

# Catella House view

## A new spring

MARCH 2026

*"The investment landscape for 2026 is poised to be shaped by multiple factors. Central banks' policies, evolving trade dynamics, fiscal pressures, geopolitical developments, and the accelerating impact of AI are creating a challenging yet opportunity rich backdrop.*

*As a focused real estate investment and advisory platform with proactive strategies and exceptional execution capability, Catella combines deep local market expertise with the ability to manage volatility and capture upsides. Our outlook highlights ways for investors to actively seek catalysts that may drive investment returns across real estate markets.*

*We appreciate the opportunity to share these perspectives and look forward to supporting your investment objectives."*

**Petra Blazkova**  
Head of Group Research & Strategy



# Positioning for The Next Cycle

Despite a fragmented economy and thin liquidity, 2026 offers opportunity as structural forces from defence economy, urbanisation, housing shortages, and demand for sustainable buildings are creating pockets of resilience.

In 2023, elevated inflation and successive interest rate hikes increased borrowing costs, pushed prices and eroded investor confidence. By late 2024, the European Central Bank (ECB) took first steps towards cutting rates to counter economic slow-down. But in 2025, complex geopolitics further delayed recovery. Throughout this period, real estate markets struggled and not only in Europe. Sharp repricing, slow valuation adjustments, and limited distress have constrained market liquidity. Some investors slowed decision-making to a halt. Property returns – exceptions aside – remained stubbornly low, leaving the sector broadly underperforming.

2026 remains uncertain shaped by a fragmented economic backdrop and mild liquidity. Yet, within this challenging environment lies opportunity. Structural trends – defence economy, urbanisation, housing shortages, and demand for sustainable buildings – are creating pockets of resilience and growth. Investors who navigate pricing dislocations and focus on sectors aligned

with demographic and technological shifts can capture attractive returns. The coming cycle offers a rare chance to secure quality assets at favourable entry points, positioning portfolios for recovery and improved performance in the years ahead.

## Manoeuvring Interest Rate Decisions

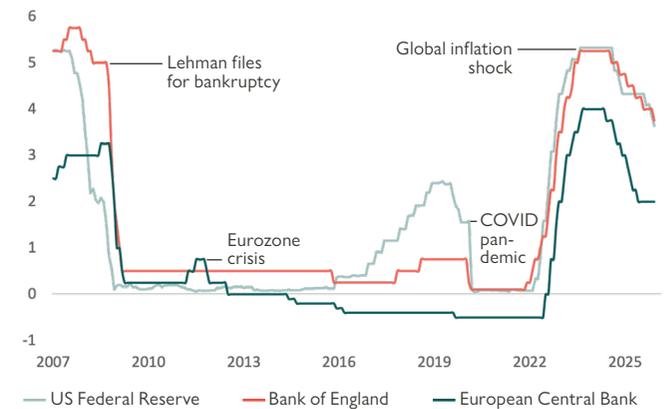
The next phase of opportunity depends on how key global central banks steer rates to support economic growth. Their mandate remains clear: maintain price stability and control inflation with interest rates being their primary lever. The Eurozone led: the ECB has cut rates eight times, bringing the deposit facility to 2.0%. President Christine Lagarde says the region is now “in a good place”. The US Federal Reserve has implemented three consecutive rate cuts, with further easing anticipated after Jerome Powell steps down from the chairmanship in May. As a result financing costs fall and debt instruments start to look increasingly accretive to property returns – a dynamic that could spark deal activity, especially for early movers.

## From Price Discovery to Transaction Trends

In Europe, price discovery is largely complete following pan-European average 25% price decline that started in May 2021, and attention is now shifting back to new pricing and deal activity. The onset of a new pricing cycle is visible, supported by stabilising rates, more readily available debt and continued rental growth. Property values have already risen – modestly, by 6% since the end of 2023 – and early signs of rebound are emerging in markets where rental growth has been the strongest.<sup>1</sup>

