EUROPEAN METROPOLITAN REAL ESTATE OBSERVATORY

A research series on metropolitan property markets

Thirteen European Metros

Metropolitan growth and real estate investment prospects

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About this report

The **European Metropolitan Real Estate Observatory** analyses metropolitan property markets across Europe from official statistics and published market evidence. This first edition covers thirteen metros in four regional groups, Southern Europe (Madrid, Barcelona, Milan, Rome and Florence), Central Europe (Munich, Berlin and Vienna), Northern Europe (Stockholm, Gothenburg and Edinburgh) and Western Europe (Paris and London), and opens with a comparison of all thirteen. The analysis itself is set out in eight editions from seven countries (Parts A to H), because each draws on its own country's statistics.

Founding idea. Real estate is durable, so each metropolitan economy inherits a stock of buildings designed for an earlier pattern of demand. The Observatory's research question is how changes in population, employment, productive capital, income, wealth and output alter the amount, quality and location of space a metro needs. Each edition identifies what is growing, what kind of space that growth requires, and how much of that demand the existing stock can accommodate. The aim is to explain why two metros growing at similar rates can need different kinds of real estate, and why some fast-growing metros can absorb much of their demand within the buildings they already have (Section 2).

Regional groups. The groups follow patterns in the evidence, not geography alone. The southern metros have grown mainly by adding jobs, filled largely by international migrants, while real pay has been flat or falling, and since 2013 they have added only 0.2 to 0.6 new homes for each added household (completions; building permits in Italy). The central metros have all outgrown their countries since 2019 and share tight housing markets under rent regulation. The northern metros have grown in line with or slightly behind their countries in jobs since 2019 but with rising output or pay over parts of the period, and new housing that has broadly kept pace with recorded households. The western metros, Paris and London, are the two largest in the series, each with more than a sixth of its country's jobs, and both are highly specialised in finance and information and communication; in both, real pay and output per job have barely risen, so growth has come from more jobs. They differ in direction: London has outgrown the UK in both periods, with the largest lead in the series since 2019, while Paris outgrew France before 2019 through its mix of fast-growing industries and has lagged it slightly since. The fit is not exact: Madrid and Milan have outgrown their countries since 2019, unlike the other southern metros; Vienna's growth is population-led with flat real pay, closer to the southern pattern, as is London's, which depends on international migration; and none of the northern metros is in the euro area: Stockholm and Gothenburg price in Swedish kronor, with rates set by the Riksbank, and Edinburgh in pounds sterling, with rates set by the Bank of England, as London does. The groups are a way of reading the results together; they are not pooled statistical regions.

The series. Each edition applies one method to one to three metropolitan areas in one country: metropolitan growth and sectoral structure, the space market by submarket, capital markets and pricing, and market screening that identifies which strategies merit asset-level underwriting. Further editions could follow on the same template, country by country, with each new metro placed in a regional group and the European overview updated as each is added.

Further evidence. The analysis rests on official statistics and published broker and press figures. Leasing, absorption and achieved-rent data by occupier sector and building grade, with incentives and pipeline, would allow the demand analysis to be tested against actual occupier behaviour, and a prime-office case built on achieved rent, incentives, lease-up, capex, entry price and a downside exit yield would show when a favourable market view becomes a viable deal. The yield sensitivities in this edition show how value moves at constant income; they are not deal appraisals.

Data and comparability. Each edition uses its own country's official statistics, which differ in what they measure and how recently they are published (Section 2). Each metro is therefore compared with its own country, also within a regional group. Growth rates relative to each country, location quotients and the shift-share structure are comparable across editions; pay levels, rents and brokers' vacancy measures are not directly comparable.

Key figures

+1.9 to +4.8
Percentage points by which London, Berlin, Milan, Madrid, Munich and Vienna employment outgrew their countries over the common period 2019 to 2023

-1.7 to -0.1
Percentage points by which Florence, Barcelona, Rome, Paris, Stockholm, Edinburgh and West Sweden grew more slowly than their countries, 2019 to 2023

+18% / +7%
Real output per employed person, 2012 to 2024: Stockholm County vs Sweden

2.45 / 2.36
Highest location quotients on regional accounts: information and communication in Milan, finance in Stockholm (country = 1.0)

1.6% to 36%
Office vacancy from Rome Grade A and Edinburgh prime to Stockholm Kista: scarce quality space, vacancy in older stock

3.75% to 6.50%
Prime office yields, London's West End to Edinburgh (latest, 2026; net and gross measures and currencies differ)

Sources: Section 3 and Parts A to H; authors' calculations from official statistics; broker figures as cited there.

1. Executive summary: thirteen metros, one method

Measured against their own countries, London, Berlin, Madrid, Milan and Munich show the strongest growth evidence of the thirteen metros: all five outgrew their national economies before 2019 and are still doing so on a common 2019 to 2023 period. London has the largest lead since 2019, but with flat real pay and output per job, while Berlin's lead comes with real pay still rising. Vienna has also outgrown Austria since 2019, driven by population growth. Stockholm's output per worker has grown much faster than Sweden's, and Edinburgh's pay has risen relative to Great Britain's, but both have lagged their countries slightly in employment since 2019. Paris outgrew France before 2019, through its mix of fast-growing industries rather than faster growth within them, and has lagged it slightly since. Barcelona, Rome and Florence have lagged their countries since 2019. Gothenburg's 13-municipality core outgrew Sweden on register data in 2020 to 2023, while the wider West Sweden region grew in line with Sweden. In eight of the twelve office markets with comparable broker data, central, prime or Grade A space is scarce while vacancy sits in older or peripheral stock; Gothenburg, with new central space, Vienna and London, tight across the market, and Berlin, where vacancy has risen almost sevenfold since 2019, are the exceptions, and Florence's office market is too thin to compare. These are the authors' market-level judgements from the evidence in Parts A to H. They are country-relative findings, not a harmonised ranking, and not asset-level investment approvals.

What this edition is. The Observatory applies one method to metropolitan property markets: metropolitan growth and sectoral structure, the space market by submarket, capital markets and pricing, and illustrative investment strategies. This edition brings together eight editions from seven countries: Spain (Madrid and Barcelona), Sweden (Stockholm and Gothenburg), Italy (Milan, Rome and Florence), Germany (Munich and Berlin), Austria (Vienna), the United Kingdom (Edinburgh, and London in a separate edition) and France (Paris). Stockholm, Gothenburg, Edinburgh and London are outside the euro area. It adds a comparison of the thirteen metros (Section 3).

The comparison rests on seven findings:

1. **London, Berlin, Milan, Madrid, Munich and Vienna are still gaining on their countries; the others are not.** Before 2019 twelve of the thirteen metros added jobs faster than their national economies; Edinburgh's employee jobs grew 3.9 percentage points more slowly than Great Britain's. Over the common period 2019 to 2023, employment grew faster than the national rate by 4.8 percentage points in London, 3.7 in Berlin, 2.6 in Milan, 2.4 in Madrid, 2.3 in Munich and 1.9 in Vienna, while it grew more slowly than the national rate in Florence (-1.7 points), Barcelona (-1.3), Rome (-1.2), Paris (-0.6), Stockholm (-0.3), Edinburgh (-0.1) and West Sweden (-0.1). On a different source and period, the Gothenburg Region core grew 2.4 points faster than Sweden in 2020 to 2023 (Section 3.1).
2. Growth types differ: Stockholm's, Munich's and Berlin's growth raised pay per worker; the southern metros, Vienna, Paris and London grew mainly through more jobs. In Stockholm, real output per employed person rose about 18% between 2012 and 2024, against about 7% for Sweden, and the real wage bill per employed person rose 12.3%. In Upper Bavaria, which contains Munich, real compensation per employee rose 11.0% between 2012 and 2019. In Berlin, real compensation per employee rose 15.3% between 2012 and 2019 and a further 1.8% between 2019 and 2023, while it fell 2.3% in Germany. In Edinburgh, median full-time pay rose from 105.8% of the Great Britain level in 2019 to 111.7% in 2025, although deflated with the city's GDP deflator it barely changed in real terms. Real salary per recipient rose 5.5% in Madrid and 4.4% in Barcelona (2012 to 2023), the Madrid chapter extends its series to 2024, giving a 6.5% rise from 2012; real compensation per employee job rose only 1.4% in Vienna before 2019, real mean business pay fell 5.4% in Milan and 10.4% in Rome (2015 to 2023), and real declared income per taxpayer in the city of Florence fell 0.4% (2019 to 2024). Real median full-time pay in London rose only 2.1% between 2012 and 2025 (UK 5.2%), and real pay per private employee in the Paris region 2.8%; in both, real output per job was little or no higher in 2024 than in 2012. The employment and pay patterns are interpreted separately from their causes. Pre-2019 gains in jobs and real pay in Stockholm, Munich and Berlin are consistent with demand-induced expansion and a stronger wealth effect. Job growth with modest pay gains in Madrid, Barcelona, Vienna and London is consistent with an elastic labour response; Paris before 2019 is consistent with demand induced expansion, with elasticity unconfirmed; its post 2019 mechanism is mixed or undetermined because inflation and composition also affect real pay. Earlier Italian wage declines alongside job gains are consistent with a supply-induced component, not proof of its cause. Post-2019 pay declines are treated with the same inflation and composition caveat across all metros. Edinburgh's small measured pay gain does not establish an elasticity, and Florence's income measure is not a wage series. Table 4b records these qualifications. Pay measures differ by country, so they show direction, not levels; productivity is not ranked across countries because no common real-output-per-hour measure is available.
3. **The capitals and business hubs share a specialisation in information and communication and in finance.** Location quotients for information and communication (NACE J, shortened to "technology" in this report) are 2.45 in Milan, 2.28 in Berlin city, 2.25 in Madrid and Rome, 2.12 in Vienna and 1.95 in Stockholm, and, on employee counts, 2.15 in Paris (IT services) and 2.14 in London; finance quotients are 2.36 in Stockholm, 2.30 in London, 2.01 in the Edinburgh city region (3.36 in the City of Edinburgh), 1.89 in Madrid and Milan, 1.65 in Paris and 1.49 in Vienna. Munich's regional accounts group sectors more broadly (finance, real estate and business services 1.46), but its city's insured employees in information and communication are about 3.4 times the German share. Barcelona and Gothenburg are less specialised in finance (1.00 and 0.66) and rely more on technology and business services; Berlin city is below the German average in finance (0.85); Edinburgh is below the British average in technology (0.89); and Florence is specialised in neither (0.89 and 1.04), but in manufacturing, professional services and real estate.

4. **Eight of the twelve office markets with broker data have scarce central or prime space and vacancy in older or peripheral stock.** Central, prime or Grade A vacancy is 1.6% in Rome and in Edinburgh's prime stock, below 2% in Munich's CBD, 2.37% inside Madrid's M-30 (availability), 3.6% in Milan, 6.8% in Paris's CBD and 8.6% in Stockholm's CBD, against 8.1% across Munich, 11.54% outside the M-30, 14.9% across Edinburgh's city centre, below 20% in Barcelona's 22@ (down from 26.6% in Q1 2025), 28% in Paris's Péri-Défense and 36.0% in Stockholm's Kista. Barcelona's prime CBD availability is 2.17%. This shows scarcity of quality space; only Barcelona's evidence (a rising share of deals at higher rents) directly indicates occupiers moving to better buildings, and leasing data by building grade would be needed to confirm it elsewhere. Gothenburg, Vienna, London and Berlin are the exceptions: Gothenburg's CBD vacancy (15.7%) is above the market average because new space is completing there, Vienna's market is tight throughout, at 3.9% overall, Central London's vacancy is 6.3% and falling, with Grade A space 92% of take-up, and Berlin's vacancy has risen almost sevenfold since 2019, to 9.6%, with 60% of vacant space classed as modern. Florence has no comparable broker office data; only 162 office units were sold in the city in 2024.
5. **Prime yields in the euro area and Sweden are low and close together; in sterling they range from London's West End, the lowest in the series, to Edinburgh, the highest.** In the euro area they range from 4.00% in Milan and 4.20% to 4.40% in Munich to 4.25% to 4.50% in Madrid and Paris, 4.60% in Berlin, 4.65% in Barcelona, 4.50% to 4.75% in Rome and 4.75% to 5.0% (gross) in Vienna. In the Swedish krona markets they are 3.90% in Stockholm and 4.55% in Gothenburg. In sterling, London's prime office yields are 3.75% in the West End and 5.25% in the City (Q1 2026; Bank Rate was then 3.75%), and Edinburgh's is about 6.50%. No prime office yield for Florence was available; leased prime hotels in Italy yield 4.5% to 5.0%.
6. **The common risk is interest rates.** The ECB raised its deposit rate to 2.50% in September 2026 as an energy shock lifted inflation (Banco de España) and held it there on 29 October, the Riksbank raised its policy rate to 2% from 11 November 2026 and expects to raise it further in the coming year, and the Bank of England raised Bank Rate to 4% on 5 November 2026. At prime yields of 3.75% to about 6.50%, each 25 basis point move in yields changes values by about 4% to 7%. The risk lies in the direction of rates and in how little room is left for further compression. Yield and policy rate observation dates must be distinguished. The euro area property observations include H1 2026, when the ECB deposit rate changed from 2.00% to 2.25% on 17 June, before reaching 2.50% on 16 September. Bank Rate was 3.75% during Q1 and Q2, before rising to 4% on 5 November. A gap using a later policy rate is a dated arithmetic comparison, not an observed contemporaneous spread. Official histories: https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp ; https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.es.html
7. **Housing supply has lagged household growth most in the Spanish and Italian metros, and the cost appears to fall on new entrants.** Over 2013 to 2024, housing completions covered 0.9 to 1.3 of the growth in households in Stockholm, the Gothenburg Region, Munich and the Edinburgh city region, but 0.5 to 0.6 in Madrid, Milan and Rome and 0.3 or less in Florence and the AMB (for the AMB, 2021 to 2024; for the Italian metros, building permits). Measured on net change in the census stock, the Paris region added 0.96 principal residences per added household (2012 to 2023) and London 2.27 dwellings (2011 to 2021), but neither ratio shows that supply met demand: housing starts in the Paris region have halved since 2017, and in London average household size rose and asking rents rose 26.8% between Q4 2021 and Q4 2025. Tenants already in place in Madrid and Barcelona pay median rents of about a fifth of mean household income, little changed since 2015, while asking rents per square metre are about 50% higher (Section 3.4).

Table 1. Market-level recommendations by metro

Metro	Country-relative growth evidence	Core offices	Value-add offices	Housing
Madrid	Strongest: broad, ahead of Spain since 2019	Prioritise for underwriting inside the M-30, subject to entry price	Selective, outside the M-30	Underwrite selectively, mid-market build-to-rent
London	Strong: largest lead over the UK since 2019; flat real pay and output per job	Underwrite selectively, City first; West End with caution given low entry yield and sensitivity to income assumptions; GBP	Selective refurbishment to Grade A in well-connected locations, given the pipeline	Take build-to-rent in outer boroughs to due diligence; no yield data
Berlin	Strong: largest lead over Germany since 2019; real pay rising; slower since 2025	Underwrite selectively in the strongest central locations, subject to entry price	Do not prioritise while vacancy is rising	Prioritise new-build rental, subject to entry price and regulatory risk
Milan	Strong: broad, ahead of Italy since 2019	Prioritise for underwriting in the CBD, subject to entry price	Selective refurbishment to Grade A	Underwrite selectively, rental
Munich	Strong: ahead of Germany in both periods; real pay rising before 2019	Prioritise for underwriting in the CBD, subject to entry price	Only in central locations, with a substantial pre-let	Underwrite selectively, rental, taking account of rent regulation
Vienna	Ahead of Austria since 2019; population-led, flat real pay	Underwrite selectively in the CBD, subject to entry price	Selective, near the main transport hubs	Prioritise rental housing, subject to entry price
Stockholm	Output per worker rising; behind Sweden on jobs since 2019	Prioritise for underwriting in the CBD, subject to entry price	Do not underwrite unlet in the suburbs	Underwrite selectively, new-build rental
Edinburgh	Jobs in line with Great Britain since 2019; pay and output rising faster	Underwrite selectively, new or comprehensively refurbished prime only, GBP	Do not prioritise secondary offices	Prioritise build-to-rent, subject to entry price, planning and the affordable housing requirement; student housing selectively
Paris	Ahead of France before 2019 through its industry mix, slightly behind since; flat real pay	Underwrite selectively in the CBD (QCA), subject to entry price	Do not prioritise outside the core (Péri-Défense vacancy 28%)	Take rental housing in the inner ring to due diligence; logistics a watching brief
Rome	Behind Italy since 2019; supply-constrained office market	Underwrite selectively in the CBD	Only with a pre-let, in the EUR district	Not tested
Gothenburg	Metro core ahead of Sweden; wider region in line; record office vacancy	Selective, Rest of Inner City; CBD only with pre-lets	Do not underwrite at present	Not tested
Barcelona	Narrow, technology-led; behind Spain since 2019	Prioritise for underwriting in the Prime CBD and City Centre, subject to entry price	Only with a pre-let, 22@	Not tested
Florence	Ahead of Italy before 2019, behind since; real income flat; visitor economy	Do not prioritise; thin office market	Do not prioritise	Prioritise purpose-built student housing, subject to a campus-level count of competing beds, rents and occupancy; long-let rental selectively; upscale and luxury hotels selectively

Source: summary of the recommendations in Sections A1, B1, C1, D1, E1, F1, G1 and H1. Metros are ordered by the authors' reading of the strength of their growth evidence relative to their own countries. "Prioritise for underwriting" means the market case supports detailed asset-level underwriting (net cash flows, capex, incentives, financing and exit) against the investor's required return; it is not an investment approval.

2. The series: purpose, method and comparability

Purpose. The series asks how growth changes the space a metropolitan area needs, and what that means for an institutional investor deciding whether, and how, to commit capital there. It starts from metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings, and ends with illustrative strategies that identify which opportunities merit asset-level underwriting.

Five sources of growth. Because buildings last for decades, demand for new or different space arises when the metro changes. Each source of growth favours different asset classes (Table 2).

Table 2. Sources of growth and the demand for space

Source of growth	How it affects demand for space	What the Observatory tests	Coverage in this edition
Population and households	More households increase demand for dwellings. Household size, age and income affect the mix of units, tenures and locations.	Where are households forming, what can they afford, and does the existing stock offer the homes they need?	Components of population change (Table 4a), implied households and new homes per added household (Table 7), purchase and rent burdens (Table 8). Demand by tenure, unit size and location is not yet traced.
Employment	Job growth creates demand for workplaces. The effect depends on which sectors are hiring, where they locate and how much space they use per worker.	Are the jobs being added likely to support offices, industrial space, healthcare facilities or other workplaces?	Employment against each country (Table 4), location quotients and shift-share by sector (Section 3.2 and each edition). Madrid and Barcelona convert office-using jobs into floor space on illustrative assumptions (Sections A7 and A13).
Productive capital	Investment in machinery, equipment, computing and infrastructure can create demand for specialised premises or change which locations are viable.	Does the investment require new facilities, can existing premises be adapted, or does improved infrastructure make other locations accessible?	Not measured directly. Infrastructure and public or foreign investment are assessed qualitatively in each edition’s drivers of growth; the Paris edition has a modelled capital stock and the London edition investment in buildings.
Income and wealth	Higher incomes can support more space, better-quality housing and additional spending on retail and leisure. Wealth can also affect the price buyers can pay for property.	Is growth increasing the amount or quality of space people use, raising asset prices, or doing both?	Real pay or income per worker (Tables 4b and 5) and price-to-income ratios (Table 8). Household wealth is measured only for London, by survey period (Table H12).
Output	Higher production or throughput can increase demand for industrial and logistics space. When output rises through productivity gains, firms may accommodate it within their existing footprint.	Is output growth raising demand for usable floor area, or changing the specification and location of the space required?	Shares of national GDP and output per worker or per job where published (Section 3.2 and each edition). Not yet linked to industrial or logistics floor space.

Source: authors' framework. The coverage column describes this first edition; productive capital, wealth and the capacity of the existing stock are the main gaps to fill in later editions.

Expansion, replacement and change. Demand for newly built space comes from expansion, from replacing worn-out stock and from changes in what users need. A metro can add jobs while existing vacancies absorb the increase. It can also have flat employment and still need new buildings because the available stock is in the wrong locations or cannot meet current specifications. For each asset class the question is therefore whether demand can be met through absorption, adaptation or construction. This first edition measures growth in detail and, for housing, compares new supply with household growth; measuring how much demand the existing stock can absorb or be adapted to needs vacancy and stock data by grade, specification and location that the official statistics used here do not provide. Each city chapter closes with a table that traces each material source of growth to the space it requires, the stock available to meet it and the authors' judgement on absorption, adaptation or construction, so that later editions can show which conclusions have changed. A short note under each table adds recent market evidence and what it supports testing at asset level. Take-up counts leases signed, while net absorption measures the change in occupied space, so strong leasing can coexist with rising vacancy; and a citywide rent benchmark narrows a search without testing a project's viability.

One method. Each edition follows the same steps: summary growth indicators and forecasts; employment and pay by sector; location quotients and shift-share against the national economy before and after 2019; the forces behind growth and their persistence; prospects by asset class; the office market by submarket; housing and capital markets; and strategy appraisal with yield sensitivity. We distinguish physical, income or wealth, and output growth from the mechanisms producing them. Employment and real-pay movements suggest demand-induced growth, supply-induced growth or a combination, following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996); they do not establish the initiating shock or estimate an elasticity. Demand-induced growth starts with increased demand for the area's goods or services. An elastic labour response can produce many additional jobs with little wage growth; a less elastic response can produce stronger wage gains. Supply-induced growth starts with an independent labour-supply expansion and, in the model, increases jobs while lowering real wages. Migration and participation may respond to stronger job demand or change independently, so population growth alone cannot identify the mechanism. Both demand and supply forces may operate together.

Interpreting the evidence. We use the same rule for every metro. Jobs rising with modest real-pay gains are consistent with demand expansion accommodated by elastic labour supply; stronger pay gains suggest a greater wealth effect but do not estimate elasticity. Jobs rising while real pay falls are consistent with supply-induced growth, but inflation, hours and worker composition can produce similar observations. The ECB's 2025 review documents real-wage erosion and delayed wage adjustment during the inflation surge, so this qualification applies across all post-2019 comparisons, not only selected countries. Independent evidence of product demand, labour supply and timing is required to favour one explanation. Florence's income per taxpayer is not a wage series, and Edinburgh's GDP-deflated pay is not a consumer purchasing-power measure. Sector and geographical mismatches further limit inference. The national benchmark and shift-share describe relative performance, not the initiating shock. Property-supply elasticity separately determines whether additional space demand raises rents or stock; rising rents alone do not identify the metropolitan growth mechanism. Reference: ECB, Wage developments during and after the high inflation period, Economic Bulletin 1/2025, https://www.ecb.europa.eu/press/economic-bulletin/articles/2025/html/ecb.ebart202501_02~05fb781826.en.html.

Two different comparisons. This overview compares each metro's employment growth with its country's (Figure 1). The country editions also report the regional shift from shift-share analysis, which compares each sector with the national growth of the same sector and so removes the effect of the metro's sector mix. The first measures whether a metro is gaining on its country; the second whether it is gaining within its sectors. They usually agree in sign but are different results and are not used interchangeably.

Different statistics. Each country publishes different metropolitan statistics, so each edition uses the best consistent series available (Table 3). Comparing each metro with its own country makes the editions comparable in direction, but it does not remove differences between registrations, jobs, employed persons and employee jobs, administrative boundaries and observation periods. The cross-country results are therefore country-relative evidence, not a harmonised ranking. Pay levels, rents in different currencies and units, and the brokers' vacancy and availability measures are not directly comparable. Stockholm's and Gothenburg's values are in Swedish kronor and Edinburgh's and London's in pounds sterling; Edinburgh is compared with Great Britain, and London with the UK and, for detail by industry, Great Britain.

Table 3. Data used in each edition

Edition	Metropolitan geography	Employment	Pay	Latest metro data	Office data
A. Spain	Comunidad de Madrid; province of Barcelona and the 36-municipality AMB	Social Security registrations (jobs); EPA for Madrid	Agencia Tributaria mean salary per recipient, regional CPI	2024 to 2025	Q3 2026 (Barcelona yield Q1 2026)
B. Sweden	Stockholm County; West Sweden and the 13-municipality Gothenburg Region	SCB regional accounts (employed persons); register for Gothenburg Region	Wage bill per employed person, national CPI	2024, provisional	Q2 to Q3 2026
C. Italy: Milan and Rome	Metropolitan cities of Milan and Rome	Eurostat regional accounts (employed persons)	ISTAT Frame mean business pay, HICP	2023	Q2 to Q3 2026
C. Italy: Florence	Metropolitan City of Florence	Eurostat regional accounts (employed persons)	MEF declared income per taxpayer, city of Florence, FOI index	2023 (population 2025, income 2024)	Housing Q2 to Q3 2026; no broker office series; hotel performance to 2023, with HVS's assessment of 2025
D. Germany: Munich	Planning Region 14 (Munich city and eight districts)	Eurostat regional accounts (workplace jobs, six sector groups); insured employees for Munich city	Compensation per employee for Upper Bavaria, national CPI; BA median full-time pay	2023 (population 2025)	Q2 to Q3 2026
D. Germany: Berlin	Berlin region (DE001MC: Berlin city, Potsdam and eight Brandenburg districts)	Eurostat regional accounts (workplace jobs, six sector groups; finer sectors for Berlin city)	Compensation per employee for Berlin city, national CPI; BA median full-time pay	2023 (population and pay 2025)	Q3 2026
E. Austria	Vienna (city and federal state)	Statistics Austria regional accounts (workplace jobs)	Compensation per employee job, national CPI	2024 (pay 2023)	Q1 to Q3 2026
F. United Kingdom	Edinburgh and South East Scotland City Region (six councils)	BRES employee jobs (excluding the self-employed)	ASHE median full-time workplace pay, City of Edinburgh, GDP deflator	2024 (population and pay 2025)	Q2 to Q3 2026
G. France	Île-de-France region (eight departments)	INSEE total employment (employees and self-employed); INSEE employee estimates by industry, all employers	Urssaf private gross payroll per average employee, national HICP	2024 (population and pay 2025)	Q3 2026 (hotels 2025)
H. United Kingdom: London	Greater London (32 boroughs and the City)	ONS employee jobs; BRES employees by industry against Great Britain	ASHE median full-time workplace pay, UK CPI	2024 (population, jobs and pay 2025)	Q1 to Q3 2026

Note: the AMB is the 36-municipality metropolitan administration, smaller than the wider functional Barcelona metropolitan region. For Gothenburg, sector analysis uses West Sweden, a much wider region, and the Gothenburg Region (13 municipalities) is the metro core; the two are reported separately. Munich's pay series is for Upper Bavaria, a wider region that contains Planning Region 14. Vienna excludes its commuter belt in Lower Austria. Berlin and Munich are both compared with Germany on Eurostat workplace jobs, but their pay series differ. Edinburgh's real pay is deflated with the city's GDP deflator because a consumer price series could not be retrieved, and its employee jobs are compared with Great Britain, not the United Kingdom. The Paris region is the administrative Île-de-France region, not the Paris functional urban area or the Métropole du Grand Paris, and Greater London excludes its commuter belt. Paris's headline growth uses total employment, including the self-employed, and its sector analysis INSEE employee estimates for all employers by 38 industries; London's sector analysis uses BRES employees from 2015, after a change in coverage.

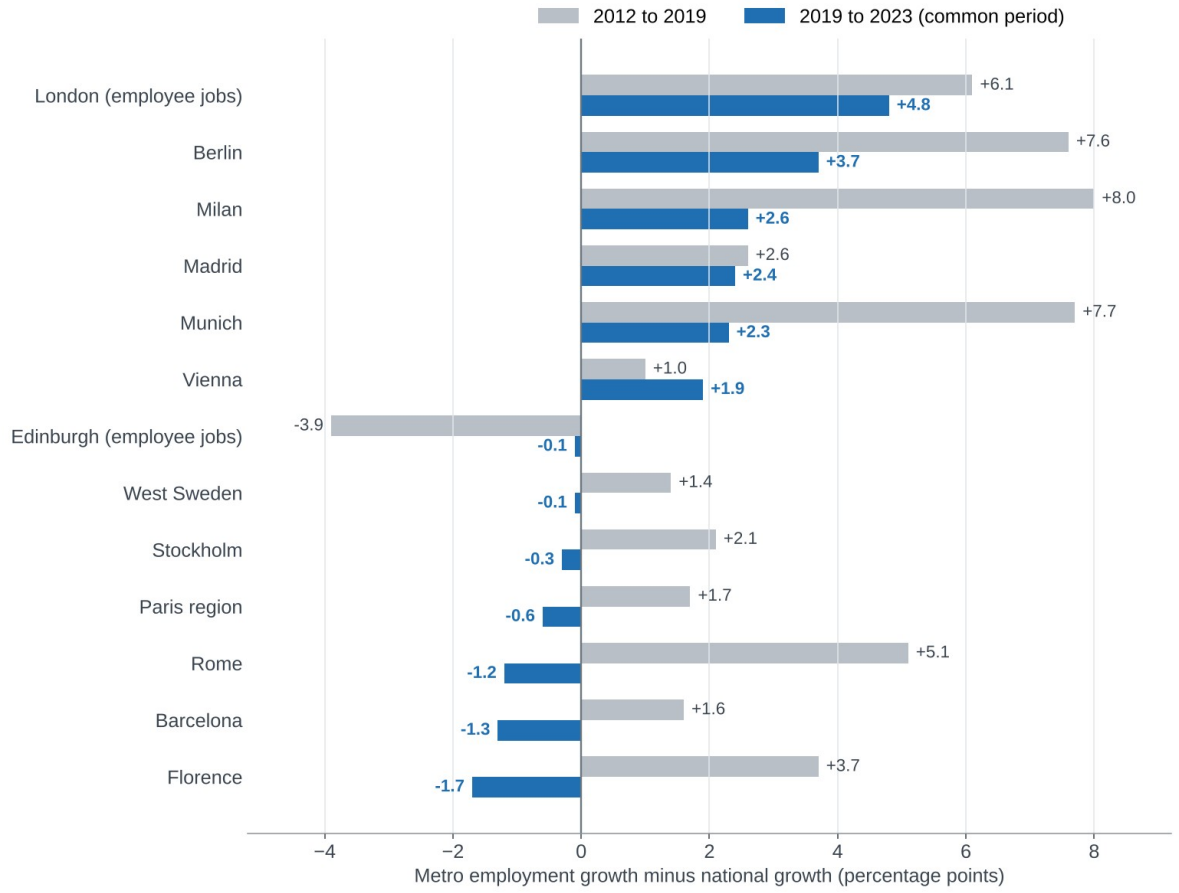
How to read this document. Parts A to H reproduce the eight editions in full. Their sections, tables and figures are numbered with the part letter (for example Section A4, Table B12, Figure C3), and in Parts A to D each country's cities appear as sub-parts (for example Part A-I, Madrid; Part C-III, Florence; Part D-II, Berlin). Parts E (Vienna), F (Edinburgh), G (Paris) and H (London) are single-metro editions without sub-parts. Sections 1 to 3 form the European overview; their tables and figures are numbered without a part letter (for example Table 4, Figure 1).

3. Thirteen metros compared

3.1 Growth relative to the national economy

Figure 1. Before 2019 twelve of the thirteen metros outgrew their countries; over 2019 to 2023 only London, Berlin, Milan, Madrid, Munich and Vienna did

Metro employment growth minus national employment growth, percentage points



Sources: Spain, Social Security registrations (Comunidad de Madrid, province of Barcelona, Spain); Sweden, SCB regional accounts (Stockholm County, West Sweden, Sweden); Italy, Eurostat regional accounts (Milan, Rome, Metropolitan City of Florence, Italy); Germany, Eurostat regional accounts (Munich region, Berlin region, Germany); Austria, Statistics Austria regional accounts (Vienna, Austria); Edinburgh, BRES employee jobs (city region, Great Britain); Paris, INSEE total employment (Île-de-France, France); London, ONS employee jobs (Greater London, United Kingdom); authors' calculations as in Sections A3, B3, C3, C14, D4, D9, E3, F3, G3 and H3. Gothenburg is shown here by West Sweden; see Table 4 for the Gothenburg Region core.

Table 4. Employment growth, metro and country (%)

Metro	Metro 2012-19	Country 2012-19	Metro 2019-23	Country 2019-23	Metro 2019-latest	Country 2019-latest	Latest year
Madrid	+18.7	+16.1	+10.8	+8.4	+15.0	+11.5	2024
Barcelona (province)	+17.7	+16.1	+7.1	+8.4	+9.7	+11.5	2024
Stockholm County	+13.7	+11.6	+4.5	+4.8	+3.7	+4.5	2024
West Sweden	+13.0	+11.6	+4.7	+4.8	+4.1	+4.5	2024
Milan	+11.1	+3.1	+5.5	+2.9	+5.5	+2.9	2023
Rome	+8.1	+3.1	+1.6	+2.9	+1.6	+2.9	2023
Florence	+6.8	+3.1	+1.2	+2.9	+1.2	+2.9	2023
Munich region	+15.4	+7.7	+3.8	+1.4	+3.8	+1.4	2023
Berlin region	+15.3	+7.7	+5.1	+1.4	+5.1	+1.4	2023
Vienna	+9.9	+9.0	+6.2	+4.2	+7.7	+4.9	2024
Edinburgh city region (employee jobs)	+7.8	+11.7	+4.1	+4.2	+4.7	+4.8	2024
Paris region (total employment)	+7.4	+5.7	+5.4	+5.9	+6.0	+6.5	2024
London (employee jobs)	+17.5	+11.4	+9.1	+4.4	+10.7	+5.2	2025
Gothenburg Region (register)	+13.5	+9.4	+8.5	+6.1	n.a.	n.a.	2023

Sources: as Figure 1; Gothenburg Region from SCB register employment, for 2012 to 2018 (RAMS) and 2020 to 2023 (BAS) in place of 2012 to 2019 and 2019 to 2023, a different source and periods from the other rows. Spanish figures are registrations excluding agriculture; Swedish accounts figures are employed persons excluding agriculture; Italian, German and Austrian figures are jobs or employed persons in all sectors. Edinburgh figures are employee jobs, excluding the self-employed, compared with Great Britain and chained across the 2015 change in coverage. Paris figures are INSEE total employment at 31 December, including the self-employed, compared with France; London figures are ONS employee jobs (annual averages), excluding the self-employed, compared with the United Kingdom.

Reading. National growth differed widely: Spanish employment grew about four times as fast as Italian employment before 2019. Comparing each metro with its own country removes that difference, though not the differences in sources and boundaries. On that basis Milan (8.0 points ahead of Italy), Munich (7.7 points ahead of Germany), Berlin (7.6 points) and London (6.1 points ahead of the UK) had the strongest pre-2019 performance, Paris was 1.7 points ahead of France, Vienna the weakest of those ahead (1.0 point ahead of Austria), and Edinburgh's employee jobs grew 3.9 points more slowly than Great Britain's. Over the common period 2019 to 2023, London (+4.8 points), Berlin (+3.7), Milan (+2.6), Madrid (+2.4), Munich (+2.3) and Vienna (+1.9) were the only six of the thirteen series in Figure 1 still ahead of their countries, while Paris was 0.6 points behind France; on the latest data, Madrid's lead widened to 3.5 points and Vienna's to 2.8 (to 2024) and London's to 5.5 (to 2025), while Edinburgh grew in line with Great Britain and Paris stayed 0.5 points behind France (to 2024). Florence fell furthest behind (-1.7 points), after outgrowing Italy by 3.7 points before 2019. The Gothenburg Region core, measured on register data, was also ahead of Sweden in 2020 to 2023 (+2.4 points), so the Swedish result depends on the geography used.

Where population growth comes from. The thirteen metros differ in how their populations grow (Table 4a). In 2024 Stockholm County grew mainly through natural increase, with births exceeding deaths by about 10,200. In the Comunidad de Madrid, the Munich region and Vienna births and deaths almost balanced, and in Catalonia, Milan, Rome, Florence and the Berlin region deaths exceeded births, by about 15,000 in the Berlin region, so population growth there depended on migration. Milan and Rome each gained about 20,000 to 22,000 people from abroad in 2024, enough only to hold their populations roughly stable, while net migration of a similar size added about 25,000 people to the Munich region and 22,500 to Vienna, and net migration of about 43,100 added 28,100 to the Berlin region. In Florence net migration of about 5,000 did not quite offset natural decrease. In the Edinburgh city region, where deaths have exceeded births since 2018, net international migration fell from 19,470 in 2022-23 to 1,220 in the year to mid-2025. Components for the Gothenburg Region were not available to the authors; in the municipality of Gothenburg natural increase (+2,726) exceeded net migration from abroad (+652) and from the rest of Sweden (+1,110). In the 36-municipality AMB, net migration from abroad (+75,540) offset both natural decrease (-5,354) and a net loss of 20,221 residents to the rest of Spain. In the Paris region births exceeded deaths by 73,162 in 2024, the largest natural increase in the series, while the residual of net migration and statistical adjustment was -31,416, so the region grew by 41,746. London's population fell by 26,737 in the year to mid-2025: natural increase (+54,211) and net international migration (+51,839, down from 235,320 two years earlier) did not offset a net loss of 131,961 residents to the rest of the UK.

Table 4a. Components of population change, 2024 (Edinburgh and London mid-2024 to mid-2025)

Area	Population change	Natural change	Net migration, total (not split by origin)	Net migration from abroad	Net migration, rest of country
Comunidad de Madrid	+135,316	+2,707	+132,609	not split	not split
Catalonia	+111,895	-13,722	see split	+129,030	-6,437
Barcelona AMB	+51,542	-5,354	see split	+75,540	-20,221
Stockholm County	+18,486	+10,247	see split	+9,008	-500
Gothenburg municipality	+4,377	+2,726	see split	+652	+1,110
Milan	+996	-10,425	see split	+22,127	-6,079
Rome	-2,761	-18,612	see split	+20,004	+1,126
Florence	-717	-5,721	+5,004	not split	not split
Munich region	+25,263	+615	+24,648	not split	not split
Berlin region	+28,113	-15,026	+43,139	not split	not split
Vienna	+22,529	+2,153	+20,376	not split	not split
Edinburgh city region	+1,120	-2,731	see split	+1,220	+2,720
Paris region	+41,746	+73,162	-31,416	not split	not split
London	-26,737	+54,211	see split	+51,839	-131,961

Sources: as Tables A2a, B2a, C2a, C25, D5, D18, E2, F2, G2 and H2. Net migration for Madrid, Munich, Vienna, Berlin, Florence and the Paris region is not split by origin and, for Munich, Vienna, Berlin, Florence and the Paris region, includes statistical adjustment. Edinburgh's rest-of-country figure combines net migration with the rest of Scotland (+400) and the rest of the United Kingdom (+2,320). The AMB and Gothenburg municipality rows are from Idescat (population estimates 2024) and SCB, and are included for the metropolitan cores used in Section 3.4. Components may not sum to the change because of statistical adjustments. London's components exclude other changes (-826).

Growth patterns and mechanisms by period. Table 4b separates employment and pay observations from their indicative interpretation. Jobs per resident rose strongly in the Spanish metros and London and moderately in several other metros; this can reflect participation, unemployment, commuting or changes in the resident population, and does not measure labour-supply elasticity. Before 2019 Stockholm, West Sweden, Munich and Berlin combined job growth with appreciable real-pay gains, a pattern consistent with demand-induced expansion and a stronger wealth effect. Madrid, Barcelona, Vienna and London combined job growth with modest pay gains, consistent with an elastic labour response to demand. Paris's labour-supply elasticity is less clear. Milan and Rome's falling real pay alongside job growth is consistent with a supply-induced component, including before the recent inflation surge, but its cause is not established. After 2019, falling real pay across several metros can reflect inflation and composition as well as labour-supply shifts. Berlin's modest pay gains and Edinburgh's improving relative pay are demand-side clues, not elasticity estimates. Florence's missing earlier pay series and later use of income per taxpayer limit classification.

Table 4b. Observed growth patterns and indicative mechanisms by period

Metro	Period	Employment, % a year	Real pay, % a year	Jobs per resident, % change	Observed pattern	Indicative mechanism
Madrid	2012-19	+2.5	+0.6	+15.8	Jobs rise; modest pay gains	Consistent with demand-induced; elastic labour supply
Madrid	2019-24	+2.8	+0.5	+9.4	Jobs rise; modest pay gains	Consistent with demand-induced; elastic labour supply
Barcelona	2012-19	+2.6	+0.4	+18.0	Jobs rise; modest pay gains	Consistent with demand-induced; elastic labour supply
Barcelona	2019-25	+1.8	+0.3	+5.8	Jobs rise; modest pay gains	Consistent with demand-induced; elastic labour supply
Stockholm County	2012-19	+1.9	+2.0	+1.7	Jobs and stronger real-pay gains	Consistent with demand-induced; stronger pay effect
Stockholm County	2019-24	+0.7	-0.5	-0.4	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
West Sweden	2012-19	+1.8	+1.7	n.a.	Jobs and stronger real-pay gains	Consistent with demand-induced; stronger pay effect
West Sweden	2019-24	+0.8	-0.9	n.a.	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
Milan	2012-19	+1.5	-0.8	+6.4	Jobs rise; real pay falls	Consistent with supply-induced; cause unconfirmed
Milan	2019-23	+1.4	-0.6	+6.2	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
Rome	2012-19	+1.1	-1.4	+5.5	Jobs rise; real pay falls	Consistent with supply-induced; cause unconfirmed
Rome	2019-23	+0.4	-1.3	+2.3	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
Florence	2012-19	+0.9	n.a.	+6.0	Jobs rise; pay unavailable	Demand-side evidence; mechanism unconfirmed
Florence	2019-23	+0.3	-0.1	+2.3	Jobs rise; income broadly flat	Undetermined; income is not a wage measure
Munich region	2012-19	+2.1	+1.5	+7.2	Jobs and stronger real-pay gains	Consistent with demand-induced; stronger pay effect
Munich region	2019-23	+0.9	-0.6	+3.3	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
Berlin region	2012-19	+2.1	+2.1	+6.7	Jobs and stronger real-pay gains	Consistent with demand-induced; stronger pay effect
Berlin region	2019-23	+1.3	+0.4	+4.4	Jobs and real-pay gains	Consistent with demand-induced; elasticity unconfirmed
Vienna	2012-19	+1.4	+0.2	-0.2	Jobs rise; modest pay gains	Consistent with demand-induced; elastic labour supply
Vienna	2019-24	+1.5	-1.2	+1.7	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
Edinburgh city region	2012-19	+1.1	0.0	n.a.	Jobs rise; real pay broadly flat	Undetermined from jobs and pay
Edinburgh city region	2019-24	+0.9	+0.2	n.a.	Jobs rise; modest pay gains	Demand-side evidence; elasticity unconfirmed
Paris region	2012-19	+1.0	+0.7	+4.7	Jobs and real-pay gains	Consistent with demand-induced; elasticity unconfirmed
Paris region	2019-23	+1.3	-0.9	+3.4	Jobs rise; real pay falls	Mixed or undetermined; inflation and composition matter
London	2012-19	+2.3	+0.1	+9.9	Jobs rise; modest pay gains	Consistent with demand-induced; elastic labour supply

Metro	Period	Employment, % a year	Real pay, % a year	Jobs per resident, % change	Observed pattern	Indicative mechanism
London	2019-23	+2.2	-1.2	+7.0	Jobs rise; real pay falls	Demand-side evidence; mixed mechanism possible

Sources: Tables A2b, B2b, C2b, C26, D6, D19, E3, F3, G3 and H3 and the text of Sections A3, B3, C3, C14, D4, D9, E3, F3, G3 and H3. Barcelona employment and jobs per resident are for the AMB and pay for the province (to 2023). Italian real pay is for 2015 to 2019 and 2019 to 2023; Munich real pay is for Upper Bavaria; Vienna real pay is for 2019 to 2023. Berlin real pay is for Berlin city. Florence real pay is real declared income per taxpayer in the city of Florence, 2019 to 2024, and includes pensions and self-employment income. Edinburgh employment is employee jobs; its real pay is median full-time pay in the City of Edinburgh deflated with the city's GDP deflator. Pay and employment measures differ by country, so levels are not directly comparable; mechanisms are indicative, not causal estimates. The observed-pattern column describes the reported series; the interpretation column uses the framework in Section 2. Post-2019 wage declines are treated consistently across metros: an independent labour-supply shock is not inferred from the sign of pay alone. Earlier Italian wage declines provide a longer-run supply-consistent pattern, not proof of its cause. Paris employment is total employment, its real pay private gross payroll per average employee (national HICP), and its jobs per resident total employment at 31 December over population on the following 1 January. London employment is employee jobs, its real pay median full-time pay (UK CPI), and its jobs per resident employee jobs over mid-year population.

3.2 Structure and pay

Table 5. Specialisation and pay, thirteen metros

Metro	Technology (J) LQ	Finance LQ	Real pay change	Pay measure and period
Madrid	2.25	1.89	+5.5%	Salary per recipient, 2012 to 2023
Barcelona	1.37 (AMB 1.91)	1.00	+4.4%	Salary per recipient, 2012 to 2023
Stockholm	1.95	2.36	+12.3%	Wage bill per employed person, 2012 to 2024
Gothenburg	1.17	0.66	+7.8% (West Sweden)	Wage bill per employed person, 2012 to 2024
Milan	2.45	1.89	-5.4%	Business mean pay, 2015 to 2023
Rome	2.25	1.34	-10.4%	Business mean pay, 2015 to 2023
Florence	0.89	1.04	-0.4%	Declared income per taxpayer, city of Florence, 2019 to 2024
Munich	3.36 (city, indicative)	2.77 (city, indicative)	+8.4%	Compensation per employee, Upper Bavaria, 2012 to 2023
Berlin	2.28 (city)	0.85 (city)	+17.5%	Compensation per employee, Berlin city, 2012 to 2023
Vienna	2.12	1.49	-3.5%	Compensation per employee job, 2012 to 2023
Edinburgh	0.89	2.01 (city 3.36)	+1.1%	Median full-time pay, City of Edinburgh, GDP deflator, 2012 to 2024
Paris	2.15 (IT services)	1.65	+2.8%	Private payroll per employee, Paris region, national HICP, 2012 to 2025
London	2.14	2.30	+2.1%	Median full-time pay, UK CPI, 2012 to 2025

Sources: Tables A2, B2 and C2 and the location quotient tables in each part. Berlin's quotients compare Berlin city with Germany on Eurostat workplace jobs for 2023; Florence's compare the Metropolitan City of Florence with Italy for 2023; Edinburgh's compare the city region (and the City of Edinburgh) with Great Britain on employee jobs for 2024. Location quotients compare each metro with its own country (country = 1.0), for 2024 (Spain, Sweden) or 2023 (Italy); Gothenburg's are for the Gothenburg Region on register data; Vienna's are for 2024. Munich's compare insured employees in Munich city (2024) with all employees in Germany (2023), so they are approximate and exclude the self-employed and most civil servants; the regional accounts for the Munich region do not separate these sectors. The Swedish wage bill per employed person divides employees' wages by all employed persons, so it is affected by the mix of employees, self-employed and working time. Pay measures differ, so the changes are not directly comparable. Paris's quotients compare the Paris region with France excluding Mayotte on INSEE employee estimates for all employers (2024), with technology measured by IT and information services; London's compare Greater London with Great Britain on BRES employees (2024).

The capital or business-hub metros (Berlin, London, Madrid, Milan, Munich, Paris, Rome, Stockholm and Vienna) are all highly specialised in information and communication, and most of them in finance; these are the sectors that occupy prime offices. Edinburgh is specialised in finance but not in technology, and Florence in neither: its economy rests on manufacturing, professional services, real estate and visitors. Stockholm stands apart in output per worker, which rose much faster than Sweden's, and Stockholm, Munich and Berlin in the direction of real pay; Munich's output per job is 34% above Germany's, while Berlin's is still 3% below it. In the Spanish and Italian metros and in Vienna growth came mainly from more jobs with flat or falling real pay, which favours volume demand and makes housing affordability the binding constraint. London and Paris show that specialisation in office-using sectors does not by itself raise pay: in both, real output per job was little or no higher in 2024 than in 2012, and real pay barely rose. In this framework Stockholm's and Berlin's growth, Munich's before 2019 and, in pay relative to Great Britain, Edinburgh's since 2019 support premium space on their own; elsewhere, the case for prime offices rests on specialisation in office-using sectors and the scarcity of Grade A space.

3.3 Office markets and pricing

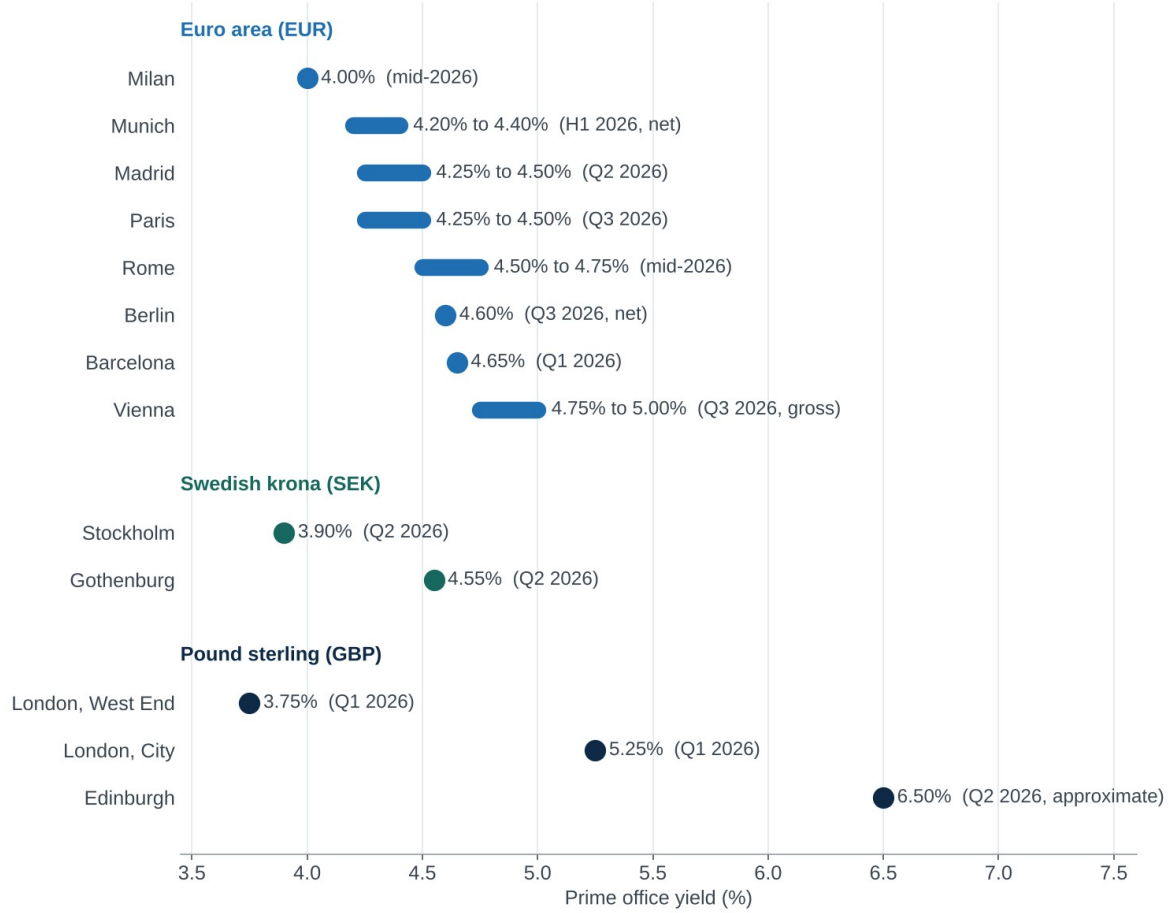
Table 6. Office vacancy and prime yields, thirteen metros

Metro	Centre or Grade A	Market or periphery	Prime yield	Date and source
Madrid	2.37% inside the M-30	11.54% outside the M-30	4.25% to 4.50%	Availability Q3 2026, Savills; yield Q2 2026, JLL and Savills
Barcelona	2.17% prime CBD; 4.85% City Centre	Below 20% in 22@; 9.98% market	4.65%	Availability Q3 2026, Savills; yield Q1 2026, CBRE
Stockholm	8.6% CBD	16.1% market; 36.0% Kista	3.90%	Q2 2026, JLL
Gothenburg	15.7% CBD; 10.0% Rest of Inner City	14.7% market	4.55%	Q2 2026, JLL
Milan	3.6% Grade A	9.6% market	4.00%	Q2 2026, JLL; yield Colliers, Savills, BNP Paribas RE
Rome	1.6% Grade A	Below 7% market	4.50% to 4.75%	Q2 2026, JLL; yield Savills, BNP Paribas RE
Florence	No broker vacancy series	162 office units sold in the city in 2024	Not available (leased hotels, Italy, 4.5% to 5.0%)	Agenzia delle Entrate, OMI, 2024; hotel yield H1 2026, Cushman & Wakefield
Munich	Below 2% CBD	8.1% market (9.3% Cushman & Wakefield)	4.20% net (CBRE 4.4%)	Q3 2026, BNP Paribas RE; CBD Q2 2026, CBRE; yield H1 2026
Berlin	Rate not published; 0.20 million m² vacant in top locations	9.6% market (JLL 9.3%; CBRE 8.6%; Cushman & Wakefield 10.6%)	4.60% net	Q3 2026, BNP Paribas RE
Vienna	4.5% Grade A and B	3.9% market	4.75% gross (EHL 5.0%)	Q3 2026, CBRE; EHL
Edinburgh	1.6% prime; 8.3% Grade A	14.9% city centre	About 6.50%	Q3 2026, Savills; yield Q2 2026, Knight Frank
Paris	6.8% CBD (QCA)	11.6% Île-de-France; 28% Péri-Défense	4.25% to 4.50%	Vacancy October 2026, Savills; yield Q3 2026, JLL
London	6.3% Central London	No peripheral series in this edition	3.75% West End; 5.25% City	Vacancy Q3 2026, CBRE; yields Q1 2026, Savills

Sources: Tables A2, B2 and C2 and the office market sections of each part. Madrid and Barcelona figures are availability, the others vacancy; brokers define submarkets and prime yields differently, Munich's and Berlin's yields are net while Vienna's is gross, and Edinburgh's is for a sterling market, so the figures show the pattern in each market rather than an exact ranking. London's figures are in pounds sterling; its vacancy is CBRE's for Central London as a whole.

