

European Residential Signals

July 2026

A snapshot of prime residential market trends in Europe

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► Buyer shifts, rising mobility and currency gains

Overseas buyers

The composition of overseas buyers in Europe’s prime residential markets is shifting, reflecting both geopolitical changes and evolving patterns of global wealth mobility.

Buyers from Europe (excluding the UK) remain the largest group overall, looking at cross-border demand within Europe rather than domestic activity. However, their share of weighted overseas demand edged lower in the first half of 2026 compared with the second half of 2025 from 45% to just under 40% (see chart Fig 1.) as demand from UK and US purchasers strengthened, according to Knight Frank agents working across more than 20 prime European markets, who were asked to rank their top three overseas buyer groups.

US buyers are expanding their footprint across key lifestyle and urban destinations, gaining ground in markets such as Milan, Ibiza and the Algarve. UK buyers are also broadening their footprint across Europe’s prime markets, expanding their presence in Madrid, Ibiza and Tuscany, while maintaining leading positions across multiple markets including Monaco and the French Riviera.

Over the past five years, strong international demand has contributed to sharp price growth across sun-led markets with prime prices in the Algarve up over 60% (see chart Fig 2.), as well as key urban centres including Zurich and Milan (see chart Fig 4. below).

Overall, UK buyers have accounted for roughly one-third of overseas demand in H1 2026, underlining their enduring importance. US demand has also increased meaningfully, while Middle Eastern interest is becoming more visible from a smaller base. In contrast, Latin American, Chinese and CIS demand has softened slightly, pointing to a modest but clear rebalancing towards Western buyers alongside growth from the Middle East.

Currency trends driving demand

Currency movements remain a critical driver of cross-border property demand, directly shaping relative affordability for international buyers.

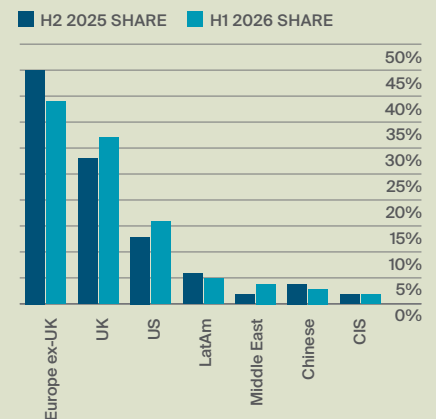
Over the past decade, both USD/EUR and GBP/EUR have been volatile, although movements have stabilised more recently. As of mid 2026, sterling retains a relative advantage, with £1 buying around €1.15, while the dollar is weaker than the euro, with \$1 buying €0.87. This marks a modest recovery in the euro against the dollar from its 2022 lows, while sterling has broadly maintained its edge over the euro despite easing from its 2024 peak.

For UK buyers, this remains broadly supportive. A stronger pound relative to the euro enhances purchasing power across euro-denominated markets, helping sustain demand for European property, with UK buyers particular focused on lifestyle markets such as the Algarve, Marbella and the Balearics.

“US buyers are expanding their footprint across key lifestyle and urban destinations.”

Fig 1. UK buyers account for a third of demand

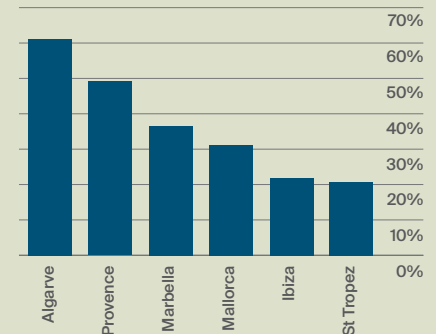
Share of international demand



*Based on agents’ top three overseas buyer nationalities across 20+ prime markets, weighted 3-2-1. Source: Knight Frank Research

Fig 2. Price growth across sun-led markets

Prime prices, 5 year change (2025 vs 2020)



Source: Knight Frank Research

For US buyers, the picture is more mixed. The recent softening of the dollar against the euro has marginally reduced purchasing power compared with recent peaks, although US demand remains robust, supported by strong wealth creation and diversification into European assets.

Underlying these shifts are broader macroeconomic dynamics. The Bank of England’s relatively higher policy rate compared with the Eurozone has supported sterling through a yield advantage, while global trade tensions and evolving US tariff policy have contributed to some recent dollar softness. At the same time, safe-haven demand has supported currencies such as the Swiss franc, which has implications for relative pricing outcomes (see below).

Prime property price changes

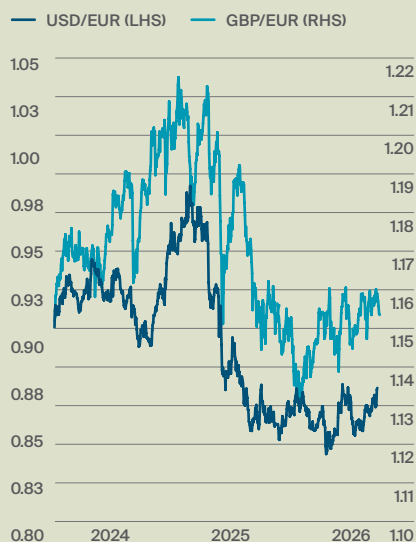
Across the prime European markets tracked by Knight Frank, price growth has been broadly positive since 2020, with London the notable exception. However, the extent of price growth since 2020 differs depending on the buyer’s currency.

Data comparing price movements across currencies demonstrates how exchange rate shifts can materially alter perceived performance. Taking Milan as an example, prices are up around 36% for a euro-based buyer over this period. However, once currency effects are considered, the increase is lower for international buyers, approximately 32% for UK buyers, 31% for US buyers, and just 17% for Swiss buyers.

The same pattern holds across multiple markets. Price growth in locations such as Madrid (c.29% in euro terms), Lisbon (c.21%) and Paris (c.18%) looks considerably different when viewed through the lens of foreign currencies, particularly for buyers benefiting from stronger exchange rates.

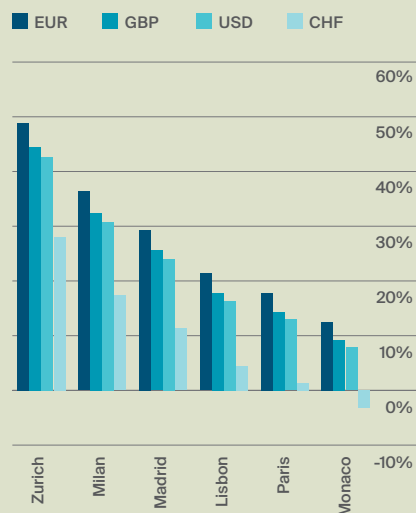
Looking ahead, Oxford Economics forecasts suggest continued upward pressure on residential prices across much of Europe. This year, mainstream house prices in Portugal and Spain are forecast to rise by 10-11% before easing to 3 and 5% respectively by 2027. More modest single-digit rates of growth are expected elsewhere, although France and Germany are expected to pick up slightly next year from 1-2% this year to up to 4-5%.

Fig 3. Sterling stronger vs euro, dollar weaker



Source: Knight Frank Research, Macrobond Financial

Fig 4. Currency effects on key prime markets 2020-2025



Source: Knight Frank Research

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