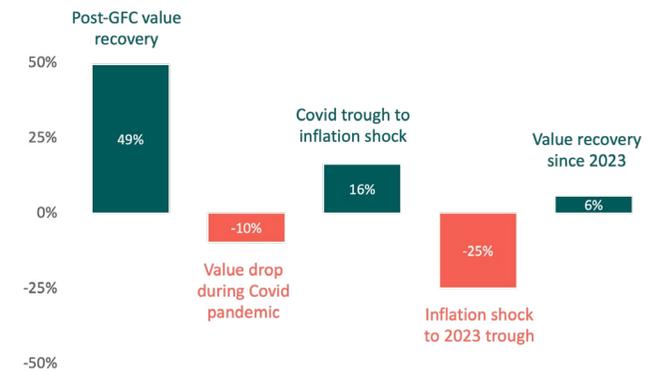
Early signs of the improving investment activity reinforce this shift: in 2025, EUR 225 billion traded in European direct real estate – a 5% increase year-on-year. Market liquidity measured by a number of properties traded reflects the same trend. Liquidity is improving, albeit unevenly and slowly, with capital favouring hotels and offices in key markets such as London and Paris, niche sectors and residential assets.<sup>2</sup>

CENTRAL BANKS' KEY POLICY RATES  
[monthly, %]



Source: ECB, Federal Reserve, Bank of England websites, as of January 2026; Catella 02/2026

PEAK TO TROUGH PROPERTY VALUE CHANGES  
[% index value changes]



Source: Green Street Advisors European Property Price Index CPPI, as of December 2025; Catella 02/2026

1. Source: Property value changes are based on Green Street Advisors' European Property Price Index, as of December 2025.

2. Source: MSCI RCA, as of January 2026.

Real estate, however, still lags bonds and private markets, which offer strong competitive advantages and limit capital allocation to real estate. Other risks persist too. Surging AI valuations, fuelled by private credit financing, raise bubble concerns. A sharp correction could spill into real estate, especially for investors exposed to both. Illiquidity remains a key hurdle – for property to rival these trillion-dollar sectors, property income performance must strengthen.

### Divergent Regional Economics

Positive economic growth is essential for leasing demand. While early signs of recovery are emerging in 2026, economic growth remains uneven across Europe. Tariffs and geopolitical uncertainty continue to pose risks, yet they also encourage greater local investment. Furthermore, rising defence budgets are expected to stimulate industrial output and accelerate infrastructure development. Nordic economies gain momentum via tech and renewables, supported by policy incentives. Spain and Poland stabilise on strong consumer demand. Eurozone unemployment is at record lows, easing cost pressures and lifting occupier confidence. Challenges, however, persist in the Netherlands, France, Italy, and the UK, where high deficits, tight fiscal policy, and weak sentiment may constrain growth.

### Migration Driving Urban Growth and Demand

Europe remains the world’s oldest region, median age 43, with deaths outpacing births for two decades. Yet demographic decline does not automatically weaken property performance.

### EUROPEAN REAL ESTATE INVESTMENT LIQUIDITY [Investment volume in EUR bn vs Number of properties traded]



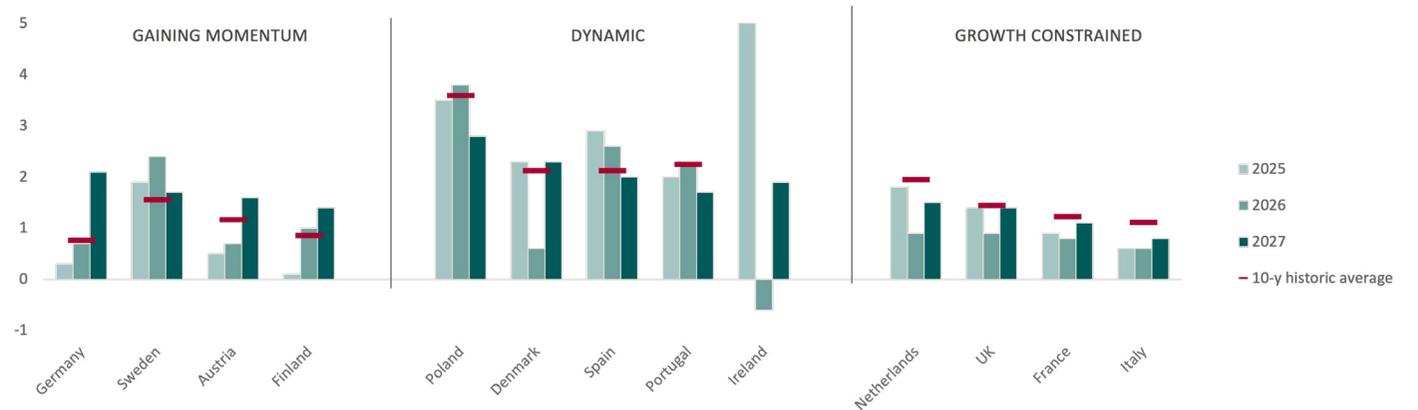
Source: MSCI RCA, Catella 02/2026

### PRICING MOMENTUM: EUROPEAN PRIME YIELDS<sup>3</sup> [Share of markets recording compressing, stable or rising yields]



Source: PMA, Catella 02/2026

### ECONOMIC GROWTH OUTLOOK [Real GDP PPP adjusted, % annual change]



Source: Oxford Economics, as of February 2026, Catella 02/2026

3. Source: PMA's prime net initial yields covering 98 market segments. Analysis is based on office, industrial, and retail only.