Figure 2. Prime office yields range from 4.00% to about 5% in the euro area and from 3.90% to 4.55% in Sweden; in sterling from 3.75% in London's West End to about 6.50% in Edinburgh

Prime office yields, latest available (%), by currency. Net or gross basis is shown where the source states it.



Sources: as Table 6.

In eight of the twelve markets with broker data vacancy is low in central, prime or Grade A space and high in older or peripheral stock, and prime rents have risen: by about 50% in Milan, Rome and Munich since 2019, by 30% in Edinburgh in five years, and by 29% in Stockholm's CBD from mid-2019. In Munich overall vacancy has more than tripled since 2019, almost all of it outside the core, and in Edinburgh overall vacancy rose to 14.9% in Q3 2026 while prime vacancy stayed at 1.6%. In the Paris region vacancy is 6.8% in the CBD but 28% in Péri-Défense, and immediately available space rose 8% in a year to 6.6 million m². This is consistent with occupiers moving to better buildings, but low vacancy on its own shows scarcity; leasing, absorption and relocation data by building grade, which brokers and owners hold, would be needed to show changing occupier preferences. Gothenburg is an exception, with new space completing in its CBD, Vienna another, with vacancy below 4% across the market and few completions due, London a third, with Central London vacancy at 6.3% and falling, almost all leasing of Grade A space and about 22 million sq ft due by 2029, and Berlin a fourth: vacancy has risen almost sevenfold since 2019 and most vacant space is modern, although prime rents are at records and take-up recovered in 2026. Pricing is tight everywhere: the lowest yields, in Stockholm, Milan and Munich, are in markets with tight central space, and the highest in the euro area, in Rome, Berlin, Barcelona and Vienna, and Gothenburg's in Sweden, in markets with a thin investment market or the most vacancy; Vienna's office investment was only EUR 201 million in the first nine months of 2026, and Berlin's property investment EUR 1.0 billion, down 56%. Observation dates matter. London's Q1 office yields compare with Bank Rate of 3.75% at observation: zero basis points in the West End and 150 in the City. Edinburgh's Q2 office yield was about 275 basis points above the same policy rate. Comparisons elsewhere in this report against the later November Bank Rate or September ECB deposit rate are explicitly dated arithmetic benchmarks. Property yields have different observation dates and net or gross definitions; these differences are not contemporaneous risk premia or borrowing margins.

3.4 Housing demand, supply and affordability

Households, not people, drive housing demand. Converting each metro's 2024 population change into households, using average household size and its trend, and setting the result against new supply gives a common measure for eleven of the thirteen metros (Table 7); Paris and London are shown on the net change in the census stock. Because a single year can mislead, the table also sets new homes over 2013 to 2024 (completions, or building permits in Italy) against the growth in households over the same years.

Table 7. Household demand and new housing supply

Metro	Implied new households, 2024	Completions, 2024	Building permits, 2024 (Italy)	New homes per new household, 2024	New homes per added household (period)
Madrid (Comunidad)	47,600	20,205		0.42	0.58 (2013-24)
Barcelona (AMB)	21,800	5,389		0.25	0.28 (2021-24)
Stockholm County	14,900	13,621		0.92	0.91 (2013-24)
Gothenburg Region	6,100	5,919		0.97	0.92 (2013-24)
Munich region	14,000	10,784		0.77	1.20 (2013-24)
Vienna	12,300	11,194		0.91	0.84 (2022-24)
Berlin region	15,200	22,741		1.50	not reliable (2013-24)
Edinburgh city region	6,500	7,124		1.10	1.28 (2013-24)
Milan	3,700	n.a.	3,552	0.97	0.60 (2013-24)
Rome	5,100	n.a.	5,423	1.07	0.51 (2013-24)
Florence	2,200	n.a.	442	0.20	0.23 (2013-24)
Paris region	n.a.	n.a. (starts 41,781)		n.a.	0.96 principal residences; 1.36 all dwellings (census, 2012-23)
London	n.a.	n.a. (net additions 32,678, 2024/25)		n.a.	2.27 (census households and stock, 2011-21)

Sources: authors' calculations from official population, household and completions series; see the housing sections of each edition and their sources. Implied households are the population effect (population change divided by household size) plus the effect of the trend in household size, rounded to the nearest 100. For 2013 to 2024, household growth uses register or survey counts where they exist (Sweden, Scotland, Vienna) and population divided by household size elsewhere. Completions are gross. The Italian metros publish no completions series, so their ratios use residential building permits for the metropolitan city, shown in their own column; permits count homes authorised, not finished, so the Italian ratios are not directly comparable with the others. Population change for the Comunidad de Madrid follows INE's continuous population statistics (+104,618 in 2024), which give a smaller increase than the municipal register used in Table 4a (+135,316); on the register figure the 2024 ratio would be lower still. Berlin's 2013 to 2024 ratio for the city (2.06) is not shown as a result: see the text. The Paris and London ratios are on a different basis: they set the net change in the dwelling stock (census in Paris; MHCLG stock, equal to the sum of net additions, in London) against the change in census households, so they include conversions and losses and are not comparable with gross completions. Housing starts and net additions are not completions.

Three groups emerge over 2013 to 2024. Stockholm, the Gothenburg Region, the Munich region and the Edinburgh city region completed between 0.9 and 1.3 homes for each added household. Madrid completed about 0.6, Milan and Rome authorised 0.5 to 0.6 in building permits, and Florence (permits) and the AMB 0.3 or less. Milan and Rome look balanced in 2024 only because their populations barely changed that year: their shortfall comes from steadily shrinking households, not from population growth. Munich had a weak 2024 against a stronger record, and Madrid's gap widened in 2024. Even the cumulative ratio is not equilibrium. It ignores vacancy, second homes and demolitions, and households that could not form are not counted, which flatters it. In Sweden and Scotland households are counted from occupied dwellings, so a ratio near 1.0 there reconciles supply with recorded households and cannot show a shortage by itself. In Berlin the microcensus shows only 71,800 more households in the city between 2012 and 2024 while average household size rose from 1.75 to 1.85; that may reflect people doubling up for want of housing or breaks in the survey, so the city's ratio of 2.06 should not be read as a surplus. Paris and London look adequately supplied on net census stock change (0.96 principal residences per added household in the Paris region, 2.27 dwellings in London), but neither ratio shows that supply met demand: in the Paris region vacant and second homes took 29.6% of the increase and housing starts have halved since 2017, and in London average household size rose from 2.47 to 2.54 between the Censuses, consistent with households forming later, while net additions have fallen since 2019/20.

Table 8. Housing affordability: buying, current renters and the cost of entry

Metro	Price in years of household income, first year	Latest	Change	Rent burden of current renters	Entry rent / household income
Madrid	4.1 (2013)	5.0 (2023)	+22%	31.6% (2024)	31.1%
Barcelona	4.7 (2013)	5.5 (2023)	+17%	32.4% (2024)	33.7%
Stockholm	4.7 (2012)	5.7 (2024)	+21%	27.7% (2024)	48.1%*
Gothenburg	3.8 (2012)	5.2 (2024)	+35%	27.2% (2024)	40.8%*
Munich	10.3 (2019)	9.5 (2024)	-7%	30.5% (2022)	28.1%
Vienna	8.7 (2021)	6.9 (2024)	-20%	n.a.	32.2%
Berlin	8.7 (2023)	8.3 (2024)	-5%	27.4% (2022)	29.7%
Edinburgh	3.8 (2012)	4.0 (2024)	+4%	n.a.	28.2%
Milan	6.3 (2024)			n.a.	25.7%
Rome	4.0 (2024)			n.a.	22.4%
Florence	4.2 (2024)			n.a.	23.6%
Paris	7.9 (2012)	7.1 (2023)	-11%	n.a.	n.a.
London	5.5 (2012)	6.1 (2024)	+9%	n.a.	35.3%†

*Sources: authors' calculations; see the housing sections of each edition and their sources. Price: an 80 m² dwelling (the whole dwelling sold in Sweden and Edinburgh) divided by household disposable income, measured as regional-accounts income per resident times average household size. Price concepts differ (appraisals in Spain, asking prices in Munich, transactions in Vienna, Berlin, Sweden and Edinburgh, estimated transaction values in Italy), so levels are not comparable across metros; changes within a metro are. Spanish price ratios end in 2023, the latest year of regional household income. Current renters: Banco de España, tract-level rent over the income of non-owner households (Madrid, Barcelona); SCB, median housing costs over renters' disposable income, with margins of about 3 points (Sweden); microcensus, gross cold rent over main renters' net income (Munich, Berlin). Entry: advertised or newly let rent divided by a reference household income; Spanish figures use the city's median rented flat (66 m² in Madrid, 68 m² in Barcelona), Italian figures new ordinary long-term leases. *Swedish entry figures set second-hand rents for a two-room flat against renters' median income; most Swedish rents are regulated, so they describe the segment open to households without queue time. Edinburgh's entry figure (28.2%) is new two-bedroom private lets in the City of Edinburgh over the city's mean gross household income (2023/24); the 27.7% in the text is the Lothian rent area against six-council household income. Incomes differ by country, so entry ratios are not comparable across countries. n.a.: no renter-specific measure found. Paris: Notaires old-apartment price for 80 m² over regional disposable income per resident times household size. London: average UK House Price Index price (all dwellings) over disposable income per head times survey household size; †entry rent is Rightmove's all-property average asking rent (Q4 2024) over the same income, a mean measure not comparable with the median-based entry ratios.*

The price of buying rose relative to income in Madrid, Barcelona, Stockholm, Gothenburg and London, so purchase affordability did not simply track the supply gap; since peaks in 2021 or 2022 it has improved in Munich, Vienna, Stockholm, Gothenburg and Edinburgh, and since 2016 to 2017 in London, which in the authors' judgement reflects interest rates more than housing supply. In the Paris region it improved from 7.9 years in 2012 to 7.1 in 2023, as prices fell from their 2022 peak. Rents tell a clearer story, and it is a story about entry. Tenants already in place in Madrid and Barcelona pay median rents of about a fifth of mean household income in tax records (SERPAVI), barely changed since 2015, while advertised rents per square metre in December 2024 were about 50% above the median rent per square metre that sitting tenants declared. Advertised rents measure what households face when searching, not what new tenants finally agree. In the Edinburgh city region, advertised two-bedroom rents in the Lothian rent area rose from 21.9% of six-council household income in 2012 to 27.7% in 2024, while the purchase ratio ended the period close to where it began. The gap shows that entering the rental market costs far more than sitting tenants' rents suggest; it does not show how much of that cost population growth caused. Migrants are likely to be overrepresented among new entrants, which is consistent with EU-wide data: 18.8% of non-EU citizens spent more than 40% of disposable income on housing in 2024, against 7.6% of nationals (Eurostat, migrant integration statistics). Those figures cover all non-EU residents, not recent arrivals in these metros, and do not show how much of the pressure population growth caused.

3.5 What the comparison means for investors

- **Core offices merit underwriting in twelve of the thirteen metros,** but on different conditions (Table 1). Subject only to entry price, the case is for Madrid inside the M-30, the CBDs of Milan, Munich and Stockholm, and Barcelona's Prime CBD and City Centre. It is selective in Berlin's strongest central locations, in the CBDs of Vienna, Rome and Paris, in London's City, with the West End treated with caution given its low entry yield and sensitivity to income assumptions, and in Edinburgh's new or comprehensively refurbished prime stock, and in Gothenburg it applies to the Rest of Inner City, or to the CBD only with pre-lets. Florence's office market is too thin. The scarcity of central and prime space supports rents in most markets, but yields of about 4% to 5% in the euro area and Sweden leave little room for compression while rates are rising. Whether a specific acquisition meets a required return depends on its net income, capex, incentives, financing and exit assumptions, which this report does not assess.
- **Value-add depends on the type of vacancy.** Refurbishment to Grade A has market support where the shortage is of quality space in well-connected locations (Milan, Rome with a pre-let, Madrid outside the M-30, Vienna near the main transport hubs, central Munich with a substantial pre-let, well-connected Central London, where it competes with a large pipeline), and not where vacancy reflects structural oversupply (Stockholm's suburbs, Gothenburg at present, Berlin while vacancy is rising, Edinburgh's secondary stock, Paris outside the core, including Péri-Défense), and only with a pre-let in 22@, where the surplus is being absorbed.
- **Housing demand is strongest where jobs and population grow fastest, but affordability limits it.** Madrid has the clearest volume case, with 14.3% more households projected to 2041, and Vienna, with its population projected to reach 2.22 million by 2040 and falling new supply, one of the clearest rental cases; in Madrid, Milan, Rome and Vienna flat or falling real pay makes affordability the binding constraint, and in Munich high housing costs and rent regulation do. Berlin and Edinburgh both combine rising pay with constrained supply, and in both regulation favours new-build rental: Berlin's socialisation proposal exempts homes built after 2020, and Scottish rent control is to exempt build-to-rent completed after August 2021. In Florence, housing demand rests more on students and visitors than on residents, so purpose-built student housing is the priority there, subject to a campus-level count of competing beds, rents and occupancy (Section C18). Over 2013 to 2024 new supply (completions, or permits in Italy) fell furthest short of household growth in Florence, the AMB, Madrid, Milan and Rome (Section 3.4). The gap between advertised and declared rents per square metre, about 50% in Madrid and Barcelona, supports new-build rental at mid-market rents but is also, in the authors' judgement, the main source of regulatory risk there. The long shortfall in Rome suggests that its untested rental housing case merits testing. In London and the Paris region rental housing has a structural case, with net additions falling in London and housing starts halved in the Paris region, but neither edition holds residential yields, so both are taken forward to due diligence rather than underwritten.
- **Data vintage differs.** Italy's and Germany's metropolitan accounts end in 2023, a year earlier than Spain's, Sweden's, Austria's, Edinburgh's, the Paris region's and London's, Barcelona's detailed office zone breakdown is from Q1 2025, and Florence's hotel performance figures end in 2023, apart from HVS's assessment that occupancy and average rates fell in 2025. London's office rents and yields are for Q1 2026 and its logistics figures for H1 2026.
- **Stockholm, Gothenburg, Edinburgh and London are outside the euro area.** Their values are in Swedish kronor and pounds sterling and their rates are set by the Riksbank and the Bank of England, so euro-based investors also take currency risk there.

PART A. SPAIN

Madrid and Barcelona



Madrid, Cuatro Torres office district. Architectural illustration.

This part reproduces the combined Spanish edition. It compares Madrid and Barcelona on matched Social Security data (Section A3) and then sets out each city in full: Madrid in Part A-I, with housing and offices in depth, and Barcelona in Part A-II, with offices in depth.

Data vintage. Metropolitan statistics run to 2024 or 2025. Madrid market figures run to Q3 2026; Barcelona office market figures run to Q3 2026, with its prime yield at Q1 2026 and the detailed zone breakdown at Q1 2025.

A1. Executive summary and recommendations

Recommendations. Madrid: prioritise core prime offices inside the M-30 for underwriting, subject to entry price; consider value-add outside the M-30 only selectively; underwrite mid-market multifamily build-to-rent selectively in well-connected parts of the metropolitan ring. Barcelona: prioritise core Grade-A offices in the Prime CBD and City Centre for underwriting, subject to entry price; do not pursue 22@ value-add on an unlet basis at present**.** On relative value, Madrid offers broader and stronger demand growth, while Barcelona's office case rests on a narrower technology engine. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

Two metros, one method. This edition applies the same metropolitan growth analysis to Madrid and Barcelona: summary growth indicators and forecasts, growth and real pay by sector, location quotients and shift-share against Spain, and the forces behind growth, followed by the space markets, pricing and illustrative investment strategies. Section A3 compares the two cities on aligned periods and sector groups and on the demand- and supply-side drivers of their growth; Parts A-I and A-II set out each city in full.

The case rests on seven comparative findings:

1. **Madrid is outgrowing Spain; Barcelona has fallen behind it since 2019.** Non-agricultural Social Security registrations grew 36.5% in the Comunidad de Madrid between 2012 and 2024, against 29.5% for Spain and 29.0% for the province of Barcelona. Both regions beat the national trend before the pandemic (regional shifts of about +34,000 jobs each over 2012 to 2019); after it, Madrid gained a further 69,300 jobs over the national trend while Barcelona lost 49,100 (2019 to 2024).
2. **In both cities growth is employment-led and real pay is weak.** On Agencia Tributaria data deflated by regional prices, real salary per recipient rose 5.5% in Madrid and 4.4% in the province of Barcelona between 2012 and 2023. The Madrid chapter extends the same real salary series to 2024, giving a 6.5% rise from 2012; the 5.5% figure retains 2023 as the common comparison endpoint. Mean salaries in 2024 were €31,911 and €29,255. Both cities' growth supports the volume of demand more clearly than premium pricing.
3. **Technology is Barcelona's engine; finance and capital functions are Madrid's.** In the province of Barcelona, technology jobs grew 93% between 2012 and 2023 (110% to 2025) and real salary per recipient in the sector rose 19%, the clearest sign of strong labour demand in either city, and its share of national technology jobs keeps rising. Madrid is far more concentrated in technology (location quotient 2.25 against 1.37) but its share is easing; its durable gains are in finance and in public, health and education employers.
4. **Housing demand is stronger in Madrid.** INE projects 392,881 additional households in the Comunidad de Madrid (+14.3%) and 372,061 in Catalonia (+11.7%) between 2026 and 2041. Madrid house prices rose 12.9% in the year to Q2 2026, and affordability is the binding constraint: on the authors' illustration, renting a 70 m² flat at the city's average asking rent would take about 40% of an average household's income.

5. **Both office markets run at two speeds.** Availability in Madrid was 2.37% inside the M-30 and 11.54% outside it in Q3 2026 (Savills); in Barcelona, availability was 2.17% in the prime CBD and 4.85% in the centre, and below 20% in 22@, down from 26.6% in Q1 2025 (Savills, Q3 2026). Prime yields were 4.25% to 4.50% in Madrid (Q2 2026) and 4.65% in Barcelona (Q1 2026, CBRE).
6. **Immigration supplies the labour; demand decides where the jobs go.** Foreigners account for about 80% of employment growth in both regions, which keeps labour supply elastic and real pay flat. Madrid's demand drivers are broader: 54% of Spain's foreign direct investment, 20.9% of state investment against Catalonia's 8.6%, and faster growth in visitor spending; Barcelona's distinctive driver is innovation (Section A3.3).
7. **The near-term outlook is similar.** BBVA Research expects employment to grow 2.7% in Madrid and 2.3% in Catalonia in 2026, and 2.0% and 2.1% in 2027. No regional forecast points to faster real pay, and national inflation is projected at 3.9% in 2026 (Banco de España).

Conditions for Barcelona Option B: a meaningful pre-let before commitment; an entry price that underwrites at least a two-to-three-year lease-up; and evidence that 22@ vacancy is falling on net absorption, not on stock withdrawal alone. The third condition is now partly met: 22@ availability has fallen from 26.6% in Q1 2025 to 20.48% in H1 2026 and below 20% in Q3 2026 (Savills), but the published figures do not separate net absorption from conversions and withdrawals.

Data vintage. Market figures for both cities run to Q3 2026, except Barcelona's prime yield (Q1 2026) and its detailed zone breakdown (Q1 2025, Figures A9 and A10). The metropolitan statistics for both cities run to 2024 or 2025.

The assumptions this advice is most sensitive to: the path of interest rates, which sets prime office and multifamily yields in both cities; rental regulation, for Madrid residential; and net absorption in 22@, for any Barcelona value-add strategy.

A2. Introduction: purpose, method and areas

This edition assesses whether, and how, an institutional investor should commit capital to real estate in Spain's two largest metropolitan areas, and how the two compare. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space. In Madrid and Barcelona, for example, an office in 22@ competes with space in Barcelona's Prime CBD or Sant Cugat, and a flat in Majadahonda with flats in Las Rozas or northern Madrid, not with each other across cities.

From growth to space. The shift-share results identify which industries are driving employment growth in each metro (Sections A3, A4.3 and A11.3). This edition then asks what premises those industries use and whether the available space can serve them: Sections A7 and A13 convert office-using jobs into floor space, on illustrative assumptions for occupancy and space per worker, and set that demand against availability by submarket. For housing, Madrid's population change is traced into household formation and set against completions, measured rent burdens and entry rents (Sections A6.1 to A6.4), and the AMB's in Section 3.4. Tracing household growth further, into demand by tenure, unit size and location, and measuring how much of the office demand vacant or adaptable space can absorb, are the next steps for this edition.

Areas covered. For Madrid, the Comunidad de Madrid (7.14 million residents, 179 municipalities) is used as the metropolitan area, with Madrid city (3.51 million) for population, household income and output. For Barcelona, the core series cover the Àrea Metropolitana de Barcelona (AMB), the 36-municipality metropolitan administration rather than the wider functional metropolitan region, with the province of Barcelona as a cross-check where data are published only at that level. Spain is the reference economy throughout. Office-market sections use broker definitions.

Method and comparability. Each city is analysed with two independent employment measures where available: Social Security registrations, which count jobs at the employer's workplace account, and, for Madrid, the INE labour force survey (EPA), which counts employed residents. Real pay by sector comes from Agencia Tributaria salary statistics. The direct comparison in Section A3 uses registrations for the Comunidad de Madrid and the province of Barcelona, both against Spain, on aligned years and sector groups; a regime-coverage difference remains, as the Madrid series covers all Social Security regimes and the Barcelona and Spain series the general and self-employed regimes (RG + RETA), which together account for most registrations. Elsewhere periods and geographies differ, so figures in Parts A-I and A-II are comparable in method but not always figure by figure. 'Technology' is used as shorthand for NACE section J, information and communication. Registrations count jobs on employers' accounts in each area, while the Agencia Tributaria statistics count people receiving salaries, so pay is reported as salary per recipient; the sector crosswalk aligns activities, not worker coverage. Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. To identify which opportunities merit asset-level underwriting, the report tests five illustrative strategies:

Table A1. The strategies tested

City	Strategy	Asset	Location	Risk style
Madrid	A	Stabilised, fully let Grade A office building	Inside the M-30 (CBD or City Centre)	Core
Madrid	B	Partly vacant office building, refurbished to Grade A	Outside the M-30, well-connected node	Value-add
Madrid	C	Multifamily build-to-rent scheme	Metropolitan ring, mid-market	Core-plus
Barcelona	Option A	Stabilised, fully let Grade-A building	Prime CBD / City Centre	Core
Barcelona	Option B	Partly vacant building, refurbished to Grade-A	22@	Value-add

Structure. Section A3 compares the two cities. Part A-I (Sections A4 to A10) covers Madrid: metropolitan growth, prospects by asset class, the residential and office markets, capital markets, strategy appraisal and risks. Part A-II (Sections A11 to A17) covers Barcelona on the same template, with offices in depth. Section A18 lists sources.

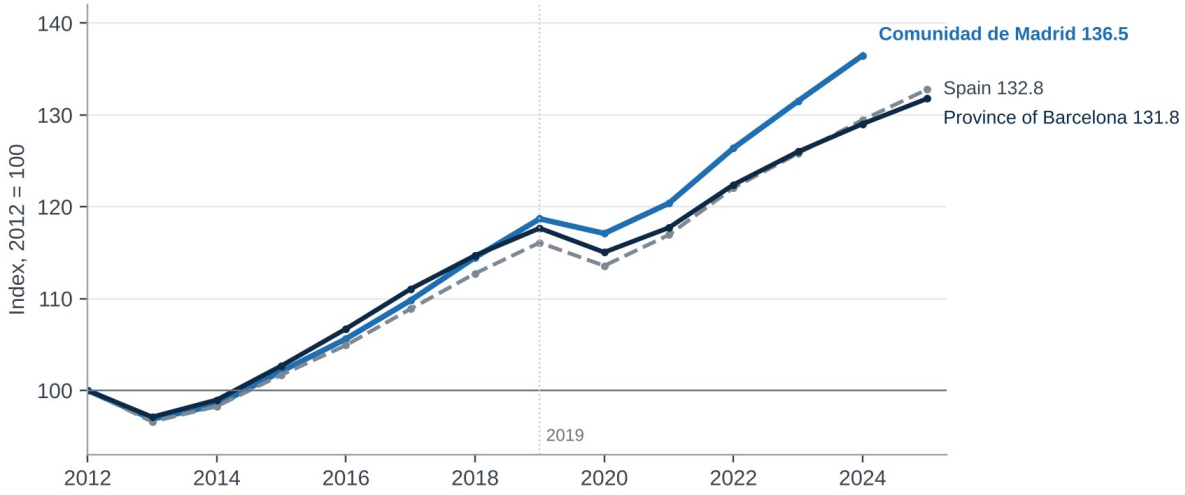
A3. Madrid and Barcelona compared

Madrid and Barcelona grew at the same pace until 2019; since then Madrid has pulled ahead of Spain while Barcelona has fallen slightly behind it. Both are service metropolises with employment-led growth and weak real pay, but their competitive engines differ.

A3.1 Growth on aligned periods and sector groups

Figure A1. Madrid and Barcelona grew together until 2019, then diverged

Non-agricultural Social Security registrations, 2012 to 2025 (index, 2012 = 100)



Sources: Comunidad de Madrid (registrations by CNAE-2009 division, all regimes, to 2024); Seguridad Social, tables 04f09 and 02fb09 (province of Barcelona and Spain, RG + RETA, to 2025); annual means of month-end values; authors' calculations.

From 2012 to 2019 the two regions grew almost identically and slightly faster than Spain. After 2019 their paths separated: Madrid's registrations rose 15.0% between 2019 and 2024, against 11.5% for Spain and 9.7% for the province of Barcelona. Most of the difference appears in the regional-shift component of the shift-share analysis; the decomposition does not establish its causes. Madrid's favourable sector mix adds 34,000 to 38,000 jobs in each period, whereas Barcelona's mix tracks the national pattern almost exactly, but the larger and growing gap is in the regional shift (Table A3).

Table A2. Madrid and Barcelona scorecard

Indicator	Madrid	Barcelona	Basis
Registrations growth, 2012 to 2024	+36.5%	+29.0%	Comunidad; province (Spain +29.5%)
Regional shift, 2012 to 2019	+34,800 jobs	+33,700 jobs	Registrations vs Spain
Regional shift, 2019 to 2024	+69,300 jobs	-49,100 jobs	Registrations vs Spain
Real salary per recipient, 2012 to 2023	+5.5%	+4.4%	Agencia Tributaria, regional CPI
Mean annual salary, 2024	€31,911	€29,255	Agencia Tributaria, nominal
Technology location quotient, 2024	2.25	1.37	Registrations (AMB 1.91 in 2025)
Finance location quotient, 2024	1.89	1.00	Registrations
Households projected, 2026 to 2041	+392,881 (+14.3%)	+372,061 (+11.7%)	INE; Comunidad vs Catalonia
Employment forecast, 2026 / 2027	+2.7% / +2.0%	+2.3% / +2.1%	BBVA Research; Catalonia for Barcelona
Office availability, centre / periphery	2.37% / 11.54% (Q3 2026)	2.17% prime CBD / below 20% in 22@ (Q3 2026)	Savills
Prime office yield	4.25% to 4.50% (Q2 2026)	4.65% (Q1 2026)	JLL, Savills; CBRE

Sources: as Figure A1; Agencia Tributaria, Mercado de trabajo y pensiones en las fuentes tributarias; INE, CPI by autonomous community and Proyección de hogares 2026-2041; BBVA Research, Situación Madrid 2026 and Situació Catalunya, May 2026; Savills, JLL and CBRE as cited in Parts A-I and A-II. Madrid registrations cover all regimes and Barcelona's RG + RETA; agriculture is excluded from both.

Where population growth comes from. Population change is the sum of natural change (births less deaths) and net migration. In 2024 the Comunidad de Madrid's population rose by about 135,300 while births exceeded deaths by only about 2,700, so net migration, estimated as the residual, accounted for about 98% of growth. Catalonia's population rose by about 111,900, with natural change of -13,700, net migration from abroad of +129,000 and net migration with the rest of Spain of -6,400; in Barcelona city natural change was -4,000, migration from abroad +47,000 and migration to the rest of Spain -17,000 (Table A2a). Growth in both metros therefore depends on international migration. The skills of these migrants, which shape their effect on wages and housing demand, cannot be measured with the data available to the authors.

Table A2a. Components of population change, 2024

Area	Population change	Natural change	Net migration	of which abroad	of which rest of Spain
Comunidad de Madrid	+135,316	+2,707	+132,609	n.a.	n.a.
Catalonia	+111,895	-13,722	+125,617	+129,030	-6,437
Barcelona city	n.a.	-3,951	n.a.	+46,974	-17,020

Sources: INE, municipal register population at 1 January 2024 and 2025 (Comunidad de Madrid), and Movimiento Natural de la Población, provisional 2024, press release of 19 February 2025; Idescat, population estimates 2024, release of 28 January 2026 (Catalonia and Barcelona city). Madrid's net migration is the residual of population change less natural change. Catalonia's net migration is shown as the residual; the published components do not sum exactly to it.

Jobs per resident. Registrations grew much faster than population. Jobs per resident rose 15.8% in the Comunidad de Madrid between 2012 and 2019 and a further 9.4% between 2019 and 2024; in the AMB they rose 18.0% and then 5.8% to 2025. A rising ratio can reflect falling unemployment, higher labour force participation, more commuting into the area or more registrations per person, and in Madrid head-office registrations add to it. The large rises before 2019 coincide with the recovery from the 2012 to 2013 recession, when unemployment was high, so falling unemployment is likely to explain much of them; the data used here cannot separate these effects, which would need labour force survey data on participation and commuting.

Synthesis by period. Table A2b summarises growth in each period and the type of growth it indicates.

Table A2b. Synthesis of growth patterns by period (average annual % change)

City	Period	Population	Employment	Real pay	Real output	Indicative mechanism	Main forces
Madrid	2012-19	+0.4	+2.5	+0.6	+2.6	Consistent with demand-induced; elastic labour supply	National recovery; capital and head-office functions; finance; falling unemployment
Madrid	2019-24	+1.0	+2.8	+0.5	+2.1	Consistent with demand-induced; elastic labour supply	International migration; public, health and education employers; trade and transport
Barcelona	2012-19	+0.2	+2.6	+0.4	+2.5	Consistent with demand-induced; elastic labour supply	National recovery; technology and professional services
Barcelona	2019-25	+0.9	+1.8	+0.3	+1.7	Consistent with demand-induced; elastic labour supply	International migration; national tailwind; technology as the only local engine

Sources: population, INE municipal register (Comunidad de Madrid, 1 January) and Idescat (AMB); employment, Social Security registrations (Comunidad de Madrid; AMB municipalities); real pay, Agencia Tributaria salary per recipient deflated by regional CPI (Comunidad de Madrid; province of Barcelona, to 2023); real output, regional GDP in volume (Comunidad de Madrid; Catalonia for Barcelona); authors' calculations. Growth types follow the framework in Section A2 and are indicative.

A3.2 Competitive engines

Table A3 sets the two regions' regional shifts side by side for the same periods and sector groups. It is the clearest summary of where each city is gaining or losing ground against Spain.

Table A3. Regional shift by sector, Comunidad de Madrid and province of Barcelona (thousands of jobs)

Sector	Madrid 2012-19	Madrid 2019-24	Barcelona 2012-19	Barcelona 2019-24
J Technology	-4.7	-8.7	+11.7	+3.0
K Finance	+15.3	+12.5	-0.8	-0.3
M to N Professional	-4.8	+3.4	+26.1	-2.5
G to H Trade, transport	-4.0	+18.4	+3.3	-3.4
O to Q Public services	+48.7	+31.8	+6.9	-17.3
F, L Construction, RE	+4.9	+8.2	+2.4	-4.5
I, R, S Hospitality	-2.8	-6.0	-5.6	-12.0
C Manufacturing	-17.8	+5.8	-10.1	-13.6
B, D, E Energy, water	0.0	+3.9	-0.2	+1.4
Total	+34.8	+69.3	+33.7	-49.1

Sources: as Figure A1; authors' calculations. Regional shift is the change in local jobs less the change expected had each sector grown at its national rate. RE is real estate; public services are O to Q. Rows may not sum to totals because of rounding.

- **Madrid's advantage is broad and rooted in capital functions.** Finance gains in both periods, and since 2019 Madrid has also gained in trade and transport, construction and real estate, manufacturing and, on registrations, public services. Technology is highly concentrated but growing slightly more slowly than in Spain.
- **Barcelona's advantage is narrow and centred on technology.** Technology gains in both periods, with real pay rising faster than in any other sector, and professional services gained strongly before 2019. Since 2019 almost every other sector has lost ground, most of all public services, manufacturing and hospitality.
- **Neither city is raising real pay much.** Growth in both is extensive: more workers, with real salaries per recipient up only about 4% to 6% in eleven years. Outside technology and professional services, sectors grew on volume rather than on rising pay.

A3.3 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables A3a and A3b rate each driver for the two metros. The ratings are the authors' judgement from the evidence shown.

Table A3a. Demand-side drivers of growth

Driver	Madrid	Barcelona	Evidence
National economic influences	Strong	Moderate	Madrid's services mix is less exposed to the energy shock and weak European demand; Catalonia is more exposed through goods exports, with US trade worth 1.3% of GDP against 0.7% in Madrid
Amenities, infrastructure and tax	Strong	Moderate	Madrid: 54% of Spain's foreign direct investment in January to September 2025, a 100% wealth tax bonus and 68.2 million airport passengers in 2025; Barcelona: climate, international brand and 57.5 million passengers, but no wealth tax bonus
Clusters and innovation	Moderate	Strong	Catalonia leads Spain on the EU Regional Innovation Scoreboard (score 110.7 against 106.1 for Madrid) and Barcelona is among the top five EU startup hubs; Madrid's cluster is in finance and corporate services
Population growth	Strong	Strong	Populations up 135,316 (Comunidad de Madrid) and 111,895 (Catalonia) in 2024, almost all through migration (Table A2a)
Visitor spending	Strong	Moderate	International tourist spending up 11.1% in Madrid in 2025, against 4.5% in Catalonia, where tourism may be reaching capacity limits
Government spending	Strong	Weak	20.9% of regionalisable state investment executed in 2025 in Madrid, 8.6% in Catalonia; EU recovery funds executed equal to 4.3% and 2.3% of regional GDP

Sources: BBVA Research, Situación Madrid 2026 and Situació Catalunya (May 2026); Secretaría de Estado de Comercio, foreign investment January to September 2025, as reported by El Debate (26 December 2025); IGAE, state investment 2025, as reported by Moncloa.com (18 July 2026); Aena, 2025 traffic release; Regional Innovation Scoreboard 2025 and StartupBlink 2025, as reported by Catalonia Trade & Investment; Guía Fiscal, wealth tax by region 2026; Comunidad de Madrid and Ministry of Industry and Tourism (Frontur and Egatur), tourism 2025. The foreign investment share partly reflects the registration of investment at head offices in Madrid.

Table A3b. Supply-side drivers of growth

Driver	Madrid	Barcelona	Evidence
Immigration for non-wage reasons	Very strong	Very strong	Foreigners account for about 80% of employment growth in each region; main origins are Latin American countries affected by crises, notably Venezuela and Colombia
Labour force participation	Weak now	Weak now	Strong before 2019, when falling unemployment raised jobs per resident by 15.8% (Madrid) and 18.0% (AMB); unemployment is now 8.2% and 8.3% (Q3 2026) and activity rates already exceed Spain's
Public policy programmes	Moderate	Moderate	The 2026 regularisation (Royal Decree 316/2026) is expected to cover about 120,000 people in Madrid and 150,000 in Catalonia; the digital nomad regime (Law 28/2022) adds a small high-income flow; Madrid's tax incentives target investors and high earners

Sources: BBVA Research, Situación Madrid 2026 and Situació Catalunya (May 2026); INE, Labour Force Survey Q3 2026, as compiled by Ángel Martínez; City of Madrid, municipal register 2026; CIDOB, extraordinary regularisation (2026); Garrigues, Law 28/2022; authors' calculations (jobs per resident).

How the drivers explain the growth pattern. Both metros combine expanding employment with modest real-pay gains, consistent with demand growth accommodated by an elastic labour response. Migration supplies workers and adds local demand, but the evidence does not isolate how much migration responded to jobs and how much occurred independently. Madrid's demand-side evidence is broader, spanning services, capital functions, investment, public spending and visitors. Barcelona's technology cluster supports a sector-specific demand interpretation, while its weaker overall national-relative performance after 2019 qualifies the citywide conclusion. These are interpretations of the evidence, not identified causal effects.

What could change the balance. Slower migration would make labour supply less elastic and could raise real pay, but would also limit job growth. The end of EU recovery funds in the second half of 2026 removes a demand driver, more so for Madrid. A recovery in European industrial demand would help Barcelona more than Madrid; BBVA Research expects Catalonia's growth to overtake Madrid's in 2027.

A3.4 Relative implications for real estate

Table A4. Relative outlook by asset class, five to ten years

Asset class	Madrid	Barcelona	Relative view
Rental housing	Strong: more households, migration-led, permits cover 43% of new households	Strong: migration-led, more households; not analysed in depth here	Madrid has the stronger and better-documented volume case; both face affordability and regulation
Prime offices	Strong: finance and capital functions; central availability 2.37%	Strong but narrower: technology-led; prime CBD availability 2.17%	Both investable at the right price; Madrid's demand base is broader
Value-add offices	Selective: 11.54% availability outside the M-30, conversions shrinking stock	Improving but still weak: 22@ availability below 20%	Madrid's periphery is the better value-add market
Logistics	Moderate to strong: national distribution hub, trade and transport gaining since 2019	Moderate: trade and transport at the national average	Madrid preferred on demand evidence
Social infrastructure	Moderate: public, health and education employers gaining	Moderate: follows population, losing share since 2019	Madrid preferred

Overall. Both cities show job growth with modest real-pay gains, consistent with demand-induced expansion accommodated by elastic labour supply. This supports a volume-demand hypothesis for mid-market housing and services more clearly than a broad wealth effect. The prime-office case depends on office-using sectors, building specifications and submarket supply. Madrid's growth evidence is broader and its central office availability tighter. Barcelona's technology and professional-services base supports selective office underwriting, while its post-2019 loss of relative employment share and the 22@ overhang require evidence of absorption, tenant commitments and viable entry pricing.

Part A-I. Madrid



Madrid, Gran Vía. Architectural illustration.

A4. Madrid: metropolitan growth patterns

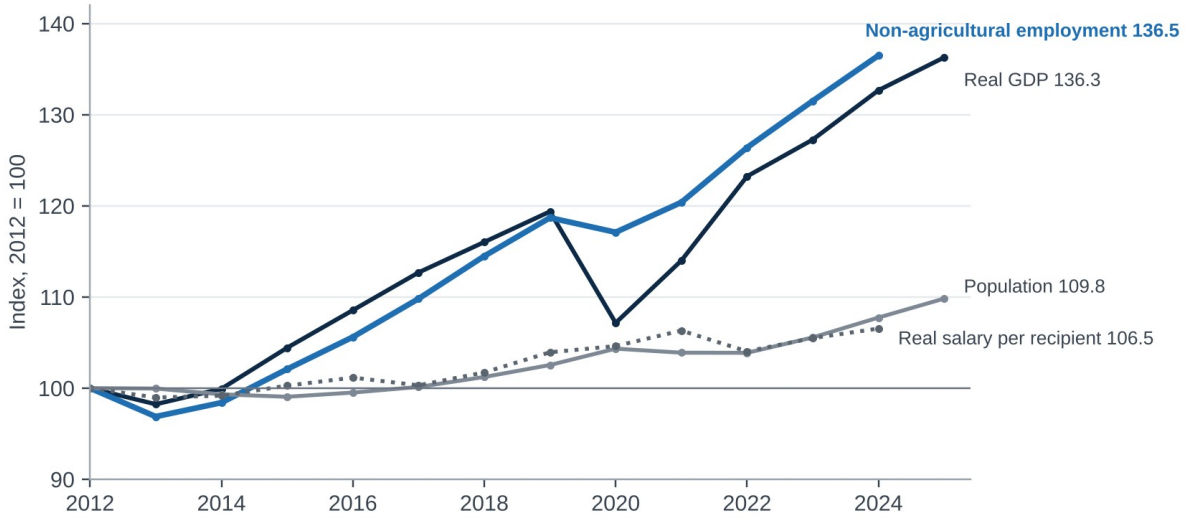
Metropolitan growth is analysed in four steps: summary growth indicators and forecasts (4.1), growth and real pay by sector (4.2), specialisation and competitiveness against Spain (4.3), and the forces behind growth and whether they will persist (4.4). Each step uses two independent employment measures: the EPA labour force survey, which counts employed residents, and Social Security registrations, which count jobs at the employer's workplace account, including the self-employed. Where they agree, the finding is robust; where they differ, the report says so.

A4.1 Summary growth indicators

Madrid grew by adding jobs and people rather than by raising pay. On registrations, non-agricultural employment in the Comunidad rose 36.5% between 2012 and 2024, almost five times as fast as population (+7.7%), while real salary per recipient rose only 6.5% in twelve years.

Figure A2. Employment and output grew far faster than population or real pay

Summary growth indicators, Comunidad de Madrid, 2012 to 2025 (index, 2012 = 100)



Sources: Comunidad de Madrid, Social Security registrations by CNAE-2009 division (annual mean of month-end values, all regimes, agriculture excluded); INE municipal register; INE, Contabilidad Regional de España (chain-linked volume); Agencia Tributaria mean salary per recipient, deflated by the regional CPI (2024 euros); authors' calculations.

Employment. Registered non-agricultural employment rose from 2.60 million in 2012 to 3.55 million in 2024, or 2.6% a year: it fell 3.1% in 2013, grew about 3.8% a year from 2014 to 2019, dipped only 1.3% in 2020 because furlough schemes (ERTE) kept workers registered, and passed its 2019 level in 2021. The survey tells the same story over a shorter span: EPA employment in the Comunidad rose from about 2.81 million in 2015 to 3.55 million in 2025 (+26%), slightly ahead of Spain (+24%), and reached 3.58 million in Q4 2025. Agriculture is only 0.2% of registered jobs.

Population. The Comunidad grew from 6.50 million in 2012 to 7.14 million in 2025 (+9.8%), and Madrid city from 3.14 million in 2015 to 3.51 million (+11.6%). Growth was flat until 2016 and has accelerated to about 1.2% a year since 2019, almost entirely through international migration. The city's own register shows 3,497,277 residents on 1 January 2026, 0.9% fewer than a year earlier, but almost entirely because of administrative de-registrations (a net -99,375); underlying flows in 2025 were strongly positive, with a net 106,117 arrivals from abroad, a net 37,953 departures to the rest of Spain and natural change of +564.

Earnings. Real pay is the weak link on every measure. Mean salary per recipient (Agencia Tributaria, deflated by the regional CPI) rose from €29,954 in 2012 to €31,911 in 2024, both expressed in 2024 prices (+6.5%): +3.9% to 2019 and +2.5% since, when the 2022 inflation surge cut real pay. Over 2015 to 2023 the same series rose about 5.2%, while the INE wage-structure survey, deflated by the national CPI, shows only +1.4% (Spain +1.1%) on average earnings of €32,220 in 2023, 15% above the Spanish average. The sources differ in coverage and price index, so the real gain is best read as a range of about 1% to 5% over eight years. Net household income per person in Madrid city rose 7.1% in real terms between 2015 and 2023. The 6.5% rise ends in 2024; the 5.5% headline comparison ends in 2023. These are different endpoints of the same series, not conflicting estimates.

Output. Regional real GDP grew 36.3% between 2012 and 2025 (2.4% a year), with a 10.2% fall in 2020 and full recovery by 2022 (INE). Madrid city's GDP was €211.3 billion in 2025, 12.5% of Spain's (Ayuntamiento de Madrid).

Forecasts. The outlook is continued but slower growth (Table A5). INE projects the Comunidad's population to grow 14.4% between 2026 and 2041, about 0.9% a year, faster than in 2012 to 2025 and well above the 8.6% projected for Spain, with all of the growth coming from net international migration. BBVA Research expects employment to grow 2.7% in 2026 and 2.0% in 2027. No regional earnings forecast is published; with negotiated wage rises of about 4.1% in Madrid in 2025 and national inflation projected at 3.9% in 2026 and 3.7% in 2027 (Banco de España), the authors expect real pay to grow little in the near term.

Table A5. Historical and forecast growth, Comunidad de Madrid

Indicator	History	Forecast	Forecast source
Population	+9.8%, 2012 to 2025 (0.7% a year)	+14.4%, 2026 to 2041 (0.9% a year)	INE, June 2026
Households	n.a.	+392,881 (+14.3%), 2026 to 2041	INE, June 2026
Non-agricultural employment	+36.5%, 2012 to 2024 (2.6% a year)	+2.7% in 2026; +2.0% in 2027 (EPA basis)	BBVA Research, May 2026
Unemployment rate	8.0% in 2025	7.4% in 2026; 7.1% in 2027	BBVA Research, May 2026
Real GDP	+36.3%, 2012 to 2025 (2.4% a year)	+2.7% in 2026; +2.4% in 2027	BBVA Research, May 2026
Real salary per recipient	+6.5%, 2012 to 2024 (0.5% a year)	No regional forecast; likely flat in 2026 to 2027	Authors, from Banco de España, October 2026

Sources: history as Figure A2; INE, Proyecciones de población 2026-2076 and Proyección de hogares 2026-2041 (17 June 2026); BBVA Research, Situación Madrid 2026; Banco de España press release, 15 October 2026. The employment forecast is for EPA employment.

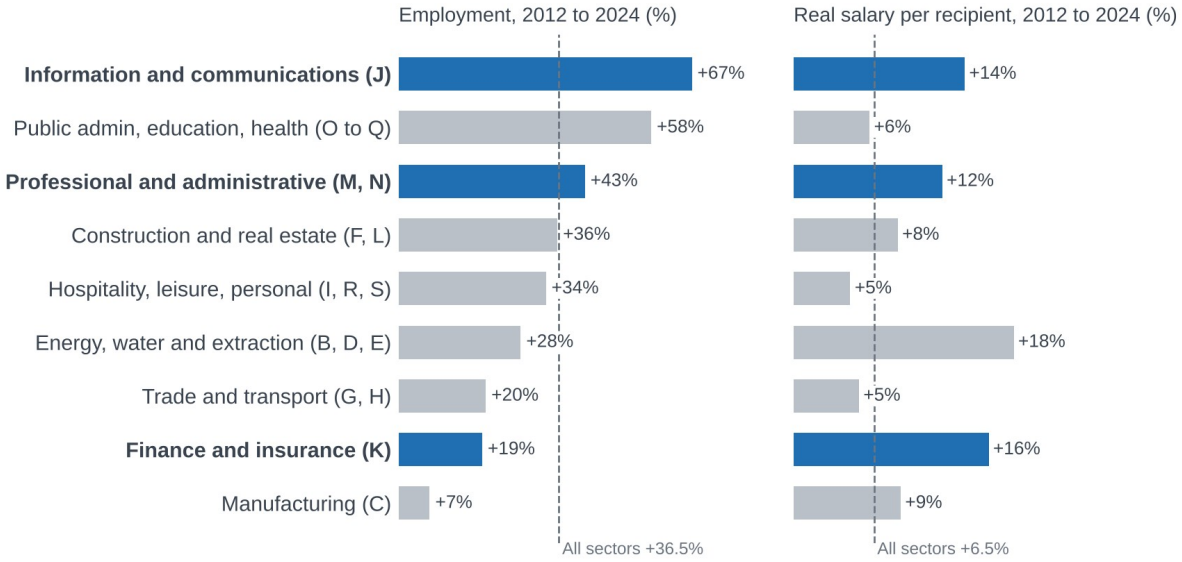
Reading for the investor. As in Barcelona, this is extensive, employment-led growth: it supports the volume of demand for housing and workspace more clearly than premium pricing. Madrid starts from higher income levels and is absorbing a larger migration inflow, which concentrates pressure on rental housing.

A4.2 Growth and real pay by sector

Growth was broad-based: every sector added jobs, and eight of nine non-agricultural sectors grew by 19% or more between 2012 and 2024. Information and communications grew fastest (+67%), followed by public administration, education and health (+58%) and professional and administrative services (+43%); together they added about 615,000 jobs, almost two-thirds of the total.

Figure A3. Technology, public services and business services led job growth; pay grew fastest in high-wage sectors

Employment and real salary per recipient by sector, Comunidad de Madrid, 2012 to 2024 (% change). Office-using sectors in blue.



Sources: Comunidad de Madrid, Social Security registrations (annual mean of month-end values); Agencia Tributaria mean salary per recipient by sector, deflated by the regional CPI; authors' calculations.

Table A6. Employment and real earnings by sector, Comunidad de Madrid, 2012 to 2024

Sector	Jobs 2012 (000)	Jobs 2024 (000)	Growth 2012 to 2019	Growth 2019 to 2024	Growth 2012 to 2024	Real pay 2024 (€)	Real pay growth
J Technology	178.8	298.5	+31.3%	+27.1%	+67.0%	46,586	+13.8%
O to Q Public services	483.2	761.9	+27.2%	+24.0%	+57.7%	32,701	+6.1%
M to N Professional	510.7	727.9	+24.4%	+14.5%	+42.5%	30,085	+12.0%
F, L Construction, RE	188.6	256.9	+16.9%	+16.5%	+36.2%	27,815	+8.4%
I, R, S Hospitality	296.5	396.2	+24.0%	+7.8%	+33.6%	16,537	+4.6%
B, D, E Energy, water	26.7	34.1	+1.0%	+26.6%	+27.9%	49,935	+17.7%
G to H Trade, transport	618.7	741.8	+10.4%	+8.6%	+19.9%	30,113	+5.3%
K Finance	110.4	131.5	+6.9%	+11.3%	+19.1%	66,854	+15.7%
C Manufacturing	185.2	198.2	-0.8%	+7.9%	+7.1%	37,674	+8.6%
All sectors	2,598.8	3,547.1	+18.7%	+15.0%	+36.5%	31,911	+6.5%

Sources: as Figure A3. Real pay for all sectors is the all-recipient mean, which includes agriculture (0.2% of jobs). Sector groups follow the Agencia Tributaria classification so that jobs and pay cover the same activities; RE is real estate; public services are O to Q (public administration, education and health).

A widening pay gap. Real earnings grew fastest where pay was already highest: energy and water (+18%), finance (+16%), technology (+14%) and professional services (+12%). Hospitality and personal services (+5%), trade and transport (+5%) and public services (+6%) lagged. The all-sector figure (+6.5%) sits below most sector figures, partly because much of the job growth was in sectors paying close to or below the average and partly because the total and sector tables differ slightly in coverage. For real estate this means two demand segments: a high-wage, office-based segment able to pay for premium space, and a much larger, lower-wage service segment that drives volume.

The survey view. The EPA confirms the service character of the economy: trade, transport and hospitality (26.5% of jobs), public administration, education and health (21.1%) and professional and administrative services (15.4%) account for about six in ten jobs, and office-using activities (J, K and M to N) held a steady 27 to 28% share between 2015 and 2025. In Madrid city, office-using sections rose from 33.1% to 35.8% of registered jobs over the same years. Part of the gap between the two measures reflects firms registering staff at Madrid head offices, so registrations overstate where work physically takes place, but both confirm the region's role as Spain's corporate base.

A4.3 Specialisation and competitiveness

Madrid's export base is in office-based services, above all technology, finance and professional services. Its competitive gains are concentrated in finance on every measure, in trade and transport since 2019, and, on registrations, in public administration, education and health. Technology remains highly specialised but has lost a little ground to the rest of Spain.

Location quotients (Spain = 1.0). A quotient above 1 means the sector is more concentrated in the Comunidad than in Spain, a sign it sells beyond the region. Tables A7 and A9 give the survey and registration views.

Table A7. Location quotients by sector, EPA, Comunidad de Madrid (Spain = 1.0)

Sector	LQ 2015	LQ 2025	Reading
K Finance and insurance	1.94	2.27	Highly specialised and rising
J Information and communications	2.63	1.96	Highly specialised, easing
L Real estate	1.45	1.63	Specialised and rising
M to N Professional and administrative	1.40	1.39	Specialised, stable
R to U Other services	1.14	1.16	Modestly specialised
O to Q Public admin, education and health	0.99	0.92	Just below average
G to I Trade, transport and hospitality	0.89	0.93	Below average, rising
F Construction	0.91	0.93	Below average
B to E Industry	0.66	0.63	Under-represented

Shift-share, EPA, 2015 to 2025 (thousands of jobs). Each sector's change splits into national growth, industry mix (the sector's national trend) and the regional shift, which isolates local competitiveness.

