PRESS RELEASE
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Catella House view: Why the right city matters as much as the right sector

European real estate is entering a new phase in which location is becoming as important as sector selection in determining investment returns. Catella's House view Autumn 2026 identifies a widening divergence between European cities and groups them into six distinct clusters based on their economic strength and urban attractiveness.

For much of the past decade, successful real estate investment strategies have largely been built around making the right sector calls – particularly "beds and sheds" -, residential has benefited from structural housing shortages and affordability constraints, while logistics has been supported by e-commerce and redefined supply chains. As sector trends become increasingly well understood, the key investment question is shifting from what to invest in to where to invest, making city selection a critical driver of long-term returns.

"European real estate can no longer be viewed as one market moving through a single cycle. Economic growth, population trends and occupier demand are increasingly concentrated in particular cities, creating very different local real estate cycles. For investors, this means that where you invest is becoming just as important as what you invest in," says Petra Blazkova, Head of Market Strategy & Product Development at Catella Group.

Catella's analysis covers 75 metropolitan areas across 20 European countries, representing a combined population of approximately 350 million people. Based on 16 economic, demographic, social and real estate indicators, the cities are grouped into six clusters: Flagship cities, Economic anchors, Talent hubs, Rising stars, Regional centres and Trailing cities.

The clusters are not a ranking, but a framework for understanding the different roles cities can play in a real estate portfolio, allowing investors to match capital allocation and risk-return requirements with local market characteristics. There is no single best city to invest in. Future returns will increasingly depend on matching the right city with the right investment strategy and risk profile.

"*Some cities provide liquidity and capital preservation, while others offer income generation, thematic exposure or opportunities for active value creation. Investors should not be looking for a single winning city, but for the locations where the underlying fundamentals best support their investment strategy and return objectives,"* Petra Blazkova continues.

The six clusters highlight different investment roles across European cities. Flagship cities, including London, Paris and Stockholm, combine scale, connectivity and liquidity, supporting defensive Core strategies. Economic anchors, such as Munich, Milan and Berlin, offer relative-value opportunities within Core and Core+. Talent hubs, including Bristol, Helsinki and Malmö, benefit from strong human capital and innovation, creating opportunities in areas such as student accommodation and life sciences. Rising stars, including Warsaw, Málaga and Porto, offer stronger growth potential alongside higher risk. Regional centres, such as Lisbon, Lyon and Stuttgart, present more selective opportunities driven by local market conditions and active management. Trailing cities, including Rome, Florence and Naples, require a greater focus on active value creation through repositioning and redevelopment.

Together, the six clusters illustrate how different city characteristics translate into different investment opportunities and risk profiles, reinforcing the importance of aligning location with investment strategy.

Catella House view Autumn 2026 builds on the investment convictions identified in the Spring 2026 House View which highlighted affordable housing and operational living as the most attractive segments in the European investment landscape, supported by structural housing shortages, demographic change and growing demand for flexible living formats. The Autumn House view adds the location dimension. While sector fundamentals remain critical, Catella's analysis shows that successful capital allocation will increasingly depend on selecting the right cities as well as the right sectors.

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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 House View: Cities Outlook
Catella House view: Why the right city matters as much as the right sector