Migration has added around 20 million people to the EU in the past decade, diversifying economies and expanding occupier bases – especially in housing.<sup>4</sup> Opportunities cluster in dense urban hubs where people and capital concentrate. While national populations stagnate, large metropolises like London, Paris, Madrid, Berlin, Amsterdam, and Stockholm grow rapidly, often at the expense of peripheral markets. These high-immigration cities can expect broad-based growth, supporting real estate demand.

### Supply Scarcity Underpinning Real Rental Growth

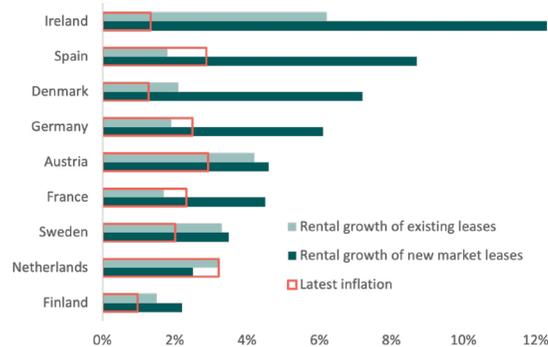
In Europe, rents have been supported by inflation-linked indexation and persistent supply shortages. With the ECB meeting its 2% inflation target and supply constraints persisting, selectively rental growth has outpaced inflation, delivering real gains especially for new, energy-efficient space. This narrative sustains rental growth even during economic weakness and positions Europe favourably versus many global markets.

Office rental growth has been centred around CBDs and good quality buildings. Retail rents have increased in several markets where vacancy rates have begun to move in the opposite direction. Logistic rents tells a different story: after a pandemic-era boom, the sector cooled in 2025 and rents stabilised but they are expected to resume growth, driven by e-commerce and supply chain inefficiencies.<sup>5</sup>

The sharpest imbalance is in residential. European residential rents have risen by an

average of 6% annually, over the past five years. Vacancy is exceptionally low, and new supply scarce, pushing rents well above inflation despite regulatory measures aimed at curbing rental increases across many European cities. From investors perspective, the regulations can be factored into underwriting but the real issue is the widening gap between new and existing leases when rents cannot adjust naturally: rents on new leases have grown at twice the pace of existing contracts, creating a ‘lock-in effect’. Households move less because higher rents make relocation unaffordable. This limits labour mobility and contributes to misallocation, overcrowding, and ultimately economic drag. The widening rental gap indicates that newer stock, with rents resetting to market, offers stronger performance potential and reinforces the case for acquiring or developing new assets.

LOCK-IN EFFECT IN RESIDENTIAL RENTS  
[Average rental change in % & CPI, 2025]



Source: Oxford Economics, as of December 2025; Catella 02/2026

# Catella’s Strategy for the Year Ahead: Defensive Positioning

Any investment strategy in today’s environment must remain highly defensive – anticipating a slow recovery, and navigating persistent uncertainty.

To frame this outlook, Catella convened its first an European House View to define the high conviction themes for the year ahead. The recommendations are organised into two complementary perspectives:

**A. Structural investments**, which are highly defensive and risk off; and

**B. Tactical opportunities**, which take a more opportunistic stance.

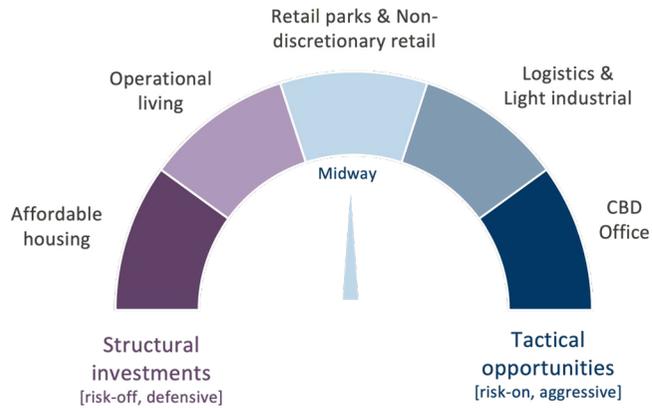
Together, these perspectives are designed to deliver long term value grounded in fundamentals, sector performance, local insight, capital efficiency, and of course, swift execution.