Table A8. Shift-share decomposition of employment change, EPA, Comunidad de Madrid, 2015 to 2025 (thousands of jobs)

Sector	Change	National growth	Industry mix	Regional shift
G to I Trade, transport and hospitality	+191.4	+175.2	-36.9	+53.1
M to N Professional and administrative	+141.6	+94.5	+45.0	+2.1
O to Q Public admin, education and health	+132.1	+144.5	+29.0	-41.4
F Construction	+72.3	+36.1	+26.3	+10.0
B to E Industry	+45.4	+60.3	-9.2	-5.7
J Information and communications	+45.2	+51.6	+77.6	-84.0
R to U Other services	+32.0	+60.0	-37.1	+9.1
K Finance and insurance	+29.1	+32.6	-30.3	+26.8
L Real estate	+23.7	+5.6	+12.1	+6.0

Source for Tables A7 and A8: INE, EPA, employed persons by branch of activity, Comunidad de Madrid and Spain; four-quarter averages for 2015 and for Q4 2024 to Q3 2025; authors' calculations. Agriculture (LQ 0.09) omitted.

On the survey, trade, transport and hospitality swung from a regional shift of -11,800 jobs (2015 to 2019) to +65,800 (2019 to 2025), consistent with record tourism and Madrid's role as a distribution hub; professional services turned positive after 2019 (+15,500), finance gained in both periods, and information and communications lost ground in both (-23,000, then -51,800). Because the EPA is a sample survey, its estimates for a single sector carry sampling error, so Tables A9 and A10 repeat the analysis on registrations for the nine non-agricultural sector groups, before and after the pandemic.

Table A9. Location quotients by sector, Social Security registrations, Comunidad de Madrid (Spain = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2024	Share of jobs 2024	Reading
J Information and communications	2.49	2.39	2.25	8.4%	Highly specialised, easing
K Finance and insurance	1.57	1.77	1.89	3.7%	Specialised and rising
M to N Professional and administrative	1.50	1.46	1.42	20.5%	Specialised, easing slightly
G to H Trade and transport	0.96	0.94	0.93	20.9%	Close to average
O to Q Public admin, education and health	0.87	0.92	0.93	21.5%	Below average, rising
F, L Construction and real estate	0.90	0.90	0.90	7.2%	Below average, stable
B, D, E Energy, water and extraction	0.77	0.76	0.83	1.0%	Below average
I, R, S Hospitality, leisure and personal	0.85	0.83	0.79	11.2%	Below average, falling
C Manufacturing	0.57	0.51	0.51	5.6%	Under-represented

Table A10. Shift-share decomposition on Social Security registrations, Comunidad de Madrid, 2012 to 2019 and 2019 to 2024 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Regional	Change 2019-24	National	Mix	Regional
O to Q Public services	+131.3	+77.6	+5.0	+48.7	+147.4	+70.7	+44.8	+31.8
M to N Professional	+124.8	+82.0	+47.5	-4.8	+92.4	+73.1	+15.8	+3.4
G to H Trade, transport	+64.1	+99.4	-31.3	-4.0	+59.0	+78.6	-38.0	+18.4
J Technology	+56.0	+28.7	+32.0	-4.7	+63.7	+27.0	+45.4	-8.7
I, R, S Hospitality	+71.0	+47.6	+26.2	-2.8	+28.7	+42.3	-7.7	-6.0
F, L Construction, RE	+32.0	+30.3	-3.2	+4.9	+36.4	+25.4	+2.9	+8.2
K Finance	+7.7	+17.7	-25.3	+15.3	+13.4	+13.6	-12.8	+12.5
C Manufacturing	-1.4	+29.7	-13.3	-17.8	+14.5	+21.1	-12.4	+5.8
B, D, E Energy, water	+0.3	+4.3	-4.0	0.0	+7.2	+3.1	+0.2	+3.9
Total	+485.8	+417.3	+33.6	+34.8	+462.7	+354.9	+38.2	+69.3

Sources for Tables A9 and A10 (Table A10 sector labels abbreviated; RE is real estate, public services are O to Q): Comunidad de Madrid, Social Security affiliations at month end by CNAE-2009 division; Seguridad Social, affiliations at month end by CNAE-2009 section and by regime (tables 02fb09 and 01f), Spain; annual means of month-end values, all regimes, agriculture excluded; authors' calculations. Spain includes the agricultural special system and coal mining to match all-regime coverage in Madrid; the Régimen del Mar (about 0.3% of national affiliation) is not allocated. National, Mix and Regional are the national effect, industry-mix effect and regional shift. Spain's non-agricultural registrations grew 16.1% in 2012 to 2019 and 11.5% in 2019 to 2024; Madrid's grew 18.7% and 15.0%.

Quotients and shares. A quotient shows concentration, not size. Finance has a quotient of 1.89 but employs only 3.7% of registered jobs, while public services (21.5%), trade and transport (20.9%) and professional services (20.5%) are the largest employers; technology combines a high quotient with a substantial 8.4% share.

What the registrations add. National growth explains most of Madrid's job gains: 86% in 2012 to 2019 and 77% in 2019 to 2024. The industry mix added 34,000 to 38,000 jobs in each period, because the region specialises in sectors that grew fast nationally. The regional shift, Madrid's own competitive gain, doubled from 34,800 to 69,300 jobs after 2019, so the region outperformed Spain by a wider margin after the pandemic.

Where the two measures agree and differ.

- **Finance** gains on both measures and in both periods, and its quotient keeps rising: the clearest local competitive advantage.
- **Trade and transport** turned positive after 2019 on both measures (+18,400 on registrations), supporting the distribution-hub reading.
- **Technology** loses ground on both, but by far less on registrations: Madrid's information and communications jobs grew 67% between 2012 and 2024, against 75% in Spain, and its share of national technology registrations eased from 42.8% to 40.7%. The survey's -84,000 regional shift over 2015 to 2025 overstates the loss.

- **Public administration, education and health** is the largest local gain on registrations (+48,700, then +31,800) but negative on the survey (-41,400). Registrations follow the employer's account, so public bodies and national health and education employers headquartered in Madrid inflate the regional count; the true position is probably between the two.
- **Hospitality and personal services** lose ground on registrations in both periods, which the survey's combined trade, transport and hospitality group hides.

A4.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Madrid's growth has been carried by a national tailwind and a favourable service mix, reinforced by large international migration and by the city's role as Spain's capital and its corporate, financial and transport hub.

The forces observed.

1. **The national cycle.** About four-fifths of the Comunidad's job growth since 2012 reflects Spain's recovery and expansion; on the survey the summed regional shift is close to zero (about -19,000 jobs over 2015 to 2025).
2. **A favourable mix of activities.** The region is specialised in technology, finance and professional services, which grew quickly across Spain.
3. **Capital-city and hub functions.** Persistent gains in finance, post-2019 gains in trade and transport, and the concentration of public, health and education employers reflect Madrid's role as the seat of government and of corporate headquarters, as a health and university centre, and as the national airport and distribution hub.
4. **Labour supply and demand.** Jobs grew almost five times as fast as population while real pay rose modestly, and international arrivals now drive population growth. This is consistent with demand-induced expansion accommodated by elastic labour supply. It does not establish whether migration responded to recruitment or independently expanded labour supply and local demand. Positive average real-pay growth does not exclude a simultaneous supply-side contribution.

Will these forces persist over the next five years or so? Mostly yes, at a slightly slower pace.

- **Hub functions** are the most durable force: headquarters, government, finance and transport infrastructure are hard to relocate.
- **Migration** is built into the official outlook: INE's projections assume positive net international migration throughout, giving about 26,000 additional households a year to 2041. It is, however, cyclical and sensitive to housing costs, which rose 12.9% in the year to Q2 2026.
- **Employment** is forecast to grow 2.7% in 2026, close to the 2012 to 2024 average, slowing to 2.0% in 2027. Because so much growth is national, a Spanish slowdown would pass directly to Madrid.
- **Technology** keeps growing in absolute terms but faster elsewhere in Spain, so it is a supporting rather than a leading source of office demand.
- **Real pay** remains the weak link: with inflation projected near 4%, rents can rise only as far as affordability allows.

A5. Madrid: growth prospects and real estate markets

Over the next five to ten years, Madrid's growth pattern most strongly supports rental housing and well-located offices, followed by logistics and social infrastructure. These are directional readings of demand-side evidence, not forecasts: supply, pricing and regulation decide whether demand turns into returns.

Table A11. Asset classes likely to benefit from Madrid's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Rental residential	Strong	Population +14.4% projected 2026 to 2041; +392,881 households; permits cover 43% of new households; real pay +6.5%, 2012 to 2024	Mid-market build-to-rent; family rental in the north-west corridor	Illustrative rent near 40% of average income; 2026 rent decrees; prime yields at 3.8%
Offices	Strong but polarised	Office-using jobs +45% on registrations (2012 to 2024) and +28% on the EPA (2015 to 2025); LQs 1.4 to 2.3; finance gaining share	Grade A inside the M-30; refurbished space at connected nodes	Hybrid working; 11.54% availability outside the M-30
Logistics	Moderate to strong, indirect	Trade and transport regional shift positive since 2019 on both measures (+18,400 registrations; +65,800 EPA incl. hospitality)	Distribution space serving the national hub	Logistics market data not analysed in this edition
Social infrastructure	Moderate	Public admin, education and health jobs +58% (2012 to 2024); largest regional shift on registrations, negative on the EPA	Healthcare, education, student and senior housing	Measures disagree on local advantage; public funding
Hotels	Moderate, indirect	Record 11.2 million visitors in 2025 (Ayuntamiento); hospitality jobs +34% but losing share	Urban hotels	Licensing limits; hospitality pay +5% real
Retail	Moderate	Population growth; city income per person 31% above Spain (2023)	Convenience and mid-market	Real pay +1% to 5% in eight years

What the growth evidence does not support. Secondary offices without refurbishment, because the scarcity is of Grade A space; and manufacturing space, because manufacturing is under-represented (quotient 0.51 on registrations, 0.63 for all industry on the EPA) and has lost share.

Why Part A-I focuses on housing and offices. Rental housing has the strongest volume case, and offices are tied most directly to Madrid's corporate and financial functions. Sections A6 to A9 examine both in depth.

A6. Madrid: the residential market

Madrid's housing market combines strong structural demand, constrained supply and stretched affordability: prices and rents are rising at double-digit and high single-digit rates while income growth lags.

A6.1 Demand: households and migration

Household formation, not population alone, drives housing demand. INE projects the Comunidad's households to rise from 2,749,715 in 2026 to 3,142,596 in 2041 (+14.3%), faster than Spain (+11.1%), with average household size steady at 2.59. That is about 26,000 additional households a year on average.

The source of growth matters. In 2025 Madrid city gained a net 106,117 residents from abroad but lost a net 37,953 to the rest of Spain, much of it plausibly to the metropolitan ring, while natural change was close to zero. Migration-led demand is younger, more likely to rent and more sensitive to the economic cycle than demand from natural change.

A6.2 Supply

New supply is falling well short of household formation. A study by Metrovacesa, a residential developer, counted 43,325 new households in the Comunidad in the twelve months to early 2026 against 18,633 new-build permits, a coverage rate of 43%, and estimated a cumulative shortfall above 90,000 homes over four years. Permits are not completions, and the study's author has a commercial interest in the conclusion, but the direction is consistent with INE's household projections and with rising prices.

Official completions point the same way. On the authors' calculation from INE's population statistics and household sizes, the Comunidad's population growth in 2024 implies about 47,600 new households, against 20,205 dwellings completed, a ratio of 0.42. Over 2013 to 2024, completions (180,676) covered 0.58 of the growth in households (about 310,400), so the shortfall is long-standing and widened in 2024. Completions are gross, and households that could not form are not counted, so both limitations make the ratio look better than it is (Section 3.4).

A6.3 Prices, rents and returns

Table A12. Madrid residential market indicators

Indicator	Value	Period	Source
House price index, annual change, Comunidad de Madrid	+12.9% (Spain +12.2%)	Q2 2026	INE, IPV
Average asking rent, Madrid city	€23.7 per m² per month, +7.6% year on year	June 2026	idealista
Average asking rent, Comunidad de Madrid	€21.7 per m² per month (Spain €15.3)	June 2026	idealista
Gross rental yield, Madrid city	4.7% (Spain 6.5%)	Q2 2026	idealista
Prime multifamily yield, Madrid	3.8%	Q1 2026	CBRE

Prices rising faster than rents compress yields: Madrid city's gross yield of 4.7% is well below the national 6.5%, and prime multifamily assets trade at 3.8% net. Returns therefore depend more on rental growth and operational efficiency than on entry yield.

A6.4 Affordability and regulation

Affordability. On the authors' illustrative calculation, a household of 2.59 people on the Comunidad's average net income per person (€19,277 in 2024, INE) has about €4,160 a month. Renting a 70 m² flat at the city's average asking rent (€23.7) would cost about €1,659, or 40% of that income; at the Comunidad average (€21.7) the share is about 37%. Both exceed the 30% benchmark commonly used for affordability. The calculation is an illustration for an average-income household, combining regional mean income, an average household size and city asking rents; it is not a measured rent burden of renter households.

Measured burdens. Tenants already in place pay much less than the asking-rent illustration implies. In tax records (SERPAVI), the median rent of a flat in Madrid city was 19.6% of mean household income (INE Atlas) in 2024, little changed from 19.1% in 2015, while advertised rents per m² in December 2024 were about 50% above the median existing rent. For a flat of the city's median rented size (66 m²), the asking rent equals about 31% of mean household income, and the Banco de España puts the rent burden of non-owner households in the city at 31.6% in 2024. The price of an 80 m² home rose from 4.1 years of household income in 2013 to 5.0 in 2023. The cost of the housing shortage therefore falls mainly on households entering the market, among them most new migrants.

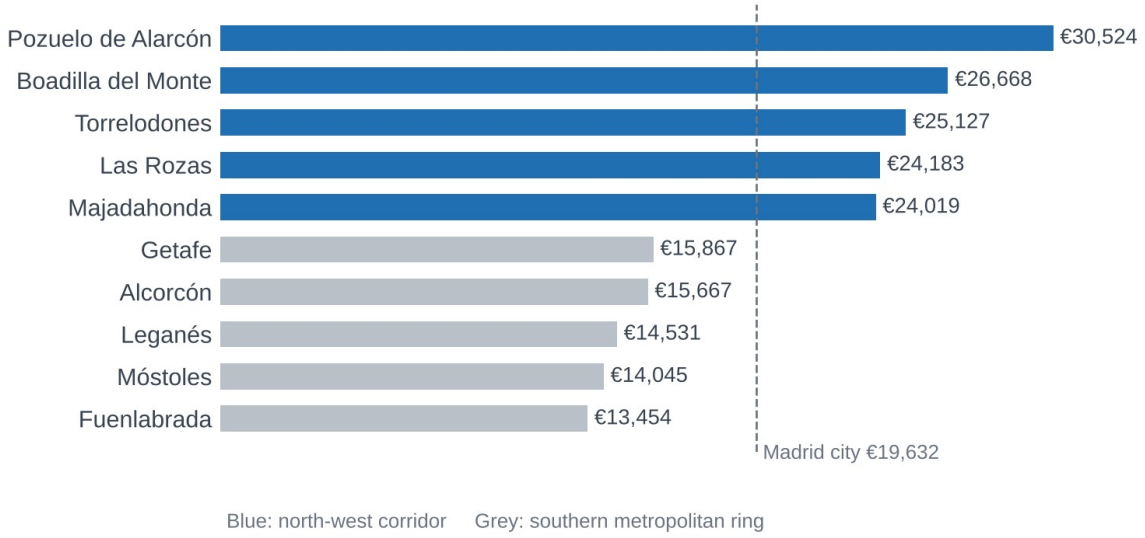
Regulation. As of October 2026 the Comunidad de Madrid had not declared any stressed rental-market areas under the 2023 Housing Law, so rent caps on new contracts tied to such areas do not apply. National policy has moved through emergency decrees instead: Royal Decree-law 8/2026, which capped annual rent updates at 2%, was not validated by Congress in April 2026, and Congress also voted down Royal Decree-laws 26/2026 and 27/2026, whose repeal was published in the BOE on 2 October 2026. Royal Decree-law 29/2026 of 6 October (BOE no. 249, 7 October 2026) entered into force on 8 October 2026. Its text caps annual rent updates at 2% until 31 December 2027 for leases without a new agreement, allows certain habitual leases to be extended by up to two further years, and tightens the rules on temporary and room lettings. Its parliamentary validation was pending at the time of writing. Rules in this area are changing quickly and must be checked at the date of any decision.

A6.5 Submarkets: the north-west corridor and the southern ring

Income differences across the metropolitan ring are large, and they segment rental demand.

Figure A4. North-west municipalities have incomes 50 to 130% above the southern ring

Net income per person, 2023 (€)



Source: INE, Atlas de Distribución de Renta de los Hogares, 2023.

The north-west corridor (Pozuelo de Alarcón, Boadilla del Monte, Torrelodones, Las Rozas and Majadahonda, about 354,000 residents in 2025) has incomes per person of €24,000 to €30,500, among the highest in Spain. The southern ring (Getafe, Alcorcón, Leganés, Móstoles and Fuenlabrada, about 970,000 residents) has incomes of €13,500 to €15,900, below the city average. Incomes in the south grew faster from 2015 to 2023 (for example Fuenlabrada +43% and Getafe +35%, against Majadahonda +29% and Pozuelo +28%), but the gap remains wide.

For investors, the north-west corridor suits premium family rental where incomes can sustain high rents, while the southern ring offers a larger pool of renters at mid-market price points, where affordability, transport links and regulatory exposure need closer scrutiny.

A7. Madrid: office demand and the office market

Office demand in the Comunidad is expanding steadily rather than spectacularly, and it is concentrating in scarce Grade A space inside the M-30.

A7.1 Demand drivers

Table A13. Office-using employment, Comunidad de Madrid, 2015 and 2025 (thousands)

Sector	Jobs 2015	Jobs 2025	Growth	LQ 2015 to 2025	Regional shift
M to N Professional and administrative	401.7	543.3	+35%	1.40 to 1.39	+2.1
J Information and communications	219.2	264.3	+21%	2.63 to 1.96	-84.0
K Finance and insurance	138.6	167.8	+21%	1.94 to 2.27	+26.8
All office-using (J + K + M to N)	759.5	975.4	+28%		

Source: INE, EPA; four-quarter averages for 2015 and for Q4 2024 to Q3 2025; authors' calculations.

Professional services are the volume engine and finance the competitive one; technology remains highly specialised and growing, though slightly behind the national pace (Section A4.3). Converting the 215,900 additional office-using jobs into space with an illustrative 65% office occupancy and 12 m² per worker gives about 1.7 million m² of gross demand over ten years. Both assumptions are uncalibrated and hybrid working is pushing them down. Registrations give a larger base: office-using jobs located in the Comunidad rose by about 358,000 (+45%) between 2012 and 2024, although head-office registration overstates where that work physically takes place.

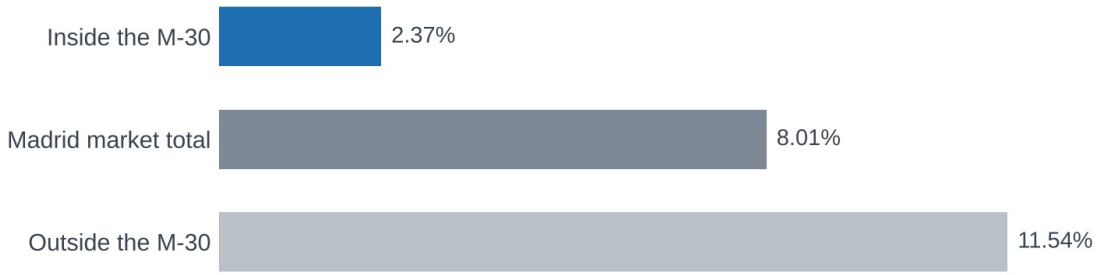
A7.2 The space market

Table A14. Madrid office market indicators, 2026

Indicator	Value	Period	Source
Office stock	16.3 million m² (JLL); 14.4 million m² (Savills, Q1 2026)	Q2 2026	JLL; Savills
Take-up, January to September	350,439 m² (-9.3% year on year)	Q3 2026	Savills
Availability, total	8.01%	Q3 2026	Savills
Grade A availability, CBD and City Centre	0.9%	Q2 2026	JLL
Prime rent	€45 per m² per month (+8.4% year on year)	Q2 2026	JLL
Pipeline under construction to 2028	137,220 m² (29% pre-let)	Q2 2026	JLL
Expected deliveries, Q4 2026 to end-2027	185,168 m²	Q3 2026	Savills
Stock converted to other uses since 2023	540,710 m², against 210,760 m² of new development	Q3 2026	Savills

Figure A5. Availability is 2.37% inside the M-30 but 11.54% outside it

Madrid office availability by zone, Q3 2026 (%)



Source: Savills, Office Pulse, Q3 2026, as reported by Alimarket, 22 October 2026.

A two-tier market. Space inside the M-30 is scarce: Savills puts availability there at 2.37%, and JLL puts Grade A availability in the CBD and City Centre at 0.9%. Outside the M-30, availability is 11.54%. Cushman & Wakefield notes that availability has been stable at 8 to 9% since mid-2025, partly because some vacancy is structural, and that 54% of absorption in the first half of 2026 was inside the M-30.

Rents and supply. Brokers report prime rents of €44 (Cushman & Wakefield, H1 2026, +3.5%), €45 (JLL, Q2 2026, +8.4%) and up to €50 for the best CBD space (Savills, Q3 2026); the differences reflect definitions as much as the market. New supply is limited relative to demand rather than absent. JLL's pipeline under construction is 75% below its three-year average, and Cushman & Wakefield expects 58,000 m² in 2027, mostly refurbishments. Savills expects 185,168 m² of deliveries between Q4 2026 and the end of 2027, against annual take-up of about 500,000 m² or more; the brokers measure different things (JLL counts space under construction on a 16.3 million m² stock, Savills expected deliveries on 14.4 million m²), so the figures are not directly comparable. The office stock is also shrinking: Savills reports that 540,710 m² of offices left the market for conversion to other uses between 2023 and Q3 2026, against 210,760 m² of new development, a net loss of about 330,000 m². That figure describes the market as a whole, not the centre; central scarcity shows instead in availability of 2.37% inside the M-30. Scarce Grade A space, not demand, is the main constraint on leasing volumes.

A8. Madrid: capital markets and pricing

Madrid is Spain's dominant investment market, and capital is crowding into living assets and prime offices.

Table A15. Investment indicators, Spain and Madrid

Indicator	Value	Period	Source
Spain real estate investment, all sectors	€18.45 bn (+31%); Madrid 36%	2025	CBRE
Spain real estate investment, all sectors	€6.3 bn (+93%); Madrid 55%	Q1 2026	CBRE
Living investment, Spain	€5.4 bn (29% of total); Madrid 40% of living	2025	CBRE
Living investment, Spain	€2.3 bn (+98%); Madrid about 78%	Q1 2026	CBRE
Office investment, Spain	€2.17 bn (12% of total)	2025	CBRE
Office investment, Spain	€2.3 bn (+9%), to September	Q3 2026	Savills
Prime office yield, Madrid	4.25% (JLL); 4.50% (Savills)	Q2 2026	JLL; Savills
Prime multifamily yield, Madrid	3.8%	Q1 2026	CBRE

Living is the core of the market. Multifamily accounted for more than €1.8 billion, or 82%, of Spanish living investment in Q1 2026 (CBRE). A 3.8% prime yield means investors are paying for expected rental growth and scarcity rather than current income.

Offices: prime is priced, the periphery is being bought. Brokers put the prime yield at 4.25% (JLL) to 4.50% (Savills, unchanged for three quarters), which leaves limited room for further compression; the gap reflects different definitions of prime and of the reference building. Savills reports that 83% of Madrid office investment volume to September 2026 went to assets outside the M-30, suggesting investors are positioning for refurbishment and repricing in the periphery.

A9. Madrid: strategy appraisal

Strategy A offers secure income whose main risk is the price paid; Strategy B depends on lease-up in a market with 11.54% availability; Strategy C has the strongest demand but the thinnest yield and the most regulatory exposure. All figures below are illustrative.

A9.1 Value sensitivity to yield

Table A16. Value sensitivity to yield (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office inside the M-30 (JLL yield)	4.25%	+13.3%	+6.2%	-5.6%	-10.5%
A: same, on Savills yield	4.50%	+12.5%	+5.9%	-5.3%	-10.0%
C: multifamily build-to-rent	3.80%	+15.2%	+7.0%	-6.2%	-11.6%

Source: authors' calculations on prime yields from JLL and Savills (Q2 2026) and the CBRE prime multifamily yield (Q1 2026, Section A8). The change in value for a given yield move is the same whatever the income level.

A 25 basis point move changes value by about 5.3% to 7.0% and a 50 basis point move by about 10% to 15%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level. For Strategy C, underwriting needs scheme rents and operating costs; the asking rents in Section A6 are averages, not scheme rents.

A9.2 Strategy B lease-up (fair-share capture)

Capture per year = [project space ÷ (competing vacant space + project space)] × competitive position × net absorption of the competing set.

Table A17. Strategy B lease-up, base and downside cases

Input or result	Base case	Downside case
Project space (*hypothetical*)	10,000 m²	10,000 m²
Competing vacant space (*hypothetical*)	150,000 m²	250,000 m²
Competitive position (*hypothetical*)	1.2 (refurbished Grade A near transport)	0.9 (competes with other refurbishments)
Net absorption of competing set (*hypothetical*)	80,000 m² a year	50,000 m² a year
Capture	about 6,000 m² a year	about 1,700 m² a year
Lease-up period	about 1.7 years	about 5.8 years

These inputs must be replaced with submarket stock, availability and absorption at due diligence. The spread is the point: the same building leases up in under two years or nearly six depending on location and competition.

A9.3 Strategy-by-strategy assessment

Table A18. Summary assessment of the three strategies

	A: core office inside the M-30	B: value-add office outside the M-30	C: multifamily build-to-rent
Market tightness	Availability 2.37%; Grade A 0.9%	Availability 11.54%	New households far exceed permits
Demand base	Finance, professional services, headquarters	Cost-conscious occupiers, back offices	Migration-led household formation
Main upside	Rental growth on scarcity	Repricing after refurbishment	Rental growth; scarcity of new supply
Main risk	Paying a full price at 4.25%	Slow lease-up; competing refurbishments	Regulation; affordability; 3.8% entry yield
Key test	Passing rent versus market rent	Lease-up under base and downside	Rent-to-income of target tenants
Verdict	Prioritise for underwriting, subject to entry price	Underwrite selectively: connected nodes only	Underwrite selectively: mid-market, ring locations

A9.4 From growth to space

Growth, space and stock. Table A18a traces each material source of Madrid's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table A18a. From growth to space: Madrid

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Rental homes: mid-market build-to-rent, family rental in the north-west corridor	Completions covered 0.42 of new households in 2024 and 0.58 over 2013 to 2024; INE projects 392,881 more households in 2026 to 2041	**Construction.** The stock has fallen behind household growth for a decade, and newcomers pay for it: a median-size flat at advertised rents costs about 31% of household income, against about 20% for sitting tenants.
Office-using jobs (finance, professional services, technology)	Grade A offices inside the M-30 and at well-connected nodes	Availability 2.37% inside the M-30 and 11.54% outside it; 540,710 m² left the office market for conversion in 2023 to Q3 2026, against 210,760 m² of new development; 185,168 m² of deliveries expected to the end of 2027	**Construction and adaptation.** Central demand cannot be absorbed by central vacancy (2.37% availability inside the M-30), and the stock across the market is shrinking as offices are converted to other uses. Peripheral vacancy can serve it only where buildings at connected nodes are refurbished to Grade A (Strategy B); unrefurbished peripheral space is not supported.
Trade, transport and visitors	Logistics and urban hotels	Not analysed in this edition; hotel licensing limits apply	**Not assessed.** Trade and transport have outgrown Spain since 2019 and visitors reached a record 11.2 million in 2025, but logistics and hotel supply data are needed.
Public, health and education jobs	Healthcare, education, student and senior housing	Not measured	**Not assessed.** Jobs rose 58% in 2012 to 2024, but the two employment measures disagree on Madrid's local advantage.
Income and wealth	Larger or better homes and premium space	Price of an 80 m² home rose from 4.1 to 5.0 years of household income (2013 to 2023)	**Little additional demand.** Real salary per recipient rose 5.5% in eleven years, so income growth is not raising the quality of space households can pay for; the case for premium offices rests on specialisation and scarcity (Section A3.4).
Productive capital and output	Specialised premises; changes in viable locations	Not measured	**Not assessed.** Madrid took 54% of Spain's foreign direct investment (partly head-office registration) and 20.9% of state investment, but the edition does not trace either to demand for premises.

Sources: Sections A4 to A9, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Madrid needs new or comprehensively refurbished space in both of its main markets: homes, because supply has lagged household growth for a decade, and central Grade A offices, because central space is scarce and conversions are shrinking the market's stock. Its peripheral office vacancy is the one surplus, and it is useful only where location and refurbishment can turn it into the space occupiers want.

Recent evidence and what it supports testing. Office take-up in Q3 2026 was 148,006 m² according to BNP Paribas Real Estate, 34% more than a year earlier, and 136,000 m² according to CBRE (Q3 2026 Office Market Figures); the providers measure it differently, and take-up counts leases signed, not the net change in occupied space. Realia's FY 2025 results report 99.6% occupancy across its 280 build-to-rent homes at the end of 2025, and its Q3 2026 results filed with the CNMV give a planned investment of €42.7 million in 198 new rental homes in Tres Cantos, on land it owns, expected in Q3 2028; this is one operator's result, not a market rate. Logistics take-up reached 906,613 m² in January to September 2026, 17% more than a year earlier, and four deals accounted for 41% of the 286,470 m² signed in Q3, across 27 transactions (BNP Paribas Real Estate). On the high street, Colliers gives prime rents of €260 per m² a month on Preciados and €245 on Serrano (Q3 2026), and CBRE puts Madrid's high-street availability at 1.0%, a market benchmark rather than a street figure. In the authors' judgement, this supports testing selected refurbished peripheral offices and a suburban build-to-rent scheme, screening logistics by corridor and unit size, given how concentrated leasing is in a few large deals, and screening retail street by street. The inputs still missing are office rents after incentives, and signed rents and initial lease-up at comparable rental schemes.

A10. Madrid: risks, monitoring and review triggers

The advice should be reviewed if any of the indicators below moves against it over the next four quarters. The trigger levels are the authors' suggestions, not market thresholds.

Table A19. Risks, indicators and suggested review triggers

Risk	Exposed	What to monitor	Suggested review trigger
Rental regulation tightens	C	Validation of RDL 29/2026; any stressed-zone declaration	Caps extended beyond 2027 or applied to new contracts in Madrid
Interest-rate reversal	A and C	Prime office and multifamily yields; euro swap rates	Prime office yield above 4.75% or multifamily above 4.25%
Affordability ceiling	C	Rent growth against income growth	Asking rents falling while vacancy rises in target areas
Peripheral office oversupply	B	Availability outside the M-30; refurbishment pipeline	Availability outside the M-30 rising for two consecutive quarters
Hybrid working	A and B	Space per worker in new leases	Large tenants renewing on materially smaller footprints
Migration slowdown	C	Net international arrivals; INE official population	A fall in net arrivals for two consecutive years
Crowded living trade	C	Living investment volumes and yields	Volumes falling while yields widen

Data refresh before any investment decision. Update all broker figures to the latest quarter, confirm the regulatory position at the decision date, and add forecast population, employment and earnings series.

Part A-II. Barcelona



Eixample and the Sagrada Família, Barcelona. Illustration adapted from a photograph by Alhzeiia, Wikimedia Commons · CC BY-SA 2.0

A11. Barcelona: metropolitan growth patterns

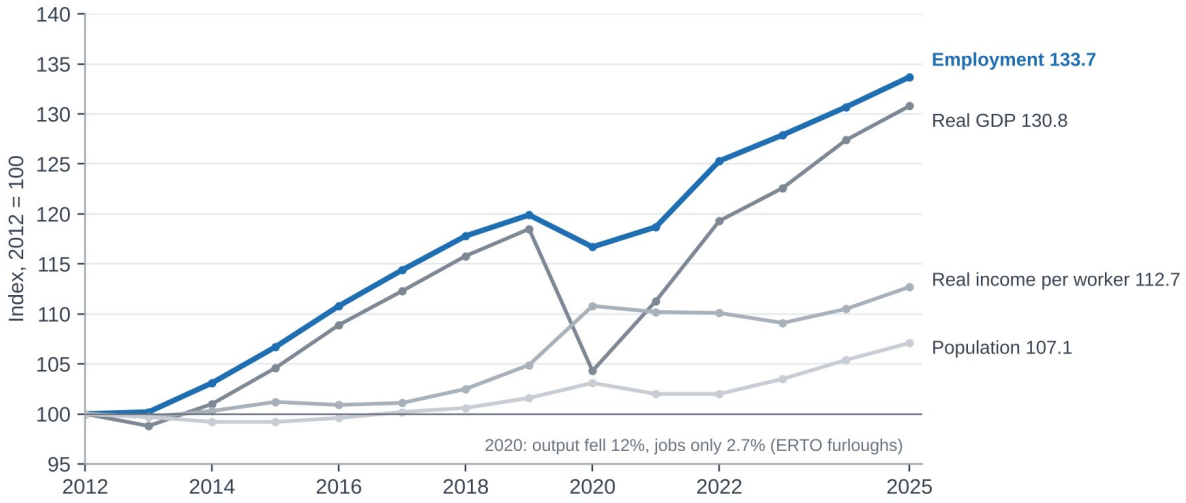
Metropolitan growth is analysed in four steps: summary growth indicators and forecasts (11.1), growth and real pay by sector (11.2), specialisation and competitiveness against Spain (11.3), and the forces behind growth and whether they will persist (11.4). The core series cover the 36 AMB municipalities. Two independent cross-checks test them: Social Security registrations and Agencia Tributaria salaries for the province of Barcelona, which contains the AMB and is the smallest area for which both are published by sector against Spain. Where the two geographies agree, the finding is robust.

A11.1 Summary growth indicators

The AMB grew by adding jobs and people, not by raising pay: employment rose about 34% over 2012 to 2025, while real pay rose between about 4% (salary per recipient) and 13% (income per worker), depending on the measure.

Figure A6. Jobs grew far faster than population and real pay

AMB summary growth indicators, 2012 to 2025 (index, 2012 = 100)



Sources: Idescat padró (population); Seguridad Social affiliations, 36 AMB municipalities (employment); Idescat PIBA Rev. 2024, Catalonia proxy (real GDP, income per worker). 2024 and 2025 provisional.

Employment. AMB employment climbed from about 1.48 million affiliations in 2012 to about 1.98 million in 2025. The provincial registrations confirm the scale and timing: non-agricultural registrations in the province of Barcelona rose 31.8%, from 2.15 million to 2.84 million (annual averages of month-end values), slightly below Spain's 32.8%. They grew faster than Spain before the pandemic (+17.7% against +16.1% in 2012 to 2019) and more slowly after it (+12.0% against +14.4% in 2019 to 2025).

Population. AMB population was flat to 2022, then rose about 5% to roughly 3.47 million, a migration-led surge. Real GDP rose about 31%, keeping pace with jobs.

Earnings. Real pay is weak on every measure, but the measures differ. Catalonia's income per worker (Idescat PIBA) rose about 13% in real terms over 2012 to 2025. Mean salary per recipient in the province of Barcelona (Agencia Tributaria, deflated by the Catalan CPI) rose only 4.4% over 2012 to 2023: +3.1% to 2019 and +1.3% since, as the 2022 inflation surge cut real pay. The tax data cover employees' salaries only and include part-year workers, while the PIBA measure covers all compensation and is distorted by the 2020 composition effect, so the real gain is best read as a range of about 4% to 13% over the period.

Forecasts. The outlook is continued, steady growth (Table A20). BBVA Research expects Catalan employment to grow 2.3% in 2026 and 2.1% in 2027, slightly faster than the province's 2.1% a year since 2012, with unemployment falling from 8.4% in 2025 to 6.8% in 2027. INE projects 372,061 additional households in Catalonia between 2026 and 2041 (+11.7%), and a population of about 9.2 million in 2041, more than one million above today, driven by international migration. No regional earnings forecast is published; with national inflation projected at 3.9% in 2026 and 3.7% in 2027 (Banco de España), the authors expect real pay to grow little in the near term.

Table A20. Historical and forecast growth, Barcelona and Catalonia

Indicator	History	Forecast	Forecast source
Population	AMB +7%, 2012 to 2025	Catalonia about 9.2 million in 2041 (+1 million from 2026)	INE, June 2026
Households	n.a.	Catalonia +372,061 (+11.7%), 2026 to 2041	INE, June 2026
Employment	AMB +34%; province +31.8% (2.1% a year), 2012 to 2025	Catalonia +2.3% in 2026; +2.1% in 2027 (EPA basis)	BBVA Research, May 2026
Unemployment rate	Catalonia 8.4% in 2025	7.6% in 2026; 6.8% in 2027	BBVA Research, May 2026
Real GDP	Catalonia about +31%, 2012 to 2025	+2.4% in 2026; +2.5% in 2027	BBVA Research, May 2026
Real pay	+4% (salary per recipient, province, 2012 to 2023) to +13% (income per worker, Catalonia)	No regional forecast; likely flat in 2026 to 2027	Authors, from Banco de España, October 2026

Sources: history as Figure A6, Seguridad Social and Agencia Tributaria (province of Barcelona); INE, Proyecciones de población 2026-2076 and Proyección de hogares 2026-2041 (17 June 2026), population figure as reported by Diario de León; BBVA Research, Situació Catalunya, May 2026 (forecasts of March 2026); Banco de España press release, 15 October 2026.

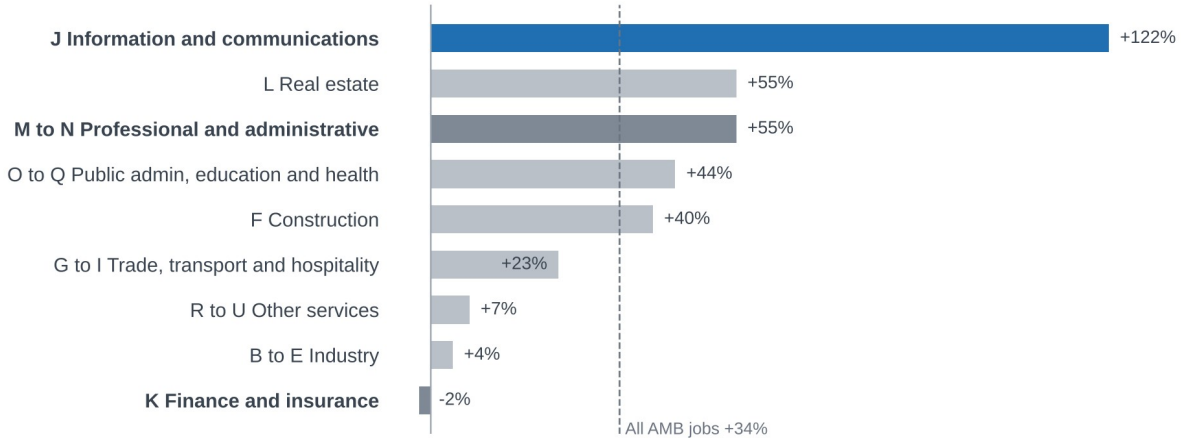
Reading for the investor. Jobs rising with modest real-pay gains are consistent with demand-induced expansion accommodated by elastic labour supply. They support a volume-demand hypothesis more clearly than premium pricing. Firms pay office rents, but weak household pay growth can constrain housing affordability and recruitment; office quality and pricing still require sector and submarket evidence.

A11.2 Growth and real pay by sector

Growth was concentrated in knowledge-intensive services: in the AMB, information and communications grew 122% and professional services 55%, against 34% for all jobs, while industry and finance barely moved.

Figure A7. Technology jobs more than doubled; industry and finance stood still

AMB employment growth by sector, 2012 to 2025. Office-using sectors in bold.



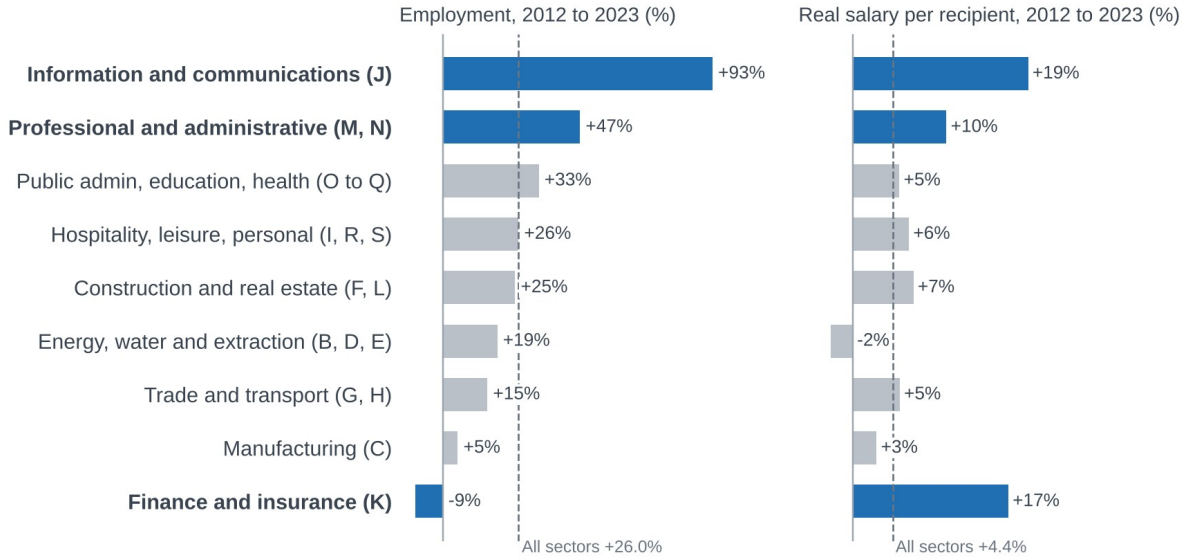
Source: Seguridad Social municipal affiliation (CNAE-2009), 36 AMB municipalities, December; authors' calculations. J, K, L and M to N from exact counts; other sectors derived from published shares and shift-share changes, approximate to about one percentage point.

The AMB is a service metropolis. Trade, transport and hospitality (28.3% of jobs in 2025), public services (22.0%) and professional services (19.6%) account for about seven in ten jobs. The mix is tilting toward higher-value services: information and communications rose from 4.2% to 6.9% of jobs, while industry fell from 10.6% to 8.2% and finance from 3.1% to 2.3%.

Real pay by sector. Salary data are not published for the AMB, so provincial Agencia Tributaria pay is compared with provincial registrations. Jobs and real pay rising together are consistent with demand-induced expansion; strong job growth with modest pay gains suggests an elastic labour response; jobs rising while real pay falls are consistent with a supply-induced component. These are indicative patterns. Inflation, hours and changes in the worker mix can generate similar outcomes, and elasticity is not estimated.

Figure A8. Jobs and real pay rose fastest in technology and professional services

Employment and real salary per recipient by sector, province of Barcelona, 2012 to 2023 (% change). Office-using sectors in blue.



Sources: Seguridad Social, registrations at month end by CNAE-2009 section, province of Barcelona (RG + RETA, annual means); Agencia Tributaria, mean annual salary per recipient by sector, province of Barcelona, deflated by the Catalan CPI (INE); authors' calculations.

Table A21. Real earnings and employment by sector, province of Barcelona

Sector	Salary 2023 (€)	Real pay 2012 to 2019	Real pay 2019 to 2023	Real pay 2012 to 2023	Jobs 2012 to 2023	Indicative mechanism
J Technology	40,592	+13.0%	+5.6%	+19.4%	+93.2%	Consistent with demand-induced; stronger pay effect
M to N Professional	24,866	+6.5%	+3.6%	+10.4%	+47.4%	Consistent with demand-induced; stronger pay effect
O to Q Public services	31,099	+1.5%	+3.6%	+5.1%	+33.2%	Consistent with demand-induced; elastic response possible
I, R, S Hospitality	16,059	+6.4%	-0.2%	+6.2%	+26.1%	Jobs expand; low pay; mechanism unconfirmed
F, L Construction, RE	25,853	+6.0%	+0.7%	+6.7%	+25.0%	Consistent with demand-induced; elastic response possible
B, D, E Energy, water	33,558	-3.0%	+0.5%	-2.5%	+18.8%	Consistent with supply-induced; cause unconfirmed
G to H Trade, transport	27,455	+3.5%	+1.6%	+5.2%	+15.4%	Consistent with demand-induced; elastic response possible
C Manufacturing	34,885	+5.5%	-2.7%	+2.6%	+5.2%	Stagnant
K Finance	48,163	+24.7%	-6.0%	+17.2%	-9.4%	Fewer, better-paid jobs
All sectors	28,108	+3.1%	+1.3%	+4.4%	+26.0%	

Sources: as Figure A8. Salaries are nominal 2023 values; real changes use the Catalan CPI annual averages (2012 91.357; 2019 97.568; 2023 111.656). Jobs exclude agriculture (0.3% of registrations). RE is real estate; public services are O to Q. The Agencia Tributaria added maternity and paternity benefits to salaries from 2018, which slightly raises later levels in all sectors.

What the pay data add. Over the same 2012 to 2023 period, technology jobs rose 93% and real salary per recipient 19%, the fastest of any sector. Jobs and pay rising together is consistent with stronger labour demand, and competition for scarce skills is one possible explanation; the data cannot rule out changes in the mix of workers, such as more senior or full-year staff, raising the average. Professional services show the same pattern, less strongly. The growth types in Table A21 are indicative on this basis. Finance shrank in headcount while real pay rose 17%, a sign of restructuring towards fewer, more specialised jobs. Most of the large employers (public services, hospitality, trade and transport) grew on volume with little real pay gain. For offices, this means the demand most likely to pay for quality space is concentrated in technology and professional services.

A11.3 Specialisation and competitiveness

The AMB's export base is four service sectors, but its genuine competitive edge is narrow: only information and communications and professional services outgrew their national counterparts over 2012 to 2025, and professional services lost that edge after 2019.

Location quotients (Spain = 1.0). A quotient above 1 means the sector is more concentrated in the AMB than in Spain, a sign it sells beyond the region.

Table A22. Location quotients by sector, AMB (Spain = 1.0)

Sector	LQ 2012	LQ 2025	Reading
J Information and communications	1.60	1.91	Specialised and rising
M to N Professional and administrative	1.35	1.41	Specialised, stable
L Real estate	1.66	1.39	Specialised but declining
K Finance and insurance	1.21	1.22	Modestly specialised, flat
R to U Other services	1.12	1.05	Drifting to average
O to Q Public admin, education and health	1.06	1.01	At national average
G to I Trade, transport and hospitality	0.99	0.96	Just below average
B to E Industry	0.83	0.72	Under-represented, falling
F Construction	0.72	0.70	Under-represented

Shift-share, 2012 to 2025 (jobs). Each sector's change splits into national growth, industry mix (the sector's national trend) and the regional shift, which isolates local competitiveness.

Table A23. Shift-share decomposition of AMB employment change, 2012 to 2025 (jobs)

Sector	Change	National growth	Industry mix	Regional shift
M to N Professional and administrative	+138,128	+85,263	+36,278	+16,587
O to Q Public admin, education and health	+132,754	+103,552	+51,206	-22,004
G to I Trade, transport and hospitality	+104,506	+155,595	-28,813	-22,276
J Information and communications	+74,820	+21,067	+32,072	+21,681
F Construction	+26,374	+22,981	+5,795	-2,402
R to U Other services	+8,416	+42,813	-24,275	-10,122
L Real estate	+8,192	+5,077	+7,640	-4,525
B to E Industry	+5,812	+53,670	-22,838	-25,020
K Finance and insurance	-994	+15,687	-16,688	+7
Total	+498,086			

Source for Tables A22 and A23: Seguridad Social municipal affiliation (CNAE-2009), 36 AMB municipalities, December, Spain as reference; authors' calculations. Agriculture (LQ 0.02) omitted.

Before and after the pandemic. Splitting at 2019 sharpens the picture. Information and communications kept a positive regional shift in both periods (+12,172 in 2012 to 2019, then +5,195 in 2019 to 2025). Professional services drove the pre-2019 gain (+19,894) but turned negative afterwards (-6,857). Trade, transport and hospitality lost ground faster after 2019 (-3,382, then -18,588).

Provincial cross-check. Tables A24 and A25 repeat the analysis for the province of Barcelona on annual-average registrations, before and after the pandemic.

Table A24. Location quotients by sector, province of Barcelona, registrations (Spain = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2025	Share of jobs 2025	Reading
J Information and communications	1.19	1.32	1.39	5.3%	Specialised and rising
M to N Professional and administrative	1.13	1.19	1.19	17.3%	Specialised, stable since 2019
C Manufacturing	1.17	1.12	1.09	11.9%	Specialised but falling
G to H Trade and transport	1.00	0.99	1.01	22.7%	At national average
K Finance and insurance	1.01	0.98	0.99	1.9%	At national average
O to Q Public admin, education and health	0.93	0.93	0.92	21.2%	Below average
I, R, S Hospitality, leisure and personal	0.90	0.87	0.85	12.0%	Below average, falling
F, L Construction and real estate	0.84	0.84	0.84	6.8%	Under-represented
B, D, E Energy, water and extraction	0.79	0.77	0.83	1.0%	Under-represented

Table A25. Shift-share decomposition, province of Barcelona, registrations, 2012 to 2019 and 2019 to 2025 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Regional	Change 2019-25	National	Mix	Regional
M to N Professional	+106.7	+51.1	+29.5	+26.1	+65.7	+61.0	+12.7	-8.0
O to Q Public services	+79.9	+68.7	+4.3	+6.9	+93.5	+72.9	+40.8	-20.2
G to H Trade, transport	+62.1	+85.9	-27.2	+3.3	+46.9	+85.7	-36.6	-2.2
I, R, S Hospitality	+58.9	+41.7	+22.8	-5.6	+23.1	+45.7	-8.2	-14.4
J Technology	+35.8	+11.4	+12.7	+11.7	+42.5	+15.3	+22.7	+4.5
F, L Construction, RE	+23.3	+23.5	-2.6	+2.4	+22.8	+24.4	+3.6	-5.2
C Manufacturing	+17.9	+51.0	-22.9	-10.1	+3.7	+48.1	-27.0	-17.5
K Finance	-4.8	+9.5	-13.5	-0.8	+0.7	+7.8	-6.2	-0.8
B, D, E Energy, water	+0.4	+3.6	-2.9	-0.2	+4.8	+3.2	+0.3	+1.2
Total	+380.2	+346.4	+0.2	+33.7	+303.7	+364.1	+2.1	-62.6

Sources for Tables A24 and A25: Seguridad Social, BBDD Estadísticas, affiliations at month end by province and CNAE-2009 section (table 04f09, RG + RETA), province of Barcelona and Spain, annual means; authors' calculations. Agriculture excluded. Table A25 labels abbreviated (RE is real estate; public services are O to Q); O to Q are grouped because registrations moved between public administration and education in 2024. National, Mix and Regional are the national effect, industry-mix effect and regional shift.

Quotients and shares. Technology's rising quotient applies to 5.3% of the province's registered jobs, while manufacturing, despite its falling quotient, still employs 11.9%, and trade and transport (22.7%) and public services (21.2%) remain the largest employers.

Where the two geographies agree. The provincial data reproduce the AMB results closely. Technology has a positive regional shift in both periods (+11,700, then +4,500, against +12,172 and +5,195 in the AMB), and its quotient keeps rising; the province's share of Spain's technology registrations rose from 17.0% to 19.6%. Professional services gained strongly before 2019 (+26,100) and lost ground after it (-8,000), as in the AMB. Hospitality, manufacturing and, since 2019, public services lose share.

What the province adds. Taken as a whole, the province outperformed Spain before the pandemic (regional shift +33,700) and underperformed it afterwards (-62,600). Since 2019 Barcelona's job growth has relied entirely on the national tailwind and its sector mix; only technology and energy and water still beat the national trend. This is a weaker competitive position than Madrid's over the same period, and it reinforces the case for treating technology as the one durable local engine.

A11.4 Forces behind growth and the five-year outlook

Preliminary conclusion: AMB growth since 2012 has been carried mainly by national tailwinds and a favourable industry mix, with a narrow local engine in technology, and an abundant supply of labour from migration.

The forces observed.

1. **National tailwind and favourable mix.** National growth was positive for every sector, and the AMB is weighted toward services that expanded nationally. Since 2019 the national effect has exceeded the province's total job gain.

2. **A narrow competitive engine.** Only information and communications shows a sustained positive regional shift on both geographies, with the fastest real pay growth of any sector, consistent with the 22@ technology cluster. Professional services' edge was largely pre-2019.
3. **Labour response and growth.** Jobs rose about a third while real pay rose 4% to 13%, depending on the measure, and population growth after 2022 was migration-led. Outside technology and professional services, expansion was stronger in jobs than in pay. This is consistent with demand growth accommodated by an elastic labour response. The direction of average pay alone cannot determine whether independent migration also contributed a supply shift.

