PRESS RELEASE
11 June 2026 07:00:00 CEST

Catella: Europe's office markets diverge on limited supply and concentrated rental growth

European office markets are entering a new phase where rental growth in supply-constrained CBD locations is expected to improve liquidity and support value recovery. Catella's Office Outlook identifies a growing divide between prime offices in central locations and ageing secondary stock, creating selective opportunities for investors able to capitalise on constrained supply, rental growth and improving market liquidity.

Despite ongoing uncertainty surrounding hybrid working and the long-term impact of artificial intelligence, Catella argues that offices remain a relevant asset class. However, future returns are expected to be concentrated in modern, sustainable buildings in central business districts, where limited development pipelines and rising replacement costs continue to support rental growth.

The report highlights that development activity remains subdued across much of Europe due to elevated construction costs, financing constraints and increasingly complex refurbishment requirements. As a result, supply of modern office space is becoming increasingly scarce in many CBD markets, supporting occupancy and rental growth in best-in-class assets. As a result, prime office rents in Europe have grown by 6.5 percent annually since the scale-up of hybrid working in 2020.

"The office market is no longer moving as one asset class. We are seeing a structural divergence between assets that can deliver durable income growth and those facing growing obsolescence risk. This creates opportunities for investors with a clear asset-level strategy and strong execution capabilities," says Petra Blazkova, Head of Group Research and Strategy at Catella Group.

This divergence is also creating mispricing opportunities. Offices have largely been treated as a single sector despite significant differences in underlying fundamentals. Modern CBD offices have experienced value declines similar to secondary stock, creating attractive entry points for investors. As market conditions normalise, Catella expects prime CBD assets to benefit from improving values, while secondary offices continue to face pressure from weaker demand, higher vacancy and rising capital expenditure requirements.

"*Investors should focus less on the question of whether to invest in offices and more on which offices to invest in. Success will depend on identifying assets that can benefit from supply constraints, occupier demand and active asset management,"* says Daniel Gorosch, Head of Corporate Finance Europe at Catella Group.

The report also notes that office transaction activity has increased by 19.5 percent over the last 12 months, signalling renewed investor confidence in the sector. Activity is particularly strong in central business districts where liquidity and investor demand remain strongest. This is contributing to more reliable price discovery and creating selective entry opportunities, particularly within value-add and refurbishment strategies.

Catella House View Office Outlook combines pan-European research and local market expertise to identify the key trends, risks and investment opportunities shaping the future of the European office sector.

For more information, please contact:
Petra Blazkova
Head of Group Research and Strategy
+49 172 831 81 16
petra.blazkova@catella.com

Veronica Hjelte
Head of Group Communications
+46 8 463 33 17
veronica.hjelte@catella.com

About Catella

Catella is a leading specialist in property investments and fund management, with operations in 12 countries. The group has over EUR 14 billion in assets under management. Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Read more at **catella.com**.

Attachments

Catella Office Outlook June 2026
Catella: Europe's office markets diverge on limited supply and concentrated rental growth