While defensive strategies are vital, timing matters. Market dislocations are narrow, and liquidity is improving. Acting early allows investors to capture quality assets at attractive entry points before competition

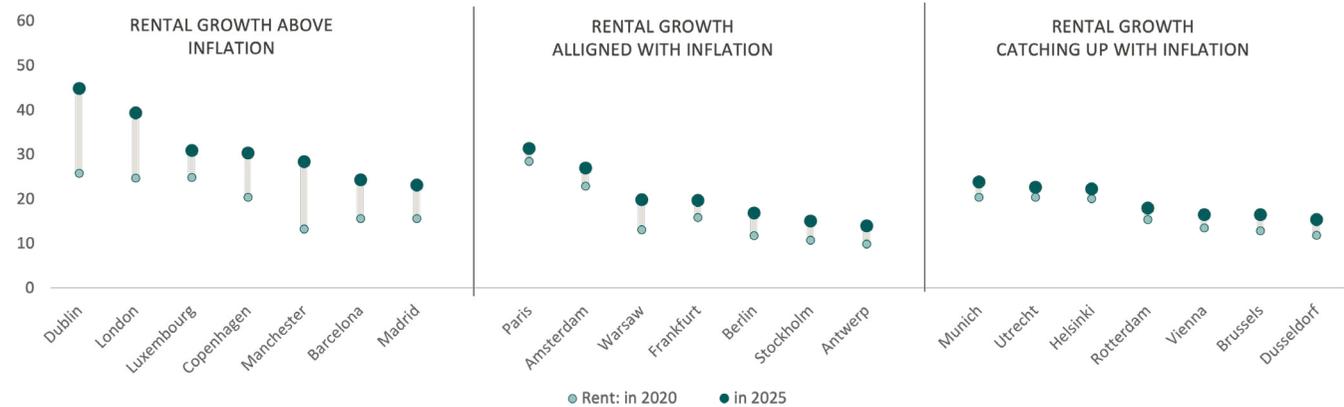
intensifies. 2026 offers a rare vintage year – those who move decisively and align with structural trends will be best positioned for recovery and long-term outperformance.

To underscore the need for the defensive stance while achieving strong performance at the same time, all recommendations emphasise the importance of **income stability**. Strong net operating income (NOI) prospects will be essential, as investors can no longer rely on the sharp yield compression seen in previous cycles. Secondly, generating income will increasingly depend on more **intensive operational management**. Operationally intensive assets – those meeting evolving occupier needs and generating income through active asset management – offer a compelling route to value creation and provides a buffer against cyclical volatility.

4. Source: Eurostat migration and population statistics, as of January 2026.  
5. Source: PMA’s prime rents in EUR as of January 2026.



AVERAGE RESIDENTIAL RENTAL GROWTH  
[change of average rent in EUR/sqm/month; 2020-25]



Source: Catella 02/2026

**STRUCTURAL INVESTMENTS:**

**Affordable Housing as a Non-Negotiable Priority**

Affordable housing is more than an imperative – it is a structural necessity of Europe’s residential markets. Europe faces an estimated shortfall of four million affordable units by 2030.<sup>6</sup> Vacancy rates remain chronically low, while development pipelines are constrained by land scarcity and regulatory complexity. The higher financing costs, amongst other factors, have pushed residential demand towards rental housing. This imbalance creates a clear opportunity: predictable long-term income at near-full occupancy – even during economic uncertainty. Affordable housing also offers operational advantages: active management of occupancy, and regulatory compliance is essential to optimise leasing and maintain stable cash flows.

**Investment conviction:** The most compelling residential strategies focus on managing stabilised, newly built, core assets, with even greater potential arising from the development and retrofitting of affordable housing at favourable rent levels. The focus needs to be on delivering cost-accessible, energy-efficient, and socially sustainable homes where affordability pressures are most acute. Research-led market targeting and strong local knowledge are critical. The shortage is pan-European, but pressure varies by market. Current data shows the greatest strain in Madrid, Amsterdam, Utrecht, Rotterdam, Copenhagen, Munich, Dusseldorf amongst many others.