Will these forces persist over the next five years or so? Broadly yes, with the forecasts pointing to steady rather than accelerating growth.

- The **technology engine** is likely to continue: it is the only advantage that survived the pandemic on both measures, and rising real pay shows genuine demand. Its competitive shift roughly halved after 2019, so slower growth is the prudent base case.
- The **national tailwind** depends on the Spanish cycle and is outside the metropolis's control. Forecasts for Catalonia (employment +2.3% in 2026 and +2.1% in 2027) are close to the historical pace, but since 2019 Barcelona has relied on that tailwind more than Madrid has.
- **Migration-led labour supply** is built into INE's projections, which add about 25,000 Catalan households a year to 2041. It is cyclical and constrained by housing affordability, since real incomes have lagged employment.
- **Real pay** is the weak link: with inflation projected near 4% and no regional forecast of faster pay, rents outside the most constrained segments can rise only as far as affordability allows.

A12. Barcelona: growth prospects and real estate markets

Over the next five to ten years, the growth pattern most clearly benefits rental housing and well-located offices, followed by social infrastructure and last-mile logistics. These are directional readings of demand-side evidence, not forecasts: supply, pricing and regulation decide whether demand turns into returns.

Table A26. Asset classes likely to benefit from the AMB growth pattern, five to ten years

Asset class	Evidence	Demand evidence from Section A11	What benefits most	Key caveat
Rental residential	Strong	Jobs +34% vs population +7%; migration-led population rise since 2022; Catalonia +372,061 households to 2041; real pay +4% to +13%	Build-to-rent, co-living, mid-market rental	Catalan rent regulation; affordability ceiling
Offices	Strong but polarised	Office-using jobs +60%; technology expansion with rising real pay (jobs +93% to 2023, real pay +19% in the province); positive regional shift in J on both geographies	Grade-A and refurbished space for technology and professional services	Hybrid working; 22@ oversupply; province losing share since 2019
Social infrastructure	Moderate	Public admin, education and health +132,754 jobs (+44%), second-largest gain; jobs and real pay rising, with real pay +5%	Healthcare, education and care facilities	Growth tracks the national trend, not a local advantage
Last-mile logistics	Moderate, indirect	More jobs and residents mean more consumption; trade and transport at the national average	Urban and suburban distribution space	Case rests on logistics market and gateway data not in this edition
Retail	Weak to moderate	Growth carried by headcount, not income per head	Convenience, grocery-anchored and mid-market formats	Spending power per head is not rising
Hotels	Not tested	Hospitality losing share on registrations in both periods; real pay +6%	Not assessed	Requires tourism data; investor appetite already strong

What the growth evidence does not support. Premium owner-occupied housing and luxury retail, because real incomes have lagged; secondary offices, because occupiers are moving to better buildings; and manufacturing space, because industry is losing share in both the AMB (location quotient 0.72) and the province.

A partial exception: prime residential. Prime Barcelona housing draws heavily on international and non-resident buyers, a source of demand that local employment and income statistics do not measure. It needs its own evidence base.

Housing demand and supply. Housing was not analysed in depth in this edition, but the official series give a consistent picture. On the authors' calculation, AMB population growth in 2024 implies about 21,800 new households against 5,389 completions (0.25); over 2021 to 2024, the longest period with matched population data, completions covered 0.28 of household growth. In Barcelona city, 1,884 completions compared with about 11,400 new households. Sitting tenants' median rent in tax records (SERPAVI) was 21.6% of mean household income in 2024 (20.7% in 2015), but advertised rents per m² were about 51% higher, equal to about 34% of mean household income for a flat of the median rented size (68 m²); the Banco de España puts the burden of non-owner households at 32.4%. The price of an 80 m² home rose from 4.7 years of household income in 2013 to 5.5 in 2023. This supports the build-to-rent case in Table A26 but sharpens the affordability and regulatory constraints (Section 3.4).

Why Part A-II focuses on offices. Offices are the asset class most directly tied to the sectors where the AMB is genuinely competitive, and the pay data confirm that technology and professional services are growing on demand. Rental residential has the strongest volume case and is a natural candidate for a future edition. Sections A13 to A16 carry the office analysis down from the metropolis to the market, its pricing and the two strategies.

A13. Barcelona: office demand drivers

Office demand in the AMB is structurally expanding and locally won: office-using employment grew about 60% over 2012 to 2025, nearly twice the rate of all jobs, and now accounts for 28.8% of employment.

Table A27. Office-using employment in the AMB, 2012 and 2025

Sector (NACE Rev. 2)	Jobs 2012	Jobs 2025	Growth	LQ 2012 to 2025	Competitive shift (jobs)
J Information and communications	61,496	136,316	+122%	1.60 to 1.91	+21,681
M to N Professional, scientific and administrative	248,885	387,013	+55%	1.35 to 1.41	+16,587
K Financial and insurance	45,792	44,798	-2%	1.21 to 1.22	+7
All office-using (J + K + M to N)	356,173	568,127	+60%		
Memo: total AMB employment	1,477,814	1,975,900	+34%		

LQ: location quotient, Spain = 1.0. Competitive shift: jobs gained beyond the sector's national trend, from shift-share analysis. Source: Seguridad Social municipal affiliation (CNAE-2009); authors' calculations.

Technology (J) is the durable engine. It is the only sector with a positive competitive shift both before and after the pandemic (+12,172 in 2012 to 2019, +5,195 in 2019 to 2025). It is still positive but slowing, which matters for 22@. **Professional services (M to N) is the volume core**, though its competitive gain was a pre-2019 phenomenon (+19,894, then -6,857). **Finance (K) generates replacement, not expansion, demand.**

From jobs to space. Space demanded = new office-using jobs × occupancy factor × space per worker. Taking an illustrative 65% occupancy and 12 m² per worker, the 212,000 additional office-using jobs imply about 1.65 million m² of gross demand over 2012 to 2025. These two assumptions are not calibrated to Barcelona data; halving either halves the estimate, and hybrid working is pushing both down.

Implication by option. Option A leases to established occupiers, so its exposure to space-per-worker shrinkage comes only at lease expiry. Option B must win new occupiers and depends more heavily on technology demand, so it is directly exposed to hybrid working and to the post-2019 slowdown in J.

A14. Barcelona: the office market

Barcelona is a two-speed office market: a tight, high-rent central core and a 22@ district where a 2019 to 2024 development wave outran absorption. Since early 2025 the market has tightened: availability fell from 12.44% in Q1 2025 to 9.98% in Q3 2026, its first reading below 10% since 2022, and 22@ availability fell from 26.6% to below 20% (Savills).

Table A28. Barcelona office market indicators

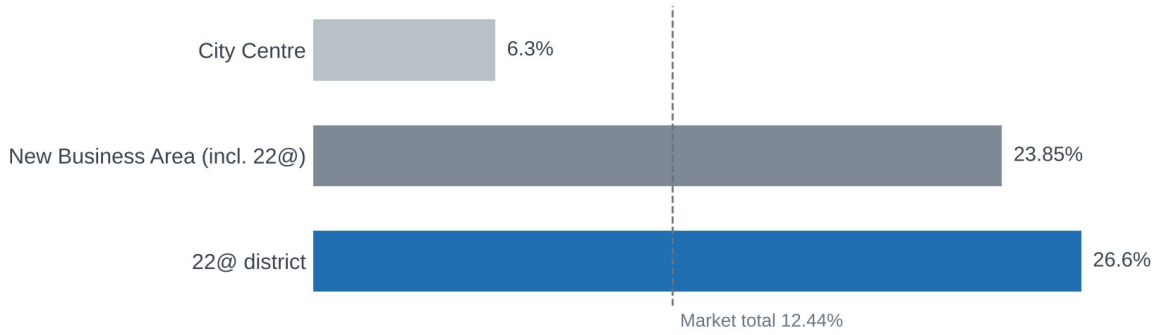
Indicator	Value	Period	Source
Availability, whole market	9.98% (JLL 8.3%)	Q3 2026	Savills; JLL
Availability, prime CBD / City Centre	2.17% / 4.85%	Q3 2026	Savills
Availability, 22@	Below 20% and falling (20.48% in H1 2026; 26.6% in Q1 2025)	Q3 2026	Savills
Take-up, January to September	About 246,000 m² (-7% year on year, JLL)	2026	Savills; JLL
Prime rent	€32.25 per m² per month (+5.7% year on year)	Q3 2026	JLL (Cushman & Wakefield €31.75, Q2 2026)
Pipeline to end-2027	About 130,000 m², about 50% pre-let	H1 2026	Cushman & Wakefield
Total stock	6.78 million m²	Q1 2025	Savills

Sources: Savills, Office Pulse Q2 and Q3 2026, as reported by Alimarket, 28 July and 22 October 2026; JLL, Barcelona office market dynamics, Q3 2026; Cushman & Wakefield, press release, 3 August 2026; Savills, Barcelona Offices Spotlight, Q1 2025. Savills reports availability and JLL an availability rate on its own definitions, so the levels differ.

The detailed breakdown by zone in Figures A9 and A10 is the most recent available to the authors, from Q1 2025. It shows the structure of the market; the zone levels have since fallen.

Figure A9. In Q1 2025 vacancy was 6.3% in the City Centre but 26.6% in 22@

Barcelona office vacancy by zone, Q1 2025 (%)

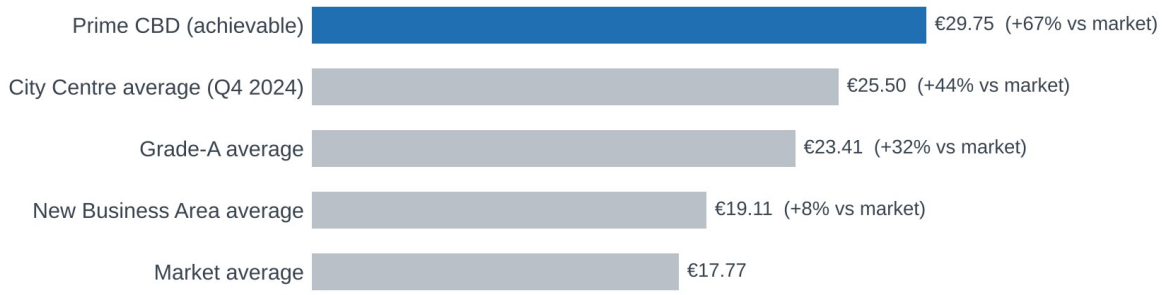


Source: Savills, Barcelona Offices Spotlight, Q1 2025. Broker zone definitions; vacancy as reported by Savills.

Demand is landing where the sectoral analysis predicts. In Q1 2025, four of the quarter's five largest deals were signed by business-services and technology firms (Factorial, Sage, Infor and Sateliot), all in the New Business Area; the fifth was IES Abroad in the City Centre. The New Business Area took 46% of take-up while carrying the highest vacancy: it is both the most demanded and the most oversupplied district. Total vacancy rose from about 9% in Q3 2022 (CG Capital) to 12.44%, almost entirely from 22@ deliveries.

Figure A10. Quality and location command a widening rent premium

Barcelona office rents, Q1 2025 unless stated (€ per m² per month)



Source: Savills, Barcelona Offices Spotlight, Q1 2025. City Centre figure is Q4 2024.

Rents are polarising. The market average was flat year on year while prime rose, from €27.25 in Q3 2022 (CG Capital) to €29.75. Deals above €20/m²/month rose from about 8% of the total before 2019 to 34% in Q1 2025. Rising prime rent alongside rising vacancy, and the growing share of deals at higher rents, are consistent with a flight to quality, and help explain why most new supply is now refurbishment.

How long the surplus takes to clear. In Q1 2025, vacant space was about 843,000 m² (12.44% × 6.78 million m²). If a balanced market sits near 8% vacancy (an assumption), the surplus is about 301,000 m². Gross take-up of about 300,000 m² a year overstates net absorption, because much of it is relocation. At an assumed 100,000 to 150,000 m² of net absorption a year, the surplus clears in roughly two to three years, consistent with Savills' expectation of rebalancing over about two years. The market has followed that path so far: availability fell to 9.98% by Q3 2026, and 22@ took about a third of Barcelona office investment in the first nine months of 2026 (Savills). The published figures do not separate net absorption from conversions and withdrawals, so the pace of genuine absorption remains uncertain.

A15. Barcelona: capital markets and pricing

Capital has returned to Spanish real estate as rates fell, but to living and hotels first: offices drew only 12% of 2025 volume, and Barcelona office investment was thin even as leasing held up.

Table A29. Spain real estate investment, all sectors

Period	Volume	Change	Note
Q1 2026	€6.3 bn	+93% year on year	Third-highest quarter on record; more than double the 10-year average
Full year 2025	€18.45 bn	+31% year on year	Best year since 2018
First 9 months 2025	€12.9 bn	+44% year on year	Third-highest 9-month total on record

Source: CBRE, Spain real estate investment figures, Q3 2025, Q4 2025 and Q1 2026.

Sector rotation. In 2025 offices took 12% of Spanish investment (€2.2 billion), behind Living (29%), Hotels (23%) and Retail (15%). Within offices, capital concentrated on prime, central product. This is the capital-market echo of occupier polarisation: prime is wanted, secondary is not.

Geography. Madrid took 36% and Barcelona 22% of 2025 volume across all sectors, rising to a combined 73% in Q1 2026. These are all-sector shares. Barcelona office investment specifically was about €80 million in Q1 2025, near a record low (Savills).

Pricing. The prime Barcelona office yield was 4.65% in Q1 2026 (CBRE), down from 4.80% in Q2 2025; JLL reports a stable investment yield of 4.75% in Q3 2026. Because value = rent ÷ yield, low yields make value highly sensitive to small yield moves. Secondary and 22@ stock, with higher vacancy and softer yields, lags behind prime.

Implication. Offices now compete with living and hotels for capital, which helps set the sector's yield floor. Exit liquidity is therefore strongest for core prime and weakest for refurbished secondary or 22@ product.

A16. Barcelona: option appraisal

Option A offers secure income whose main risk is the price paid; Option B offers a lower entry value whose outcome turns on lease-up speed and exit liquidity. Values are shown as percentage changes; a full appraisal would use net operating income.

A16.1 Value sensitivity to yield

Table A30. Value sensitivity to yield (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
Option A: Prime CBD, let at market	4.65%	+12.0%	+5.7%	-5.1%	-9.7%
Option B: stabilised after refurbishment (*hypothetical* yield)	5.50%	+10.0%	+4.8%	-4.3%	-8.3%

*Source: authors' calculations on the CBRE prime yield (Q1 2026). Option B's yield is *hypothetical*: no 22@ yield is reported in the sources used, and it is set above prime to reflect higher vacancy.*

A 25 basis point move changes value by about 4% to 6%, and a 50 basis point move by about 8% to 12%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level. For Option B, income matters more than the yield: letting at the Grade-A average rent for the New Business Area (EUR 23.41 per m² per month, Savills) rather than the area average (EUR 19.11) would raise gross rental income by about 22.5%, holding occupied area and other assumptions constant, more than any of the yield moves shown; net income need not rise in proportion.

A16.2 Option B lease-up (fair-share capture)

Capture per year = [project space ÷ (competing vacant space + project space)] × competitive position × net absorption of the competing set.

Table A31. Option B lease-up, base and downside cases

Input or result	Base case	Downside case
Project space (hypothetical)	10,000 m²	10,000 m²
Competing vacant space (hypothetical)	150,000 m²	200,000 m²
Competitive position (hypothetical)	1.1 (new Grade-A finish)	0.9 (competes with other refurbishments)
Net absorption of competing set (hypothetical)	60,000 m²/year	40,000 m²/year
Capture	about 4,100 m²/year	about 1,700 m²/year
Lease-up period	about 2.4 years	about 5.8 years

These inputs are illustrative and must be replaced with 22@ submarket stock, vacancy and absorption at due diligence. The point is the spread: plausible inputs move lease-up from about two years to nearly six, and with it the carry cost, the incentives needed and the exit value.

A16.3 Option-by-option assessment

Table A32. Summary assessment of the two strategies

	Option A: core Prime CBD / City Centre	Option B: 22@ value-add
Submarket availability	2.17% prime CBD; 4.85% City Centre (Q3 2026)	Below 20% (Q3 2026), from 26.6% in Q1 2025
Cycle position	Expansion: tight, rising prime rents	Oversupply being absorbed
Demand base	Professional services; established tenants	Technology (J), slowing competitive shift after 2019
Main upside	Yield compression; rental reversion	Discount entry; rent and yield uplift on stabilisation
Main risk	Paying a peak price; rate reversal	Slow lease-up; competing refurbishments; thin exit market
Key micro test	Passing rent vs achievable market rent (reversion risk at expiry)	Lease-up period under base and downside
Verdict	Prioritise for underwriting, subject to entry price	Underwrite only with a meaningful pre-let and the other conditions in Section A1; otherwise defer

A16.4 From growth to space

Growth, space and stock. Table A32a traces each material source of Barcelona's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table A32a. From growth to space: Barcelona

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Rental homes: build-to-rent, co-living, mid-market rental	Completions covered 0.25 of new households in the AMB in 2024 and 0.28 over 2021 to 2024; Barcelona city completed 1,884 homes against about 11,400 new households	**Construction.** The largest supply shortfall of the Spanish metros. A median-size flat at advertised rents costs about 34% of household income, against 21.6% for sitting tenants.
Technology and professional services jobs	Grade A and refurbished offices for technology and business services	22@ availability fell from 26.6% in Q1 2025 to below 20% in Q3 2026, after a 2019 to 2024 development wave; prime CBD availability 2.17%; about 130,000 m² of pipeline to the end of 2027, about 50% pre-let	**Absorption, largely.** 22@'s surplus is recent stock, and technology and business-services firms signed four of the five largest deals in Q1 2025, in the New Business Area. Whether 22@ can serve the firms driving growth is the key test: the published figures do not separate net absorption from conversions and withdrawals. Older secondary space needs adaptation, as occupiers move to better buildings.
Public, education and health jobs	Healthcare, education and care facilities	Not measured	**Not assessed.** 132,754 jobs added (+44%), but growth tracks the national trend.
Consumption by more residents	Last-mile logistics	Not in this edition	**Not assessed.** Needs logistics stock and gateway data.
Income and wealth	Premium homes and retail	Price of an 80 m² home rose from 4.7 to 5.5 years of household income (2013 to 2023)	**Little additional demand from local incomes.** Real salary per recipient rose 4.4% in the province (2012 to 2023). Prime housing draws on international and non-resident buyers, whom these statistics do not measure.
Productive capital and output	Specialised premises	Not measured	**Not assessed.** Innovation is Barcelona's distinctive driver (Section A3.3), but the edition does not trace investment to premises.

Sources: Sections A11 to A16 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Barcelona is the clearest case in this edition where growth may be met mainly from existing buildings: the technology firms driving its job growth are leasing in 22@, where a recent development wave left space to absorb. Housing is the opposite case, with the largest shortfall of new supply in the series. Leasing by occupier sector and building grade in 22@ would confirm or overturn the office reading.

Recent evidence and what it supports testing. Cushman & Wakefield recorded 137,000 m² of take-up in 22@ in 2025, 43% of the city's 317,000 m², with 98% of it in Grade A and B+ buildings; 75,000 m² is under construction or refurbishment in the district, 12% of it pre-let, and the district's prime rent is €22 per m² a month (Transparency 22@, March 2026). Savills records close to 79,000 m² of 22@ take-up to Q3 2026, and CBRE reports that 22@ accounted for close to half of the city's 56,000 m² of take-up in Q3 2026 (an approximate share). The 98% figure shows which buildings tenants took in 22@; it does not show whether those tenants were firms in the sectors driving Barcelona's job growth, which is the link a refurbishment case has to test. In the authors' judgement, a 22@ refurbishment should be underwritten against the competing deliveries, after verifying which occupier sectors took the recent space and the rents they paid after incentives. Registered residential rents by district and neighbourhood, published by INCASÒL, can be used to screen locations for rental housing. On the high street, Colliers gives prime rents of €265 per m² a month in Puerta del Ángel and €250 on Passeig de Gràcia (Q3 2026), and CBRE puts Barcelona's high-street availability at 3.6%, a market benchmark rather than a street figure.

A17. Barcelona: risks, monitoring and review triggers

The advice should be reviewed if any of the indicators below moves against it over the next four quarters. The trigger levels are the authors' suggestions, not market thresholds.

Table A33. Risks, indicators and suggested review triggers

Risk	Most exposed	What to monitor	Suggested review trigger
Slow absorption of the 22@ surplus	B	22@ vacancy; take-up net of new completions	22@ vacancy not falling for two consecutive quarters
Hybrid working cuts space per worker	B, then A at lease expiry	Occupancy rates; space per worker in new leases	Large tenants signing materially smaller footprints on renewal
Interest-rate reversal	A	Prime office yield; euro swap and bond rates	Prime yield moving back above 5%
Competition for capital	A and B (exit)	Office share of Spanish investment; Barcelona office volumes	Office share falling further from 12%, or volumes staying near Q1 2025 lows
Slowing technology engine	B	Employment and regional shift in J	J employment growth stalling in the affiliation data
Housing affordability	Both, indirectly	Rents and prices against real pay	Evidence that skilled in-migration is slowing

Data refresh before any investment decision. Update all Savills and CBRE figures to the latest quarter, add AMB sectoral earnings, and add forecast population, employment and earnings series.

A18. Sources

Official statistics provide the metropolitan, demographic, sectoral and income series; all calculations from them are the authors'. Commercial and press sources provide market figures, which are transcribed and attributed. Broker reports are © their authors and are cited for factual reference.

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PART B. SWEDEN

Stockholm and Gothenburg



Gothenburg, Lilla Bommen waterfront. Architectural illustration.

This part reproduces the Nordic edition. It compares Stockholm and Gothenburg (Section B3) and then sets out Stockholm in Part B-I and Gothenburg in Part B-II, with offices in depth. Values are in Swedish kronor.

Data vintage. Metropolitan statistics come from Statistics Sweden and run to 2024, with the 2024 regional accounts provisional. Office market figures run to Q2 or Q3 2026.

B1. Executive summary and recommendations

Recommendations. Stockholm: prioritise core Grade A offices in the CBD for underwriting, subject to entry price; do not pursue suburban office value-add on an unlet basis; underwrite new-build rental housing selectively. Gothenburg: underwrite core offices in the Rest of Inner City selectively; consider the CBD only with strong pre-lets or covenants while new supply completes; do not pursue speculative value-add at present**.** On relative value, Stockholm offers the deeper market, with faster growth in output per worker and the lowest yields; Gothenburg offers stronger recent metro job growth at higher yields but a weaker office market. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

Two metros, one method. This Nordic edition applies the Observatory's method to Stockholm and Gothenburg: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Sweden, and the forces behind growth, followed by the office market, housing and capital markets and illustrative strategies. Section B3 compares the two cities and the demand- and supply-side drivers of their growth; Parts B-I and B-II set out each in full.

The case rests on seven comparative findings:

1. **Stockholm's growth is productivity-led; Gothenburg's metro is gaining jobs share.** Between 2012 and 2024 Stockholm County's employment rose 17.9%, little faster than Sweden's 16.6%, but its real GDP rose 38.9% against 24.9% nationally, so real output per employed person rose about 18% against about 7% for Sweden, and its share of Swedish GDP rose from 31.0% to 33.0%. In the 13-municipality Gothenburg Region, register employment outgrew Sweden in both periods measured (2012 to 2018 and 2020 to 2023), and the region's share of Swedish GDP rose from 11.0% to 11.8%.
2. **Stockholm has lost ground since 2019.** Stockholm County beat the national employment trend by 11,300 jobs over 2012 to 2019 but fell 23,300 jobs short of it over 2019 to 2024; its unemployment reached a record 9.3% in Q4 2025 (Länsstyrelsen Stockholm). Gothenburg Region gained 11,000 jobs over the national trend in 2020 to 2023.
3. **Real pay rose, more than in the Spanish editions on their own measures, but fell back after 2021.** Real wage bills per employed person rose 12.3% in Stockholm and 7.8% in West Sweden between 2012 and 2024, all of it before 2019 or 2021; inflation in 2022 and 2023 cut them by about 9% in Stockholm from their 2021 peak. Konjunkturinstitutet forecasts national hourly wage growth of 3.5% in 2026 and 3.4% in 2027, with KPIF inflation of 1.6% and 2.6%, respectively (30 September 2026 forecast). These national forecasts suggest further real pay gains, but slower gains in 2027; they are not metropolitan wage forecasts.
4. **Stockholm is the specialised finance and technology hub; Gothenburg's strength is business services and industry.** Stockholm's location quotients are 2.36 in finance and 1.95 in information and communication. The Gothenburg Region is specialised in professional and administrative services (1.25) and information and communication (1.17), with a large industrial base across West Sweden.

5. **Both office markets have high and rising vacancy, but Stockholm's centre is tight.** Vacancy reached 16.1% in Stockholm and a record 14.7% in Gothenburg by mid-2026 (JLL). Stockholm CBD vacancy is 8.6% with a prime rent of SEK 9,800 per m² per year and a 3.90% prime yield; Gothenburg CBD vacancy is 15.7%, with SEK 4,200 and 4.55%.
6. **Demand drives growth; labour supply is tight and getting tighter.** Both metros rank among the EU's most innovative regions (Stockholm 1st, West Sweden 9th), while immigration adds little labour and work permits now require pay of at least 90% of the median wage. Labour supply is therefore less elastic than in the Spanish edition, so demand growth shows up in real pay as well as jobs (Section B3.3).
7. **Capital is returning.** Swedish transaction volume reached SEK 120.5 billion in H1 2026, up 60% (Cushman & Wakefield); Gothenburg office investment recovered to about SEK 4.7 billion in H1 2026 from about SEK 0.4 billion in all of 2025 (JLL). Regional growth forecasts for 2026 are strong: 3.6% for Stockholm and 3.0% for West Sweden (Nordea).

The assumptions this advice is most sensitive to: the path of the Riksbank policy rate, raised to 2% from 11 November 2026 and expected by the Riksbank to rise further in the coming year; office net absorption in suburban Stockholm and central Gothenburg, given new supply and hybrid working; and rent setting for new-build housing.

B2. Introduction: purpose, method and areas

This edition assesses whether, and how, an institutional investor should commit capital to real estate in Sweden's two largest metropolitan areas, and how the two compare. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Areas covered. For Stockholm, Stockholm County (26 municipalities, 2.47 million residents in 2024) is used as the metropolitan area, with Stockholm city (1.0 million) for context. For Gothenburg, the Gothenburg Region (GR, 13 municipalities including Kungsbacka in Halland, 1.09 million residents) is the metropolitan area for population, GDP, pay and register employment. Because detailed sector accounts are not published for the Gothenburg Region, the consistent 2012 to 2024 sector analysis uses the West Sweden accounts region (Västra Götaland and Halland, about 2.1 million residents), with the Gothenburg Region register data as the metro-level cross-check. Sweden is the reference economy throughout. Office sections use JLL's market and submarket definitions.

Method and data. Employment and wages by sector come from Statistics Sweden's (SCB) regional accounts: annual average employed persons (employees and self-employed) and wage bills, consistent from 2012 to 2024. Real values use the national CPI. Mean salaries by sector are not published for these geographies, so the report uses the real wage bill per employed person, which includes the self-employed in the denominator and is therefore a proxy for pay. Gothenburg Region employment comes from SCB's register statistics, which have method breaks in 2016, 2019 and 2024; growth is therefore measured only within each series (2012 to 2018 and 2020 to 2023). Figures are in Swedish kronor and are not converted, and pay levels are not compared with the Spanish editions. 'Technology' is used as shorthand for NACE section J, information and communication. Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. The report tests five illustrative strategies:

Table B1. The strategies tested

City	Strategy	Asset	Location	Risk style
Stockholm	A	Stabilised, fully let Grade A office building	CBD	Core
Stockholm	B	Partly vacant office building, refurbished	Solna / Sundbyberg	Value-add
Stockholm	C	New-build rental housing	Greater Stockholm	Core-plus
Gothenburg	A	Stabilised, let office building	Rest of Inner City (CBD as alternative)	Core
Gothenburg	B	Partly vacant office building, refurbished	Norra Älvstranden or CBD	Value-add

Structure. Section B3 compares the two cities, including the demand- and supply-side drivers of their growth. Part B-I (Sections B4 to B8) covers Stockholm and Part B-II (Sections B9 to B13) Gothenburg: metropolitan growth, prospects by asset class, the office market, housing and capital markets, and strategy appraisal. Section B14 sets out risks and monitoring for both, and Section B15 lists sources.

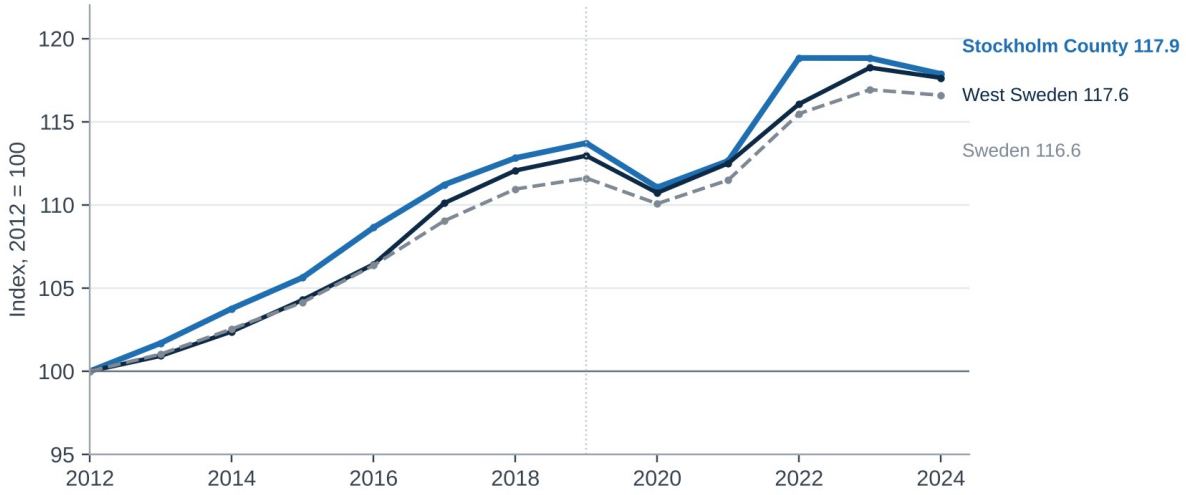
B3. Stockholm and Gothenburg compared

Stockholm and West Sweden added jobs at almost exactly the same pace between 2012 and 2024, slightly faster than Sweden. They differ in what drove growth: Stockholm in output and pay per worker, Gothenburg in the number of jobs and in its metro core.

B3.1 Growth on matched data

Figure B1. Stockholm and West Sweden grew in step, slightly ahead of Sweden

Employed persons, non-agricultural, regional accounts, 2012 to 2024 (index, 2012 = 100)



Source: SCB, regional accounts (NR0105), annual average employed persons, Stockholm County (RIKS1), West Sweden (RIKS5) and Sweden; authors' calculations.

Employment in Stockholm County rose 13.7% between 2012 and 2019 and 3.7% between 2019 and 2024; West Sweden's rose 13.0% and 4.1%; Sweden's 11.6% and 4.5%. Stockholm's lead before the pandemic became a lag after it, while West Sweden kept pace with the nation. Inside West Sweden, the Gothenburg Region did better than the wider region: its register employment grew 13.5% between 2012 and 2018 (Sweden 9.4%) and 8.5% between 2020 and 2023 (Sweden 6.1%).

Table B2. Stockholm and Gothenburg scorecard

Indicator	Stockholm	Gothenburg	Basis
Population growth, 2012 to 2024	+16.3%	+14.8%	County; Gothenburg Region (Sweden +10.8%)
Employment growth, 2012 to 2024	+17.9%	+17.6%	Regional accounts; West Sweden for Gothenburg (Sweden +16.6%)
Regional shift, 2012 to 2019	+11,300 jobs	+17,300 jobs	Regional accounts vs Sweden
Regional shift, 2019 to 2024	-23,300 jobs	-400 jobs	Regional accounts vs Sweden
Metro register regional shift	n.a.	+8,000 (2012-15); +7,300 (2016-18); +11,000 (2020-23)	Gothenburg Region, SCB register
Real GDP growth, 2012 to 2024	+38.9%	n.a. (GDP share 11.0% to 11.8%)	Stockholm volume index; Gothenburg nominal share
Real wage bill per employed, 2012 to 2024	+12.3%	+7.8%	Regional accounts (Sweden +7.8%)
Finance / technology location quotient, 2024	2.36 / 1.95	0.66 / 1.17	Stockholm accounts; Gothenburg Region register
Population projection, 2023 to 2040	+7.2%	+5.3%	SCB, county; Västra Götaland for Gothenburg
Regional GDP forecast, 2026 / 2027	+3.6% / +3.4%	+3.0% / +3.0%	Nordea; West Sweden for Gothenburg
Office vacancy, mid-2026: market / CBD	16.1% / 8.6%	14.7% / 15.7%	JLL
Prime CBD rent and yield	SEK 9,800; 3.90%	SEK 4,200; 4.55%	JLL, Q2 to Q3 2026
Tenant-owned flat prices, 12 months to Sept 2026	+6.5%	+4.3%	Svensk Mäklarstatistik, Stor-Stockholm and Stor-Göteborg

Sources: SCB regional accounts, population and register employment; SCB regional population projections (June 2024); Nordea, Regionala utsikter (October 2026); JLL Stockholm Office Market Dynamics (October 2026) and Nordics office outlook (October 2026); Svensk Mäklarstatistik (October 2026); authors' calculations.

Where population growth comes from. Population change is the sum of natural change (births less deaths) and net migration. Unlike the southern European metros in this series, Stockholm County grows mainly through natural increase: in 2024 its population rose by 18,486, of which births exceeded deaths by 10,247, net migration from abroad added 9,008 and net migration to the rest of Sweden subtracted 500 (Table B2a). The components for the Gothenburg Region were not available to the authors; its population rose by about 6,600 in 2024.

Table B2a. Components of population change, Stockholm County, 2024

Area	Population change	Natural change	Net migration, abroad	Net migration, rest of Sweden	Correction
Stockholm County	+18,486	+10,247	+9,008	-500	-269

Source: Region Stockholm, Prognos 2025 method description (August 2026), actual figures for 2024 based on SCB population statistics. The correction item covers late-reported events.

Jobs per resident. Stockholm County's population has grown almost as fast as its jobs. Employed persons per resident rose 1.7% between 2012 and 2019, against 3.3% for Sweden, and fell 0.4% between 2019 and 2024, while Sweden's rose 1.9%. This is consistent with the county's rising unemployment, although commuting and participation cannot be separated with the data used here. In the Gothenburg Region, register employment rose faster than population: jobs per resident rose 4.4% between 2012 and 2018 and 5.3% between 2020 and 2023, consistent with falling unemployment or more commuting into the metro core.

Synthesis by period. Table B2b summarises growth in each period and the type of growth it indicates.

Table B2b. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Employment	Real pay	Real output	Indicative mechanism	Main forces
Stockholm County	2012-19	+1.6	+1.9	+2.0	+3.2	Consistent with demand-induced; stronger pay effect	Finance and technology hub; strong population growth
Stockholm County	2019-24	+0.8	+0.7	-0.5	+2.2	Output growth with falling real pay	2022 to 2023 inflation shock; weaker labour market; slowing population growth
West Sweden	2012-19	+1.4	+1.8	+1.7	n.a.	Consistent with demand-induced; stronger pay effect	Professional services; technology; industrial base
West Sweden	2019-24	+0.9	+0.8	-0.9	n.a.	Jobs growth with falling real pay	Inflation shock; export cycle; metro core still gaining

Sources: SCB population statistics, regional accounts (employed persons; wage bills; GDP in volume for Stockholm County) and CPI; authors' calculations. Population for West Sweden is that of the Gothenburg Region. Real pay is the real wage bill per employed person. Falling real pay after 2019 may reflect inflation, hours and worker composition as well as labour-supply shifts. Its cause is not identified; the same rule is applied across metros in Table 4b. Growth types follow the framework in Section B2 and are indicative.

B3.2 Competitive engines

Table B3. Regional shift by sector, Stockholm County and West Sweden (thousands of jobs)

Sector	Stockholm 2012-19	Stockholm 2019-24	West Sweden 2012-19	West Sweden 2019-24
J Information and communication	+5.0	-1.6	+1.2	+0.2
K Finance and insurance	+2.3	+1.2	0.0	-0.6
M to N Professional and administrative	-3.5	-8.8	+11.1	+0.2
G to H Trade and transport	+3.4	-6.3	+1.0	+1.2
O to Q Public admin, education, health	-7.0	-6.3	-1.1	+2.0
F, L Construction and real estate	+5.1	-2.0	+1.8	-0.2
B to E Industry and utilities	+1.3	+5.9	+3.0	-5.6
I, R to T Hospitality, culture, other	+4.7	-5.3	+0.3	+2.6
Total	+11.3	-23.3	+17.3	-0.4

Source: SCB regional accounts; authors' calculations. Regional shift is the change in local employment less the change expected had each sector grown at its national rate. Rows may not sum to totals because of rounding.

- **Stockholm's advantage is in specialised, high-value services.** Finance gains in both periods and its quotient keeps rising; technology gained strongly before 2019. Since 2019, though, most Stockholm sectors have lost ground to Sweden, including professional services (-8,800) and trade and transport (-6,300), and only industry and utilities and finance have gained.
- **West Sweden's advantage was in professional services before 2019** (+11,100), and the Gothenburg Region core has kept outgrowing Sweden since 2020, led by trade and transport, public services and hospitality. West Sweden's industrial base lost share after 2019 (-5,600).
- **Pay growth tells a different story from the Spanish cities.** In Stockholm, real wage bills per employed rose fastest in professional services (+20%), finance (+19%) and construction and real estate (+15%); in West Sweden in professional services (+18%) and construction and real estate (+12%). Growth in both regions was accompanied by rising real wage bills per employed person, not only by more workers; this is a pay measure, not a productivity measure, and it is affected by the mix of employees, self-employed and working time.

B3.3 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables B3a and B3b rate each driver for the two metros. The ratings are the authors' judgement from the evidence shown.

Table B3a. Demand-side drivers of growth

Driver	Stockholm	Gothenburg	Evidence
National economic influences	Moderate now (strong before 2019)	Strong now	Stockholm fell 23,300 jobs short of the national trend in 2019 to 2024 and unemployment reached a record 9.3%; the Gothenburg Region gained 11,000 jobs above it in 2020 to 2023, unemployment was 6.4% in August 2026 and business confidence was 102.2
Amenities, infrastructure and tax	Strong	Moderate	Capital city; Arlanda passengers up just under 7% in 2025, Landvetter just under 2%; electricity shortages cost West Sweden 75 industrial establishments in four years; taxes are largely national
Clusters and innovation	Very strong	Strong	Stockholm ranks 1st among EU regions on the Regional Innovation Scoreboard 2025 and has 36 unicorns; West Sweden ranks 9th and Västra Götaland has 25% of Sweden's R&D; Volvo Cars' Gothenburg battery plant is postponed
Population growth	Moderate	Moderate	Stockholm County grew by 18,486 in 2024, more than half from births (Table B2a); Sweden grew by only 17,800 in 2025
Visitor spending	Moderate	Moderate	Guest nights rose about 3% in Stockholm County and 4% in Västra Götaland in 2025
Government spending	Strong	Moderate	Capital functions; Förbifart Stockholm (SEK 51.0 to 53.5 billion) and metro expansion; Västlänken in Gothenburg (about SEK 36 billion); national defence spending rising to 3.5% of GDP by 2030

Sources: Länsstyrelsen Stockholm, Läget i länet, March 2026; Business Region Göteborg, Konjunkturen #3 2026; Swedavia, traffic statistics 2025; VGR Analys 2026:42; Regional Innovation Scoreboard 2025, as reported by Invest in Gothenburg; Dealroom; Norran, 13 January 2026; SCB, population statistics 2025; Tillväxtverket, Inkvartering 2025; Realtid, 13 December 2025; EFN, 26 March 2025; authors' calculations (regional shifts).

Table B3b. Supply-side drivers of growth

Driver	Stockholm	Gothenburg	Evidence
Immigration for non-wage reasons	Weak	Weak	First-time residence permits fell to 88,938 in 2025, with protection permits down to 12,810; Stockholm city's net international migration halved to 1,861 in 2025
Labour force participation	Moderate	Weak	National participation is already 75.2%; Stockholm's 137,000 unemployed are the main reserve; employment of foreign-born residents has risen 5.5 points since 2019
Public policy programmes	Weak (restrictive)	Weak (restrictive)	Since 1 June 2026 work permits require pay of at least 90% of the median wage (SEK 34,470 a month); expert tax relief, extended to seven years in 2024, targets only highly paid specialists

Sources: Migrationsverket, residence permits 2025 and work permit rules 2026; City of Stockholm, Befolkningsöversikt 2025; SCB, Labour Force Survey, September 2026; Länsstyrelsen Stockholm, March 2026; Ekonomifakta, employment of foreign-born; Azets and EY, expert tax relief.

How the drivers explain the growth pattern. Before 2019, jobs and real pay rose together in both Swedish regions, consistent with demand-induced expansion and a stronger wealth effect than in the Spanish metros. A less elastic labour response is a hypothesis; the aggregate series do not estimate it. Migration policy may affect future recruitment, but does not by itself establish historical elasticity. After 2019 real pay fell and employment slowed, so the initiating mechanism remains uncertain. Stockholm's finance and technology exposure and Gothenburg's export manufacturing and R&D base provide sector-specific demand evidence; interest rates and funding conditions are possible influences whose contributions are not quantified here.

What could change the balance. A recovery in Stockholm's finance and technology demand would meet a large reserve of unemployed workers at first, then a tight labour market, raising real pay. Slower immigration limits volume growth in both metros. Gothenburg's growth depends on exports, including to the United States, its largest export market, and on whether the postponed battery investment resumes.

B3.4 Relative implications for real estate

Table B4. Relative outlook by asset class, five to ten years

Asset class	Stockholm	Gothenburg	Relative view
Prime offices	Strong: CBD vacancy 8.6%, rents up 129% since 2012	Moderate: CBD vacancy 15.7% with new supply completing	Stockholm CBD preferred; Gothenburg inner city outside the CBD is tighter
Value-add offices	Weak: suburbs 14% to 36% vacancy	Weak: 16% to 22% vacancy outside the inner city	Avoid speculative value-add in both
Rental housing	Moderate: strong demand, regulated rents, 3.85% prime yield	Moderate: demand from metro job growth; regulated rents	Similar; Stockholm deeper, Gothenburg higher yields
Tenant-owned housing (development)	Strong price recovery (+6.5%)	Moderate (+4.3%)	Stockholm preferred
Logistics and industrial	Moderate: consumption hub	Strong: Scandinavia's largest port and industrial base	Gothenburg preferred

Overall. Stockholm offers the stronger and more liquid prime office market, supported by productivity, pay and specialised services, but its employment has lagged Sweden since 2019 and its suburban office markets are oversupplied. Gothenburg's metro core is growing faster than Sweden and its yields are higher, but its office vacancy is at a record and the CBD has new supply to absorb; core investment there is better placed in the Rest of Inner City, and logistics is a relative strength.

Part B-I. Stockholm



Gamla Stan waterfront, Stockholm. Illustration adapted from a photograph by Julian Herzog, Wikimedia Commons · CC BY 4.0

B4. Stockholm: metropolitan growth patterns

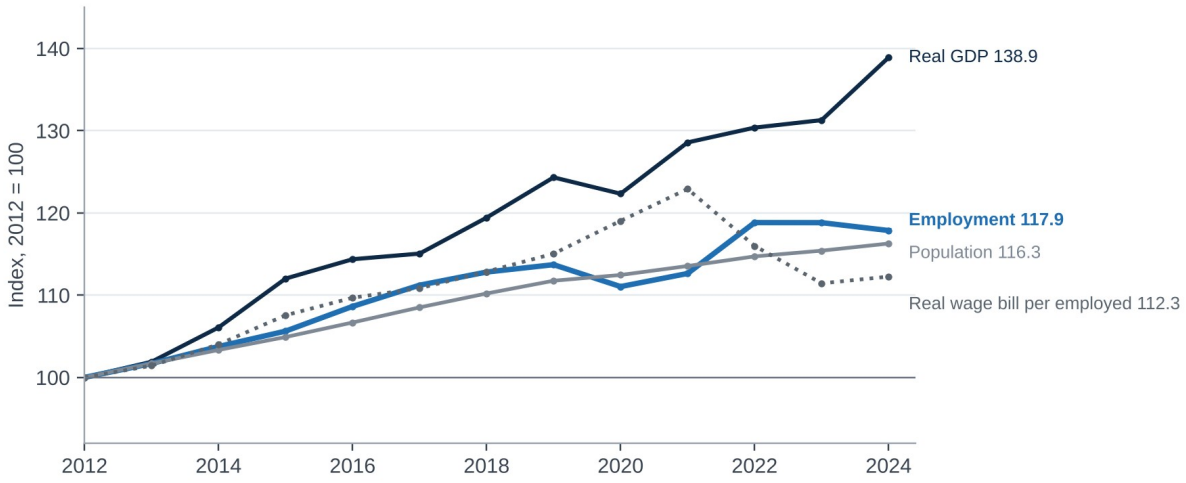
Metropolitan growth is analysed in four steps: summary indicators and forecasts (4.1), growth and pay by sector (4.2), specialisation and competitiveness against Sweden (4.3) and the forces behind growth (4.4).

B4.1 Summary growth indicators

Stockholm grew through output and pay as well as jobs: between 2012 and 2024 real GDP rose 38.9%, employment 17.9%, population 16.3% and the real wage bill per employed person 12.3%.

Figure B2. Output grew more than twice as fast as jobs or population

Summary growth indicators, Stockholm County, 2012 to 2024 (index, 2012 = 100)



Sources: SCB regional accounts (employment, wages, GDP volume), population statistics and CPI; authors' calculations. Employment excludes agriculture; wages deflated by the national CPI.

Employment. Non-agricultural employment rose from 1.19 million to 1.41 million between 2012 and 2024. It grew 13.7% to 2019, fell 2.3% in 2020, jumped in 2022 and has since edged down: the 2024 figure, which is provisional, is about 11,000 below 2023. Stockholm County's unemployment reached 9.3% in Q4 2025, the highest in the series, although employment rose again in late 2025 (Länsstyrelsen Stockholm).

Population. The county grew from 2.13 million to 2.47 million (+16.3%), against 10.8% for Sweden, and Stockholm city from 0.88 million to 1.0 million (+13.0%). Growth has slowed sharply: 4.0% in 2019 to 2024 after 11.8% in 2012 to 2019, and 0.5% in 2025.

Output and pay. Real GDP rose 38.9% against 24.9% for Sweden, and the county's share of national GDP rose from 31.0% to 33.0%; 2024 growth was a provisional 5.8%. The real wage bill per employed person reached SEK 537,000 in 2024, 14% above the Swedish level. It rose 15.0% to 2019 and peaked in 2021, then fell with the 2022 and 2023 inflation surge, ending 2.4% below its 2019 level.

Forecasts. The outlook is for a cyclical recovery (Table B5). Nordea forecasts Stockholm's regional GDP to grow 3.6% in 2026, the fastest of any Swedish region that year, and 3.4% in 2027, and an employment increase of 1.2% is forecast for 2026. SCB's most recent regional projection available to the authors (June 2024) has the county's population growing 7.2% between 2023 and 2040, slower than in the past decade but above Sweden's 4.3%. Konjunkturinstitutet forecasts national hourly wage growth of 3.5% in 2026 and 3.4% in 2027, with KPIF inflation of 1.6% and 2.6%, respectively (30 September 2026 forecast). These national forecasts suggest further real pay gains, but slower gains in 2027; they are not metropolitan wage forecasts. The Riksbank raised its policy rate to 2% from 11 November 2026 and expects to raise it further in the coming year.

Table B5. Historical and forecast growth, Stockholm County

Indicator	History	Forecast	Forecast source
Population	+16.3%, 2012 to 2024; +0.5% in 2025	+7.2%, 2023 to 2040	SCB, June 2024
Employment	+17.9%, 2012 to 2024	+1.2% in 2026	Länsstyrelsen Stockholm, March 2026
Unemployment	9.3% in Q4 2025	Back to pre-recession levels in 2027	Arbetsförmedlingen, spring 2026
Real GDP	+38.9%, 2012 to 2024	+3.6% in 2026; +3.4% in 2027	Nordea, October 2026
Real wage bill per employed	+12.3%, 2012 to 2024	Sweden: hourly wages +3.5% (2026), +3.4% (2027); KPIF +1.6% (2026), +2.6% (2027)	Konjunkturinstitutet, 30 September 2026

Sources: history as Figure B2; Länsstyrelsen Stockholm, Läget i länet, March 2026; Arbetsförmedlingen, Regionala utsikter, spring 2026; Nordea, Regionala utsikter, 7 October 2026; Konjunkturinstitutet, Konjunkturläget, 30 September 2026, national hourly wages and KPIF: https://www.konj.se/publikationer/konjunkturlaget/2026-09-30-inflationen-tydligt-over-inflationsmalet-nasta-ar/

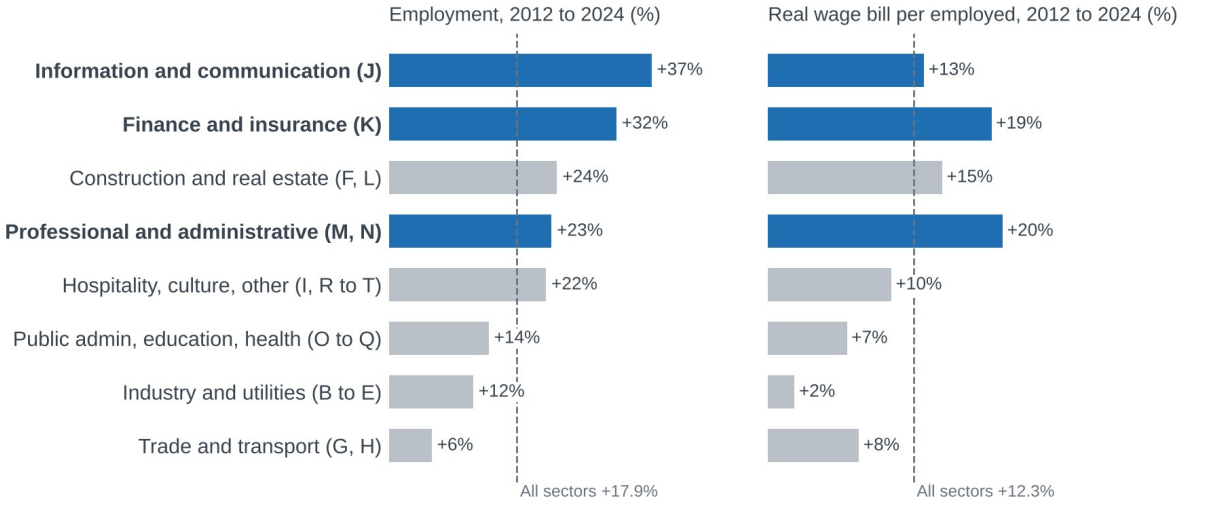
Reading for the investor. More than in Madrid and Barcelona, Stockholm's growth has raised output per worker and the real wage bill per employed person, which supports premium space and pricing. The weak spot is employment since 2019: the region is not currently gaining jobs share, so occupier demand depends on the recovery forecast for 2026 and 2027.

B4.2 Growth and pay by sector

Growth was led by knowledge-intensive services: information and communication jobs rose 37% and finance 32% between 2012 and 2024, against 18% for all sectors, and pay grew fastest in professional services and finance.

Figure B3. Technology and finance led job growth; pay grew fastest in professional services and finance

Employment and real wage bill per employed person by sector, Stockholm County, 2012 to 2024 (% change). Office-using sectors in blue.



Source: SCB regional accounts; wage bills deflated by the national CPI; authors' calculations.

Table B6. Employment and real pay by sector, Stockholm County

Sector	Jobs 2012 (000)	Jobs 2024 (000)	Jobs growth	Sweden jobs growth	Pay 2024 (SEK 000)	Real pay 2012 to 2019	Real pay 2019 to 2024	Real pay 2012 to 2024
J Technology	94.6	129.4	+36.8%	+32.6%	733	+12.8%	+0.3%	+13.1%
K Finance	53.3	70.3	+31.9%	+24.4%	900	+26.0%	-5.7%	+18.8%
F, L Construction, RE	90.0	111.2	+23.6%	+20.1%	575	+16.1%	-1.2%	+14.7%
M to N Professional	197.6	242.6	+22.8%	+29.1%	580	+16.7%	+2.6%	+19.7%
I, R to T Hospitality, other	120.0	146.4	+22.0%	+22.3%	367	+12.9%	-2.2%	+10.4%
O to Q Public services	325.2	370.6	+14.0%	+18.1%	432	+15.6%	-7.8%	+6.6%
B to E Industry, utilities	82.3	92.0	+11.8%	+2.9%	594	+9.8%	-6.9%	+2.2%
G to H Trade, transport	231.0	244.8	+6.0%	+7.2%	511	+14.0%	-5.5%	+7.6%
All sectors	1,194.0	1,407.3	+17.9%	+16.6%	537	+15.0%	-2.4%	+12.3%

Source: SCB regional accounts (annual average employed persons including self-employed; wage bills), Stockholm County and Sweden; national CPI; authors' calculations. Pay is the wage bill per employed person, which divides employees' wages by all employed, so it understates pay in sectors with many self-employed. Public services are O to Q.

