinned by disciplined expense management and sustained foreign visitor inflows.

The life-sciences sector is expected to stabilise gradually following the turbulence of recent years. While the lingering effects of reduced venture funding and consolidation will continue to weigh on smaller players, the pace of bankruptcies should ease as interest rates normalise and investor confidence slowly returns.

Occupier demand is likely to remain concentrated among larger, well-capitalised firms, sustaining pressure on smaller start-ups. Property costs will stay elevated, but increased government support (such as the UK's Life Sci for Growth initiatives and similar programmes in Europe) combined with a growing number of public-private partnerships should provide modest tailwinds. Overall, the sector is projected to outperform traditional office markets, though growth will remain subdued and uneven, favouring established operators over early-stage ventures.

Table 10: Outlook for alternative real estate sectors

Sectors		Data Centres	Student housing	Hospitality	Life sciences
Outlook		**Positive**	**Cautiously positive**	**Neutral**	**Cautiously Negative**
Macro tends	**Positive**	Increasing demand, high-quality tenants, lease length	Supply and demand imbalance, non-cyclical	Stabilised occupancy and RevPAR	Highly technical buildings, supply and demand imbalance
	Negative	Power availability, regulations	Increased costs, capex outlays	Lower business travel activity, increased costs, capex outlays	Weak tenants, higher yields, higher costs

Appendix I: securitised loans facing high to very high refinancing risks

Senior loan of Taurus 2017-1 IT

The loan's original maturity was August 2022, but it has been modified a few times to extend the final maturity date to February 2026. Two Italian retail properties of the 23 at closing remain. The transaction saw its DY fall to around 3.25% considering the interest available in November 2025 as the reporting of key metrics has been lagging. With the notes' legal final due in August 2029, we expect the special servicer to continue extending while trying to dispose of the remaining property (the Grotte centre was disposed of in December 2025 leaving 45 Nord Moncalieri the only one left).

Squaire loan of Taurus 2021-3 DEU

The loan negotiated another short-term three-month extension while the sponsors work out a longer-term solution. The office property continues to see its occupancy decrease from around 95% at closing to less than 81% as of the last September report. Together with the announced departure of the main tenant (KPMG) at the next break option, the prospects of the loan refinancing are extremely slim.

We continue to see a modification and a full cash sweep as the best options in the short term. We note that since last year's last-minute extension, which, among other changes, required all surplus hotel operating cash to be swept into the rental income account, the hotels' combined net operating profit has fallen 24% year-on-year. In contrast, the reported combined profit of the hotels (revenue minus expenses) has declined by a more modest 12% over the same period.

Senior loan of Atom Mortgage Securities

This loan is backed by three UK business parks (down from four at closing) and two logistics UK assets. The vacancy rate across the properties has increased to 27% from 16% at closing but thanks to the property disposal and resulting loan deleveraging, the DY and LTV stand at 7.27% (up from 7.0% at closing) and 67.2% (up from 59.5% at closing). There has also been a recent uptick in the valuation of the remaining properties from GBP 404m to GBP 458m (+13%).

The transaction has been in cash trap since January 2025, first because of the LTV covenant breach (it was 76% prior to the revaluation, above the 69.5% threshold) and more recently because of the DY covenant breach (below 7.50%). The largest property is 32% vacant (+6pp YoY) while the smallest property's vacancy increased by 43pp to 58.6% following the departure of the main tenant. Including the mezzanine loan, the transaction's overall leverage stands at 84%. The transaction will require a cash injection or a significant turnaround in the next two quarters to achieve refinancing.

Appendix II: Outstanding securitised CRE loans

Loan ID	Loan name	Transaction ID	Transaction name	Asset type	Reporting date
76	Jupiter	69	Cassia 2022-1	Industrial	August 2025
77	Thunder II	69	Cassia 2022-1	Industrial	August 2025
109		97	DBMS 2025-1	Industrial	December 2025
55		55	Last Mile Logistics Pan Euro Finance	Industrial	November 2025
50		51	Last Mile Securities 2021-1X	Industrial	November 2025
75		68	Logicor 2019-1 UK	Industrial	November 2025
94		85	Sequoia Logistics 2025-1	Industrial	November 2025
95		86	Taurus 2025-1 EU	Industrial	November 2025
104		92	Taurus 2025-3 UK	Industrial	October 2025
91		83	Thunder Logistics 2024-1	Industrial	November 2025
87	St Modwen	80	UK Logistics 2024-1	Industrial	November 2025
92	Indurent	84	UK Logistics 2024-2	Industrial	November 2025
93	Mileway	84	UK Logistics 2024-2	Industrial	November 2025
98	Nevis	87	UK Logistics 2025-1	Industrial	November 2025
99	Fawr	87	UK Logistics 2025-1	Industrial	November 2025
100	Pike	87	UK Logistics 2025-1	Industrial	November 2025
108		96	Vanir Logistics Finance	Industrial	December 2025
106		94	Caister Finance	Mixed-Use/Other	August 2025
28	Raissa	26	ERNA S.R.L.	Mixed-Use/Other	October 2025
74		66	Highways 2021 PLC	Mixed-Use/Other	September 2025
96	Wildcat	88	Taurus 2025-2 UK	Mixed-Use/Other	November 2025
105		93	Taurus 2025-4 UK	Mixed-Use/Other	November 2025
103		91	Vantage DC GE 2025-1	Mixed-Use/Other	December 2025
89		81	Vantage DC UK 2024-1	Mixed-Use/Other	December 2025
60		59	Atom Mortgage Securities	Office	October 2025
52	Sirrocco	52	BERG Finance 2021	Office	October 2025
78		71	Broadgate Financing	Office	October 2025
53		53	Bruegel 2021	Office	November 2025
79		72	Canary Wharf Finance II	Office	September 2025
21	Salus	23	ELoC No. 33	Office	October 2025
5	Polar	13	FROSN 2018-1	Office	November 2025
90	Fora	82	HERA Financing 2024-1	Office	November 2025
86		79	Magritte CMBS	Office	October 2025
101		89	Pine Finance 2025-1	Office	October 2025
41		40	River Green Finance 2020	Office	October 2025
43	Loonie	42	Taurus 2020-1 NL	Office	November 2025
48	Figo	48	Taurus 2021-2 SP	Office	November 2025
49	The Squaire	49	Taurus 2021-3 DEU	Office	September 2025
82		75	Vita Scientia 2022-1	Office	November 2025
59	Haus	58	ELoC No. 39	Residential	October 2025
44	Folio	44	Folio Residential Finance No. 1	Residential	October 2025
73		65	Sage AR Funding 2021	Residential	August 2025
102		90	Sage AR Funding 2025	Residential	November 2025
38	Everest	37	Emerald Italy 2019	Retail	September 2025
107	Lagarino	95	ELOC No. 40	Retail	September 2025
80		73	Meadowhall Financing	Retail	October 2025
1	Fashion District	11	Pietra Nera Uno	Retail	November 2025
84		77	Taurus 2017-1 IT	Retail	November 2025
97	Silverburn	90		Retail	November 2025
81		74	The Trafford Centre	Retail	October 2025
33		32	Westfield Stratford City No.2	Retail	October 2025

Source: Scope Ratings, investor reports

Related research

Scope publishes new CRE Loan and CMBS Rating Methodology, December 2025
European CRE/CMBS: retail leads the way in loan repayments, signalling improved fundamentals, October 2025
European CRE/CMBS: bumper start to the year, April 2025

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