**Operational Living as a Build-to-Scale Mandate**

Operational living builds on the residential strategy and deserves its own ranking given its growth potential. It spans flexible living concepts across all age groups such as student housing, co-living, micro-living, serviced apartments and senior housing. These niches share common traits: strong demand for smaller units in dense

urban areas, short rental cycles offering flexibility, and dynamic pricing models that allow rapid inflation pass-through. In addition, planning frameworks can be actively leveraged to unlock new flexible living concepts – for example, by repurposing hotel zoned sites for operational residential uses. Structural drivers such as

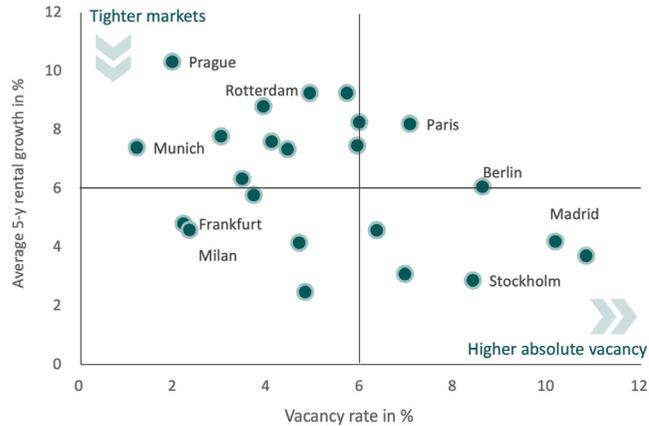


Fuenlabrada – Flex Living development, Madrid.

6. Source: European Commission: The European Affordable Housing Plan, December 2025

## LOGISTICS MARKET DYNAMICS

[Vacancy rate vs 5-y prime rental growth in %, Q4 2025]



Source: PMA, Catella 02/2026

ageing populations, demographic shifts, evolving lifestyles, and digitalisation further reinforce this strategy.

Higher returns attract institutional allocations to operational strategies. While operational real estate remains niche today, stabilised assets offer attractive opportunities for core, risk-averse investors and ensure future liquidity.

**Investment conviction:** The best access to these segments is through ground-up development and partnerships with operators under long-term management contracts. The most compelling opportunities lie in markets where demographics and undersupply overlap, and demand for flexibility is highest – particularly the high density urban areas in the Nordics, Spain and Germany. As a high-conviction theme, senior housing stands out: Europe will require an additional two million beds by 2050 – a 70% increase in supply – to meet the needs of its rapidly ageing population.<sup>7</sup>



Vega – Affordable Living development, Copenhagen.



Falkenberger Quartier project, Weißensee, Berlin.

## TACTICAL OPPORTUNITIES:

### Balancing Retail and Logistics as a Dual Strategy

Retail and logistics are equally important pillars of omni-channel retailing. Together, they form a modern ecosystem, balancing consumer-facing nodes with fulfilment infrastructure. Yet, in the real estate context, they could not be more different. Retail is resurfacing after a decade of a sharp decline, offering high income returns.<sup>8</sup> Today, retail vacancies are declining across some markets with rental growth being encouraging in grocery and non-discretionary retail.

Logistics, in contrast, has normalised post-COVID and entered a cyclical slowdown with rental growth the lowest in four years. Long-term fundamentals, however, remain solid: continuous e-commerce penetration, logistics network reconfiguration but also increasing demand for near-shoring and manufacturing drive our strategic conviction across the whole supply chain.

**Investment conviction:** Attractive retail pricing and shorter leases offer an interesting tactical entry point aligned with value creation through proactive asset management. Following years of repricing, the potential for yield compression further enhances retail's appeal. We recommend focusing on prime retail parks and retail boxes starting in Spain, Portugal, and the UK. We are positive on the outlook for non-discretionary and grocery retail with a particular focus on the Nordics, Germany, Spain and Poland.

In the logistics segment, distribution centres, fulfilment and cross-docking facilities, last-mile delivery hubs and reverse logistics in smart locations remain a part of strategy we favour. Most obviously, northern Italian cities, the Rhine-Ruhr region and Frankfurt and Amsterdam and regional Polish cities are displaying the highest potential. Moreover, incremental manufacturing and light industrial assets with short leases benefiting from yield arbitrage, look attractive.