Growth patterns by sector. Technology, finance, construction and real estate combined employment growth with real-pay gains over the longer period, consistent with demand-induced expansion and stronger purchasing power. The data do not independently establish labour-supply elasticity. Professional services raised pay sharply (+20%) while jobs grew more slowly than nationally. Public services, trade and transport expanded mainly in jobs, with pay held back after 2019; inflation and composition complicate the mechanism. Technology, finance and professional services remain relevant office-using sectors in the CBD and inner city.

B4.3 Specialisation and competitiveness

Stockholm is Sweden's finance and technology hub, and those specialisations are still deepening, but since 2019 the region has lost employment share in most other sectors.

Table B7. Location quotients by sector, Stockholm County (Sweden = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2024	Share of jobs 2024	Reading
K Finance and insurance	2.25	2.30	2.36	5.0%	Highly specialised and rising
J Information and communication	1.91	1.96	1.95	9.2%	Highly specialised, stable
M to N Professional and administrative	1.40	1.35	1.32	17.2%	Specialised, easing
I, R to T Hospitality, culture, other	1.20	1.21	1.18	10.4%	Specialised
G to H Trade and transport	1.06	1.06	1.04	17.4%	Close to average
F, L Construction and real estate	0.88	0.91	0.90	7.9%	Below average
O to Q Public admin, education, health	0.82	0.79	0.79	26.3%	Below average
B to E Industry and utilities	0.50	0.50	0.53	6.5%	Under-represented

Table B8. Shift-share decomposition, Stockholm County, 2012 to 2019 and 2019 to 2024 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-24	National	Mix	Local
M to N Professional	+37.4	+22.9	+18.0	-3.5	+7.6	+10.5	+5.9	-8.8
O to Q Public services	+35.5	+37.7	+4.8	-7.0	+9.9	+16.1	+0.1	-6.3
I, R to T Hospitality, other	+25.6	+13.9	+7.0	+4.7	+0.8	+6.5	-0.4	-5.3
F, L Construction, RE	+22.5	+10.4	+6.9	+5.1	-1.3	+5.0	-4.3	-2.0
J Technology	+20.6	+11.0	+4.7	+5.0	+14.2	+5.1	+10.7	-1.6
G to H Trade, transport	+18.7	+26.8	-11.5	+3.4	-4.9	+11.2	-9.7	-6.3
K Finance	+3.3	+6.2	-5.2	+2.3	+13.7	+2.5	+10.0	+1.2
B to E Industry, utilities	+0.1	+9.5	-10.7	+1.3	+9.6	+3.7	0.0	+5.9
Total	+163.7	+138.5	+13.9	+11.3	+49.6	+60.6	+12.2	-23.3

Source for Tables B7 and B8: SCB regional accounts, Stockholm County and Sweden, annual average employed persons, agriculture excluded; authors' calculations. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. RE is real estate.

Quotients and shares. Finance's quotient of 2.36 applies to 5.0% of the county's jobs and technology's 1.95 to 9.2%; public services (26.3%) and trade and transport (17.4%) remain the largest employers.

What the decomposition shows. National growth explains most of Stockholm's job gains, and the region's favourable mix (finance, technology and professional services, which grew fast nationally) added 12,000 to 14,000 jobs in each period. The regional shift, Stockholm's own competitive gain, turned from +11,300 before 2019 to -23,300 after it. Finance is the only office-using sector with a positive regional shift in both periods; technology's turned slightly negative after 2019, although its jobs still grew 15% and its quotient stayed close to 2. The losses after 2019 are concentrated in professional services, trade and transport, public services and hospitality.

B4.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Stockholm's growth has been driven by its role as Sweden's capital and its finance and technology hub, which has raised productivity and pay, together with strong population growth that has now slowed.

1. **Hub functions and specialisation.** Finance and technology are highly concentrated and still deepening, supporting high output per worker and the country's highest office rents.
2. **Output per worker rather than headcount.** Real output rose more than twice as fast as employment, so output per employed person rose about 18%; the real wage bill per employed person rose faster than in Sweden until 2021. Output per hour is not available for the county.
3. **Population growth, now slowing.** The county grew by almost 350,000 people in 2012 to 2024, but growth has fallen to about 0.5% a year, and SCB's projection implies slower growth to 2040.
4. **A weaker labour market since 2019.** The region has lost jobs share in most sectors and unemployment is at a record.

Will these forces persist? Hub functions and specialisation are durable, and forecasters expect Stockholm to lead Sweden's recovery in 2026 and 2027. Slower population growth and rising interest rates are the main constraints: they temper housing demand and the pace at which office vacancy can fall.

B5. Stockholm: growth prospects and real estate markets

Over the next five to ten years, Stockholm's growth pattern most clearly supports prime offices and well-located housing; it does not support speculative suburban offices.

Table B9. Asset classes and Stockholm's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Strong but polarised	Finance and technology specialised and growing; pay up 13% to 20% in office-using sectors	Grade A CBD and Hagastaden	Market vacancy 16.1%; suburbs 14% to 36%
Rental housing	Moderate	Population +16.3% since 2012; real pay up	New-build rental in well-connected locations	Regulated rents; population growth slowing
Tenant-owned housing	Moderate to strong	Prices +6.5% in 12 months; higher real pay	Development for sale in the inner suburbs	Rate rises from late 2026
Logistics	Moderate	Largest consumer market in Sweden	Last-mile and urban logistics	Trade and transport losing share since 2019
Social infrastructure	Moderate	Public services +14% jobs; below-average concentration	Healthcare and education	Follows population, which is slowing

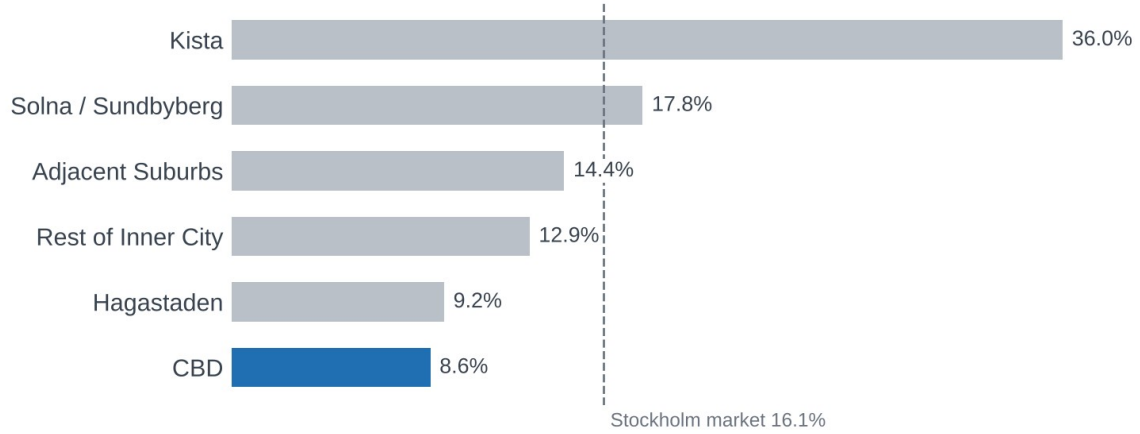
What the growth evidence does not support. Speculative office development or value-add outside the inner city, where vacancy is 14% to 36%, and manufacturing space, which is under-represented in the county.

B6. Stockholm: the office market

Stockholm's office market is polarised: the CBD is tight and rents are at record levels, while the overall vacancy rate is the highest in the series compiled for this edition, which starts in 2012.

Figure B4. CBD vacancy is 8.6%; Kista's is 36%

Stockholm office vacancy by submarket, Q2 2026 (%)



Source: JLL, Nordics office outlook, October 2026 (Citymark vacancy data); JLL Stockholm market vacancy as at mid-2026.

Table B10. Stockholm office submarkets, Q2 2026

Submarket	Vacancy	Prime rent (SEK per m² per year)	Prime yield
CBD	8.6%	9,800	3.90%
Hagastaden	9.2%	5,800	4.40%
Rest of Inner City	12.9%	5,700	4.75%
Adjacent Suburbs	14.4%	3,600	5.50%
Solna / Sundbyberg	17.8%	3,700	5.50%
Kista	36.0%	2,400	7.00%

Source: JLL, Nordics office outlook, autumn 2026 (Q2 2026). CBRE reports CBD vacancy of 6.8% and a CBD prime rent of SEK 9,500 for Q2 2026; definitions differ.

Demand and supply. Take-up reached 380,000 m² in the first three quarters of 2026, and market vacancy eased to 15.7% in Q3 2026 from a peak of 16.1% in Q2 (JLL). Supply is now limited: no completions in Q3 2026 and 51,000 m² in the year to date, with 212,000 m² under construction, 66% pre-let.

Rents. The prime CBD rent was SEK 9,800 per m² per year in Q3 2026, up from SEK 9,500 in 2025 and SEK 7,600 in mid-2019, and more than double the SEK 4,300 recorded in mid-2012 (JLL). Rents outside the CBD are a third to a half of CBD levels and have been flat.

A changed market. Vacancy was around 4% to 6% in 2020 and 2021 (CBRE) and has risen with hybrid working and the post-2019 loss of jobs share. Vacancy is lowest in the CBD and well-connected inner-city space and highest in older suburban office parks, above all Kista, which face structural vacancy. Historical vacancy figures come from different providers and should be read as indicative.

B7. Stockholm: housing and capital markets

Housing. Prices of tenant-owned flats in Greater Stockholm rose 6.5% in the 12 months to September 2026, to an average of about SEK 70,700 per m², and 9.3% in central Stockholm; house prices rose 5.4% (Svensk Mäklarstatistik). Housing starts in Stockholm County were 9,488 in 2025, against 9,701 in 2024 (SCB, preliminary, not adjusted for reporting lags); nationally about two-thirds of apartment-building starts were rental. Rents for new-build rental housing are set within Sweden's regulated system, which caps rental growth; the average rent in Greater Stockholm was SEK 1,693 per m² per year in 2025, up 6.5% (SCB, as reported by CBRE).

Demand, supply and affordability. On the authors' calculation, 2024 population growth implies about 14,900 new households (the register shows 13,437), and 13,621 dwellings were completed, a ratio of 0.92; over 2013 to 2024 the ratio was 0.91. Because the register counts households from occupied dwellings, this shows supply keeping pace with recorded households, not the absence of a shortage. The price of a tenant-owned flat rose from 4.7 years of household income in 2012 to a peak of 6.6 in 2017 and was 5.7 in 2024. Renters' median housing costs were 27.7% of disposable income in 2024 (margin about 3 points), but second-hand rents for a two-room flat equal about 48% of renters' median income, which describes the segment open to households without queue time (Section 3.4).

Capital markets. Swedish property transaction volume reached SEK 120.5 billion in H1 2026, up 60% year on year and the strongest first half since 2021; residential took 25%, logistics and industrial 22% and offices 13% (Cushman & Wakefield). Residential volume was SEK 22.5 billion in Q2 2026 alone, up 57% (CBRE).

Table B11. Stockholm pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, CBD	3.90% (down 10 bps)	Q2 2026	JLL; CBRE also 3.9%
Prime office yield, Hagastaden	4.40%	Q2 2026	JLL
Prime residential yield, new production, Greater Stockholm	3.85% (down 30 bps)	Q2 2026	CBRE
Prime residential rent	SEK 3,000 per m² per year	Q2 2026	CBRE
Transaction volume, Sweden	SEK 120.5 bn (+60%)	H1 2026	Cushman & Wakefield

Reading for the investor. Prime yields of 3.85% to 3.90% are low by any standard and are priced for continued rental growth. With the Riksbank having raised its policy rate to 2% from 11 November 2026, and expecting further rises, there is little room for further compression.

B8. Stockholm: strategy appraisal

Strategy A offers secure income in the tightest submarket, and its main risk is the price paid; Strategy B depends on lease-up in a market where vacancy outside the inner city is 14% to 36%; Strategy C has strong demand but regulated rents and a low entry yield. All values are illustrative.

Table B12. Value sensitivity to yield, Stockholm CBD (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: Grade A CBD office	3.90%	+14.7%	+6.8%	-6.0%	-11.4%

Source: authors' calculations on the JLL prime yield, Q2 2026.

A 25 basis point move changes value by about 6% to 7%, and a 50 basis point move by about 11% to 15%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table B13. Summary assessment of the Stockholm strategies

Factor	A: core CBD office	B: value-add, Solna / Sundbyberg	C: new-build rental housing
Market tightness	CBD vacancy 8.6%	Vacancy 17.8%	Strong demand; regulated rents
Demand base	Finance and technology, specialised and growing	Mixed occupiers; competing with new supply	Population growth, slowing
Pricing	Yield 3.90%; rent SEK 9,800	Yield 5.5%; rent SEK 3,700	Yield 3.85%
Main risk	Paying a full price at 3.90%	Slow lease-up	Rent regulation; rate rises
Verdict	Prioritise for underwriting, subject to entry price	Do not underwrite unlet; revisit with a pre-let	Underwrite selectively

From growth to space. Table B13a traces each material source of Stockholm's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table B13a. From growth to space: Stockholm

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Rental and tenant-owned homes in well-connected locations	Completions covered 0.92 of new households in 2024 and 0.91 over 2013 to 2024; housing starts 9,488 in 2025 (preliminary)	**Construction, at about the pace of recorded households.** Swedish households are counted from occupied dwellings, so the ratio cannot show a shortage; second-hand rents for a two-room flat, about 48% of renters' median income, show that entry outside the queue is expensive.
Finance and technology jobs	Grade A offices in the CBD and Hagastaden	CBD vacancy 8.6%, market 16.1%, suburbs 14% to 36%; 212,000 m² under construction, 66% pre-let	**Absorption in the centre, pre-let construction.** Demand is for central space, which pre-let projects are adding to. The suburban surplus is in the wrong locations; the growth evidence does not support value-add there, and whether it can be adapted to other uses is not assessed.
Output and income	Better rather than more space: prime offices, quality housing	As above	**Quality, not quantity.** Real output per worker rose about 18% (Sweden 7%) and the real wage bill per employed person 12.3% in 2012 to 2024, while employment has lagged Sweden since 2019. This growth upgrades the space people use more than it adds to it.
Consumption	Last-mile and urban logistics	Not measured	**Not assessed.** The largest consumer market in Sweden, but trade and transport have lost share since 2019.
Productive capital	Specialised premises	Not measured	**Not assessed.** Förbifart Stockholm (SEK 51.0 to 53.5 billion), metro expansion and rising national defence spending appear in Section B3.3, but the edition does not trace them to premises.

Sources: Sections B4 to B8, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Stockholm's growth asks for better space more than more space. Central offices are being met by pre-let construction, while the suburban surplus is unlikely to be absorbed by the sectors that are growing.

Recent evidence and what it supports testing. JLL reports market-wide net absorption of about -213,000 m² over the twelve months to mid-2026, marginally positive in the CBD. Ericsson will move to about 71,000 m² in Hagastaden from 2028, which CBRE expects to add to vacancy in Kista. In the municipal rental queue, the average waiting time in 2025 was 5.8 years for newly built homes and 9.6 years for existing homes (Bostadsförmedlingen), so demand for new production is weaker than for the existing stock. In the authors' judgement, this supports testing prime CBD income on its own leasing evidence, requiring a committed occupier for any exposure in Kista, and comparing rents and lease-up at new rental schemes before underwriting rental development.

Part B-II. Gothenburg



Stora Hamnkanalen, Gothenburg. Illustration adapted from a photograph by D.O.G.A., Wikimedia Commons · Public domain

B9. Gothenburg: metropolitan growth patterns

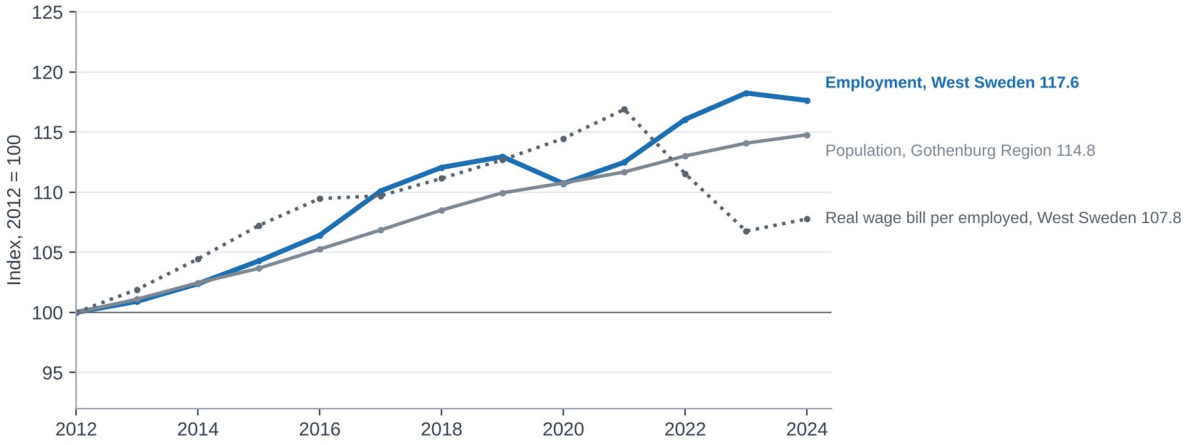
The Gothenburg analysis uses two layers: the consistent SCB regional accounts for West Sweden (2012 to 2024), which give sectors, employment and pay against Sweden; and the Gothenburg Region's own population, GDP, pay and register employment, which show the metro core.

B9.1 Summary growth indicators

The Gothenburg Region grew in jobs, people and output faster than Sweden: population rose 14.8% between 2012 and 2024, and its share of Swedish GDP rose from 11.0% to 11.8%. The wider West Sweden region kept pace with the nation in jobs (+17.6%) and pay (+7.8%).

Figure B5. Jobs and population grew steadily; real pay fell back after 2021

Summary growth indicators, Gothenburg Region and West Sweden, 2012 to 2024 (index, 2012 = 100)



Sources: SCB population statistics (Gothenburg Region, 13 municipalities); SCB regional accounts (West Sweden, employment and wage bills); national CPI; authors' calculations.

Population. The Gothenburg Region grew from 948,000 to 1,088,000 residents (+14.8%), against 10.8% for Sweden, and Göteborg municipality from 526,000 to 609,000 (+15.8%). Growth slowed to 4.4% over 2019 to 2024, still faster than Stockholm County's 4.0%.

Employment. In the regional accounts, West Sweden's non-agricultural employment rose from 910,000 to 1,071,000 (+17.6%; Sweden +16.6%). In the metro register data, the Gothenburg Region's employment rose 13.5% between 2012 and 2018 (Sweden 9.4%) and 8.5% between 2020 and 2023 (Sweden 6.1%), reaching 581,320 in 2024. Employment rose 0.8% in the year to early 2026 and unemployment was 6.2% in May 2026, well below Stockholm's (Business Region Göteborg).

Output and pay. Constant-price GDP is not published for the Gothenburg Region, but its nominal GDP rose 84.9% between 2012 and 2024, against 73.0% for Sweden. Its workplace wage bill rose 33.7% in real terms. In West Sweden, the real wage bill per employed person was SEK 459,000 in 2024, close to the Swedish level, after rising 12.7% to 2019 and falling 4.4% since.

Forecasts. Nordea forecasts West Sweden's regional GDP to grow 3.0% in both 2026 and 2027, as export-dependent regions recover. SCB's June 2024 projection has Västra Götaland's population growing 5.3% between 2023 and 2040, above Sweden's 4.3%. Business sentiment in the region was in the normal range in Q2 2026, with trade strong but manufacturing and construction weak (Business Region Göteborg).

Table B14. Historical and forecast growth, Gothenburg

Indicator	History	Forecast	Forecast source
Population	Gothenburg Region +14.8%, 2012 to 2024	Västra Götaland +5.3%, 2023 to 2040	SCB, June 2024
Employment	West Sweden +17.6%, 2012 to 2024; Gothenburg Region +0.8% in year to early 2026	Unemployment back to pre-recession levels in 2027	Arbetsförmedlingen, spring 2026
Unemployment	6.2% in May 2026	As above	Business Region Göteborg
GDP	Nominal +84.9%, 2012 to 2024 (Sweden +73.0%)	West Sweden +3.0% in 2026 and 2027	Nordea, October 2026
Real wage bill per employed	West Sweden +7.8%, 2012 to 2024	Sweden: hourly wages +3.5% (2026), +3.4% (2027); KPIF +1.6% (2026), +2.6% (2027)	Konjunkturinstitutet, 30 September 2026

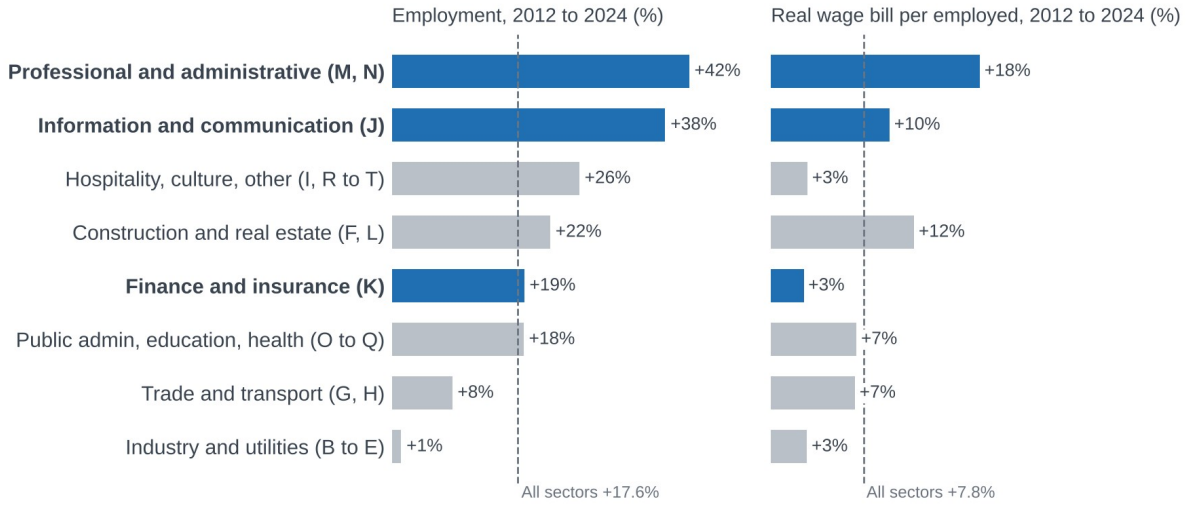
Sources: SCB population, municipal GDP and regional accounts; Business Region Göteborg, Konjunkturen 2/2026; Arbetsförmedlingen, Regionala utsikter, spring 2026; Nordea, Regionala utsikter, 7 October 2026; Konjunkturinstitutet, Konjunkturläget, 30 September 2026, national hourly wages and KPIF: https://www.konj.se/publikationer/konjunkturlaget/2026-09-30-inflationen-tydligt-over-inflationsmalet-nasta-ar/

B9.2 Growth and pay by sector

In West Sweden, professional services (+42%) and information and communication (+38%) led job growth between 2012 and 2024, while industry and utilities barely grew (+1%).

Figure B6. Professional services and technology led growth; industry stood still

Employment and real wage bill per employed person by sector, West Sweden, 2012 to 2024 (% change). Office-using sectors in blue.



Source: SCB regional accounts, West Sweden (Västra Götaland and Halland); national CPI; authors' calculations.

Table B15. Employment and real pay by sector, West Sweden

Sector	Jobs 2012 (000)	Jobs 2024 (000)	Jobs growth	Sweden jobs growth	Pay 2024 (SEK 000)	Real pay 2012 to 2024
M to N Professional	95.8	135.7	+41.6%	+29.1%	531	+17.6%
J Technology	28.2	39.0	+38.3%	+32.6%	633	+10.0%
I, R to T Hospitality, other	72.0	90.9	+26.3%	+22.3%	313	+3.1%
F, L Construction, RE	77.6	94.8	+22.2%	+20.1%	526	+12.0%
K Finance	10.8	12.8	+18.5%	+24.4%	577	+2.8%
O to Q Public services	296.8	351.5	+18.4%	+18.1%	398	+7.2%
G to H Trade, transport	179.1	194.2	+8.4%	+7.2%	451	+7.1%
B to E Industry, utilities	150.0	151.9	+1.3%	+2.9%	537	+3.0%
All sectors	910.3	1,070.8	+17.6%	+16.6%	459	+7.8%

Source: SCB regional accounts, West Sweden and Sweden; national CPI; authors' calculations. Pay is the wage bill per employed person, dividing employees' wages by all employed. West Sweden is wider than the Gothenburg Region and includes most of Västra Götaland's industrial towns.

Growth in business services. Professional-services jobs grew 42% against 29% nationally and real pay per employed person rose 18%, consistent with demand-induced expansion and a stronger wealth effect. A less elastic labour response is possible, not measured. Technology, construction and real estate also outgrew Sweden with above-average pay growth. Finance remains small and slow-growing. Industry employs 152,000 people across West Sweden, but employment is flat and real-pay gains are limited.

B9.3 Specialisation and competitiveness

Table B16. Location quotients, West Sweden (accounts) and Gothenburg Region (register), Sweden = 1.0

Sector	West Sweden 2012	West Sweden 2024	West Sweden share 2024	Gothenburg Region 2012	Gothenburg Region 2024
M to N Professional and administrative	0.89	0.97	12.7%	1.15	1.25
J Information and communication	0.75	0.77	3.6%	1.12	1.17
B to E Industry and utilities	1.19	1.16	14.2%	1.00	0.99
G to H Trade and transport	1.08	1.09	18.1%	1.10	1.07
F, L Construction and real estate	1.00	1.01	8.9%	0.93	0.92
I, R to T Hospitality, culture, other	0.94	0.96	8.5%	1.02	1.00
O to Q Public admin, education, health	0.99	0.98	32.8%	0.91	0.89
K Finance and insurance	0.60	0.57	1.2%	0.72	0.66

Sources: SCB regional accounts (West Sweden); SCB register employment, RAMS 2012 and BAS 2024 (Gothenburg Region, 13 municipalities); authors' calculations. Register and accounts employment are different concepts, so the two geographies' quotients are not directly comparable with each other, only with Sweden on the same basis.

Quotients and shares. In West Sweden, industry and utilities employ 14.2% of jobs, a far larger share than technology (3.6%) or finance (1.2%), and public services are the largest employer at 32.8%.

Shift-share. In the regional accounts, West Sweden gained 17,300 jobs over the national trend in 2012 to 2019, led by professional services (+11,100), and broke even in 2019 to 2024 (Table B3), when gains in public services and hospitality offset a loss of 5,600 in industry. The metro register data show the Gothenburg Region core doing better.

Table B17. Regional shift by sector, Gothenburg Region, register employment (persons)

Sector	2012-15	2016-18	2020-23
M to N Professional and administrative	+2,226	+3,889	+833
O to Q Public services	+1,365	+909	+4,433
B to E Industry and utilities	+3,881	+1,036	-1,307
F, L Construction and real estate	+718	+470	-9
J Information and communication	+465	+794	+1,061
K Finance and insurance	+139	-18	-242
G to H Trade and transport	-459	+406	+3,379
I, R to T Hospitality, culture, other	-324	-187	+2,825
Total	+8,012	+7,299	+10,971

Source: SCB register employment, RAMS 2012 to 2015 and 2016 to 2018, and BAS 2020 to 2023 (workplace basis), Gothenburg Region and Sweden; authors' calculations. Regional shift is the change in local employment less the change expected had each sector grown at its national rate. SCB reclassified research and development activities from November 2016, and split Ericsson AB across manufacturing, software publishing, computer programming and research and development, which moves jobs between sectors J, M and C. Each interval therefore lies within one classification and one source series, and no interval crosses 2015 to 2016, 2018 to 2019 or 2019 to 2020. Rows may not sum to totals because of rounding.

Where the region is competitive. The Gothenburg Region outgrew the national trend in all three intervals: by 8,000 jobs in 2012 to 2015, 7,300 in 2016 to 2018 and 11,000 in 2020 to 2023. Professional services and technology gained in all three, on both sides of the 2016 reclassification, and their quotients rose, making them the metro's office-using engines. Since 2020 the gains have broadened to trade and transport, public services and hospitality, while industry has lost share. Finance is small and under-represented (quotient 0.66).

B9.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Gothenburg's growth has been carried by a broadening services economy in its metro core, built on business services and technology linked to the region's industrial and logistics base, together with sustained population growth.

1. **Business services and technology.** Professional services and technology outgrew Sweden in both periods and are increasingly concentrated in the metro.
2. **Industry and the port.** West Sweden's industrial base is large and stable in jobs; it supports engineering, technology and logistics demand, but it is exposed to export cycles and lost share after 2019.
3. **Population growth.** The region has grown faster than Sweden and continues to do so, with a projected 5.3% increase for Västra Götaland to 2040.

Will these forces persist? Forecasters expect a recovery led by exports in 2026 and 2027, which favours West Sweden, and the metro's lower unemployment points to a tighter labour market than Stockholm's. The main risks are the export cycle, weak construction and manufacturing sentiment, and rising interest rates.

B10. Gothenburg: growth prospects and real estate markets

Table B18. Asset classes and Gothenburg's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Moderate, polarised	Professional services and technology outgrowing Sweden; pay up 10% to 18%	Inner city outside the CBD; modern, well-located space	Record vacancy 14.7%; CBD supply
Logistics and industrial	Strong	Largest port in Scandinavia; industrial base; trade and transport gaining since 2020	Port-related and regional distribution	Export cycle; manufacturing sentiment weak
Rental housing	Moderate	Population +14.8% since 2012; low unemployment	New-build rental near transport	Regulated rents
Tenant-owned housing	Moderate	Prices +4.3% in 12 months	Central Gothenburg (+5.8%)	Rate rises
Social infrastructure	Moderate	Public services gaining share since 2020	Healthcare and education	Public funding

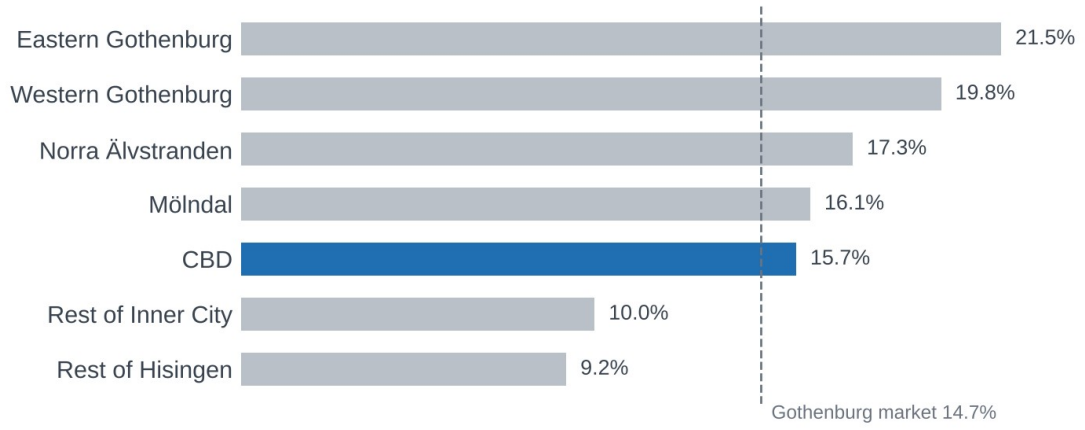
What the growth evidence does not support. Speculative office space outside the inner city, where vacancy is 16% to 22%, and value-add in the CBD before the current pipeline is let.

B11. Gothenburg: the office market

Gothenburg's office vacancy reached a record 14.7% by mid-2026, up from 4.6% in 2019 (JLL); rents have held but the market needs to absorb new supply.

Figure B7. The CBD has more vacancy than the rest of the inner city

Gothenburg office vacancy by submarket, Q2 2026 (%)



Source: JLL, Nordics office outlook, October 2026 (Citymark vacancy data).

Table B19. Gothenburg office submarkets, Q2 2026

Submarket	Vacancy	Prime rent (SEK per m² per year)	Prime yield
Rest of Inner City	10.0%	3,700	5.20%
Rest of Hisingen	9.2%	2,000	6.50%
CBD	15.7%	4,200	4.55%
Mölndal	16.1%	3,000	6.50%
Norra Älvstranden	17.3%	3,000	5.80%
Western Gothenburg	19.8%	1,500	7.00%
Eastern Gothenburg	21.5%	2,500	6.50%

Source: JLL, Nordics office outlook, autumn 2026 (Q2 2026).

Demand and supply. Take-up was close to 100,000 m² in H1 2026, after about 130,000 m² in all of 2025. About 120,000 m² is under construction across the region, most completing in 2027; in the CBD, 59,000 m² is under construction in three projects, about 41% pre-let (JLL).

Rents. The prime CBD rent was SEK 4,200 per m² per year in mid-2026, up from SEK 3,500 in mid-2019 (+20%), less than half Stockholm's CBD level. Rents across submarkets were unchanged through 2025 and 2026.

A market in transition. Vacancy was 6.5% at the end of 2012 and 4.6% in mid-2019, and has risen to about 13% in 2025 and 14.7% by mid-2026. Unlike Stockholm, the CBD is not the tightest submarket: the rest of the inner city (10.0%) and parts of Hisingen (9.2%) have lower vacancy, while the CBD's 15.7% reflects new and refurbished space coming to market.

B12. Gothenburg: housing and capital markets

Housing. Prices of tenant-owned flats in Greater Gothenburg rose 4.3% in the 12 months to September 2026, to an average of about SEK 48,100 per m², and 5.8% in central Gothenburg; house prices rose 4.4% (Svensk Mäklarstatistik). Housing starts in Västra Götaland County rose to 4,464 in 2025 from 3,245 in 2024 (SCB, preliminary, not adjusted for reporting lags). Rental housing operates under the same regulated rent system as in Stockholm.

Demand, supply and affordability. On the authors' calculation, 2024 population growth in the Gothenburg Region implies about 6,100 new households (the register shows 5,910), against 5,919 completions, a ratio of 0.97; over 2013 to 2024 the ratio was 0.92, with the same register caveat as for Stockholm. The price of a tenant-owned flat rose from 3.8 years of household income in 2012 to a peak of 6.1 in 2021 and was 5.2 in 2024. Renters' median housing costs were 27.2% of disposable income in 2024, while second-hand rents for a two-room flat equal about 41% of renters' median income (Section 3.4).

Capital markets. Gothenburg office investment recovered to about SEK 4.7 billion in H1 2026, from about SEK 0.4 billion in the whole of 2025, a very weak year (JLL). The prime CBD office yield was 4.55%, 65 basis points above Stockholm's.

Table B20. Gothenburg pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, CBD	4.55%	Q2 2026	JLL
Prime office yield, Rest of Inner City	5.20%	Q2 2026	JLL
Office investment, Gothenburg	About SEK 4.7 bn	H1 2026	JLL
Office investment, Gothenburg	About SEK 0.4 bn	2025	JLL
Transaction volume, Sweden	SEK 120.5 bn (+60%)	H1 2026	Cushman & Wakefield

B13. Gothenburg: strategy appraisal

Strategy A targets the tightest part of the market at a higher yield than the CBD; the CBD alternative offers the strongest location but has more vacancy and new supply; Strategy B depends on lease-up in submarkets with 16% to 22% vacancy. All values are illustrative.

Table B21. Value sensitivity to yield, Gothenburg (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: Rest of Inner City office	5.20%	+10.6%	+5.1%	-4.6%	-8.8%
A alternative: CBD office	4.55%	+12.3%	+5.8%	-5.2%	-9.9%

Source: authors' calculations on JLL prime yields, Q2 2026.

The Rest of Inner City offers a yield 65 basis points above the CBD with lower vacancy, and its value is slightly less sensitive to a given yield move. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table B22. Summary assessment of the Gothenburg strategies

Factor	A: core, Rest of Inner City	A alternative: core, CBD	B: value-add, Norra Älvstranden or CBD
Market tightness	Vacancy 10.0%	Vacancy 15.7%; 59,000 m² under construction	Vacancy 15.7% to 17.3%
Demand base	Professional services and technology outgrowing Sweden	As A	Competes with new and refurbished space
Pricing	Yield 5.20%; rent SEK 3,700	Yield 4.55%; rent SEK 4,200	Yield 4.55% to 5.80%
Main risk	Liquidity in a thin investment market	Absorption of new supply	Slow lease-up
Verdict	Underwrite selectively	Underwrite only with strong pre-lets or covenants	Do not underwrite at present

From growth to space. Table B22a traces each material source of Gothenburg's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table B22a. From growth to space: Gothenburg

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Rental and tenant-owned homes near transport	Completions covered 0.97 of new households in the Gothenburg Region in 2024 and 0.92 over 2013 to 2024; starts in Västra Götaland rose to 4,464 in 2025 from 3,245 (preliminary)	**Construction, at about the pace of recorded households.** As in Stockholm, the ratio cannot show a shortage; second-hand rents for a two-room flat equal about 41% of renters' median income.
Professional services and technology jobs	Modern, well-located offices, mainly in the inner city	Market vacancy a record 14.7%; CBD vacancy 15.7% because new space is completing; 120,000 m² under construction, 59,000 m² of it in the CBD, about 41% pre-let; 16% to 22% outside the inner city	**Absorption first.** The metro core is outgrowing Sweden, but modern central space is being built faster than it is let. The CBD pipeline needs to be absorbed before further construction or value-add, and peripheral vacancy is not supported.
Industry, the port and exports	Logistics and industrial space	Not measured	**Not assessed.** Demand is rated strong (Table B18), but stock and rents were not analysed, and the postponed battery investment is a risk.
Income	Better space	As above	**Moderate.** The real wage bill per employed person rose 7.8% in West Sweden in 2012 to 2024.

Sources: Sections B9 to B13, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Gothenburg's office demand can be met for now from space already built or under construction; its distinctive growth, in industry and the port, points to logistics and industrial space that this edition has not yet measured.

Recent evidence and what it supports testing. JLL reports positive CBD net take-up of 13,000 m² over the year to mid-2026, not enough to offset new supply, so CBD vacancy rose. In the authors' judgement, central offices with pre-lets or established income can be tested now, while speculative refurbishment should wait until the CBD pipeline is absorbed.

B14. Risks, monitoring and review triggers

Table B23. Risks, indicators and suggested review triggers

Risk	Most exposed	What to monitor	Suggested review trigger
Interest-rate rises	Stockholm A and C; Gothenburg A	Riksbank policy rate; swap rates; prime yields	Prime CBD yield above 4.25% (Stockholm) or 4.90% (Gothenburg)
Office oversupply	Stockholm B; Gothenburg B	Vacancy by submarket; completions; pre-let rates	Market vacancy rising for two consecutive quarters
Stockholm labour market	Stockholm A and B	County employment and unemployment	Unemployment above 9.5% or regional shift still negative in 2025 data
Export cycle	Gothenburg A and B	West Sweden GDP; manufacturing sentiment	Business barometer for manufacturing below 90
Rent regulation	Stockholm C	Rent negotiations; new-build rent rules	Any tightening of rent-setting for new production
Hybrid working	All office strategies	Office utilisation; take-up per employee	Take-up falling while employment rises

Data refresh before any investment decision. Update JLL and CBRE office data to the latest quarter, confirm the SCB regional accounts for 2024 (currently provisional) and 2025, and refresh the forecasts and the SCB population projection.

B15. Sources

Official statistics provide the metropolitan, demographic, sectoral and pay series; all calculations from them are the authors'. Commercial and press sources provide market figures, which are transcribed and attributed. Broker reports are © their authors and are cited for factual reference.

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PART C. ITALY

Milan, Rome and Florence



Milan, Porta Nuova and Piazza Gae Aulenti. Architectural illustration.

This part reproduces the Italian edition. It compares Milan and Rome (Section C3), with Florence set beside them in Section C3.5, and then sets out Milan in Part C-I and Rome in Part C-II, with offices in depth, and Florence in Part C-III. Because Florence's office market is small, Part C-III gives hotels and the visitor economy the depth that the other parts give offices (Section C16).

Data vintage. Metropolitan GDP and employment run to 2023, population to 2024 and business pay to 2023. Office market figures run to Q2 or Q3 2026. For Florence, population runs to 2025 and declared income to 2024; housing figures run to Q3 2026 and hotel performance figures to 2023, with HVS's assessment of 2025.

C1. Executive summary and recommendations

Recommendations. Milan: prioritise core Grade A offices in the CBD for underwriting, subject to entry price; consider refurbishment of older offices to Grade A selectively, in well-connected locations; underwrite rental housing selectively. Rome: underwrite core Grade A offices selectively, where quality space is scarce; refurbish in the EUR district only with a pre-let or a strong covenant. Florence: prioritise purpose-built student housing for underwriting, subject to entry price, planning consent and a campus-level count of competing beds, rents and occupancy; underwrite upscale and luxury hotels in the historic centre selectively, subject to entry price and the room pipeline; underwrite long-let rental housing selectively; do not prioritise offices. On relative value, Milan offers the deeper, faster-growing market, with higher nominal output per worker, at the lower yield; Rome offers a higher yield and the tightest Grade A market of the two, but its employment has lagged Italy since 2019. Florence outgrew Italy in jobs and output before 2019 but has lagged since: its share of Italian GDP fell from 2.37% in 2019 to 2.15% in 2023, and real declared income per taxpayer was flat between 2019 and 2024. Its strengths are a visitor economy at record arrival numbers, a manufacturing base in fashion, leather and pharmaceuticals, and some of the highest housing rents in Italy. Its weaknesses are a flat and ageing population, a fashion downturn and a thin office market. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

Three metros, one method. This Italian edition applies the Observatory's method to Milan, Rome and Florence: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Italy, and the forces behind growth, followed by the office market, housing and capital markets and illustrative strategies. Section C3 compares Milan and Rome and sets Florence beside them; Parts C-I, C-II and C-III set out each in full. For Florence, whose office market is small, hotels and the visitor economy take the place of the office market.

The case rests on twelve findings, seven comparing Milan and Rome and five on Florence:

1. **Milan is pulling away from Italy; Rome kept pace before 2019 and has lagged since.** Between 2012 and 2023 employment in the Milan metropolitan area rose 17.3% and in Rome 9.9%, against 6.0% for Italy. Milan's share of Italian GDP rose from 10.0% to 10.8%, while Rome's fell from 9.7% to 9.4%.
2. **Rome has lost ground since 2019.** Milan beat the national employment trend by 126,000 jobs over 2012 to 2019 and by 45,800 over 2019 to 2023. Rome beat it by 78,100 jobs before 2019 but fell 33,100 short of it afterwards, mainly in professional and administrative services and in public services.
3. **Real pay fell, unlike in the Spanish and Swedish editions on their own measures, and fell further in Rome.** Mean pay in the business sector, adjusted for inflation, fell 5.4% in Milan and 10.4% in Rome between 2015 and 2023, against 8.7% for Italy. Milan's business pay is 35% above the Italian mean; Rome's is 6% above. Inflation has risen again: 4.2% in September 2026 (ISTAT).
4. **Both cities are specialised in technology and finance, Milan more so.** Location quotients in information and communication are 2.45 in Milan and 2.25 in Rome, and in finance 1.89 and 1.34. Milan is also specialised in professional services (1.57) and real estate (1.60); Rome in public services (1.15) and in arts, other services and households (1.57).

5. **Both office markets are tight for quality space.** Grade A vacancy was 3.6% in Milan and 1.6% in Rome in Q2 2026, against 9.6% and below 7% for the whole market (JLL). Prime rents reached EUR 850 per m² per year in Milan and EUR 630 in Rome's CBD in Q3 2026 (Colliers), about 50% above early 2019. Prime yields are about 4.00% in Milan and 4.50% to 4.75% in Rome.
6. **Milan's growth is demand-led; Rome's has leaned on one-off public spending.** Milan hosts 56.5% of Lombardy's foreign-owned business units and about half of Italy's flat-tax residents, but with unemployment at 3% its new jobs are filled mainly by migration. Rome received about EUR 7.75 billion of PNRR funding and 33.4 million Jubilee pilgrims, support that ends in 2026, while Lazio's job growth in 2025 came entirely from workers aged 50 and over (Section C3.3).
7. **Capital is active, but the macro backdrop has turned.** Italian property investment reached about EUR 10.6 billion in the first nine months of 2026, up 30% (Dils). But an energy shock has lifted inflation, and the ECB raised its deposit rate to 2.50% in September 2026. Assolombarda expects Milan province's GDP to grow 1.5% in 2026; the Bank of Italy describes Lazio's 2026 outlook as deteriorating.
8. **Florence outgrew Italy before 2019 but has lagged since, and its output fell back after the pandemic.** Jobs rose 6.8% between 2012 and 2019, against 3.1% for Italy, but only 1.2% between 2019 and 2023, against 2.9%. Florence's own competitive gain added 16,900 jobs before 2019; after 2019 it grew 8,800 jobs fewer than the national trend implies (Table C31). Nominal GDP fell 19.2% in 2020, against 7.4% for Italy, and by 2023 was only 8.0% above 2019, against 18.8% for Italy. Output per job was 14% above the Italian level in 2019 and 6% above it in 2023.
9. **Florence's real incomes have been flat.** Average declared income per taxpayer in the city rose 16.2% between 2019 and 2024, to EUR 30,869, while consumer prices rose 16.7%; in Italy declared income rose about 18.4%. Florence remains about 20% above the Italian income level. This measure includes pensions and self-employment income and cannot establish the labour-market growth mechanism. Flat average income weakens the broad premium-demand case but does not rule out demand-induced growth in particular sectors.
10. **Florence's visitor economy is at record arrival numbers, but tightly regulated.** The city recorded more than 4.7 million tourist arrivals in 2025 (+10%), and Florence airport handled 3.85 million passengers (+9.4%). Overnight stays in the Florence area were still 1.2% below 2019 (IRPET). Short-term lets supply 56% of tourist beds, and new ones are now banned in the historic centre and nine further zones.
11. **Florence's manufacturing has held up, but fashion is in a downturn.** Manufacturing jobs rose 5.0% between 2012 and 2023, against a fall of 1.6% in Italy. Pharmaceuticals made up 54.5% of the area's exports in 2025; excluding them, exports fell 4.7%. The Bank of Italy reports that Tuscan fashion activity remains below its level before the 2023 downturn.
12. **Florence's population is flat and ageing; housing is expensive and offices are a thin market.** The metropolitan population was 0.4% lower in 2025 than in 2012, at 988,068. Deaths have exceeded births by 5,400 to 6,700 a year since 2022, and migration from abroad only offsets this; the city itself loses residents to the rest of Italy. Asking rents were EUR 21.7 per m² per month in Q3 2026, the second highest of any Italian city, and asking prices EUR 4,623 per m² in Q2 2026 (idealista). Only 162 office units were sold in the city in 2024, 12.2% fewer than in 2023 (Agenzia delle Entrate, OMI).

The assumptions this advice is most sensitive to: the path of energy prices and ECB rates, which drive yields; whether Rome's employment returns to growth above the national rate; and the rate at which older office stock becomes obsolete as occupiers move to Grade A space. For Florence: whether visitor demand keeps growing under tighter short-let rules and a large hotel pipeline, and whether the fashion and leather sector recovers.

C2. Introduction: purpose, method and areas

This edition assesses whether, and how, an institutional investor should commit capital to real estate in Italy's two largest metropolitan areas and in Florence, and how they compare. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings. For Florence, the aim is to identify every asset class likely to benefit from the type of growth it is experiencing, not only offices.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Areas covered. The metropolitan areas are metropolitan cities (città metropolitane), which match the EU's NUTS 3 regions: Milan (ITC4C, 133 municipalities, 3.25 million residents at the end of 2024) and Rome (ITI43, 121 municipalities, 4.22 million). Milan's wider functional economy extends into Monza and Brianza and neighbouring provinces, which are not included here. The Metropolitan City of Florence (NUTS 3 code ITI14; Eurostat metropolitan region IT007M) is the city of Florence and 40 other municipalities, with 988,068 residents on 1 January 2025; the city of Florence had 361,625 residents at the end of 2025 on ISTAT's provisional count. Prato, which is closely linked to Florence by commuting, is a separate Eurostat metropolitan region and is not included. Italy is the reference economy throughout. Office sections use the brokers' own market and submarket definitions.

Method and data. Employment by sector comes from Eurostat's regional accounts: annual employed persons (employees and self-employed), consistent from 2012 to 2023, in ten sector groups. GDP is nominal, as constant-price GDP is not published for these areas; it is compared with Italy's nominal GDP and expressed as a share of it. Pay comes from ISTAT's Frame register of business local units: gross wages divided by employees, by sector, from 2015 to 2023. It covers businesses only, so public administration and finance are excluded, and it is a mean per employee that includes part-time work, not full-time equivalent pay. Real values use Italy's harmonised consumer price index (HICP) at 2023 prices. Growth is compared over two periods, 2012 to 2019 and 2019 to 2023. The most recent provincial accounts are for 2023, a year earlier than in the Nordic edition. Pay levels are not compared with the Spanish or Nordic editions, whose pay statistics are defined differently. 'Technology' is used as shorthand for NACE section J, information and communication. Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

Method and data: Florence. The data come from a workbook compiled for this edition from Eurostat's regional accounts and demographic statistics, ISTAT's municipal population balances, INPS pay statistics and the Agenzia delle Entrate's property market observatory (OMI). Employment is employed persons at the place of work, including the self-employed, in eleven sector groups from 2012 to 2023. GDP is nominal, as volume GDP is not published for this area. The workbook contains pay levels for 2023 only (INPS average daily pay by sector and sex), so it cannot show how real pay has changed. As a proxy, this edition uses average declared income per taxpayer in the city of Florence from the Ministry of Economy and Finance (MEF) for 2019 and 2024, deflated by Italy's consumer price index. Declared income includes pensions and self-employment income as well as wages, so it is a broad measure of residents' income, not of pay. Growth is compared over 2012 to 2019 and 2019 to 2023. Pay levels are not compared with other editions, whose pay statistics are defined differently.

The investment cases. The report tests eight illustrative strategies:

Table C1. The strategies tested

City	Strategy	Asset	Location	Risk style
Milan	A	Stabilised, fully let Grade A office building	CBD (Duomo or Porta Nuova)	Core
Milan	B	Older office building, refurbished to Grade A	Well-connected semi-central location	Value-add
Milan	C	Rental housing, purpose-built	Milan municipality	Core-plus
Rome	A	Stabilised, let Grade A office building	CBD	Core
Rome	B	Older office building, refurbished to Grade A	EUR district	Value-add
Florence	A	Upscale or luxury hotel, repositioned or converted from a historic building	Historic centre and Oltrarno	Value-add
Florence	B	Purpose-built student housing, new or converted	Near university sites (Novoli, Careggi, Morgagni, the centre)	Core-plus to value-add
Florence	C	Rental housing, long lets	Florence city outside the historic centre and well-connected inner municipalities	Core-plus

Structure. Section C3 compares Milan and Rome, including the demand- and supply-side drivers of their growth, and sets Florence beside them (Section C3.5). Part C-I (Sections C4 to C8) covers Milan and Part C-II (Sections C9 to C13) Rome: metropolitan growth, prospects by asset class, the office market, housing and capital markets, and strategy appraisal. Part C-III (Sections C14 to C18) covers Florence on the same steps, with hotels and the visitor economy (Section C16) in place of the office market. Section C19 sets out risks and monitoring, and Section C20 lists sources.

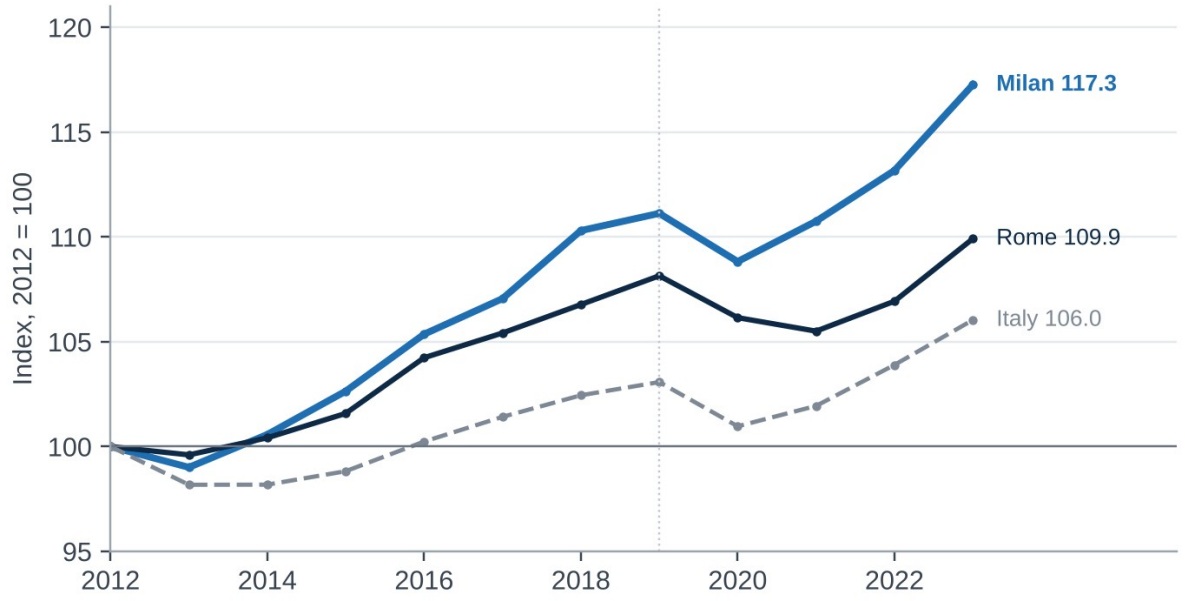
C3. Milan, Rome and Florence compared

Milan and Rome both added jobs faster than Italy between 2012 and 2023, but Milan grew almost twice as fast as Rome and gained share of national output, while Rome lost it. Florence, a much smaller metro, is set beside them in Section C3.5.

C3.1 Growth on matched data

Figure C1. Milan has pulled ahead; Rome's lead over Italy narrowed after 2019

Employed persons, regional accounts, 2012 to 2023 (index, 2012 = 100)



Source: Eurostat, regional employment (nama_10r_3empers), Milan (ITC4C), Rome (ITI43) and Italy, as compiled in the Milan and Rome data workbook; authors' calculations.

Employment in Milan rose 11.1% between 2012 and 2019 and 5.5% between 2019 and 2023; Rome's rose 8.1% and 1.6%; Italy's 3.1% and 2.9%. Milan grew faster than Italy in both periods. Rome grew more than twice as fast as Italy before 2019 but more slowly after it.

Table C2. Milan and Rome scorecard

Indicator	Milan	Rome	Basis
Population growth, 2012 to 2024	+3.9%	+1.8%	Metropolitan city, year-end residents
Employment growth, 2012 to 2023	+17.3%	+9.9%	Regional accounts (Italy +6.0%)
Regional shift, 2012 to 2019	+126,000 jobs	+78,100 jobs	Regional accounts vs Italy
Regional shift, 2019 to 2023	+45,800 jobs	-33,100 jobs	Regional accounts vs Italy
Nominal GDP growth, 2012 to 2023	+41.7%	+27.2%	Italy +31.2%
Share of Italian GDP, 2012 to 2023	10.0% to 10.8%	9.7% to 9.4%	Nominal GDP
GDP per resident, 2023	EUR 71,300	EUR 47,600	ISTAT (Italy EUR 36,300)
Mean business pay, 2023	EUR 38,500	EUR 30,200	ISTAT Frame (Italy EUR 28,500)
Real business pay, 2015 to 2023	-5.4%	-10.4%	Italy -8.7%
Technology / finance location quotient, 2023	2.45 / 1.89	2.25 / 1.34	Regional accounts, Italy = 1.0
Regional real GDP growth, 2025	Lombardy +0.7%	Lazio +0.6%	Bank of Italy (Italy +0.5%)
Office vacancy, Q2 2026: market / Grade A	9.6% / 3.6%	Below 7% / 1.6%	JLL
Prime office rent and yield	EUR 850; 4.00%	EUR 630; 4.50% to 4.75%	Colliers Q3 2026; Savills and BNP Paribas RE, mid-2026
Asking house prices, 12 months to August 2026	+3.5%	+6.0%	idealista, city

Sources: Eurostat regional accounts and population, and ISTAT Frame, as compiled in the Milan and Rome data workbook; Eurostat national GDP (via FRED, June 2026 vintage); ISTAT, Conti economici territoriali, December 2025; Banca d'Italia, L'economia della Lombardia and L'economia del Lazio, June 2026; JLL, H1 2026 office leasing release, July 2026; Colliers, Office Q3 2026; Savills, Italian Office Spotlight, July 2026; BNP Paribas Real Estate, Italy Investment Review H1 2026; idealista, August 2026; authors' calculations.

Where population growth comes from. Population change is the sum of natural change (births less deaths), net migration and a statistical adjustment. In both metros deaths exceed births, and only migration from abroad sustains the population (Table C2a). In 2024 Milan's population rose by about 1,000: natural change was -10,425, migration from abroad +22,127 and migration to the rest of Italy -6,079. Rome's fell by about 2,800, with natural change of -18,612, migration from abroad of +20,004 and a small net gain of +1,126 from the rest of Italy. The skills of these migrants, which shape their effect on wages and housing demand, cannot be measured with the data available to the authors.

Table C2a. Components of population change, 2024

Metro	Population change	Natural change	Net migration, abroad	Net migration, rest of Italy	Statistical adjustment
Milan	+996	-10,425	+22,127	-6,079	-4,627
Rome	-2,761	-18,612	+20,004	+1,126	-5,279

Source: ISTAT, census of population at 31 December 2024: regional focus for Lombardy and regional report for Lazio, April 2026. Figures are for the metropolitan cities (provinces).

Jobs per resident. Employment grew faster than population in both metros. Jobs located in Milan rose 6.4% per resident between 2012 and 2019 and 6.2% between 2019 and 2023; in Rome the ratio rose 5.5% and then 2.3%. A rising ratio can reflect falling unemployment, higher participation or more commuting into the area; Milan's wider functional economy extends beyond the metropolitan city, so commuting is likely to play a part there, but the data used here cannot separate these effects.

Synthesis by period. Table C2b summarises growth in each period and the type of growth it indicates.

Table C2b. Synthesis of growth patterns by period (average annual % change)

Metro	Period	Population	Employment	Real pay	Nominal output	Indicative mechanism	Main forces
Milan	2012-19	+0.6	+1.5	-0.8	+1.9	Consistent with supply-induced; cause unconfirmed	Business, finance and technology hub; jobs drawn from the rest of Italy and abroad
Milan	2019-23	-0.2	+1.4	-0.6	+5.6	Mixed or undetermined; real pay falls	Continued gains in most sectors; 2022 to 2023 inflation
Rome	2012-19	+0.4	+1.1	-1.4	+1.2	Consistent with supply-induced; cause unconfirmed	Tourism, culture and trade; capital functions
Rome	2019-23	-0.2	+0.4	-1.3	+4.0	Mixed or undetermined; real pay falls	Weak professional and public services; Jubilee and recovery-plan spending

Sources: Eurostat regional population, employment and GDP (current prices), and ISTAT Frame business pay deflated by HICP; authors' calculations. Real pay changes are for 2015 to 2019 and 2019 to 2023. Output is nominal, so the post-2019 figures include high inflation. Falling real pay may also reflect changes in the mix of workers. Growth types follow the framework in Section C2 and are indicative.

C3.2 Competitive engines

Table C3. Regional shift by sector, Milan and Rome (thousands of jobs)

Sector	Milan 2012-19	Milan 2019-23	Rome 2012-19	Rome 2019-23
J Information and communication	+10.3	+4.4	-2.6	+0.4
K Finance and insurance	+3.0	+6.9	+5.3	+2.1
M to N Professional and administrative	+21.3	-2.9	+7.4	-27.9
L Real estate	+1.3	+2.8	+1.7	+0.6
G to I Trade, transport, hospitality	+32.1	+16.5	+32.1	-4.8
O to Q Public admin, education, health	+2.6	+3.9	+2.2	-13.2
F Construction	+10.1	+4.0	+9.1	-0.1
B to E Industry and utilities	-1.2	+4.2	-11.5	-0.4
R to U Arts, other services, households	+46.3	+6.1	+35.1	+9.4
A Agriculture	+0.3	-0.1	-0.8	+0.7
Total	+126.0	+45.8	+78.1	-33.1

Source: Eurostat regional accounts, as compiled in the Milan and Rome data workbook; authors' calculations. Regional shift is the change in local employment less the change expected had each sector grown at its national rate. Rows may not sum to totals because of rounding.

- **Milan's advantage is broad and has held since 2019.** Before 2019 it gained on Italy in almost every sector, led by trade, transport and hospitality (+32,100), professional services (+21,300) and technology (+10,300). Since 2019 it has kept gaining in eight of ten sectors, including finance (+6,900) and technology (+4,400); only professional services slipped, by 2,900.
- **Rome's losses since 2019 are concentrated in two large sectors.** Professional and administrative services fell 27,900 jobs short of the national trend and public services 13,200. Rome's office-using sectors other than professional services held their own: finance gained in both periods and technology broke even after 2019.
- **Both cities gained strongly in arts, other services and households** (R to U), while this group shrank nationally. It includes households as employers of domestic workers, which may reflect changes in how domestic work is recorded; the authors have not verified the cause, so these gains are not treated as evidence of office demand.
- **Pay grew more slowly than inflation in both cities.** In Milan, real business pay rose only in professional and administrative services (+1%), real estate (+2%) and arts and other services (+2%); in Rome it fell in every group except arts and other services. Growth in both cities has come from more jobs rather than higher real pay, which is closer to the employment-led pattern of the Spanish editions than to Stockholm's.

C3.3 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables C3a and C3b rate each driver for the two metros. The ratings are the authors' judgement from the evidence shown.

Table C3a. Demand-side drivers of growth

Driver	Milan	Rome	Evidence
National economic influences	Weak, but the mix lets Milan outgrow Italy	Weak; Rome has lagged Italy since 2019	The Bank of Italy expects Italian GDP growth of 0.9% in 2026, 0.7% in 2027 and 0.8% in 2028; in 2025 Lombardy grew 0.7% and Lazio 0.6%, against 0.5% for Italy; Milan beat the national jobs trend by 45,800 in 2019 to 2023 and Rome fell 33,100 short (Table C3)
Amenities, infrastructure and tax	Strong	Moderate	Malpensa passengers rose 8.6% to 31.4 million in 2025 and Fiumicino 4.3% to 51.3 million; Italy's flat tax for new residents had 1,915 users in 2024, about half of them in Milan
Clusters and innovation	Strong	Moderate	Milan metropolitan city hosts 11,430 local units of foreign firms, 56.5% of Lombardy's, and Lombardy generates 37.9% of the value added of foreign-controlled firms in Italy; Lombardy ranks only 114th of 241 EU regions on the Regional Innovation Scoreboard 2025; Rome's technology quotient (2.25) is close to Milan's (2.45)
Population growth	Weak	Weak	Deaths exceeded births in both metros in 2024 and migration only offset the decline (Table C2a); Italy's population fell by 636 in 2025
Visitor spending	Moderate (Olympics a one-off)	Strong in 2025 (Jubilee a one-off)	The Jubilee drew over 33.4 million pilgrims; foreign arrivals in Lazio rose 27.8% in 2025, against 2.3% for Italy, and foreign spending 19.2% to over EUR 10 billion
Government spending	Moderate	Strong but fading	Capital functions (public services quotient 1.15); PNRR funding of about EUR 7.75 billion for Rome against EUR 2.9 billion for Milan; about EUR 2.9 billion of planned Jubilee works; Milano Cortina 2026 estimated at about EUR 2.5 billion of impact on Milan

Sources: Banca d'Italia, macroeconomic projections, October 2026, and regional reports for Lombardy and Lazio, June 2026; Assaeroporti 2025 data, as reported by ItaliaVola; Assonime, Towards Italy 7/2026; Confindustria Lombardia, 23 March 2026; Assolombarda, Regional Innovation Scoreboard 2025; ISTAT, Indicatori demografici 2025; Italpress, January 2026; Banca d'Italia, as reported by Quotidiano.net, 10 June 2026; Money.it, 9 October 2023 and 4 April 2025; Assolombarda and Milano&Partners, as reported by Milano Finanza, 16 February 2026; authors' calculations (regional shifts, location quotients).

Table C3b. Supply-side drivers of growth

Driver	Milan	Rome	Evidence
Immigration for non-wage reasons	Strong	Strong	Net migration from abroad was +22,127 in Milan and +20,004 in Rome in 2024 (Table C2a); Italy's net foreign migration was about 296,000 in 2025; the decreto flussi allows 497,550 non-EU workers over 2026 to 2028
Labour force participation	Weak (little room left)	Moderate	Lombardy's employment rate is 69.6%, 7.1 points above Italy, and Milan's unemployment fell to 3.0% in 2025; Lazio's employment rate is 64.2%, and its 2025 job growth came entirely from workers aged 50 and over
Public policy programmes	Moderate (favourable)	Weak	The impatriate regime, made less generous in 2024 (50% of income exempt, capped at EUR 600,000), had over 44,000 users in 2024; the flat tax for new residents, raised to EUR 200,000 in 2024 and EUR 300,000 in 2026, is concentrated in Milan

Sources: ISTAT, Indicatori demografici 2025; Ministero del Lavoro, 16 October 2025; Unioncamere Lombardia, Mercato del lavoro Q4 2025; Assolombarda, Milan labour market in 2025, March 2026; Banca d'Italia, L'economia del Lazio, June 2026, as reported by FISAC CGIL; Assonime, Towards Italy 7/2026; Taxing.it, 2024 impatriate regime.

How the drivers explain the growth pattern. Milan's specialised business activities provide demand-side evidence, while low unemployment, migration and recruitment indicate an important labour-supply response. Its aggregate pattern of rising jobs and falling real pay is consistent with a supply-induced component, but demand growth, inflation and worker composition may operate together. It should not be classified as an unqualified demand-induced case on those observations. Rome combines public and visitor demand with migration and later retirement, which may affect both supply and demand. Its larger pay decline (-10.4%, against Milan's -5.4%, in 2015 to 2023) describes weaker purchasing power, not a measured difference in causal supply contributions.

What could change the balance. For Rome, the end of the PNRR and the Jubilee removes demand that propped up growth in 2025; unless private demand replaces it, job growth may slow, consistent with the Bank of Italy's deteriorating outlook for Lazio. For Milan, tighter immigration, or housing costs that deter newcomers, would make labour supply less elastic, raising pay but slowing job growth, and a less generous flat tax would weaken the wealth effect.

C3.4 Relative implications for real estate

Table C4. Relative outlook by asset class, five to ten years

Asset class	Milan	Rome	Relative view
Prime offices	Strong: Grade A vacancy 3.6%, prime rent up 49% since early 2019	Strong but thin: Grade A vacancy 1.6%, smaller and less liquid market	Milan preferred for depth; Rome for yield
Value-add offices	Moderate: shortage of Grade A, but 9.6% overall vacancy is in older stock	Moderate: chronic scarcity of quality space, lower rents	Selective in both; refurbishment to Grade A, not repositioning of secondary stock as it is
Rental housing	Moderate: high rents and prices, falling real pay	Moderate: prices rising faster, higher gross yield	Similar; Milan deeper, Rome higher yield
Logistics	Strong: Lombardy is Italy's main logistics market	Moderate: consumption-led	Milan preferred
Hotels	Strong: international business and leisure demand	Strong: tourism, Jubilee legacy	Both

Overall. Neither city shows the rising real pay that, in the growth framework of Section C2, would on its own support premium space. The case for prime offices in these cities therefore rests on sector specialisation and the scarcity of Grade A space, not on a broad wealth effect, which in this framework would be needed for growth alone to support premium space. Milan offers the deeper and faster-growing market, with higher nominal output per worker, and has kept gaining jobs share since 2019, but it is priced for that at a 4.00% prime yield. Rome's Grade A office market is tighter still and its yields are 50 to 75 basis points higher, but its job growth has fallen below Italy's since 2019 and its market is smaller and less liquid.

C3.5 Florence beside Milan and Rome

Florence has under one million residents, against 3.25 million in Milan and 4.22 million in Rome, and is measured on the same Eurostat regional accounts. Its pay measure differs: declared income per taxpayer in the city, against mean business pay in Milan and Rome, so pay is compared by direction only (Table C4a).

Table C4a. Florence beside Milan and Rome

Indicator	Milan	Rome	Florence
Employment, 2012 to 2019 (Italy +3.1%)	+11.1%	+8.1%	+6.8%
Employment, 2019 to 2023 (Italy +2.9%)	+5.5%	+1.6%	+1.2%
Real pay or income	-5.4% (business pay, 2015 to 2023)	-10.4% (business pay, 2015 to 2023)	-0.4% (declared income, 2019 to 2024)
Location quotient, information and communication	2.45	2.25	0.89
Location quotient, finance	1.89	1.34	1.04
Population change, 2024	+996	-2,761	-717
Natural change, 2024	-10,425	-18,612	-5,721
Net migration, 2024	+22,127 from abroad; -6,079 rest of Italy	+20,004 from abroad; +1,126 rest of Italy	+5,004 in total, including statistical adjustment
Growth type, 2019 to 2023	Mixed or undetermined; real pay falls	Mixed or undetermined; real pay falls	Slow growth, below Italy; real income flat
Office market	Grade A vacancy 3.6%; prime yield 4.00%	Grade A vacancy 1.6%; prime yield 4.50% to 4.75%	No broker series; 162 office units sold in the city in 2024
Building permits per added household, 2013 to 2024	0.60	0.51	0.23
Price of an 80 m² home, years of household income, 2024	6.3	4.0	4.2

Sources: Tables C2, C2a, C2b, C25, C26 and C30, Sections C6, C11 and C17, and Sections 3.1 to 3.4; authors' calculations. Location quotients compare each metropolitan city with Italy for 2023. Housing ratios are the authors' calculations from building permits, household sizes and estimated transaction values (Section 3.4).

Reading. Florence shares the Italian pattern of natural decrease offset by migration from abroad, and of household growth outrunning new building permits, but not Milan's and Rome's specialisation in technology and finance. Like Rome, it has lagged Italy since 2019 after outgrowing it before. Its property case therefore rests on visitors, students and housing rather than offices, which is why Part C-III gives hotels and the visitor economy the depth that Parts C-I and C-II give offices.

Part C-I. Milan



Piazza del Duomo, Milan. Illustration adapted from a photograph by dconvertini, Wikimedia Commons · CC BY-SA 2.0

C4. Milan: metropolitan growth patterns

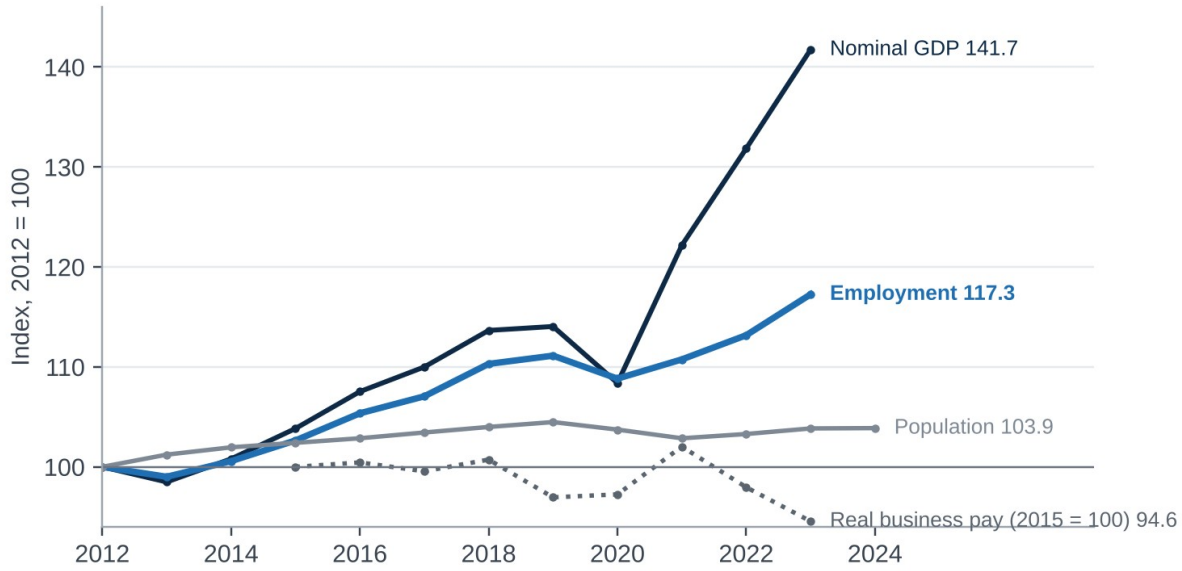
Metropolitan growth is analysed in four steps: summary indicators and forecasts (4.1), growth and pay by sector (4.2), specialisation and competitiveness against Italy (4.3) and the forces behind growth (4.4).

C4.1 Summary growth indicators

Milan grew in jobs and output much faster than Italy, but not in population or real pay: between 2012 and 2023 nominal GDP rose 41.7% and employment 17.3%, while population rose 3.9% to 2024 and real business pay fell 5.4% between 2015 and 2023.

Figure C2. Output and jobs grew; population stalled and real pay fell

Summary growth indicators, Milan metropolitan city, 2012 to 2024 (index, 2012 = 100; pay 2015 = 100)



Sources: Eurostat regional GDP, employment and population; ISTAT Frame; Eurostat HICP for Italy; as compiled in the Milan and Rome data workbook; authors' calculations. GDP is nominal; business pay is deflated by the HICP.

Employment. Employment rose from 1.81 million to 2.13 million between 2012 and 2023. It grew 11.1% to 2019, fell 2.1% in 2020 and has grown in every year since, by 3.6% in 2023 alone. More recent data point the same way: employment in the Milan area rose by 33,000 (+2.2%) in 2025 and unemployment fell to 3.0% from 4.2% (ISTAT labour force survey, as reported by Assolombarda).

Population. The metropolitan city grew from 3.13 million to 3.25 million (+3.9%), with all the growth before 2019 (+4.5%). Population fell in 2020 and 2021 and has since recovered only partly, ending 2024 0.6% below 2019. The authors are not certain how much of the 2019 to 2021 fall reflects the rebasing of Italian population figures to the permanent census rather than real change, so the post-2019 trend should be read with caution.

Output and pay. Nominal GDP rose from EUR 162.6 billion to EUR 230.5 billion, against 31.2% growth for Italy, and Milan's share of national GDP rose from 10.0% to 10.8%. GDP per resident was EUR 71,300 in 2023, almost twice the Italian level of EUR 36,300 (ISTAT), and GDP per employed person was about EUR 108,000, against EUR 82,000 for Italy. Mean business pay was EUR 38,500 in 2023, 35% above the Italian mean, but after inflation it was 5.4% below its 2015 level: it fell 3.0% to 2019 and 2.5% after, a smaller fall than Italy's 8.7%.

Forecasts. Real GDP in Lombardy grew 1.2% in 2024 (ISTAT) and 0.7% in 2025 (Bank of Italy), ahead of Italy each year. Assolombarda's October 2026 forecasts are 1.2% for Lombardy in 2026 and 0.9% in 2027, and 1.5% for Milan province in 2026, against 0.9% and 0.8% for Italy; it expects growth to slow in 2027 as recovery-plan (PNRR) spending ends. ISTAT's August 2026 projections have Italy's population falling from 58.9 million to 55.0 million by 2050, with the North broadly stable (27.5 million to 27.2 million); provincial projections were not included in the release.

Table C5. Historical and forecast growth, Milan

Indicator	History	Forecast	Forecast source
Population	+3.9%, 2012 to 2024; -0.6% since 2019	North of Italy broadly stable to 2050	ISTAT, August 2026 (macro-area)
Employment	+17.3%, 2012 to 2023; +2.2% in 2025	Not available at metro level	
Unemployment	3.0% in 2025	Not available at metro level	
Real GDP	Lombardy +1.2% (2024), +0.7% (2025)	Milan province +1.5% in 2026; Lombardy +1.2% (2026), +0.9% (2027)	Assolombarda, October 2026
Real business pay	-5.4%, 2015 to 2023	Euro area inflation 3.0% (2026), 2.5% (2027)	ECB staff projections, September 2026

Sources: history as Figure C2; ISTAT, Conti economici territoriali, December 2025; Banca d'Italia, L'economia della Lombardia, June 2026; Assolombarda, labour market note on 2025 (March 2026) and Booklet Economia Previsioni n. 9, October 2026; ISTAT, Previsioni della popolazione, base 1/1/2025, 31 August 2026; ECB monetary policy decision, 10 September 2026, as published by Banco de España; ECB staff projections as reported by LaPresse.

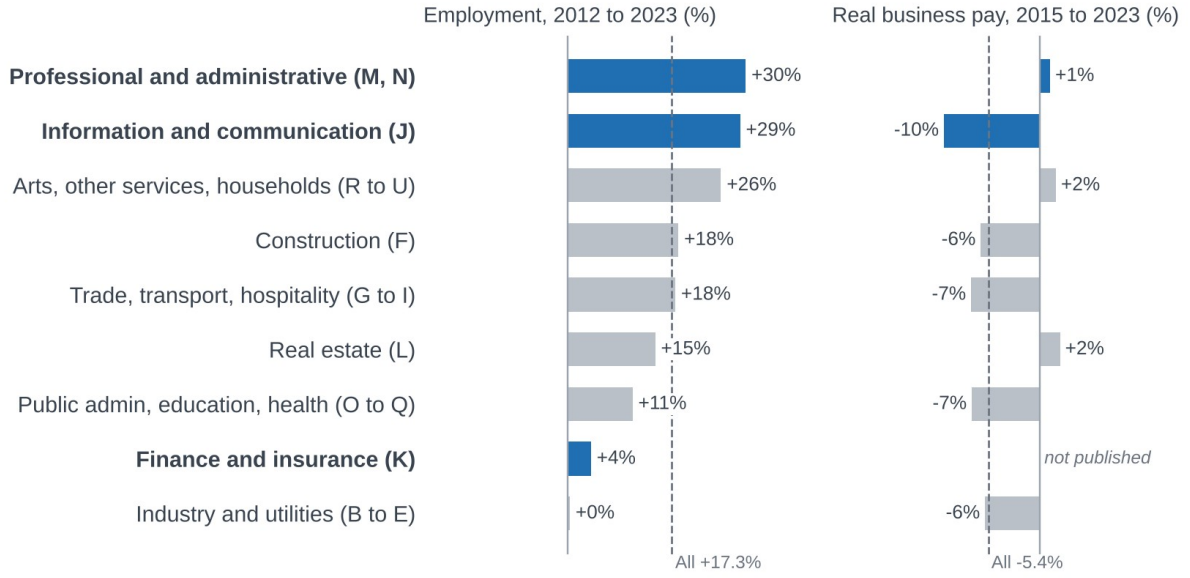
Reading for the investor. Milan's growth is the strongest of any metro in this series relative to its national economy, and it has continued since 2019. The weak spots are stalled population and falling real pay, which limit household spending power and housing affordability, and a forecast slowdown in 2027.

C4.2 Growth and pay by sector

Growth was led by office-using services: professional and administrative services rose 30% and information and communication 29% between 2012 and 2023, against 17% for all sectors, while industry stood still.

Figure C3. Professional services and technology led job growth; real pay fell in most sectors

Employment by sector, 2012 to 2023, and real mean business pay by sector, 2015 to 2023, Milan (% change). Office-using sectors in blue.



Sources: Eurostat regional accounts (employment); ISTAT Frame (pay, business local units only; finance not published); Eurostat HICP; authors' calculations.

Table C6. Employment by sector, Milan

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Italy jobs growth	LQ 2023
M to N Professional	342.6	444.1	+29.6%	+23.7%	1.57
J Technology	106.3	136.8	+28.7%	+14.1%	2.45
R to U Arts, other, households	175.2	219.9	+25.5%	-3.3%	1.14
F Construction	93.9	111.2	+18.4%	+1.6%	0.77
G to I Trade, transport, hospitality	462.3	545.1	+17.9%	+7.4%	0.99
L Real estate	20.6	23.6	+14.6%	-4.6%	1.60
O to Q Public services	263.1	291.5	+10.8%	+8.3%	0.71
K Finance	93.0	96.6	+3.9%	-6.7%	1.89
B to E Industry, utilities	250.6	251.5	+0.4%	-0.8%	0.72
A Agriculture	6.3	6.7	+6.3%	+3.3%	0.09
All sectors	1,813.9	2,127.0	+17.3%	+6.0%	1.00

Source: Eurostat regional accounts (employed persons including self-employed), Milan and Italy, as compiled in the Milan and Rome data workbook; authors' calculations.

Table C7. Business employees and real pay by sector, Milan

Sector	Staff growth 2015 to 2023	Mean pay 2023 (EUR)	Real pay 2015 to 2019	Real pay 2019 to 2023	Real pay 2015 to 2023	Italy real pay 2015 to 2023
M to N Professional	+26.3%	36,849	+0.3%	+0.8%	+1.2%	-4.3%
J Technology	+37.1%	50,624	-3.2%	-7.2%	-10.2%	-13.1%
B to E Industry, utilities	+9.9%	44,651	-5.7%	-0.1%	-5.8%	-6.6%
L Real estate	+39.4%	37,529	+5.1%	-2.8%	+2.2%	-8.0%
F Construction	+50.5%	34,178	+0.8%	-7.0%	-6.3%	-5.3%
G to I Trade, transport, hospitality	+25.7%	36,177	-4.4%	-3.0%	-7.3%	-10.5%
P to Q Education, health (businesses)	+36.6%	26,809	-2.0%	-5.3%	-7.2%	-9.3%
R to S Arts, other services	+5.8%	30,641	+15.4%	-11.8%	+1.8%	-4.0%
All business sectors	+25.0%	38,514	-3.0%	-2.5%	-5.4%	-8.7%

Source: ISTAT Frame (business local units; gross wages divided by employees from the same table), Milan and sum of Italian provinces; Eurostat HICP for Italy, 2023 prices; authors' calculations. Finance and public administration are not covered. Mean pay includes part-time employees and is not full-time equivalent pay; it is affected by changes in the mix of jobs.

Growth patterns by sector. Milan's data do not show a broad combination of rapid job growth and clearly rising real pay. Professional services and real estate grew faster than nationally in jobs while holding or slightly raising pay, consistent with demand-led expansion accommodated by labour supply. Falling real pay elsewhere is consistent with a supply-induced component, but inflation, hours and worker composition are competing explanations. Technology added jobs twice as fast as Italy, lost less real pay and retained the highest mean sector pay (EUR 50,600). Construction, trade, transport and hospitality added jobs while purchasing power per employee weakened. Professional services, technology and concentrated finance activity remain relevant sources of office demand.

C4.3 Specialisation and competitiveness

Milan is Italy's technology, finance and business services hub, and its specialisation has held or deepened since 2012 in all three, as well as in real estate.

Table C8. Location quotients by sector, Milan (Italy = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
J Information and communication	2.41	2.44	2.45	6.4%	Highly specialised, stable
K Finance and insurance	1.88	1.80	1.89	4.5%	Highly specialised
L Real estate	1.47	1.45	1.60	1.1%	Specialised and rising
M to N Professional and administrative	1.65	1.62	1.57	20.9%	Specialised, easing
R to U Arts, other services, households	0.97	1.13	1.14	10.3%	Rising to above average
G to I Trade, transport, hospitality	1.00	0.99	0.99	25.6%	Average
F Construction	0.73	0.76	0.77	5.2%	Below average
B to E Industry and utilities	0.79	0.73	0.72	11.8%	Below average, falling
O to Q Public admin, education, health	0.77	0.72	0.71	13.7%	Below average
A Agriculture	0.09	0.09	0.09	0.3%	Negligible

Table C9. Shift-share decomposition, Milan, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
M to N Professional	+69.5	+10.5	+37.7	+21.3	+32.0	+11.8	+23.1	-2.9
G to I Trade, transport, hosp.	+64.2	+14.2	+17.9	+32.1	+18.6	+15.1	-13.1	+16.5
R to U Arts, other, households	+48.1	+5.4	-3.6	+46.3	-3.4	+6.4	-15.9	+6.1
J Technology	+16.1	+3.3	+2.5	+10.3	+14.4	+3.5	+6.5	+4.4
O to Q Public services	+12.7	+8.1	+2.0	+2.6	+15.7	+7.9	+3.9	+3.9
L Real estate	+1.7	+0.6	-0.2	+1.3	+1.3	+0.6	-2.1	+2.8
A Agriculture	+0.6	+0.2	+0.1	+0.3	-0.2	+0.2	-0.3	-0.1
K Finance	-2.2	+2.9	-8.0	+3.0	+5.8	+2.6	-3.8	+6.9
F Construction	-2.4	+2.9	-15.4	+10.1	+19.7	+2.6	+13.1	+4.0
B to E Industry, utilities	-6.5	+7.7	-13.0	-1.2	+7.4	+7.0	-3.8	+4.2
Total	+201.8	+55.8	+20.0	+126.0	+111.3	+57.9	+7.6	+45.8

Source for Tables C8 and C9: Eurostat regional accounts, Milan and Italy, employed persons, as compiled in the Milan and Rome data workbook; authors' calculations, which reconcile to the workbook's own shift-share. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. Real estate's quotient of 1.60 applies to only 1.1% of Milan's jobs and finance's 1.89 to 4.5%, while trade, transport and hospitality (25.6%) and professional and administrative services (20.9%) are the largest employers; technology combines a quotient of 2.45 with a 6.4% share.

What the decomposition shows. Milan's own competitive gain, the regional shift, explains most of its job growth: 126,000 of 202,000 new jobs before 2019 and 45,800 of 111,300 after. National growth contributed about 56,000 to 58,000 jobs in each period, and Milan's favourable mix of fast-growing national sectors, above all professional services, added 20,000 before 2019 and 7,600 after. Finance is the clearest case of local strength: national finance employment fell 6.7%, but Milan gained share in both periods. Technology gained share in both periods. Professional services, the largest office-using sector, grew strongly but slightly below its national rate after 2019.

C4.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Milan's growth has been driven by its role as Italy's business, finance and technology centre, which keeps attracting firms and jobs from the rest of the country, rather than by population growth or rising real pay.

1. **Hub functions and specialisation.** Technology, finance, professional services and real estate are highly concentrated in Milan and their concentration has held or risen, supporting output per worker 32% above the Italian level.
2. **Job growth across almost all sectors.** Milan gained jobs share in eight of ten sectors after 2019, and employment kept rising in 2025.
3. **Little population growth.** The population is barely above its 2012 level, so job growth has relied on higher employment rates and commuting from outside the metropolitan city.

4. **Falling real pay.** Business pay has not kept up with inflation since 2015, although Milan's fall was smaller than Italy's.

Firm attraction and research commercialisation. Algorithmiq established its global headquarters in Milan in May 2026 and raised EUR 18 million. This is a concrete example of international firm attraction, although the company retains significant operations in Finland and the announcement does not quantify additional Milan jobs or occupied space. Bocconi also confirms that Tech Europe Foundation connects Bocconi, Politecnico di Milano, ION, FSI and the Milan Chamber of Commerce to support research commercialisation and business formation (Algorithmiq; Bocconi).

Productive investment and geography. The European Commission approved EUR 211 million in Italian aid for CamGraPhIC in April 2026, locating the project in Bergamo and Pisa. This illustrates the wider industrial ecosystem, but cannot be counted wholly as investment in Milan metropolitan city. Aid approval is not evidence of completed investment. These examples strengthen the evidence for specific business demand mechanisms; they do not establish the dominant cause of metropolitan growth or change the interpretation in Table 4b.

Will these forces persist? The hub functions are durable, and Assolombarda expects Milan province to grow faster than Lombardy and Italy in 2026. The main constraints are the renewed rise in inflation and interest rates, the end of recovery-plan spending in 2027, and a stalled population, which limits labour supply and housing demand from new residents.

C5. Milan: growth prospects and real estate markets

Over the next five to ten years, Milan's growth pattern most clearly supports prime and newly refurbished offices, hotels and logistics; it supports housing demand, but falling real pay limits affordability.

Table C10. Asset classes and Milan's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Strong, polarised	Technology, finance and professional services specialised and growing	Grade A in the CBD and well-connected new districts	9.6% vacancy in older stock
Rental housing	Moderate	Jobs +17% since 2012; rents EUR 22.4 per m² per month	Purpose-built rental near transport	Real pay down 5.4%; affordability
Logistics	Strong	Lombardy is Italy's largest logistics market; trade and transport gaining share	Last-mile and regional distribution	Industry share falling
Hotels	Strong	Business and leisure demand; hospitality jobs gaining share	Central and well-connected hotels	Cyclical
Social infrastructure	Moderate	Public services gaining share since 2019, but under-represented	Healthcare and education	Public funding

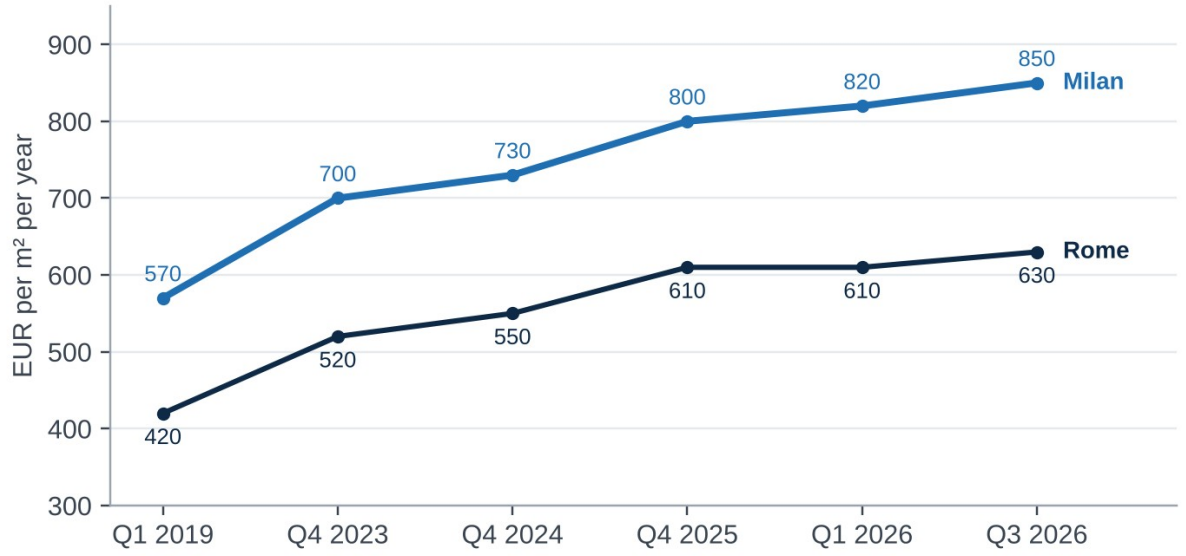
What the growth evidence does not support. Speculative development of secondary offices, or buying older offices without a refurbishment plan and budget, remains unsupported. Manufacturing employment trends alone do not justify general industrial development, but a falling employment share does not exclude demand for specialist research or production premises. These merit further underwriting only where a local occupier, location, space requirement and delivery programme can be verified. The Bergamo and Pisa project does not establish this demand within Milan metropolitan city. Venture funding and headquarters announcements likewise do not establish net additional occupied space.

C6. Milan: the office market

Milan's office market is polarised: Grade A space is scarce and prime rents are at record levels, while overall vacancy has edged up, mostly in older buildings.

Figure C4. Prime office rents have risen by about half since early 2019 in both cities

Prime office rents, Milan and Rome CBD (EUR per m² per year). Periods are not evenly spaced.



Sources: Gabetti, Office Market Overview Q1 2019; JLL, annual releases for 2023, 2024 and 2025 and Q1 2026; Colliers, Office Q3 2026; as compiled in the Milan and Rome data workbook. Providers' definitions of prime rent differ.

Table C11. Milan office market indicators

Indicator	Value	Period	Source
Vacancy, whole market	9.6% (Savills 9.2%)	Q2 2026	JLL; Savills
Vacancy, Grade A	3.6%	Q2 2026	JLL; Savills
Vacancy, Grade A in CBD Porta Nuova / Historic Centre	0.6% / 0.8%	H1 2026	Savills
Prime rent	EUR 850 per m² per year	Q3 2026	Colliers (Dils EUR 900; JLL EUR 830 in Q2)
Prime yield	4.00%	Q2 to Q3 2026	Colliers, Savills, BNP Paribas RE
Take-up, January to September	About 214,000 to 220,000 m²	2026	CBRE, Colliers, Dils
Take-up, full year	426,000 / 370,000 / 395,000 m²	2023 / 2024 / 2025	JLL
Office investment	EUR 340 million (-59%)	H1 2026	BNP Paribas RE

Sources: JLL, H1 2026 office leasing release, 18 July 2026, and annual releases; Savills, Italian Office Spotlight, 22 July 2026, as reported by idealista; Colliers, Office Q3 2026, 22 October 2026, and CBRE, Q3 2026 release, as compiled in the workbook; Dils, Q3 2026 market release, as reported by Qualitytravel, 9 October 2026; BNP Paribas Real Estate, Italy Investment Review H1 2026. Providers' figures differ because of definitions and coverage.

Demand and supply. Take-up was about 214,000 to 220,000 m² in the first nine months of 2026, down about 22% on 2025 (Dils), and average deal size has fallen (JLL). Annual take-up has been about 370,000 to 430,000 m² since 2023. Up-to-date pipeline figures were not available to the authors, so the volume of new Grade A supply should be checked with local brokers before any investment.

Rents. The prime rent was EUR 850 per m² per year in Q3 2026 (Colliers), up from EUR 700 at the end of 2023 and EUR 570 in early 2019, a rise of about 49%, well ahead of consumer prices, which rose about 19% between 2019 and 2024 (HICP). Providers differ: Dils reports EUR 900 and JLL EUR 830 in the Duomo area and EUR 800 in Porta Nuova.

A two-tier market. Overall vacancy has edged up from about 8% at the end of 2023 to 9.6% in mid-2026 (JLL), while Grade A vacancy is 3.6% and below 1% in the CBD. The spread between Grade A and older stock, not overall oversupply, is the main feature of the market. It is consistent with occupiers moving to better buildings, but confirming that would need leasing and absorption data by building grade, which brokers and owners hold.

C7. Milan: housing and capital markets

Housing. Asking prices for homes in Milan were about EUR 5,700 per m² in August 2026, up 3.5% over 12 months, but they have stalled: they fell 1.7% in Q3 2026 (idealista). Asking rents were EUR 22.4 per m² per month in Q3 2026, the highest of any Italian city, and rose 0.9% in the quarter. On these asking figures the indicative gross yield is about 4.7%, the authors' calculation; actual transaction prices and achieved rents may differ. The Bank of Italy reports that Lombardy's housing sales and prices accelerated in 2025.

Household demand and supply. Milan's population barely grows, but households keep forming as their average size falls: on the authors' calculation about 3,700 in 2024, almost all from smaller households, against 3,552 residential building permits in the metropolitan city (0.97). Over 2013 to 2024, however, permits covered only 0.60 of household growth, so the 2024 balance follows a long shortfall. New ordinary long-term leases in the city equal about 26% of household income in the metropolitan city, and the price of an 80 m² home is about 6.3 years of household income (2024), the highest of the three Italian metros (Section 3.4).

Capital markets. Italian property investment reached about EUR 10.6 billion in the first nine months of 2026, up 30%, with offices at about EUR 1.4 billion and living at nearly EUR 1 billion (Dils). In H1 2026 Milan attracted EUR 1.45 billion of retail investment but only EUR 340 million in offices, down 59% (BNP Paribas Real Estate).

Table C12. Milan pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, CBD	4.00%	Mid-2026	Colliers, Savills and BNP Paribas RE; Savills reports a 25 bps fall in H1, BNP no change
Prime high-street retail yield	3.90%	Q2 2026	BNP Paribas RE
Prime logistics yield, Italy, Grade A	5.40%	Q2 2026	BNP Paribas RE
Indicative gross residential yield, asking basis	About 4.7%	Q3 2026	Authors' calculation on idealista
Investment volume, Italy	About EUR 10.6 bn (+30%)	January to September 2026	Dils

Reading for the investor. A 4.00% prime office yield is only 150 basis points above the ECB deposit rate of 2.50%, and Savills reports that it compressed by 25 basis points in H1 2026. With inflation back above 4% and the ECB raising rates, there is little room for further compression and some risk of reversal. Observation dates differ: the policy benchmark is the ECB deposit rate of 2.50% effective from 16 September 2026, while the property yield retains the period stated in its source table. These arithmetic differences are not contemporaneous spreads, financing costs or property risk premia.

C8. Milan: strategy appraisal

Strategy A offers secure income in the tightest part of the market, and its main risk is the price paid; Strategy B targets the shortage of Grade A space but carries construction cost and letting risk; Strategy C has strong demand but faces affordability limits. All figures are illustrative.

Table C13. Value sensitivity to yield, Milan CBD (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: Grade A CBD office	4.00%	+14.3%	+6.7%	-5.9%	-11.1%

Source: authors' calculations on the 4.00% prime yield reported by Colliers, Savills and BNP Paribas RE (mid-2026).

A 25 basis point move changes value by about 6% to 7%, and a 50 basis point move by about 11% to 14%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table C14. Summary assessment of the Milan strategies

Factor	A: core CBD office	B: refurbishment to Grade A	C: rental housing
Market tightness	Grade A vacancy below 1% in the CBD	Grade A vacancy 3.6%; overall 9.6%	High rents; stalled prices
Demand base	Technology, finance and professional services, specialised and growing	Same, seeking modern space	Job growth; little population growth
Pricing	Yield 4.00%; rent EUR 850	Yield and rent depend on location and quality achieved	Gross yield about 4.7% (asking)
Main risk	Paying a full price at 4.00% as rates rise	Construction cost and lease-up	Affordability; falling real pay
Verdict	Prioritise for underwriting, subject to entry price	Underwrite selectively, in well-connected locations	Underwrite selectively

From growth to space. Table C14a traces each material source of Milan's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table C14a. From growth to space: Milan

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Purpose-built rental near transport	Building permits covered 0.97 of new households in 2024 and 0.60 over 2013 to 2024 (permits count homes authorised, not finished)	**Construction.** The shortfall comes from steadily shrinking households rather than population growth. An 80 m² home costs 6.3 years of household income, the highest of the Italian metros, and real pay fell 5.4%.
Technology, finance and professional services jobs	Grade A offices in the CBD and new districts	Grade A vacancy 3.6%; market vacancy 9.6%, concentrated in older stock; 39 projects, about 394,000 m², due by 2029 (Savills)	**Adaptation, then construction.** Demand is for Grade A and the surplus is in older stock, so refurbishment to Grade A has market support (Strategy B). The pipeline due by 2029 will compete with refurbished space, so further speculative construction is not supported until it is let.
Output	Specialised, high-value space	As above	**Quality more than quantity.** Output per worker is 32% above the Italian level and Milan's share of national GDP rose from 10.0% to 10.8%, but real pay fell, so output gains are not reaching household budgets.
Visitors	Central and well-connected hotels	Not measured	**Not assessed.** Hospitality jobs are gaining share; the Olympics are a one-off.
Trade and transport	Last-mile and regional distribution	Not measured	**Not assessed.** Lombardy is Italy's largest logistics market.

Sources: Sections C4 to C8 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Milan's office demand can largely be met by upgrading the buildings it already has; its housing demand cannot, because shrinking households keep adding demand that new permits have not matched.

Recent evidence and what it supports testing. JLL recorded about 134,000 m² of take-up in H1 2026, about 60% of it in Grade A, and CBRE recorded 82,000 m² in Q3 2026. Savills records 214,000 m² for January to September 2026, 23% less than a year earlier, with Grade A at 75% of the total, and expects 39 projects, about 394,000 m², to be delivered by 2029. In housing, OMI recorded 29,173 ordinary long-term lettings in the municipality of Milan in 2025, at an average of €206 per m² a year, the highest in Italy, for an average dwelling of 68.6 m² (Rapporto Immobiliare 2026, Table 54). In the authors' judgement, this supports testing central Grade A offices and selective upgrades against the delivery pipeline, and using the OMI benchmark to screen unit sizes for rental housing, with achieved rents and lease-up verified at comparable new schemes.

Part C-II. Rome



The Colosseum from Via dei Fori Imperiali, Rome. Illustration adapted from a photograph by stefanorometours, Wikimedia Commons · CC BY 2.0

C9. Rome: metropolitan growth patterns

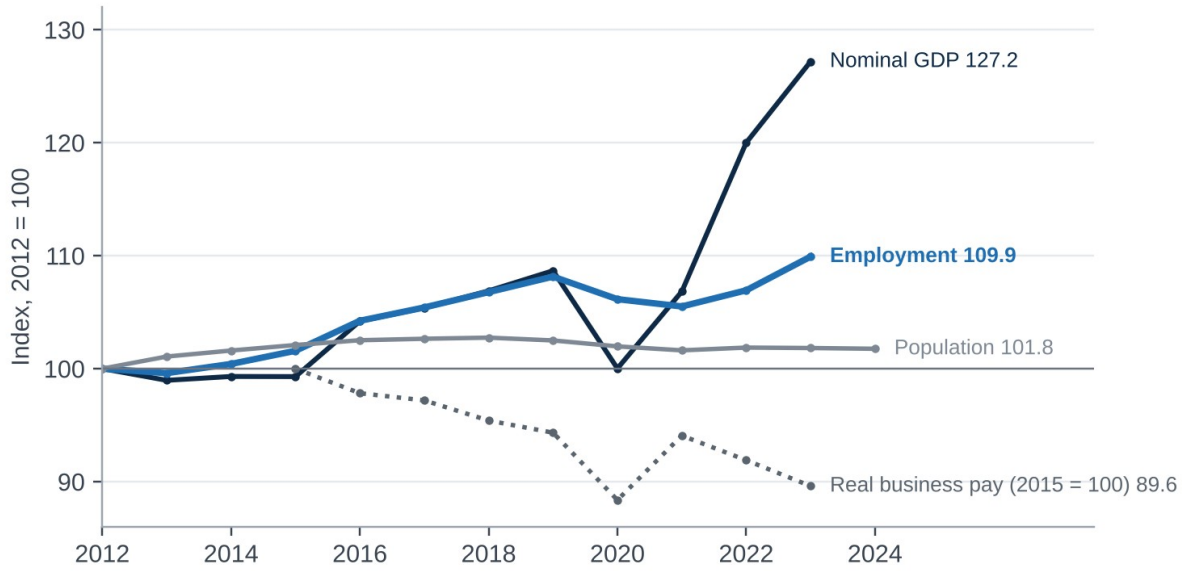
Rome's analysis uses the same data as Milan's: the Eurostat regional accounts for employment, GDP and population, and ISTAT's Frame register for business pay.

C9.1 Summary growth indicators

Rome grew faster than Italy in jobs until 2019 but not since, and its output grew more slowly than Italy's: between 2012 and 2023 employment rose 9.9% and nominal GDP 27.2%, while population rose 1.8% to 2024 and real business pay fell 10.4% between 2015 and 2023.

Figure C5. Jobs grew until 2019; output fell behind Italy's and real pay fell

Summary growth indicators, Rome metropolitan city, 2012 to 2024 (index, 2012 = 100; pay 2015 = 100)



Sources: Eurostat regional GDP, employment and population; ISTAT Frame; Eurostat HICP for Italy; as compiled in the Milan and Rome data workbook; authors' calculations. GDP is nominal; business pay is deflated by the HICP.

Employment. Employment rose from 2.02 million to 2.22 million between 2012 and 2023. It grew 8.1% to 2019, fell 1.8% in 2020 and recovered more slowly than Milan's, ending 2023 only 1.6% above 2019, against 2.9% for Italy. Across Lazio, employment rose 0.6% in 2025, with all of the gain among workers aged 50 and over (Bank of Italy).

Population. The metropolitan city grew from 4.15 million to 4.22 million (+1.8%). As in Milan, all the growth came before 2019, and the 2024 figure is 0.7% below 2019, subject to the same caution about the census rebasing.

Output and pay. Nominal GDP rose from EUR 158.3 billion to EUR 201.3 billion, below Italy's growth of 31.2%, and Rome's share of national GDP fell from 9.7% to 9.4%. GDP per resident was EUR 47,600 in 2023, 31% above the Italian level (ISTAT), and GDP per employed person about EUR 91,000. Lazio's real GDP in 2025 was still 1.4% below its 2007 level, while Italy's was 1.9% above (Bank of Italy). Mean business pay was EUR 30,200 in 2023, 6% above the Italian mean; after inflation it was 10.4% below its 2015 level, a larger fall than Italy's, and it fell in both periods.

Forecasts. Lazio's real GDP grew 1.2% in 2024 (ISTAT) and 0.6% in 2025, slightly above Italy, with about a third of 2025 growth attributed to the Jubilee year (Bank of Italy, as reported by Il Foglio). The Bank of Italy describes the indications for 2026 as deteriorating, with firms expecting lower investment and rising energy prices weighing on household incomes. The authors did not find a published numerical GDP forecast for Lazio or Rome for 2026; the national forecast is 0.9% (Assolombarda, October 2026). ISTAT's August 2026 projections have the Centre of Italy losing about 40,000 residents by 2030.

Table C15. Historical and forecast growth, Rome

Indicator	History	Forecast	Forecast source
Population	+1.8%, 2012 to 2024; -0.7% since 2019	Centre of Italy declining slightly to 2030	ISTAT, August 2026 (macro-area)
Employment	+9.9%, 2012 to 2023; Lazio +0.6% in 2025	Not available at metro level	
Real GDP	Lazio +1.2% (2024), +0.6% (2025)	No numerical regional forecast found; Italy +0.9% (2026), +0.8% (2027)	Banca d'Italia (qualitative); Assolombarda, October 2026
Real business pay	-10.4%, 2015 to 2023	Euro area inflation 3.0% (2026), 2.5% (2027)	ECB staff projections, September 2026

Sources: history as Figure C5; ISTAT, Conti economici territoriali, December 2025; Banca d'Italia, L'economia del Lazio, June 2026, and Il Foglio, 11 June 2026; ISTAT, Previsioni della popolazione, base 1/1/2025, 31 August 2026; Assolombarda, Booklet Economia Previsioni n. 9, October 2026; ECB staff projections, September 2026.