7. Source: Green Street Advisors European Commission: The European Affordable Housing Plan, December 2025.

8. Source: PMA market data and forecasts as of February 2026.

ACCRETIVE DEBT TO PRIME OFFICE  
[Spread between prime office yield and EURIBOR curve]



Source: Bloomberg, PMA, as of January 2026; Catella 02/2026

**Cherry Picking within CBD Offices**

The ongoing “flight to quality” continues to support demand for central locations. Moreover, sustainability compliance is no longer optional: green-certified offices command rental premium and enjoy higher occupancy. Future office stock must meet the stringent sustainability standards and comply with modern occupier needs. This is set against a backdrop where overall take-up remains constrained, and business productivity is to become an important driver of growth as AI and tech related investments accelerate.

**Investment conviction:** The strategy focuses on acquiring well-located office assets. Underperforming assets can be repositioned to high-quality offices with strong sustainability credentials or converted into living alternatives. Location is the key – London, regional UK cities, Paris, Madrid, Frankfurt, Munich and Stockholm stand out as the most supply constrained and poised for rental growth. Execution risk is higher than in other strategies, making careful asset selection, clear CapEx requirements, and well-defined exit critical.

# Investor Focus

2026 is not a year for blanket strategies. Investors who act decisively, embed sustainability, and focus on sectors aligned with demographic and technological trends will position portfolios for recovery and long-term outperformance.

Performance will hinge on income resilience and operational intensity. Attractive opportunities lie in affordable housing and operational living for structural growth; selective retail for tactical plays; and

sustainability-led office repositioning for value preservation. Logistics fundamentals remain strong, favouring the reconfiguration of supply chain network and investment in light industrial assets.

2026 BIG CALLS

Our highest convictions views on 12 to 18 months strategic and tactical horizons

	Structural	Reasons	Opportunity set	Preferred locations
	<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>Strong demographics</li> <li>Supply shortages</li> <li>Higher homeownership cost</li> </ul>	<ul style="list-style-type: none"> <li>Newly built stabilized core</li> <li>Ground-up development</li> <li>Retrofitting</li> </ul>	Supply constrained submarkets in Madrid, Amsterdam, Utrecht, Rotterdam, Copenhagen, Munich, Dusseldorf amongst many others.
	<b>Operational living</b>	<ul style="list-style-type: none"> <li>Ageing populations</li> <li>Demographic shifts</li> <li>Evolving lifestyles &amp; Digitalisation</li> </ul>	<ul style="list-style-type: none"> <li>Senior housing</li> <li>Flexible living</li> <li>Student accommodation</li> </ul>	Mostly within the European Union. High density urban areas in the Nordics, Spain and Germany.
<b>Midway</b>				
	<b>Retail</b>	<ul style="list-style-type: none"> <li>Omni-channel retailing</li> <li>In-store consumer spend</li> <li>Attractive pricing</li> </ul>	<ul style="list-style-type: none"> <li>Retail parks and boxes</li> <li>Non-discretionary retail</li> <li>Grocery retail</li> </ul>	Retail parks and boxes in Spain, Portugal and the UK. Non-discretionary and grocery retail across the Nordics, Germany, Spain and Poland.
<b>Tactical</b>				
	<b>Logistics &amp; Light industrial</b>	<ul style="list-style-type: none"> <li>E-commerce</li> <li>Logistics network reconfiguration</li> <li>Near-shoring</li> </ul>	<ul style="list-style-type: none"> <li>Logistics assets across all steps of supply chain</li> <li>Light industrial</li> </ul>	Major logistics corridors in northern Italy, the Rhine-Ruhr region as well as Frankfurt, Amsterdam and Polish cities.
	<b>CBD office</b>	<ul style="list-style-type: none"> <li>Central location</li> <li>Asset quality outperformance</li> <li>Sustainability credentials integration</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable offices</li> <li>Repositioning</li> <li>Conversions to living</li> </ul>	Central locations in London, Paris and other large business centres such as UK regional cities, Madrid, Frankfurt, Munich, Stockholm and Vienna.

## 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](https://www.catella.com)



### CATELLA AB

Box 5894  
SE-102 40 Stockholm  
Street address: Birger Jarlsgatan 6  
Company reg.no: 556079-1419

The company's registered office is in Stockholm, Sweden

+46 (0) 8-463 33 10  
[info@catella.se](mailto:info@catella.se)

### CONTACTS

Petra Blazkova  
Head of Group Research & Strategy  
[petra.blazkova@catella.com](mailto:petra.blazkova@catella.com)

Gianluca Romano  
Head of Capital Raising  
[gianluca.romano@catella.com](mailto:gianluca.romano@catella.com)

CATELLA

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