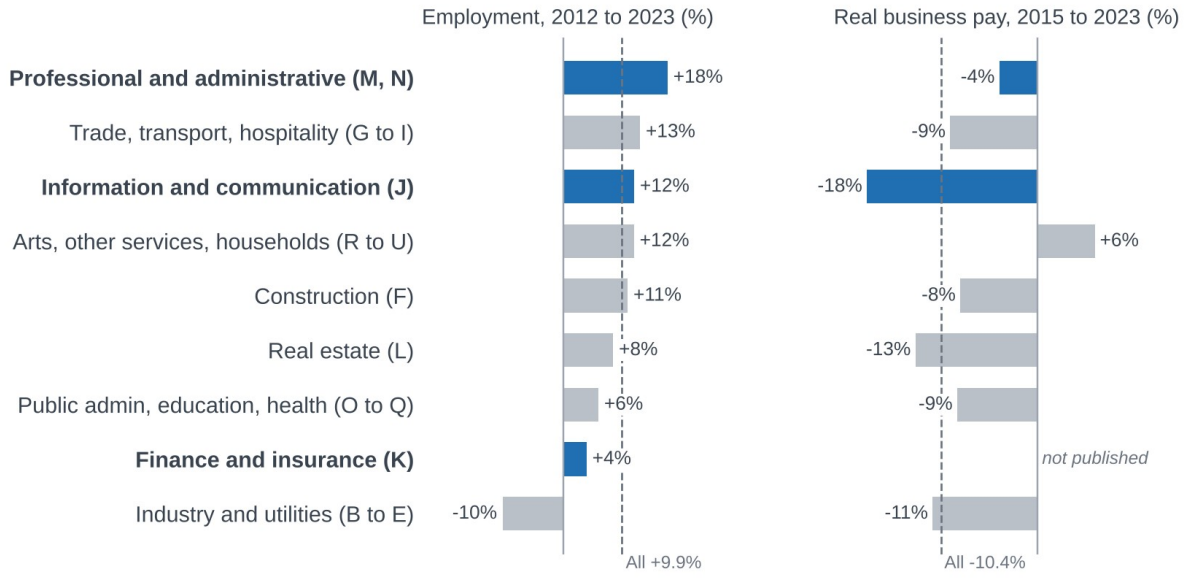
Reading for the investor. Rome is a large, high-income metro with a strong public, cultural and tourism base, but since 2019 it has not been gaining jobs share and its output has grown more slowly than Italy's. Occupier demand for prime space therefore depends more on the shortage of quality space, and on tenants upgrading, than on employment growth.

C9.2 Growth and pay by sector

Professional and administrative services (+18%), trade, transport and hospitality (+13%) and technology (+12%) led job growth between 2012 and 2023, while industry shrank (-10%).

Figure C6. Professional services led job growth; real pay fell in almost every sector

Employment by sector, 2012 to 2023, and real mean business pay by sector, 2015 to 2023, Rome (% change). Office-using sectors in blue.



Sources: Eurostat regional accounts (employment); ISTAT Frame (pay, business local units only; finance not published); Eurostat HICP; authors' calculations.

Table C16. Employment by sector, Rome

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Italy jobs growth	LQ 2023
M to N Professional	326.7	384.4	+17.7%	+23.7%	1.30
G to I Trade, transport, hospitality	487.2	550.5	+13.0%	+7.4%	0.96
J Technology	116.7	130.7	+12.0%	+14.1%	2.25
R to U Arts, other, households	282.6	316.4	+12.0%	-3.3%	1.57
F Construction	113.8	126.2	+10.9%	+1.6%	0.84
L Real estate	16.6	18.0	+8.4%	-4.6%	1.17
O to Q Public services	461.0	488.4	+5.9%	+8.3%	1.15
K Finance	68.7	71.4	+3.9%	-6.7%	1.34
A Agriculture	17.4	17.9	+2.9%	+3.3%	0.22
B to E Industry, utilities	127.2	114.1	-10.3%	-0.8%	0.31
All sectors	2,017.9	2,218.0	+9.9%	+6.0%	1.00

Source: Eurostat regional accounts (employed persons including self-employed), Rome and Italy, as compiled in the Milan and Rome data workbook; authors' calculations.

Table C17. Business employees and real pay by sector, Rome

Sector	Staff growth 2015 to 2023	Mean pay 2023 (EUR)	Real pay 2015 to 2019	Real pay 2019 to 2023	Real pay 2015 to 2023	Italy real pay 2015 to 2023
M to N Professional	+19.7%	27,780	-0.9%	-3.3%	-4.1%	-4.3%
J Technology	+14.2%	42,945	-11.8%	-7.5%	-18.4%	-13.1%
B to E Industry, utilities	+6.6%	39,439	-4.8%	-6.9%	-11.3%	-6.6%
L Real estate	+22.5%	28,759	-6.9%	-6.7%	-13.2%	-8.0%
F Construction	+39.3%	29,721	-1.5%	-7.0%	-8.3%	-5.3%
G to I Trade, transport, hospitality	+19.7%	27,816	-3.6%	-6.0%	-9.4%	-10.5%
P to Q Education, health (businesses)	+34.4%	21,283	-2.7%	-6.1%	-8.7%	-9.3%
R to S Arts, other services	+20.9%	28,677	-5.5%	+12.5%	+6.2%	-4.0%
All business sectors	+20.0%	30,181	-5.7%	-5.0%	-10.4%	-8.7%

Source: ISTAT Frame (business local units; gross wages divided by employees from the same table), Rome and sum of Italian provinces; Eurostat HICP for Italy, 2023 prices; authors' calculations. Finance and public administration are not covered. Mean pay includes part-time employees and is affected by changes in the mix of jobs.

Jobs growth with falling real pay. Rome added jobs in most sectors while real business pay fell in all but arts and other services, often by more than nationally. This is consistent with the supply-induced pattern in Section C2, but does not establish an independent labour-supply shift. Inflation and changes in hours or worker composition also matter, especially after 2019. Technology's real pay fell 18%; a shift towards lower-paid activities is possible but unverified. Professional-services employment grew more slowly than nationally and pay fell broadly in line with Italy. The business-pay premium over Italy is 6%, against Milan's 35%.

C9.3 Specialisation and competitiveness

Table C18. Location quotients by sector, Rome (Italy = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
J Information and communication	2.37	2.22	2.25	5.9%	Highly specialised, easing
R to U Arts, other services, households	1.41	1.50	1.57	14.3%	Specialised and rising
K Finance and insurance	1.25	1.29	1.34	3.2%	Specialised and rising
M to N Professional and administrative	1.42	1.38	1.30	17.3%	Specialised, falling
L Real estate	1.06	1.11	1.17	0.8%	Above average, rising
O to Q Public admin, education, health	1.22	1.16	1.15	22.0%	Above average, easing
G to I Trade, transport, hospitality	0.95	0.96	0.96	24.8%	Close to average
F Construction	0.79	0.83	0.84	5.7%	Below average
B to E Industry and utilities	0.36	0.31	0.31	5.1%	Under-represented
A Agriculture	0.23	0.21	0.22	0.8%	Under-represented

Table C19. Shift-share decomposition, Rome, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
G to I Trade, transport, hosp.	+65.9	+15.0	+18.9	+32.1	-2.6	+15.9	-13.7	-4.8
M to N Professional	+53.4	+10.0	+35.9	+7.4	+4.3	+10.9	+21.3	-27.9
R to U Arts, other, households	+38.0	+8.7	-5.8	+35.1	-4.2	+9.2	-22.8	+9.4
O to Q Public services	+19.9	+14.2	+3.5	+2.2	+7.5	+13.8	+6.8	-13.2
J Technology	+3.8	+3.6	+2.8	-2.6	+10.2	+3.5	+6.4	+0.4
L Real estate	+2.0	+0.5	-0.2	+1.7	-0.6	+0.5	-1.8	+0.6
K Finance	+1.5	+2.1	-5.9	+5.3	+1.2	+2.0	-2.9	+2.1
A Agriculture	+0.1	+0.5	+0.4	-0.8	+0.4	+0.5	-0.8	+0.7
F Construction	-6.0	+3.5	-18.6	+9.1	+18.4	+3.1	+15.4	-0.1
B to E Industry, utilities	-14.2	+3.9	-6.6	-11.5	+1.1	+3.2	-1.8	-0.4
Total	+164.4	+62.1	+24.3	+78.1	+35.7	+62.7	+6.1	-33.1

Source for Tables C18 and C19: Eurostat regional accounts, Rome and Italy, employed persons, as compiled in the Milan and Rome data workbook; authors' calculations, which reconcile to the workbook's own shift-share. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. Rows may not sum to totals because of rounding.

Quotients and shares. Rome's technology quotient of 2.25 applies to 5.9% of its jobs and finance's 1.34 to 3.2%; trade, transport and hospitality (24.8%) and public services (22.0%) are the largest employers.

What the decomposition shows. Before 2019, Rome gained 78,100 jobs over the national trend, led by trade, transport and hospitality (+32,100) and arts, other services and households (+35,100), with professional services (+7,400) and finance (+5,300) also gaining. After 2019 the regional shift turned to -33,100: Rome's sector mix should have added jobs, but professional and administrative services added only 4,300 jobs when national growth implied about 32,000, and public services fell 13,200 short of the national trend. Technology and finance, Rome's main specialised office sectors, held or gained share.

Where the region is competitive. Rome is highly specialised in technology (quotient 2.25) and increasingly in finance (1.34) and real estate (1.17), the sectors that occupy prime offices, and its concentration in these has held since 2019. Its weakness since 2019 is in the larger, more volume-driven professional and administrative services group and in public services. The data do not identify the causes; firm-level or sub-sector data would be needed.

C9.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Rome's growth has been carried by its role as Italy's capital and its tourism and cultural economy, with a specialised technology and finance core, but its broader services economy has lost momentum since 2019.

1. **Capital-city functions.** Public administration, education and health employ nearly 490,000 people and are above the Italian average in concentration, but they have lost share since 2019.
2. **Tourism and culture.** Trade, transport and hospitality, and arts and other services, drove the gains before 2019; foreign tourist arrivals in Lazio rose 27.8% in the 2025 Jubilee year (Bank of Italy).

3. **A specialised office core.** Technology, finance and real estate are concentrated in Rome and held their share after 2019.
4. **Falling real pay and stalled population.** Business pay fell faster than in Italy, and population has not grown since 2019.

Will these forces persist? Capital functions and tourism are durable, but the Jubilee boost is over, recovery-plan spending ends in 2026 and 2027, and the Bank of Italy sees 2026 deteriorating. The office market's strength rests on a shortage of quality space rather than on employment growth.

C10. Rome: growth prospects and real estate markets

Table C20. Asset classes and Rome's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Moderate to strong for Grade A	Technology, finance and real estate specialised; chronic shortage of quality space	Grade A in the CBD and EUR	Employment lagging Italy since 2019
Hotels	Strong	Tourism; hospitality and culture gaining share before 2019	Central hotels	Post-Jubilee normalisation
Rental housing	Moderate	Large market; asking prices +6.0%	Purpose-built rental near transport	Real pay down 10.4%
Logistics	Moderate	Large consumer market	Last-mile	Industry under-represented and shrinking
Social infrastructure	Moderate	Large public services base	Healthcare and education	Public services losing share

What the growth evidence does not support. Secondary office space without refurbishment, and development that depends on Rome's employment growth outpacing Italy's, which it has not done since 2019.

C11. Rome: the office market

Rome's office market is small and tight: vacancy is below 7% and Grade A vacancy is 1.6%, and rents have risen as fast as Milan's since 2019, although from a lower level.

Table C21. Rome office market indicators

Indicator	Value	Period	Source
Vacancy, whole market	Below 7%	Q2 2026	JLL
Vacancy, Grade A	1.6%	Q2 2026	JLL
Prime rent, CBD	EUR 630 per m² per year	Q3 2026	Colliers (JLL EUR 620 in Q2)
Prime rent, EUR	EUR 400 per m² per year	Q3 2026	Colliers
Prime yield	4.50% (Savills) or 4.75% (BNP Paribas RE)	Mid-2026	Savills; BNP Paribas RE
Take-up, January to September	About 102,000 to 108,000 m²	2026	CBRE, Colliers, Dils
Take-up, full year	250,000 / 168,000 / 135,000 m²	2023 / 2024 / 2025	JLL
Office investment	EUR 260 million (-34%)	H1 2026	BNP Paribas RE

Sources: JLL, H1 2026 office leasing release, 18 July 2026, and annual releases; Colliers, Office Q3 2026, and CBRE, Rome Q3 2026, as compiled in the workbook; Savills, Italian Office Spotlight, July 2026, as reported by idealista; BNP Paribas Real Estate, Italy Investment Review H1 2026; Dils, Q3 2026 market release, as reported by Qualitytravel. Providers' figures differ because of definitions and coverage.

Demand and supply. Take-up was about 102,000 to 108,000 m² in the first nine months of 2026, up about 9% (Dils), after falling from 250,000 m² in 2023 to 135,000 m² in 2025 (JLL). Low take-up reflects the shortage of suitable space as well as weaker demand: JLL reports a Grade A vacancy rate of 1.6%. Pipeline figures were not available to the authors.

Rents. The prime CBD rent was EUR 630 per m² per year in Q3 2026 (Colliers), up from EUR 520 at the end of 2023 and EUR 420 in early 2019, a rise of 50%. Prime rent in EUR, Rome's main business district outside the centre, was EUR 400.

A supply-constrained market. Unlike Milan's, Rome's overall vacancy has stayed at or below about 7% since 2023. With Grade A vacancy at 1.6%, tenants seeking modern space have little choice, which supports rents for refurbished and new buildings even though employment growth has been weak.

C12. Rome: housing and capital markets

Housing. Asking prices for homes in Rome were about EUR 3,800 per m² in August 2026, up 6.0% over 12 months, and rose 0.7% in Q3 2026 (idealista). Asking rents were EUR 19.2 per m² per month in Q3 2026, up 1.9% in the quarter. On these asking figures the indicative gross yield is about 6.0%, the authors' calculation, more than a point above Milan's.

Household demand and supply. Rome's population fell in 2024, yet on the authors' calculation about 5,100 households were added, all from smaller households, against 5,423 residential building permits (1.07). Over 2013 to 2024, permits covered only 0.51 of household growth. New ordinary long-term leases equal about 22% of household income and the price of an 80 m² home about 4.0 years of household income (2024). In the authors' judgement, this long shortfall means the rental housing case, not tested for Rome, merits testing (Section 3.4).

Capital markets. Rome attracted EUR 260 million of office investment in H1 2026, down 34%, and EUR 207 million in hotels (BNP Paribas Real Estate). The prime office yield is 4.50% according to Savills and 4.75% according to BNP Paribas Real Estate, 50 to 75 basis points above Milan's.

Table C22. Rome pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, CBD	4.50% to 4.75%	Mid-2026	Savills; BNP Paribas RE
Prime high-street retail yield	4.00%	Q2 2026	BNP Paribas RE
Indicative gross residential yield, asking basis	About 6.0%	Q3 2026	Authors' calculation on idealista
Office investment, Rome	EUR 260 million (-34%)	H1 2026	BNP Paribas RE
Hotel investment, Rome	EUR 207 million	H1 2026	BNP Paribas RE

C13. Rome: strategy appraisal

Strategy A offers secure income in a market with almost no Grade A vacancy, at a higher yield than Milan; Strategy B targets the same shortage in EUR at lower rents, and depends on lease-up. All figures are illustrative.

Table C23. Value sensitivity to yield, Rome CBD (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: Grade A CBD office (Savills yield)	4.50%	+12.5%	+5.9%	-5.3%	-10.0%
A: same, on BNP Paribas RE yield	4.75%	+11.8%	+5.6%	-5.0%	-9.5%

Source: authors' calculations on prime yields from Savills (H1 2026) and BNP Paribas Real Estate (Q2 2026).

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 9% to 13%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level. Strategy B is not tested, as no prime yield for EUR was available to the authors.

Table C24. Summary assessment of the Rome strategies

Factor	A: core CBD office	B: refurbishment to Grade A, EUR
Market tightness	Grade A vacancy 1.6%	Same shortage of quality space
Demand base	Technology, finance and real estate, specialised; relocation into better space	Larger occupiers needing modern floorplates
Pricing	Yield 4.50% to 4.75%; rent EUR 630	Rent EUR 400
Main risk	Weak employment growth; thin investment market	Construction cost; lease-up at lower rents
Verdict	Underwrite selectively, subject to entry price	Underwrite only with a pre-let or strong covenant

From growth to space. Table C24a traces each material source of Rome's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table C24a. From growth to space: Rome

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Purpose-built rental near transport	Building permits covered 1.07 of new households in 2024, when population fell, and 0.51 over 2013 to 2024	**Construction, not tested.** The long shortfall points to a rental case, but real pay fell 10.4% and the edition does not test a rental strategy for Rome.
Technology, finance and real estate jobs	Grade A offices in the CBD and the EUR district	Grade A vacancy 1.6%; market vacancy below 7%; a chronic shortage of quality space	**Adaptation and construction.** Tenants seeking modern space have little choice, so demand cannot be absorbed by existing Grade A. Refurbishment in the EUR district with a pre-let is the supported route, although employment has lagged Italy since 2019.
Visitors	Central hotels	Not measured	**Not assessed.** The Jubilee drew over 33.4 million pilgrims and foreign arrivals in Lazio rose 27.8% in 2025, but that support ends in 2026.
Public investment	Specialised premises and infrastructure	Not measured	**Not assessed.** About EUR 7.75 billion of PNRR funding, also ending in 2026; the edition does not trace it to premises.
Income and output	Better space	Price of an 80 m² home 4.0 years of household income (2024)	**Little additional demand.** Real pay fell and Rome's share of Italian GDP fell from 9.7% to 9.4%.

Sources: Sections C9 to C13 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Rome is the case where weak growth can still require new space: the existing office stock cannot meet demand for modern buildings, so refurbishment is needed even though employment has lagged Italy since 2019.

Recent evidence and what it supports testing. JLL recorded 59,000 m² of take-up in H1 2026, 48% more than a year earlier, 45% of it in Grade A; IPI records 40,409 m² in Q3 and 103,283 m² in the first nine months, 58% of it in Grade A or A Green buildings; Grade A vacancy is 1.6% and the prime rent €620 per m² a year (JLL). OMI recorded 10,818 ordinary long-term lettings in the municipality in 2025, at €162.2 per m² a year and 80.1 m² on average; about two-thirds of new long-term contracts use regulated rents (canone concordato). In the authors' judgement, this supports testing scarce central offices and an EUR district refurbishment with a pre-let, while rental development stays at screening stage until metropolitan completions and local lease-up can be verified.

Part C-III. Florence



Skyline from Piazzale Michelangelo, Florence. Illustration adapted from a photograph by Dimoegy1999, Wikimedia Commons · CC BY-SA 4.0

C14. Florence: metropolitan growth patterns

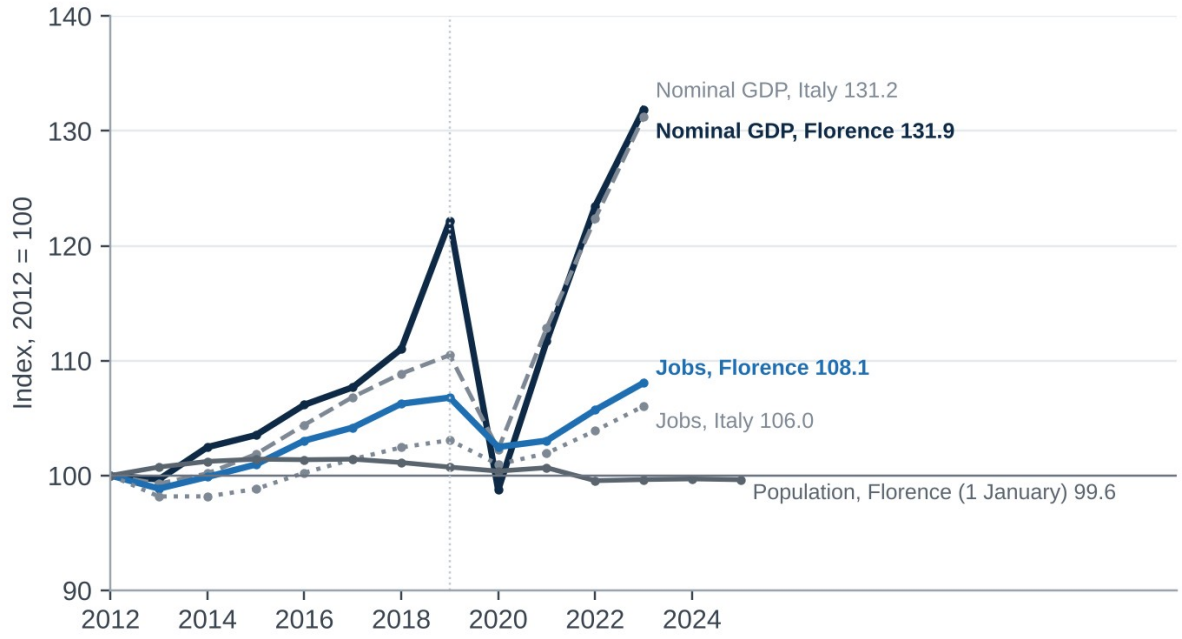
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (14.1), growth and pay by sector (14.2), specialisation and competitiveness against Italy (14.3), the demand- and supply-side drivers of growth (14.4) and the forces behind growth (14.5).

C14.1 Summary growth indicators

Florence grew faster than Italy in jobs and output until 2019, fell further in 2020 and has grown more slowly since; its population has been broadly flat.

Figure C7. Florence outgrew Italy until 2019, then fell back

Summary growth indicators, Metropolitan City of Florence (ITI14) and Italy, 2012 to 2023 (index, 2012 = 100)



Sources: Eurostat regional accounts (employed persons and nominal GDP) and population on 1 January, as compiled in the Florence data workbook; authors' calculations. Population to 2025. GDP is nominal.

Population. The metropolitan population was 991,721 on 1 January 2012 and 988,068 on 1 January 2025 (-0.4%), against a fall of 1.9% for Italy, so its share of the national population was stable at about 1.7%. It grew 0.1% a year between 2012 and 2019 and fell 0.3% a year between 2019 and 2023. The city of Florence fell from 369,885 residents at the start of 2019 to 361,625 at the end of 2025 (-2.2%, ISTAT; 2025 provisional), while the other 40 municipalities were broadly unchanged, at about 627,000.

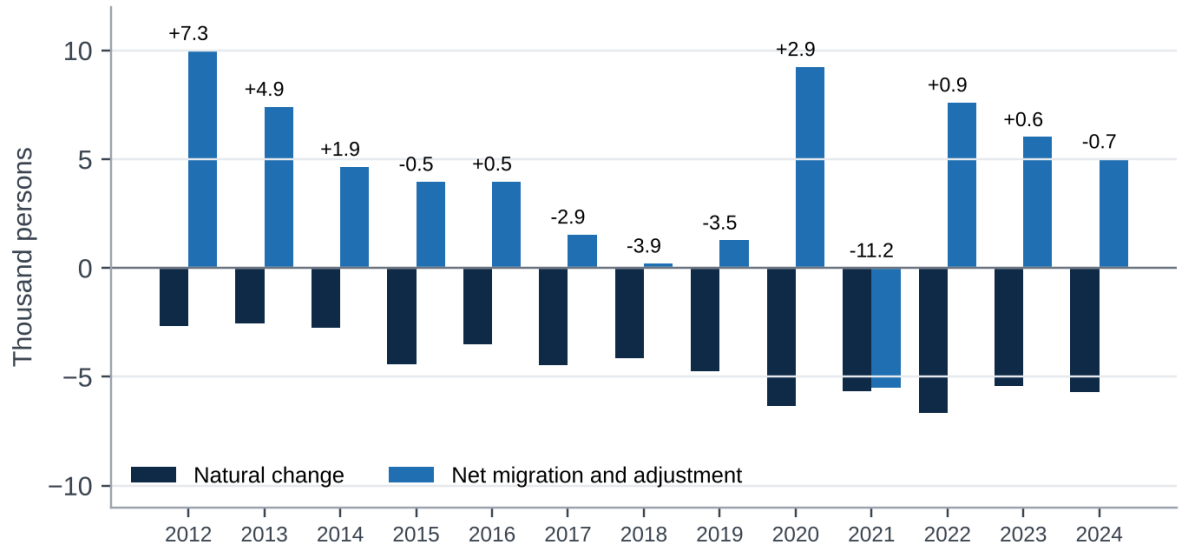
Employment. Jobs rose from 491,200 in 2012 to 530,800 in 2023 (+8.1%, against +6.0% for Italy). They grew 6.8% to 2019, against 3.1% for Italy, fell 4.0% in 2020 and grew 1.2% between 2019 and 2023, against 2.9% for Italy. More recent data are for residents, not jobs: the number of employed residents was 469,829 in 2025, down 0.1%, and the unemployment rate rose 0.9 points to 3.6% (ISTAT estimates, as reported by the Florence Chamber of Commerce).

Output and income. Nominal GDP rose from EUR 35.0 billion in 2012 to EUR 46.1 billion in 2023 (+31.9%, in line with Italy's 31.2%), but the path differed: it grew 22.1% to 2019, against 10.5% for Italy, fell 19.2% in 2020, against 7.4%, and by 2023 was 8.0% above 2019, against 18.8%. Florence's share of Italian GDP rose from 2.14% in 2012 to 2.37% in 2019 and fell back to 2.15% in 2023. Output per job was EUR 86,900 in 2023, 6% above the Italian level, down from 14% above in 2019. Prometeia estimates that the area's real GDP grew 1.0% in 2025 and expects 0.5% in 2026. Average declared income per taxpayer in the city of Florence was EUR 26,570 in 2019 and EUR 30,869 in 2024 (+16.2%), against consumer price growth of 16.7% (FOI excluding tobacco), so it was about 0.4% lower in real terms; the Italian average rose from about EUR 21,800 to EUR 25,820 (+18.4%), about 1.5% in real terms. Florence's income was about 22% above the Italian average in 2019 and 20% above in 2024.

Where population change comes from. Population change is the sum of natural change and net migration. Deaths have exceeded births in every year since 2012, by between 2,500 and 6,700 a year, and by 5,400 to 6,700 a year since 2022, so migration is all that keeps the population stable (Figure C8 and Table C25). Net migration fell close to zero in 2017 to 2019 and was negative in 2021, a year with large statistical adjustments.

Figure C8. Deaths exceed births; migration only offsets them

Components of population change, Metropolitan City of Florence, 2012 to 2024 (thousand persons; labels show total change)



Source: Eurostat, demographic balance, as compiled in the Florence data workbook. Net migration includes statistical adjustment, including census revisions.

Table C25. Components of population change, Florence, 2024 and 2025

Area	Year	Births	Deaths	Natural change	Net migration	of which domestic	of which from abroad	Population change
Metropolitan City of Florence	2024	5,921	11,642	-5,721	+5,004	n.a.	n.a.	-717
City of Florence	2025	2,123	4,208	-2,085	+2,005	-1,300	+3,305	-80
Other 40 municipalities	2025	n.a.	n.a.	-3,486	+3,992	+278	+3,714	+506

Sources: Eurostat, demographic balance (demo_r_gind3), and ISTAT municipal population balances for 2025 (provisional), as compiled in the Florence data workbook. The metropolitan figures include statistical adjustment; the 2025 municipal figures include registrations and cancellations for other reasons, so the components do not sum exactly to the change.

Jobs per resident. The area had 0.54 jobs per resident in 2023, against 0.44 for Italy, which points to commuting into Florence from neighbouring areas such as Prato and Pistoia, as well as higher employment. The ratio rose 6.0% between 2012 and 2019 and 2.3% between 2019 and 2023, against 3.6% and 4.3% for Italy.

Synthesis by period. Table C26 summarises growth in each period and the type of growth it indicates.

Table C26. Synthesis of growth patterns by period, Florence (average annual % change)

Area	Period	Population	Jobs	Real income per taxpayer	Nominal output	Indicative mechanism	Main forces
Florence	2012-19	+0.1	+0.9	n.a.	+2.9	Demand-side evidence; mechanism unconfirmed	Professional services, manufacturing, tourism and other services
Florence	2019-23	-0.3	+0.3	-0.1 (2019-24)	+1.9	Slow growth, below Italy; real income flat	Pandemic shock to tourism; fashion downturn; professional services still growing
Italy	2012-19	-0.1	+0.4	n.a.	+1.4	National reference	
Italy	2019-23	-0.3	+0.7	+0.3 (2019-24)	+4.4	National reference	

Sources: Eurostat population on 1 January, employed persons and nominal GDP for ITI14 and Italy, as compiled in the Florence data workbook; MEF declared income per taxpayer for the city of Florence (tax years 2019 and 2024, via Regione Toscana open data and La Nazione) and for Italy (as reported by Il Fatto Quotidiano and by the Emilia-Romagna regional statistics office), deflated by ISTAT's FOI index excluding tobacco; authors' calculations. Real income is for the city, not the metropolitan area, and includes pensions and self-employment income. Growth types follow the framework in Section C2 and are indicative.

Forecasts. In October 2026 the Bank of Italy projected Italian GDP growth of 0.9% in 2026, 0.7% in 2027 and 0.8% in 2028, with consumer price inflation of 3.2%, 2.4% and 1.7%, employment growth of 0.9%, 0.6% and 0.5%, and unemployment rising from 5.8% to 6.0%. Prometeia expects the Florence area's real GDP to grow 0.5% in 2026. The Bank of Italy reports that Tuscan firms expect stable turnover in 2026 and lower investment, and links the outlook to the rise in energy prices after the conflict in the Gulf. A population forecast for the metropolitan area was not available to the authors.

Table C27. Historical and forecast growth, Florence

Indicator	History	Forecast	Forecast source
Population	-0.4%, 2012 to 2025	Not available for the metropolitan area	
Jobs	+8.1%, 2012 to 2023	Italy: employment +0.9% (2026), +0.6% (2027), +0.5% (2028)	Bank of Italy, October 2026
Output	Nominal +31.9%, 2012 to 2023	Florence real GDP +0.5% (2026); Italy +0.9% (2026), +0.7% (2027), +0.8% (2028)	Prometeia, as reported by the Florence Chamber of Commerce (May 2026); Bank of Italy, October 2026
Real income	City, per taxpayer: -0.4%, 2019 to 2024	Italy inflation 3.2% (2026), 2.4% (2027), 1.7% (2028)	Bank of Italy, October 2026

Sources: history as Figure C7 and Table C26; Florence Chamber of Commerce, economic dashboard, May 2026 (Prometeia estimates); Banca d'Italia, macroeconomic projections for Italy, October 2026, as reported by Teleborsa, 16 October 2026.

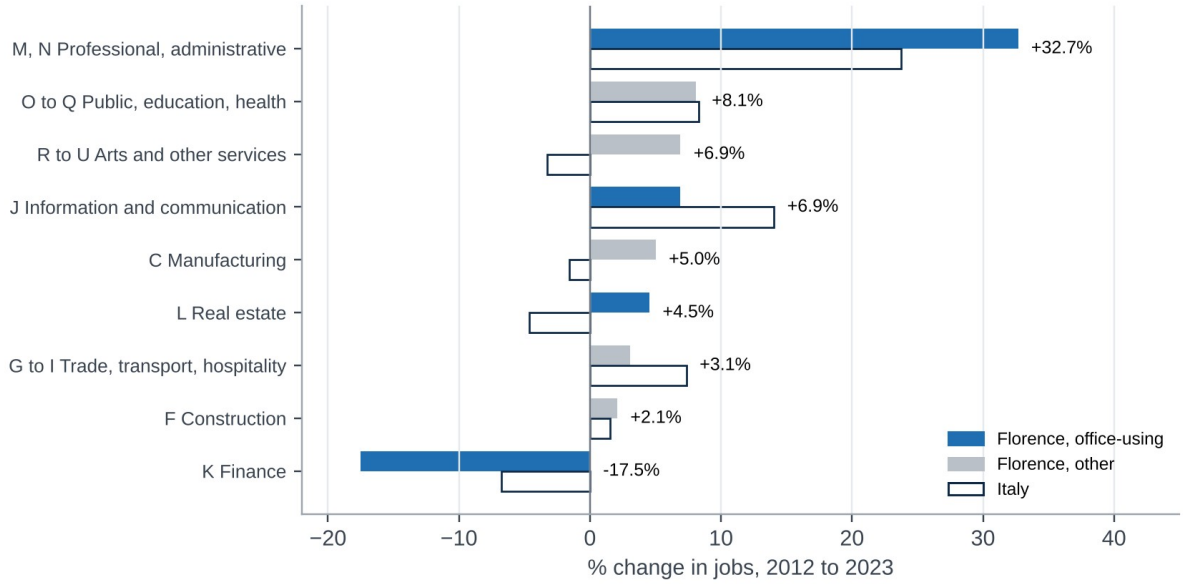
Reading for the investor. Florence's growth before 2019 was stronger than Italy's, but the pandemic hit its visitor economy harder than most, and the recovery has been slower than the national one. Real incomes have not risen and the population is flat, so growth alone does not provide a broad wealth effect. Demand for real estate in Florence depends more than in most metros on visitors, students and international buyers, not only on residents.

C14.2 Growth and pay by sector

Professional and administrative services led job growth; manufacturing grew while it shrank in Italy; finance shrank and trade, transport and hospitality grew more slowly than in Italy.

Figure C9. Professional services led job growth; finance shrank

Jobs by sector, Metropolitan City of Florence and Italy, 2012 to 2023 (% change). Office-using sectors in blue.



Source: Eurostat regional accounts (employed persons including self-employed), ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations.

Table C28. Jobs by sector, Metropolitan City of Florence

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Italy jobs growth	Share of jobs 2023	LQ 2023
G to I Trade, transport, hospitality	129.8	133.8	+3.1%	+7.4%	25.2%	0.97
O to Q Public administration, education, health	89.3	96.5	+8.1%	+8.3%	18.2%	0.95
C Manufacturing	85.7	90.0	+5.0%	-1.6%	17.0%	1.13
M, N Professional and administrative	60.9	80.8	+32.7%	+23.7%	15.2%	1.14
R to U Arts and other services	52.1	55.7	+6.9%	-3.3%	10.5%	1.15
F Construction	28.8	29.4	+2.1%	+1.6%	5.5%	0.81
K Finance and insurance	16.0	13.2	-17.5%	-6.7%	2.5%	1.04
J Information and communication	11.6	12.4	+6.9%	+14.1%	2.3%	0.89
L Real estate	4.4	4.6	+4.5%	-4.6%	0.9%	1.25
All sectors	491.2	530.8	+8.1%	+6.0%	100.0%	1.00

Source: Eurostat regional accounts (employed persons including self-employed), ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations. Rows exclude agriculture and energy, water and mining, so they do not sum to the total.

Table C29. Average daily pay by sector and sex, Florence and Italy, 2023 (EUR per paid day)

Sector	Florence, women	Florence, men	Italy, women	Italy, men	Florence as % of Italy, women	Florence as % of Italy, men
K Finance and insurance	144.2	195.1	147.3	216.7	98	90
J Information and communication	98.5	129.6	109.7	145.0	90	89
M Professional and technical	84.1	125.7	86.3	132.8	97	95
R Arts and recreation	81.3	123.4	73.9	107.5	110	115
C Manufacturing	97.5	120.4	95.3	119.0	102	101
L Real estate	79.6	109.4	77.9	129.7	102	84
G Trade	82.4	101.2	75.6	99.0	109	102
F Construction	79.9	96.7	79.9	92.3	100	105
P Education	76.5	88.9	72.5	81.6	106	109
N Administrative and support	66.0	82.9	63.0	81.1	105	102
Q Health and social work	64.7	76.6	66.2	87.5	98	88
I Accommodation and food	61.5	72.8	54.9	65.6	112	111
All sectors	83.4	107.6	79.8	107.5	105	100

Source: INPS, provincial social report for Florence 2024 (Table C33), average daily earnings of private-sector employees by sector and sex, 2023, as compiled in the Florence data workbook; authors' calculations. Daily pay is per paid day, so it is not affected by part-time years but is by part-time hours. The workbook does not contain the paid days needed to combine women and men into one average, or earlier years, so changes over time cannot be shown.

Growth types by sector. Without a pay series, growth types by sector cannot be classified as in other editions. The pay levels show a pattern that fits a visitor economy. Pay in accommodation and food, arts and recreation, and education is about 6% to 15% above the Italian level, while pay in finance, information and communication and professional services, the office-using sectors, is 2% to 11% below it. Florence's high-paying office sectors are therefore not the source of a wealth effect. Professional and administrative services grew fastest (+32.7%, against +23.7% for Italy), and they include the business services that support tourism, fashion and manufacturing. Finance lost 17.5% of its jobs, much more than in Italy.

C14.3 Specialisation and competitiveness

Florence is specialised in manufacturing, professional services, real estate and arts and other services; it is not specialised in finance or technology.

Table C30. Location quotients by sector, Metropolitan City of Florence (Italy = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
L Real estate	1.16	1.17	1.25	0.9%	Specialised, rising
R to U Arts and other services	1.06	1.13	1.15	10.5%	Specialised, rising
M, N Professional and administrative	1.09	1.12	1.14	15.2%	Specialised, rising
C Manufacturing	1.07	1.15	1.13	17.0%	Specialised
K Finance and insurance	1.19	1.09	1.04	2.5%	Average; specialisation lost
G to I Trade, transport, hospitality	1.03	0.98	0.97	25.2%	Average, falling slightly
O to Q Public administration, education, health	0.97	0.94	0.95	18.2%	Average
J Information and communication	0.97	0.86	0.89	2.3%	Low
F Construction	0.83	0.82	0.81	5.5%	Low

Source: Eurostat regional accounts, employed persons including self-employed, ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations.

Table C31. Shift-share decomposition, Metropolitan City of Florence, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
K-N Finance, real estate, business services	+11.8	+2.5	+5.5	+3.8	+5.5	+2.7	+3.1	-0.3
O-U Public and other services	+10.3	+4.3	-0.3	+6.3	+0.5	+4.4	-2.3	-1.6
B-E Industry excluding construction	+8.0	+2.8	-4.7	+9.9	-2.7	+2.8	-1.5	-4.0
G-J Trade, transport, hospitality, ICT	+6.1	+4.3	+5.3	-3.5	-1.3	+4.2	-2.7	-2.9
F Construction	-3.0	+0.9	-4.7	+0.8	+3.6	+0.7	+3.7	-0.8
A Agriculture	+0.1	+0.2	+0.2	-0.3	+0.7	+0.2	-0.4	+0.8
Total	+33.3	+15.1	+1.3	+16.9	+6.3	+15.1	0.0	-8.7

Source: Eurostat regional accounts, employed persons, six sector groups, ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2023. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. Manufacturing is the clearest specialisation by size: 17.0% of jobs, 1.13 times the Italian share, and it grew while Italy's shrank. Professional and administrative services, arts and other services, and real estate are also concentrated and rising. Finance has lost its specialisation, and information and communication remains below the Italian share, unlike in Milan or Berlin. Trade, transport and hospitality, which includes tourism, is the largest group, but its share is about the Italian average and has fallen slightly.

What the decomposition shows. Florence's own competitive gain, the regional shift, explains 51% of its job growth before 2019 (16.9 thousand of 33.3 thousand), led by industry and public and other services. After 2019 the shift turned negative (-8.7 thousand): Florence added 6.3 thousand jobs, against 15.1 thousand had it grown at the national rate. Every broad sector except agriculture lost share, most of all industry, and trade, transport, hospitality and ICT. Trade, transport, hospitality and ICT lost share in both periods, even before the pandemic.

C14.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables C31a and C31b rate each driver for Florence. The ratings are the authors' judgement from the evidence shown.

Table C31a. Demand-side drivers of growth, Florence

Driver	Rating	Evidence
National economic influences	Weak, and Florence has lagged Italy since 2019	The Bank of Italy expects Italian GDP growth of 0.9% in 2026, 0.7% in 2027 and 0.8% in 2028; Tuscany grew 0.4% in 2025, against 0.5% for Italy, and its value added has grown less than Italy's since the pandemic, with stagnant labour productivity; Florence grew 8,800 jobs fewer than the national trend in 2019 to 2023 (Table C31)
Amenities, infrastructure and tax	Strong amenities; moderate infrastructure	A world-class cultural and historic centre; Florence airport handled 3.85 million passengers in 2025 (+9.4%) and Pisa 5.98 million (+7.8%); the Florence airport master plan is still going through approval; tax incentives are national
Clusters and innovation	Mixed	Pharmaceuticals made up 54.5% of exports in 2025 (+136%); leather goods 9.5% (+0.4%), clothing 6.0% (+6.5%), footwear 4.5% (+11.6%) and general machinery 7.0% (+1.5%); exports excluding pharmaceuticals fell 4.7%; Tuscan fashion activity remains below its level before the 2023 downturn; patent intensity is in line with Italy but below the Centre-North
Population growth	Weak	-0.4% between 2012 and 2025; deaths exceeded births by 5,400 to 6,700 a year in 2022 to 2024 (Table C25)
Visitor spending	Strong	More than 4.7 million tourist arrivals in the city in 2025 (+10%); overnight stays in the Florence area +8.4% in 2025 but 1.2% below 2019; Tuscany 55.5 million stays, 59% of them foreign; foreign visitors' spending in Tuscany fell about 4.4% in 2025 (Bank of Italy, as reported by IRPET)
Government spending	Moderate	Regional capital; public administration, education and health is 18.2% of jobs (LQ 0.95); local governments raised current and capital spending in 2025, mainly through PNRR projects

Sources: Banca d'Italia, macroeconomic projections, October 2026, and L'economia della Toscana, June 2026; Toscana Aeroporti, 2025 results press release (10 March 2026); Florence Chamber of Commerce, economic dashboard, May 2026 (ISTAT Coeweb exports); Il Post, 27 May 2026 (city arrivals); IRPET, Rapporto Turismo in Toscana 2025 (July 2026); authors' calculations (shift-share, location quotients).

Table C31b. Supply-side drivers of growth, Florence

Driver	Rating	Evidence
Immigration for non-wage reasons	Moderate	Net migration of +5,004 offset most of the natural decrease in 2024 (Table C25); in 2025 the city gained 3,305 residents from abroad and lost 1,300 to the rest of Italy; 16.2% of the city's residents were foreign citizens in April 2026; the national decreto flussi allows 497,550 non-EU workers over 2026 to 2028
Labour force participation	Weak (little room left)	Unemployment was 3.6% in 2025, up 0.9 points; employed residents fell 0.1%; the area already has 0.54 jobs per resident, against 0.44 for Italy
Public policy programmes	Weak	High housing costs and new short-let limits act on housing supply, not labour; the authors found no programme specific to Florence that adds labour

Sources: Eurostat demographic balance and ISTAT municipal balances, as compiled in the Florence data workbook; Comune di Firenze, statistical bulletin, May 2026; Florence Chamber of Commerce, economic dashboard, May 2026 (ISTAT estimates); Ministero del Lavoro, 16 October 2025.

How the drivers explain the growth pattern. Before 2019, tourism, fashion and leather manufacturing, pharmaceuticals and business services outgrew Italy and the local shift was positive, providing demand-side evidence. There is no comparable pay series for that period, so the aggregate mechanism and labour-supply elasticity remain unconfirmed. Since 2019, the pandemic and the luxury-fashion downturn weakened important demand sources. Visitors recovered, but employment and output grew more slowly than nationally and real declared income per taxpayer was flat. Ageing, housing costs and low unemployment may constrain labour supply, but the data do not isolate their contribution or make the income series a wage measure.

What could change the balance. A recovery in luxury fashion, under Kering's new management among others, and continued growth in pharmaceuticals would strengthen demand. Visitor numbers are already high, so further growth depends more on spending per visitor than on numbers. On the supply side, migration from abroad keeps the population stable, but high rents and the conversion of homes to tourist use limit the number of workers who can live in the city.

C14.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Florence's economy rests on its visitor economy, its fashion and leather manufacturing and its pharmaceutical industry, supported by business services. It outgrew Italy until 2019 but has lagged since, with flat real incomes.

1. **Visitors.** Arrivals reached a record in 2025, and the luxury hotel offer is expanding, but overnight stays are about at their 2019 level.
2. **Fashion, leather and pharmaceuticals.** Manufacturing jobs grew while Italy's fell, but fashion is in a downturn and exports outside pharmaceuticals fell in 2025.
3. **Business services.** Professional and administrative services added about 20,000 jobs between 2012 and 2023, the largest gain of any sector.
4. **A flat, ageing population.** Deaths exceed births; migration from abroad only offsets them.

Will these forces persist? Florence's cultural appeal is permanent, and pharmaceutical exports are growing fast. The constraints are slow national growth, the fashion downturn, the policy limits on short-term lets and tourism, and an ageing population.

C15. Florence: growth prospects and real estate markets

Over the next five to ten years, Florence's growth pattern most clearly supports student housing and upscale hotels, which serve demand from outside the resident population; it supports long-let housing moderately, and offices only weakly.

Table C32. Asset classes and Florence's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Student housing	Moderate to strong	High rents; the university funds rent support for out-of-town students; institutional investors are building and converting	Purpose-built beds near university sites	Current student and bed numbers not verified; regulated-rate beds; planning
Hotels	Moderate to strong for upscale	Record arrivals; luxury rates well above 2019; limits on new short lets	Upscale and luxury hotels in the historic centre	Large hotel pipeline; stays only at 2019 level; tourism policy
Rental housing	Moderate	Second-highest rents in Italy; short lets to be limited	Long lets outside the historic centre, near the tram	Flat population and real incomes; affordability
Luxury retail	Moderate	Visitor spending; Via de' Tornabuoni among Italy's top streets	Prime high-street units	Weak luxury sales; few units trade
Logistics	Not assessed	Manufacturing base in the Florence and Prato plain	Light industrial and urban logistics	Current rents and yields for Florence not verified
Offices	Weak	Professional services growing; finance shrinking	Small, well-located modern space	Thin market; offices being converted to other uses

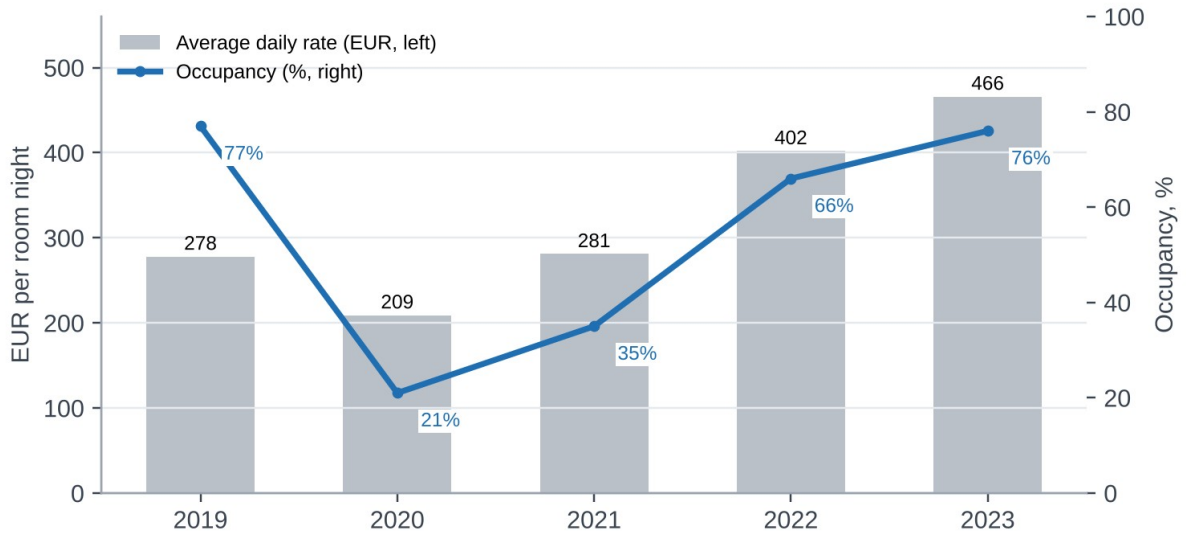
What the growth evidence does not support. Speculative office development or the refurbishment of older offices to Grade A: the office market is small, finance and technology are not specialisations, and investors are converting offices to student housing. Short-term rental investment in the historic centre is also not supported, since new short lets are banned there.

C16. Florence: hotels and the visitor economy

Florence's hotel market is supported by record visitor arrivals and very high luxury room rates, but a large pipeline of new rooms is opening.

Figure C10. Luxury room rates rose far above 2019 while occupancy recovered

Occupancy and average daily rate, upper upscale and luxury hotels, Florence, 2019 to 2023



Source: HVS, Florence Market Pulse, February 2024 (sample of about 3,000 rooms; 2023 partly preliminary). More recent figures for Florence were not available to the authors.

Table C33. Florence hotel and visitor indicators

Indicator	Value	Period	Source
Tourist arrivals, city of Florence	More than 4.7 million (+10%)	2025	City data, as reported by Il Post
Overnight stays, Florence area	+8.4% on 2024; -1.2% on 2019	2025	IRPET
Florence airport passengers	3.85 million (+9.4%)	2025	Toscana Aeroporti
Short-term lets	16,906 units, 56% of tourist beds	2026	City data, as reported by Il Post
Upper upscale and luxury hotels	Occupancy 76%; average daily rate EUR 466 (EUR 278 in 2019)	2023	HVS
Hotel supply	391 hotels and 14,883 rooms in 2019; about 2,000 rooms in the pipeline in 2024	2019 to 2024	HVS
Hotel investment, Italy	EUR 1.3 billion (-18%); EUR 170,374 per room	H1 2026	Cushman & Wakefield
Prime hotel yield, leased, Italy	4.5% to 5.0%	H1 2026	Cushman & Wakefield

Sources: Il Post, 27 May 2026; IRPET, Rapporto Turismo in Toscana 2025 (July 2026); Toscana Aeroporti, 2025 results press release (10 March 2026); HVS, Florence Market Pulse (February 2024); Cushman & Wakefield, Italy hotel MarketBeat H1 2026, as published by Hospitality Net. Italian hotel yields are national, not specific to Florence.

Demand. Arrivals in the city reached a record of more than 4.7 million in 2025, and overnight stays in the Florence area rose 8.4%, but stays were still 1.2% below 2019 (IRPET). Growth is driven by international visitors. Across Italy, RevPAR rose 11.3% in the first half of 2026, mainly through higher room rates (Cushman & Wakefield). Luxury hotels in Florence raised their average daily rate from EUR 278 in 2019 to EUR 466 in 2023, with occupancy back at 76% (HVS); more recent Florence figures were not available to the authors.

Supply. Florence had 391 hotels and 14,883 rooms in 2019, and the number fell by 38 hotels and about 1,000 rooms by 2022 (HVS). HVS counted a pipeline of about 2,000 rooms in early 2024, about 14% of supply, much of it already open. New luxury openings in 2025 and 2026 include The Hoxton (161 rooms), Collegio alla Querce (83 rooms), W Florence, Capella Florence (about 89 rooms) and La Réserve (Forbes Italia). At the same time, the city has banned new short-term lets in the historic centre, which has 35,593 homes, and in May 2026 extended the ban to nine further zones with 67,780 homes; existing lets must meet new standards by 2028.

Reading for the investor. The luxury segment has the strongest evidence: rates far above 2019 and short-let competition now capped. The risks are the volume of new luxury rooms, the dependence on international travel, and the fact that overnight stays have only returned to 2019 levels. Prime yields for leased hotels in Italy are 4.5% to 5.0%; Florence-specific yields were not verified.

C17. Florence: housing, offices and capital markets

Housing. Florence is one of the most expensive housing markets in Italy. Asking rents were EUR 21.7 per m² per month in Q3 2026, second only to Milan (EUR 22.4), up 1.1% in the quarter; a 70 m² flat costs about EUR 1,519 a month (idealista). Asking prices were about EUR 4,623 per m² in Q2 2026, the highest of Tuscany's provincial capitals, up 0.5% in the quarter. On these asking figures the indicative gross yield is about 5.6%, the authors' calculation; actual transaction prices and achieved rents may differ. Rents are high relative to incomes: average declared income per taxpayer was EUR 30,869 in 2024. The limits on short-term lets could return some homes to long lets from 2028, but how many is uncertain. Income varies widely within the city, from about EUR 42,800 per taxpayer around Piazzale Donatello to about EUR 22,200 in Le Piagge, Peretola and Brozzi (MEF, 2024).

Resident household demand. Resident demand also outruns supply. On the authors' calculation about 2,200 households were added in the metropolitan city in 2024, all from smaller households, against 442 residential building permits (0.20); over 2013 to 2024 permits covered 0.23 of household growth, the lowest of the thirteen metros. New ordinary long-term leases in the city equal about 24% of household income in the metropolitan city, and the price of an 80 m² home is about 4.2 years of household income (2024) (Section 3.4).

Student housing. Investors are adding purpose-built student beds. CDP Real Asset and Investire SGR began building 480 beds at regulated rates at Villa Monna Tessa near Careggi in January 2026, an investment of about EUR 40 million due to open for the 2027/2028 academic year. In July 2026 Investire's Student Living Italy 1 fund, for the Nido Livensa group, made its first investment of EUR 50 million to convert an office building in Via Caboto, near the Morgagni, Careggi and Novoli university sites, opening for 2028/2029. The University of Florence is spending EUR 1 million of its own funds on rent support for out-of-town students in 2026. In 2022, about 1,700 students eligible for regional student housing had no bed (as reported by gonews); more recent figures were not available to the authors.

Offices. The office market is small and thinly traded. Only 162 office units (cadastral category A/10) were sold in the city of Florence in 2024, down 12.2%, or 2.2% of the stock, and the OMI indicative value was flat at about EUR 2,290 per m² (Agenzia delle Entrate). Brokers do not publish regular office market reports for Florence comparable to those for Milan and Rome. The demand evidence is mixed: professional services are growing, but finance is shrinking and information and communication is under-represented. The conversion of offices in Via Caboto to student housing shows that some office stock is worth more in other uses.

Table C34. Florence pricing indicators, 2026

Indicator	Value	Period	Source
Asking rent, homes, Florence	EUR 21.7 per m² per month (+1.1% in the quarter)	Q3 2026	idealista
Asking price, homes, Florence	EUR 4,623 per m² (+0.5% in the quarter)	Q2 2026	idealista
Indicative gross residential yield, asking basis	About 5.6%	2026	Authors' calculation on idealista
Office sales, city of Florence	162 units (-12.2%); indicative value EUR 2,290 per m²	2024	Agenzia delle Entrate, OMI
Prime hotel yield, leased, Italy	4.5% to 5.0%	H1 2026	Cushman & Wakefield
Prime office yield, Milan and Rome	4.00% and 4.50%	H1 2026	Savills
Prime high-street rent, Via de' Tornabuoni	EUR 5,000 per m² per year	Early 2024	Scenari Immobiliari
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: idealista, as reported by La Nazione, 7 July and 8 October 2026; Agenzia delle Entrate, OMI non-residential reports 2024 and 2025, as compiled in the Florence data workbook; Cushman & Wakefield, Italy hotel MarketBeat H1 2026; Savills, Italian Office Spotlight, as reported by idealista, 22 July 2026; Scenari Immobiliari, as reported by nss magazine, 13 March 2024; ECB decision of 29 October 2026, as reported by Trend.az. Florence-specific office, hotel and residential yields were not verified by the authors from a named source and are not shown.

Capital markets. Florence is one of the four Italian cities at the centre of the hotel investment market, with Rome, Milan and Venice (Finanza.com). Hotel investment in Italy was EUR 1.3 billion in the first half of 2026, down 18% on an exceptional first half of 2025 but 53% above the ten-year average, with foreign capital providing 67% (Cushman & Wakefield). The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October, and Italian inflation was 4.2% in September 2026 (ISTAT).

Reading for the investor. A prime hotel yield of 4.5% to 5.0% is 200 to 250 basis points above the ECB deposit rate. With rates rising and inflation above 4%, there is little evidence of yield compression. Observation dates differ: the policy benchmark is the ECB deposit rate of 2.50% effective from 16 September 2026, while the property yield retains the period stated in its source table. These arithmetic differences are not contemporaneous spreads, financing costs or property risk premia.

C18. Florence: strategy appraisal

Strategy B has the clearest structural demand and the least competing supply; Strategy A has the strongest pricing but faces a pipeline of new rooms; Strategy C offers a reasonable gross yield on high rents, but flat incomes limit rent growth. All figures are illustrative.

Table C35. Value sensitivity to yield, Florence prime leased hotel (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: leased hotel, mid-point of Italian prime range (Cushman & Wakefield)	4.75%	+11.8%	+5.6%	-5.0%	-9.5%

Source: authors' calculations on the mid-point of the 4.5% to 5.0% prime yield for leased hotels in Italy reported by Cushman & Wakefield (H1 2026). It is a national figure, not a Florence-specific yield.

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 10% to 12%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net income, so an underwriting value needs the asset's net income after operating costs, capex reserves and, for an operated hotel, the operator's fees, and must deduct capex, conversion and purchase costs. The percentage changes do not depend on the income level.

Table C36. Summary assessment of the Florence strategies

Factor	A: upscale or luxury hotel	B: purpose-built student housing	C: long-let rental housing
Market tightness	Luxury rates far above 2019; new short lets banned in the centre	High rents; few purpose-built beds; university funds rent support	Rents second highest in Italy
Demand base	International visitors; record arrivals	Students from outside Florence	Residents; flat population and real incomes
Pricing	Italian prime yields 4.5% to 5.0%	Yield not verified for Florence	Gross yield about 5.6% on asking figures
Main risk	New luxury rooms; dependence on international travel	Planning and conversion costs; regulated-rate requirements	Affordability limits rent growth; regulation
Verdict	Underwrite selectively, subject to entry price and the pipeline	Prioritise for underwriting, subject to entry price and planning consent	Underwrite selectively

From growth to space. Table C36a traces each material source of Florence's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table C36a. From growth to space: Florence

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Students	Purpose-built student beds near university sites	About 1,700 eligible students had no regional bed in 2022 (latest available); an office building in Via Caboto is being converted to student housing for 2028/2029	**Adaptation and construction.** Demand exceeds beds, and surplus offices are already being adapted to meet it. Current student and bed numbers were not verified.
Visitors	Upscale and luxury hotels	A pipeline of about 2,000 rooms (about 14% of supply) in early 2024, much of it already open; new short lets banned in the historic centre	**Construction largely under way.** Arrivals reached a record of more than 4.7 million in 2025 (+10%), but HVS reports that hotel occupancy and average rates both fell in 2025, so further hotel building needs evidence that demand keeps outgrowing the rooms now opening.
Households	Long-let homes outside the historic centre, near the tram	Building permits covered 0.20 of new households in 2024 and 0.23 over 2013 to 2024, the lowest in the series; homes have been converted to tourist use	**Construction, and recovery of homes from tourist use.** Population is flat, but households keep forming while new supply is minimal. In the authors' judgement, the limits on short lets could return some homes to long lets.
Professional services and manufacturing jobs	Small modern offices; light industrial space	No broker office series; 162 office units sold in the city in 2024 (-12.2%); industrial stock not measured	**Absorption in offices.** Office demand is weak enough for the existing stock to meet it, and some offices are worth more in other uses. Industrial space was not assessed.
Income	Better space	Price of an 80 m² home 4.2 years of household income (2024)	**Little additional demand.** Real declared income per taxpayer fell 0.4% in 2019 to 2024.

Sources: Sections C14 to C18 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Florence's demand comes mostly from outside its resident population, from students and visitors, and is being met partly by adapting buildings that have lost their original use: offices to student housing, homes to tourist lets. The city's own households have the weakest new supply in the series.

Recent evidence and what it supports testing. HVS reports that hotel occupancy and average rates both fell in 2025, after real revenue per available room more than 20% above 2019 in 2024, and that the remaining pipeline is a small number of luxury schemes. HVS also puts room-stock growth at 1.1% a year in 2018 to 2025, less than the pipeline cited in Section C16 implies; the two sources measure supply differently and have not been reconciled. OMI recorded 4,232 dwellings let on ordinary long-term contracts in the municipality in 2025, at an average of €167 per m² a year (Rapporto Immobiliare 2026, Table 54). In the authors' judgement, a hotel acquisition or conversion should be tested against the softer 2025 trading and the luxury openings, and student housing kept conditional on a campus-level count of competing beds, rents and occupancy.

C19. Risks, monitoring and review triggers

Table C37. Risks, indicators and suggested review triggers: Milan and Rome

Risk	Most exposed	What to monitor	Suggested review trigger
Interest-rate rises	Milan A and C; Rome A	ECB deposit rate; BTP and swap rates; prime yields	Prime CBD yield above 4.50% (Milan) or 5.25% (Rome)
Energy shock and inflation	All strategies	Italian inflation; energy prices	Inflation above 4% into mid-2027
Rome labour market	Rome A and B	Metro employment, regional shift	Regional shift still negative in 2024 and 2025 data
Obsolescence of older offices	Milan B; Rome B	Vacancy by grade; refurbishment costs	Grade A vacancy above 6% (Milan) or 4% (Rome)
Housing affordability	Milan C	Real pay; rents relative to incomes	Asking rents falling for two consecutive quarters
Hybrid working	All office strategies	Take-up per employee; utilisation	Take-up falling while employment rises

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Data refresh before any investment decision. Update office data to the latest quarter and reconcile providers' definitions; add pipeline data from local brokers; load the 2024 provincial accounts when Eurostat publishes them; check the population series for the census rebasing; and refresh the forecasts and ECB path.

Table C38. Risks, indicators and suggested review triggers: Florence

Risk	Indicator to monitor	Suggested review trigger
Tourism demand	Arrivals and stays; airport passengers	Overnight stays falling for two consecutive years
Hotel supply	Rooms opened and in the pipeline	Pipeline above 15% of existing supply
Short-let and housing policy	City regulations; regional tourism law	Limits extended to long lets or to hotels
Fashion and manufacturing	Exports excluding pharmaceuticals; furlough hours	A further year of falling exports excluding pharmaceuticals
Energy shock and rates	Energy prices; ECB deposit rate	Further ECB rate rises
Student demand	Enrolments; bed supply	Purpose-built beds growing faster than out-of-town enrolments

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The Florence figures should be refreshed quarterly. Florence-specific hotel performance, office and residential yields, and student enrolment and bed numbers should be obtained from a local partner with transaction, leasing and yield evidence before any investment.

C20. Sources

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Official statistics provide the metropolitan, demographic, sectoral and pay series; all calculations from them are the authors'. Commercial and press sources provide market figures, which are transcribed and attributed. Broker reports are © their authors and are cited for factual reference.

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PART D. GERMANY

Munich and Berlin



Berlin, Potsdamer Platz. Architectural illustration.

This part reproduces the German edition. It compares Munich and Berlin (Section D3) and then sets out Munich in Part D-I and Berlin in Part D-II, with offices in depth. Both metros are compared with Germany on the same Eurostat regional accounts for employment, but their pay measures differ.

Data vintage. Metropolitan employment and GDP run to 2023 for both metros and population to 2025. Pay runs to 2023 (Upper Bavaria) and 2024 (Munich city) for Munich and to 2025 for Berlin. Office market figures run to Q2 or Q3 2026, and Berlin's housing policy position to October 2026.

D1. Executive summary and recommendations

Recommendations. Munich: prioritise core Grade A offices in the central business district for underwriting, subject to entry price; underwrite rental housing selectively, in well-connected locations and taking account of rent regulation; underwrite refurbishment of older offices to Grade A only in central locations and with a substantial pre-let. Berlin: prioritise newly built rental housing for underwriting, subject to entry price and regulatory risk; underwrite core Grade A offices only selectively, in the strongest central locations and subject to entry price; do not prioritise refurbishment of older offices to Grade A while vacancy is still rising. On relative value, Munich is the stronger office case and Berlin the stronger rental housing case. Munich combines job growth twice Germany's rate, output per job a third above the national level and the highest pay in Germany, which supports premium space. Against that, office vacancy has more than tripled since 2019 to about 8% to 9%, almost all of it outside the core, population growth has slowed sharply since 2019 and German growth is forecast to stay weak. The Berlin region has added jobs more than twice as fast as Germany since 2012, its real pay has risen faster than Germany's and its population keeps growing, while housing completions fell 28% in 2025. Against that, office vacancy has risen almost sevenfold since 2019 to about 9% to 11%, Berlin's own employment has fallen slightly since 2025, and the incoming city government plans to socialise the holdings of large private landlords. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

Two metros, one method. This German edition applies the Observatory's method to the Munich and Berlin regions: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Germany, the demand- and supply-side drivers of growth and the forces behind it, followed by the office market, housing and capital markets and illustrative strategies. Section D3 compares the two metros; Parts D-I and D-II set out each in full.

The case rests on seven comparative findings:

1. **Both regions have added jobs about twice as fast as Germany, and Berlin has led since 2019.** Workplace jobs rose 15.4% in the Munich region and 15.3% in the Berlin region between 2012 and 2019, against 7.7% for Germany, and 3.8% and 5.1% between 2019 and 2023, against 1.4%, to 2.04 million and 2.93 million. Munich's own competitive gain explains about half of its job growth before 2019 and 60% after; Berlin's explains 46% and 59%.
2. **Munich's output and pay are far above the national level; Berlin's output has grown fast from a lower base.** The Munich region produced 6.0% of German GDP in 2023, up from 5.6% in 2012, with output per job 34% above Germany's. The Berlin region's share rose from 5.4% to 6.2%, but its output per job is still 3% below the German level. The median full-time wage in Munich city was EUR 5,362 a month in 2024, 34% above the German median. Berlin's real GDP has grown faster than Germany's every year since 2013, by 1.1% against 0.2% in 2025.

3. **Real pay rose in both before 2019; Berlin's held up after 2019.** Upper Bavaria's real compensation per employee rose 11.0% in 2012 to 2019 and fell 2.3% in 2019 to 2023, broadly in line with Germany. Berlin's rose 15.3% and then a further 1.8%, taking pay from the national level in 2012 to 7% above it in 2023. Before 2019 these patterns are consistent with demand-induced expansion and a stronger wealth effect, but they do not estimate labour-supply elasticity. Upper Bavaria and Berlin city differ in geography; the pay series are compared by direction only. Post-2019 interpretation must consider inflation in both areas.
4. **Technology drives both; Munich is also specialised in finance and business services.** In Munich city, employees in information and communication almost doubled between 2012 and 2024, to 111,400, about 3.4 times the German share, and the region's finance, real estate and business services have a location quotient of 1.46. In Berlin city, jobs in information and communication more than doubled between 2012 and 2023, to 170,600, about 2.3 times its share of German employment, with real pay per employee up 13.6%; professional and administrative services added 121,500 jobs.
5. **Population growth has slowed in both and depends on migration.** The Munich region's population rose 1.1% a year between 2012 and 2019 but only 0.3% a year between 2019 and 2025, to 2.96 million, partly reflecting statistical revisions; births now barely exceed deaths, and the Bavarian statistics office projects only 3.2% growth to 2044. The Berlin region grew 10.4% between 2012 and 2025, to 5.41 million, but deaths now exceed births by about 15,000 a year, and on Berlin's population register net arrivals from abroad fell from about 25,500 in 2024 to 4,541 in 2025.
6. **Demand drives growth in both; Munich's labour market is tight, while Berlin has a large labour reserve beside a tight skilled market.** Upper Bavaria ranks 2nd among EU regions on the European Commission's innovation output indicator and Munich hosts seven DAX companies, while German defence spending rose about 24% in 2026; with a Bavarian employment rate of 84.3% and unemployment around 5%, there are few spare workers, so demand growth shows up in pay as well as jobs (Section D4.4). Berlin's unemployment rate was 10.4% in October 2026 and its employment rate 76.9%, against 81.2% for Germany, yet skilled pay keeps rising (Section D9.4); its employment fell 0.1% in 2025, the first fall since 2020.
7. **Prime offices are scarce in Munich; in Berlin offices are in surplus and housing is short.** Munich's prime rents reached EUR 58 to 62 per m² per month in 2026, up about half since 2019, and CBD vacancy is below 2% (CBRE), but overall vacancy rose to 8.1% (BNP Paribas Real Estate) or 9.3% (Cushman & Wakefield) in Q3 2026, with 1.9 million m² vacant; the prime office yield is 4.20% to 4.40%. In Berlin, vacancy reached 9.6% (BNP Paribas Real Estate) in Q3 2026, with 2.09 million m² vacant, 60% of it modern space, while prime rents reached EUR 47 to 49 per m² per month; housing completions fell to 11,027 in 2025, and asking rents rose to EUR 15.80 per m² per month.

The assumptions this advice is most sensitive to: German growth and the path of ECB rates and energy prices, which drive yields; whether occupiers keep concentrating in central, modern space; whether both regions' populations and labour supply keep growing, which in Berlin depends on a recovery in migration; the housing policy of the next Berlin city government, including the planned socialisation law; and whether Berlin's office take-up keeps recovering faster than vacancy rises.

D2. Introduction: purpose, method and areas

This edition assesses whether, and how, an institutional investor should commit capital to real estate in the Munich and Berlin regions, and how the two compare. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Areas covered. For Munich, the metropolitan area is Planning Region 14 (Region München): Munich city and the eight surrounding districts of Dachau, Ebersberg, Erding, Freising, Fürstenfeldbruck, Landsberg am Lech, Munich district and Starnberg, with 2.96 million residents on 1 January 2025; Munich city had 1.51 million residents on the official estimate. For Berlin, it is Eurostat's Berlin metropolitan region (DE001MC): the city of Berlin, Potsdam and eight surrounding districts of Brandenburg (Barnim, Dahme-Spreewald, Havelland, Märkisch-Oderland, Oberhavel, Oder-Spree, Potsdam-Mittelmark and Teltow-Fläming), with 5.41 million residents on 1 January 2025; Berlin city had 3.69 million residents on the official estimate and the Brandenburg districts 1.72 million. Germany is the reference economy throughout. Office sections use the brokers' own market definitions, which cover Munich city and its periphery and the city of Berlin.

Method and data. The data come from workbooks compiled for this edition, mainly from Eurostat's regional accounts and demographic statistics for the districts of each region, the Federal Employment Agency (BA), the City of Munich and the statistical office of Berlin-Brandenburg. Employment is workplace jobs, including the self-employed, in six broad sector groups for each region from 2012 to 2023. Finer sectors are available for Munich city only as employees covered by social insurance on 30 June, which exclude the self-employed and most civil servants, and for Berlin city, which is itself a NUTS region, as workplace jobs. GDP is nominal, as volume GDP is not published for the districts. Pay comes from different sources: for Munich, compensation per employee for Upper Bavaria, a larger region that contains Planning Region 14, from 2012 to 2023; for Berlin, compensation per employee by sector from the state accounts, from 2012 to 2025, compared with Eurostat's figures for Germany to 2023; and for both, BA median monthly pay of full-time employees for the city and districts (2020 to 2024 for Munich, 2020 to 2025 for Berlin). Real values use Germany's consumer price index. Growth is compared over 2012 to 2019 and 2019 to 2023. The population series contain statistical breaks, including revisions after the 2022 census, so changes after 2019 should be read with caution. Pay levels are not compared with other editions, whose pay statistics are defined differently, and the two metros' pay series are compared by direction only.

Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. The report tests six illustrative strategies:

Table D1. The strategies tested

City	Strategy	Asset	Location	Risk style
Munich	A	Stabilised, fully let Grade A office building	Central business district (city centre)	Core
Munich	B	Older office building, refurbished to Grade A	City fringe, near rapid transit	Value-add
Munich	C	Rental housing, newly built	Munich city and well-connected districts	Core-plus
Berlin	A	Stabilised, fully let Grade A office building	Central locations (Mitte, Potsdamer Platz, City West)	Core
Berlin	B	Older office building, refurbished to Grade A	City fringe, near rapid transit	Value-add
Berlin	C	Rental housing, newly built	Berlin city and well-connected Brandenburg districts	Core-plus

Structure. Section D3 compares the two metros. Part D-I (Sections D4 to D8) covers Munich and Part D-II (Sections D9 to D13) Berlin: metropolitan growth, including the demand- and supply-side drivers, prospects by asset class, the office market, housing and capital markets, and strategy appraisal. Section D14 sets out risks and monitoring for both, and Section D15 lists sources.

D3. Munich and Berlin compared

Munich and Berlin both added jobs about twice as fast as Germany between 2012 and 2023, but from different positions: Munich from the highest pay and output per job in Germany, Berlin from output per job below the national level, with faster growth in jobs and real pay since 2019.

D3.1 Growth on matched data

Table D2. Munich and Berlin scorecard

Indicator	Munich region	Berlin region	Germany
Workplace jobs, 2012 to 2019	+15.4%	+15.3%	+7.7%
Workplace jobs, 2019 to 2023	+3.8%	+5.1%	+1.4%
Workplace jobs, 2023	2.04 million	2.93 million	
Share of German GDP, 2012 and 2023	5.6% and 6.0%	5.4% and 6.2%	
Output per job relative to Germany, 2023	34% above	3% below	
Real compensation per employee, 2012 to 2019	+11.0% (Upper Bavaria)	+15.3% (Berlin city)	
Real compensation per employee, 2019 to 2023	-2.3% (Upper Bavaria)	+1.8% (Berlin city)	-2.3%
Jobs per resident, 2012 to 2019	+7.2%	+6.7%	
Jobs per resident, 2019 to 2023	+3.3%	+4.4%	
Population, 1 January 2025	2.96 million	5.41 million	
Population change, 2024	+25,263	+28,113	
Natural change, 2024	+615	-15,026	
Net migration, 2024, including statistical adjustment	+24,648	+43,139	
Growth type, 2012 to 2019	Consistent with demand-induced; stronger pay effect	Consistent with demand-induced; stronger pay effect	
Growth type, 2019 to 2023	Jobs growth with falling real pay	Consistent with demand-induced; elasticity unconfirmed	

Sources: Tables D5, D6, D18 and D19 and Sections D4 and D9; authors' calculations from Eurostat regional accounts and the sources cited there. The pay series cover Upper Bavaria and Berlin city, so they are compared by direction only.

Reading. On matched Eurostat data the two regions grew at almost the same rate before 2019, and Berlin faster since. They differ in level and in where their people come from: Munich's output per job is 34% above the German level and Berlin's 3% below, and Munich's natural change is close to zero while Berlin's deaths exceed births by about 15,000 a year, so Berlin depends more on migration. Real pay rose in both before 2019, the pattern that best supports premium space, but only Berlin's kept rising through the 2022 to 2023 inflation surge.

D3.2 Competitive engines

Both metros are technology hubs; Munich adds finance and business services. In Munich city, insured employees in information and communication are about 3.4 times the German share, and the region's finance, real estate and business services have a location quotient of 1.46. Berlin city's location quotient for information and communication is 2.28, but for finance it is 0.85, below the German average. The measures differ: Munich's city figures count insured employees and are indicative, while Berlin's count workplace jobs (Tables D10, D11, D23 and D24). Each metro's own competitive gain, measured by shift-share against Germany, explains about half of Munich's job growth before 2019 and 60% after, and 46% and 59% of Berlin's (Tables D12 and D25).

D3.3 Drivers of growth: demand side and supply side

Demand drives growth in both metros, but their labour markets differ. Munich's labour market is tight: with a Bavarian employment rate of 84.3% and unemployment around 5%, there are few spare workers, so demand growth shows up in pay as well as jobs. Berlin has a large labour reserve beside a tight skilled market: its unemployment rate was 10.4% in October 2026 and its employment rate 76.9%, against 81.2% for Germany, yet skilled pay keeps rising. Sections D4.4 and D9.4 set out the demand- and supply-side drivers for each metro.

D3.4 Office and housing markets

Table D3. Office and housing markets compared

Indicator	Munich	Berlin
Central office vacancy	Below 2% in the CBD (Q2 2026, CBRE)	Rate not published; 0.20 million m² vacant in top locations
Market office vacancy, Q3 2026	8.1% (BNP Paribas RE; Cushman & Wakefield 9.3%)	9.6% (BNP Paribas RE; JLL 9.3%; CBRE 8.6%; Cushman & Wakefield 10.6%)
Vacant office space	1.9 million m²	2.09 million m², 60% of it modern
Prime office rent, per m² per month	EUR 58 to 62	EUR 47 to 49
Prime office yield, net	4.20% (CBRE 4.4%)	4.60%
Asking housing rent, per m² per month	EUR 23.70 (Q2 2026)	EUR 15.80 (Q3 2026)
Completions per new household, 2024	0.77	1.50
Completions per added household, 2013 to 2024	1.20	Not reliable (Section 3.4)
Price of an 80 m² home, years of household income, 2024	9.5 (asking prices)	8.3 (resale transactions)
Main renters' rent burden, 2022	30.5%	27.4%

Sources: Sections D6, D7, D11 and D12 and Section 3.4; brokers as cited there. Housing ratios are the authors' calculations; price concepts differ between the two cities, so their levels are not directly comparable.

Reading. Munich's office market is split between a scarce centre and a periphery where vacancy has more than tripled since 2019. Berlin's vacancy has risen almost sevenfold since 2019 and 60% of its vacant space is modern, so its surplus extends to good buildings. Housing is the reverse case: Berlin's completions fell to 11,027 in 2025 while its population keeps growing, and its asking rents are about a third below Munich's, where rent regulation limits increases in much of the existing stock.

D3.5 Relative implications for real estate

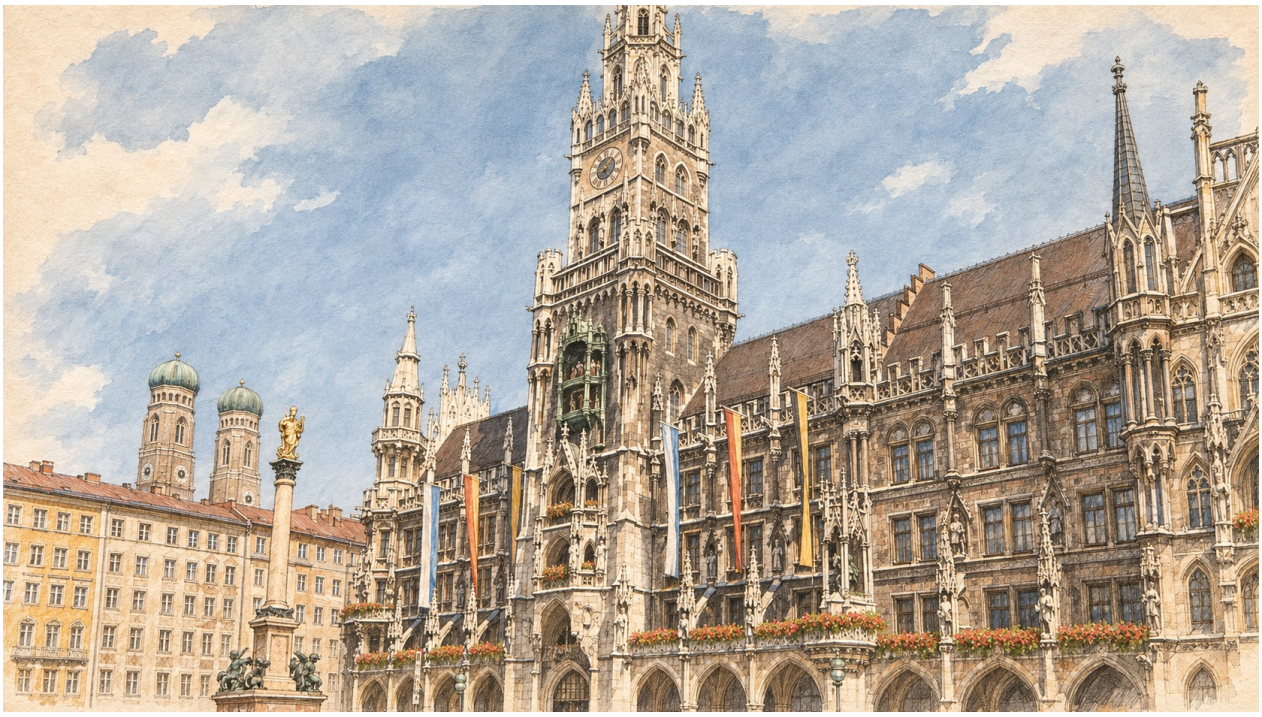
Table D4. Market-level recommendations compared

Asset class	Munich	Berlin
Core offices	Prioritise for underwriting in the CBD, subject to entry price	Underwrite selectively in the strongest central locations, subject to entry price
Value-add offices	Only in central locations, with a substantial pre-let	Do not prioritise while vacancy is rising
Rental housing	Underwrite selectively, taking account of rent regulation	Prioritise new-build rental, subject to entry price and regulatory risk

Source: summary of the recommendations in Section D1 and the appraisals in Sections D8 and D13. These are market-level judgements by the authors, not asset-level investment approvals.

Overall. Munich is the stronger office case and Berlin the stronger rental housing case. Munich's premium rests on pay and output per job far above the national level and a scarce centre. Berlin's rests on faster recent growth in jobs and real pay and a housing shortage, set against an office surplus and the political risk of the planned socialisation law.

Part D-I. Munich



Marienplatz and the Neues Rathaus, Munich. Illustration adapted from a photograph by Gary Todd, Wikimedia Commons · CC0 1.0

D4. Munich: metropolitan growth patterns

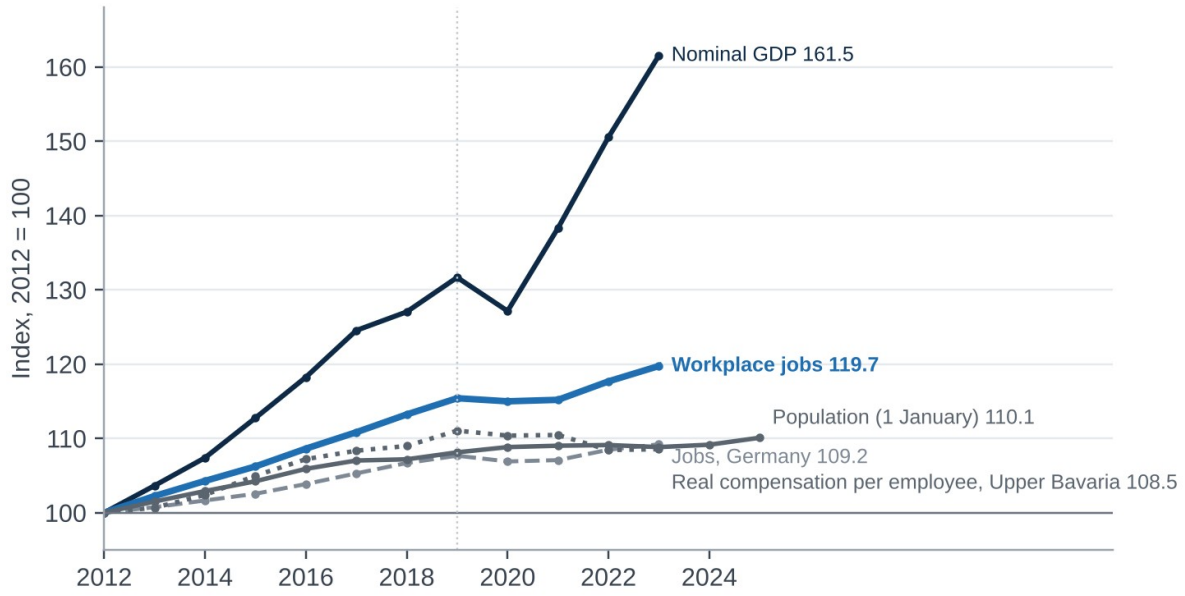
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (4.1), growth and pay by sector (4.2), specialisation and competitiveness against Germany (4.3), the demand- and supply-side drivers of growth (4.4) and the forces behind growth (4.5).

D4.1 Summary growth indicators

The Munich region grew much faster than Germany in jobs and output, faster in population, and with real pay rising strongly until 2019.

Figure D1. Jobs and output outgrew Germany; real pay rose until 2019

Summary growth indicators, Munich region (Planning Region 14), 2012 to 2023 (index, 2012 = 100)



Sources: Eurostat regional accounts (workplace jobs and nominal GDP by district) and population on 1 January; Eurostat compensation of employees and employees for Upper Bavaria (DE21); Germany CPI (Destatis, via finanz-tools.de); as compiled in the Munich data workbook; authors' calculations. Population to 2025.

Population. The region's population rose from 2.69 million on 1 January 2012 to 2.96 million on 1 January 2025 (+10.1%), against 4.0% for Germany, and its share of the national population rose from 3.3% to 3.5%. Growth slowed from 1.1% a year between 2012 and 2019 to 0.3% a year between 2019 and 2025, and the population fell in 2022. The authors understand that the 2022 census lowered population estimates across Germany, so part of the slowdown is likely to be statistical, but the data do not show how much.

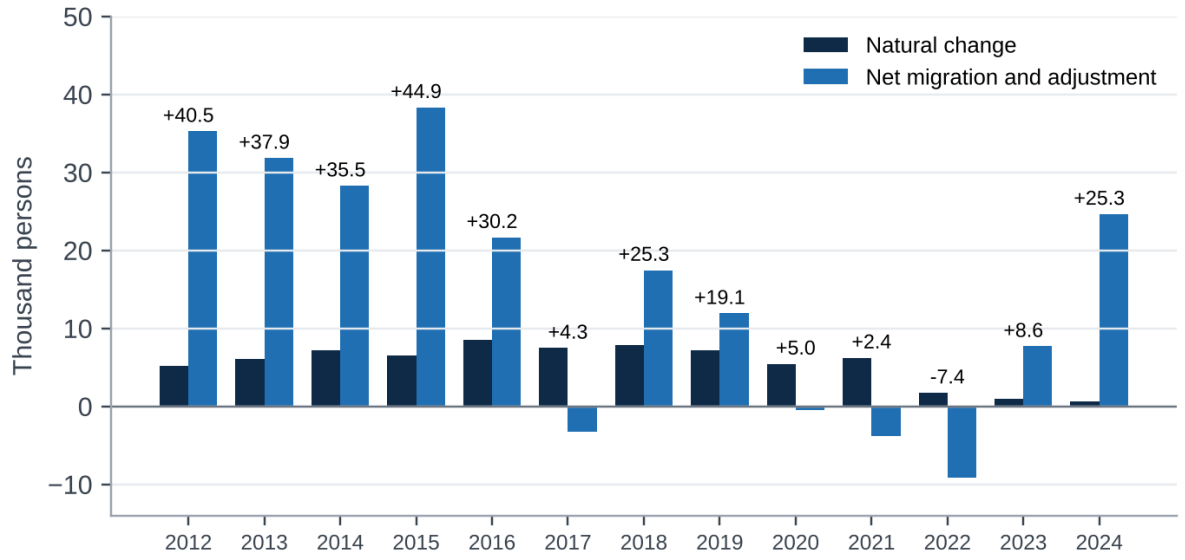
Employment. Workplace jobs rose from 1.71 million in 2012 to 2.04 million in 2023 (+19.7%). They grew 15.4% to 2019, against 7.7% for Germany, held almost flat through 2020 and 2021, and then grew 3.9% in 2022 and 2023.

Output and pay. Nominal GDP rose from EUR 155.8 billion in 2012 to EUR 251.7 billion in 2023 (+61.5%), faster than Germany's, so the region's share of German GDP rose from 5.6% to 6.0%. Output per job was EUR 123,100 in 2023, 34% above the German level. Munich city's own accounts show nominal GDP of EUR 152.0 billion in 2024, up 3.7%. Compensation per employee in Upper Bavaria was EUR 63,757 in 2023, 21% above Germany; after inflation it rose 11.0% between 2012 and 2019 and fell 2.3% between 2019 and 2023. The BA median for full-time employees in Munich city was EUR 5,362 a month in 2024; after inflation it was 1.6% below 2020, a similar fall to Germany's 1.8%.

Where population growth comes from. Population change is the sum of natural change and net migration. Births have exceeded deaths in every year since 2012, but natural change has fallen from 7,000 to 8,500 a year before 2020 to only 615 in 2024, so migration now drives growth (Figure D2 and Table D5). Net migration was negative from 2020 to 2022, a period that includes statistical adjustments.

Figure D2. Natural increase has almost disappeared; migration drives growth

Components of population change, Munich region, 2012 to 2024 (thousand persons; labels show total change)



Source: Eurostat, demographic balance by district, as compiled in the Munich data workbook. Net migration includes statistical adjustment, including census revisions.

Table D5. Components of population change, Munich region, 2024

Births	Deaths	Natural change	Net migration and adjustment	Population change
27,505	26,890	+615	+24,648	+25,263

Source: Eurostat, demographic balance (demo_r_gind3) for the nine districts, as compiled in the Munich data workbook. The data do not split migration into international and domestic flows, and the authors lack data on migrants' skills.

Jobs per resident. The region had 0.70 jobs per resident in 2023, against 0.55 for Germany, reflecting in-commuting from beyond the region and high participation. The ratio rose 7.2% between 2012 and 2019 and 3.3% between 2019 and 2023, against 4.2% and 1.2% for Germany: jobs have grown faster than population. This can reflect falling unemployment, higher participation or more commuting into the region; the census revision of population after 2019 also raises the ratio, and the data cannot separate these effects.

Synthesis by period. Table D6 summarises growth in each period and the type of growth it indicates.

Table D6. Synthesis of growth patterns by period, Munich region (average annual % change)

Area	Period	Population	Jobs	Real pay	Nominal output	Indicative mechanism	Main forces
Munich region	2012-19	+1.1	+2.1	+1.5	+4.0	Consistent with demand-induced; stronger pay effect	Technology, business services and industry; strong migration
Munich region	2019-23	+0.2	+0.9	-0.6	+5.2	Jobs and output growth with falling real pay	Technology and business services; 2022 to 2023 inflation; weak population growth
Germany	2012-19	+0.5	+1.1	+1.6	+3.4	National reference	
Germany	2019-23	0.0	+0.4	-0.6	+4.5	National reference	

Sources: Eurostat population on 1 January, workplace jobs and nominal GDP for the nine districts and Germany; Eurostat compensation per employee for Upper Bavaria (DE21) and Germany, deflated by Germany's CPI; authors' calculations. Real pay is for Upper Bavaria. Population growth after 2019 is affected by census revisions. Falling real pay after 2019 may reflect inflation, hours and worker composition as well as labour-supply shifts. Its cause is not identified; the same rule is applied across metros in Table 4b. Growth types follow the framework in Section D2 and are indicative.

Forecasts. The Joint Economic Forecast of September 2026 expects German GDP to grow 1.3% in 2026, 1.1% in 2027 and 0.4% in 2028, with consumer price inflation of 2.8% and 3.2% in 2026 and 2027; it cites the energy price shock from the Iran war and a shrinking labour force as limits on the recovery. The Bavarian statistics office projects the region's population to grow from 2.96 million at the end of 2024 to 3.06 million in 2044 (+3.2%), and Munich city's from 1.51 million to 1.58 million. The City of Munich's own projection, on a different population base, is considerably higher. Regional economic forecasts were not available to the authors.

Table D7. Historical and forecast growth, Munich region

Indicator	History	Forecast	Forecast source
Population	+10.1%, 2012 to 2025	+3.2%, end-2024 to 2044	Bavarian State Office for Statistics, 2026
Jobs	+19.7%, 2012 to 2023	Germany: employment broadly flat, 2026 to 2028	Joint Economic Forecast, September 2026
Nominal output	+61.5%, 2012 to 2023	Germany real GDP +1.3% (2026), +1.1% (2027), +0.4% (2028)	Joint Economic Forecast, September 2026
Real pay	Upper Bavaria +8.4%, 2012 to 2023	Germany CPI +2.8% (2026), +3.2% (2027)	Joint Economic Forecast, September 2026

Sources: history as Figure D1; Bavarian State Office for Statistics, regional population projection to 2044, as presented to the Regional Planning Association Munich, 21 July 2026; Joint Economic Forecast, autumn 2026, press release of 24 September 2026, as published by DIW Berlin.

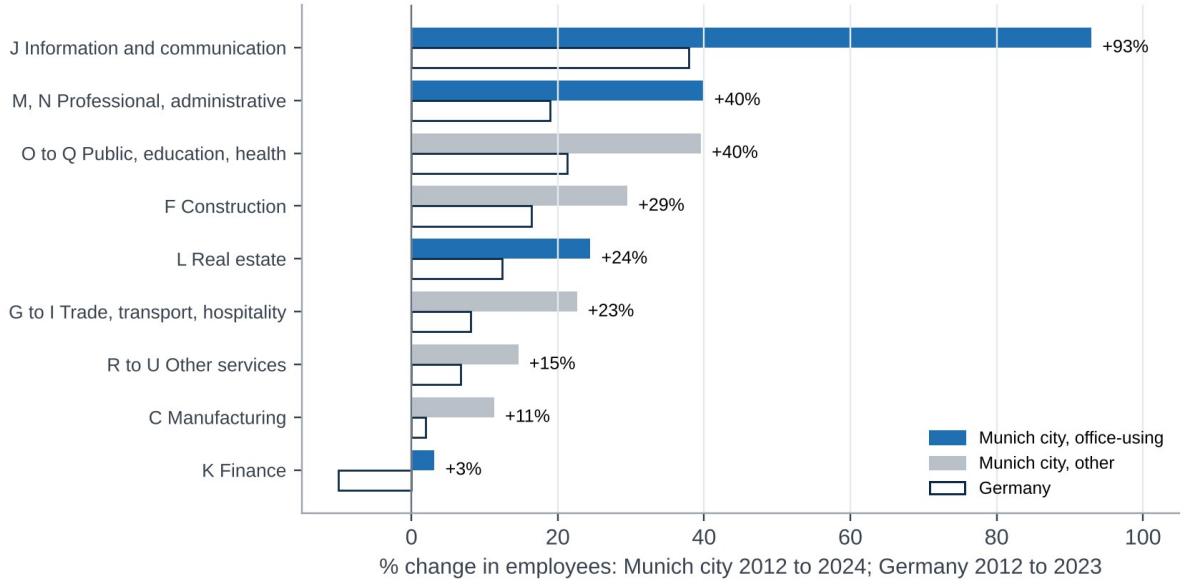
Reading for the investor. Munich's growth before 2019 was the strongest kind for real estate: fast job growth with rising real pay, at the highest pay levels in Germany. Since 2019 job growth has continued at more than twice the national rate, but population growth and real pay have stalled, and the national outlook is weak.

D4.2 Growth and pay by sector

Growth was led by technology, business services and public services, while finance and manufacturing grew slowly.

Figure D3. Technology employment almost doubled in Munich city

Employees covered by social insurance by sector, Munich city, 2012 to 2024, and employees in Germany, 2012 to 2023 (% change). Office-using sectors in blue.



Sources: City of Munich, statistical yearbooks (employees covered by social insurance at the workplace, 30 June); Eurostat regional accounts (employees, Germany); as compiled in the Munich data workbook; authors' calculations. The two series differ in coverage and period and are compared only for direction.

Table D8. Workplace jobs by sector, Munich region

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Germany jobs growth	Share of jobs 2023	LQ 2023
K-N Finance, real estate, business services	418.1	510.2	+22.0%	+9.4%	25.0%	1.46
G-J Trade, transport, hospitality, ICT	496.4	607.0	+22.3%	+7.1%	29.7%	1.17
O-U Public and other services	494.8	584.7	+18.2%	+16.5%	28.6%	0.87
B-E Industry excluding construction	220.0	248.7	+13.0%	+1.6%	12.2%	0.69
F Construction	64.3	82.5	+28.4%	+9.8%	4.0%	0.70
A Agriculture	13.4	10.9	-18.9%	-12.2%	0.5%	0.43
All sectors	1,707.0	2,044.0	+19.7%	+9.2%	100.0%	1.00

Source: Eurostat regional accounts (workplace jobs including self-employed) for the nine districts and Germany, as compiled in the Munich data workbook; authors' calculations. Only six broad sector groups are published for the districts.

Table D9. Compensation per employee by sector, Upper Bavaria

Sector	Employees growth 2012 to 2023	Compensation per employee 2023 (EUR)	Index, Germany = 100	Real 2012 to 2019	Real 2019 to 2023	Real 2012 to 2023	Germany real 2012 to 2023
K Finance and insurance	-4.5%	101,024	110	+6.0%	-1.6%	+4.4%	+9.0%
J Information and communication	+67.0%	94,156	113	-3.2%	-4.3%	-7.3%	+10.4%
C Manufacturing	+12.8%	88,769	131	+14.9%	-5.2%	+8.9%	+6.4%
M, N Professional and administrative	+35.8%	69,702	129	+12.6%	+4.4%	+17.5%	+25.1%
L Real estate	+10.4%	59,195	113	+23.6%	+5.0%	+29.8%	+21.3%
O to Q Public administration, education, health	+23.2%	52,660	103	+10.1%	-3.4%	+6.4%	+7.3%
F Construction	+35.5%	51,666	107	+11.8%	-1.8%	+9.8%	+6.2%
G to I Trade, transport, hospitality	+13.8%	49,830	121	+13.9%	-2.7%	+10.9%	+9.2%
R to U Other services	+10.4%	34,434	115	+9.7%	-9.2%	-0.4%	+4.1%
All sectors	+21.4%	63,757	121	+11.0%	-2.3%	+8.4%	+9.2%

Source: Eurostat regional accounts (compensation of employees, including employer social contributions, divided by employees), Upper Bavaria (DE21) and Germany, as compiled in the Munich data workbook; Germany CPI; authors' calculations. Upper Bavaria is larger than the Munich region. Compensation is an employer cost, includes part-time employees and is affected by changes in the mix of jobs.

Growth types by sector. Before 2019, most sectors in Upper Bavaria combined job growth with rising real pay, consistent with demand-induced expansion and a stronger pay effect; labour-supply elasticity is not estimated. Professional and administrative services is the clearest case: employees rose 36% between 2012 and 2023 and real pay 17.5%, with pay 29% above the sector nationally. Information and communication is the exception: employees rose 67% but real pay per employee fell 7.3%, while it rose 10.4% nationally, which suggests rapid hiring, possibly at lower average pay, rather than a shortage of workers. After 2019 real pay fell in most sectors as inflation surged, except in professional services and real estate. Munich city's median full-time pay in 2024 was highest in manufacturing (EUR 7,305), finance (EUR 6,953) and information and communication (EUR 6,691), all well above the German medians (BA).

D4.3 Specialisation and competitiveness

The Munich region is specialised in finance, real estate and business services and in trade, transport and ICT, and its specialisation has held or risen since 2012.

Table D10. Location quotients by sector, Munich region (Germany = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
K-N Finance, real estate, business services	1.44	1.45	1.46	25.0%	Highly specialised, stable
G-J Trade, transport, hospitality, ICT	1.12	1.16	1.17	29.7%	Specialised, rising
O-U Public and other services	0.94	0.89	0.87	28.6%	Below average, falling
B-E Industry excluding construction	0.68	0.68	0.69	12.2%	Below average, stable
F Construction	0.66	0.70	0.70	4.0%	Below average
A Agriculture	0.51	0.46	0.43	0.5%	Low

Table D11. Employees by detailed sector, Munich city

Sector	Employees 2012	Employees 2024	Growth 2012 to 2024	Germany growth 2012 to 2023	Share 2024	Indicative LQ
J Information and communication	57,761	111,447	+92.9%	+37.9%	11.5%	3.36
K Finance and insurance	58,658	60,495	+3.1%	-10.0%	6.2%	2.77
M, N Professional and administrative	164,660	230,335	+39.9%	+19.0%	23.7%	1.81
L Real estate	9,027	11,233	+24.4%	+12.4%	1.2%	1.10
O to Q Public administration, education, health	142,196	198,428	+39.5%	+21.3%	20.4%	0.76
G to I Trade, transport, hospitality	132,263	162,170	+22.6%	+8.1%	16.7%	0.76
R to U Other services	42,795	49,041	+14.6%	+6.7%	5.1%	0.81
C Manufacturing	95,527	106,322	+11.3%	+2.0%	11.0%	0.63
F Construction	18,194	23,561	+29.5%	+16.4%	2.4%	0.46
All sectors	733,967	970,646	+32.2%	+12.3%	100.0%	1.00

Source for Table D10: Eurostat regional accounts, workplace jobs, nine districts and Germany; authors' calculations. Source for Table D11: City of Munich, statistical yearbooks (employees covered by social insurance at the workplace, 30 June), and Eurostat regional accounts (employees, Germany, 2023); authors' calculations. The indicative quotients in Table D11 compare Munich city's insured employees in 2024 with all employees in Germany in 2023, so they are approximate; they exclude the self-employed and most civil servants in Munich.

Table D12. Shift-share decomposition, Munich region, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
K-N Finance, real estate, business services	+71.1	+32.1	+2.7	+36.4	+21.0	+7.0	-1.9	+16.0
G-J Trade, transport, hospitality, ICT	+88.1	+38.1	-4.1	+54.1	+22.5	+8.3	-6.8	+20.9
O-U Public and other services	+64.0	+37.9	+15.3	+10.8	+25.8	+7.9	+20.8	-2.9
B-E Industry excluding construction	+26.8	+16.9	-6.3	+16.3	+1.9	+3.5	-11.1	+9.4
F Construction	+14.2	+4.9	-0.8	+10.0	+4.1	+1.1	+1.3	+1.6
A Agriculture	-1.3	+1.0	-2.1	-0.3	-1.2	+0.2	-0.8	-0.6
Total	+263.0	+130.9	+4.8	+127.3	+74.0	+28.0	+1.6	+44.4

Source: Eurostat regional accounts, workplace jobs, nine districts and Germany, as compiled in the Munich data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2023. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. In Munich city, information and communication employs 11.5% of insured employees, about 3.4 times its share in Germany, and finance 6.2%, about 2.8 times; professional and administrative services is the largest office-using sector, at 23.7%. In the broader region, public and other services (28.6%) and trade, transport, hospitality and ICT (29.7%) are the largest groups.

What the decomposition shows. Munich's own competitive gain, the regional shift, explains almost half of its job growth before 2019 (127.3 thousand of 263.0 thousand) and 60% after (44.4 thousand of 74.0 thousand). Trade, transport, hospitality and ICT, and finance, real estate and business services gained share in both periods, as did industry, which held its jobs while industrial employment in Germany fell after 2019. Public and other services grew mostly because the sector grew nationally. The region's sector mix contributed little; its growth comes from gaining share within sectors.

D4.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables D12a and D12b rate each driver for the Munich region. The ratings are the authors' judgement from the evidence shown.

Table D12a. Demand-side drivers of growth, Munich

Driver	Rating	Evidence
National economic influences	Weak, but the mix lets Munich outgrow Germany	German GDP grew 0.2% in 2025 and Bavaria's 0.5%; Munich city's insured employees reached a record 976,230 in 2025, up 0.6%, against 0.1% for Bavaria and Germany; Munich's competitive gain explains about half of its job growth before 2019 and 60% after (Table D12)
Amenities, infrastructure and tax	Strong	Munich Airport handled 43.4 million passengers in 2025 (+4.4%); the second S-Bahn trunk line, costing more than EUR 11 billion, is not expected before 2035; taxes are largely national
Clusters and innovation	Very strong	Upper Bavaria ranks 2nd among EU regions on the European Commission's Regional Innovation Output Indicator, after Stockholm; seven DAX companies; 19.3 start-ups per 100,000 residents and EUR 2.7 billion of venture capital in 2025; motor vehicles provide 25.9% of Upper Bavaria's industrial jobs
Population growth	Weak	Population growth slowed to 0.3% a year after 2019 and natural change was only +615 in 2024 (Table D5); the region is projected to grow 3.2% to 2044
Visitor spending	Moderate	19.7 million overnight stays in 2025 (-0.2%), 44.5% of them international
Government spending	Moderate and rising	German defence spending of about EUR 108 billion in 2026, up about 24%; the number of defence start-ups in the region has doubled to about 60 (IHK Munich)

Sources: City of Munich, Münchner Jahreswirtschaftsbericht 2026 and population statistics; vbw, Bayern-Daten 2026 and Wirtschaftsdaten Oberbayern 2025; European Commission JRC, Regional Innovation Output Indicator; aeroTELEGRAPH, 8 January 2026; Schwäbische, 8 April 2025; tageskarte, 17 March 2026; Euronews, 1 September 2026; authors' calculations (shift-share).

Table D12b. Supply-side drivers of growth, Munich

Driver	Rating	Evidence
Immigration for non-wage reasons	Moderate	Net migration and adjustment provided 98% of the region's growth in 2024 (Table D5); 30.6% of Munich city's residents are foreign nationals; the city register shows net migration of only about 4,800 in 2025
Labour force participation	Weak (little room left)	Bavaria's employment rate is 84.3% (ages 20 to 64), against 81.2% for Germany; unemployment was 5.0% in the Munich employment agency district in 2025 and 4.0% in Bavaria; the region has 0.70 jobs per resident, against 0.55 for Germany
Public policy programmes	Mixed	The EU Blue Card requires a salary of at least EUR 50,700 in 2026 (EUR 45,934 in shortage occupations), which suits Munich's high-wage jobs; family reunification for people with subsidiary protection was suspended for two years in June 2025

Sources: Eurostat demographic balance, as compiled in the Munich data workbook; City of Munich, population statistics; Statistikportal, employment rate 2025; City of Munich, Münchner Jahreswirtschaftsbericht 2026; vbw, Bayern-Daten 2026; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, 27 June 2025.

How the drivers explain the growth pattern. Munich's innovation, high-value industry and specialised services provide demand-side evidence. Employment and real-pay gains before 2019 are consistent with demand-induced expansion and a stronger wealth effect. Unemployment around 5%, recruitment conditions and migration inform the labour-supply interpretation, but do not identify an elasticity or prove migrants' motives. After 2019, falling real pay alongside jobs growth admits several explanations, including inflation and composition; an independent labour-supply shift is not established.

What could change the balance. Defence spending is a new demand driver and may absorb workers leaving the car industry, where BMW is cutting up to 8,000 jobs (Euronews). The main risks are the car industry's decline and energy prices on the demand side, and housing costs that deter newcomers on the supply side, which would keep labour supply tight and slow job growth.

D4.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Munich's growth has been driven by its role as one of Germany's leading centres for technology, business services, finance and high-value industry, which has added jobs at high pay, rather than by population growth.

1. **Technology and business services.** Employees in information and communication almost doubled in Munich city between 2012 and 2024, and professional services rose 40%.
2. **High-value industry.** Industry's jobs held up after 2019, against a national decline, and manufacturing pays the highest median wage in the city.
3. **Rising real pay until 2019.** Real compensation per employee rose about 1.5% a year, consistent with demand-induced expansion and a stronger wealth effect; labour-supply elasticity is not estimated.
4. **Slowing population growth.** Natural increase has almost disappeared, and population growth since 2019 has been weak, which may limit labour supply.

Will these forces persist? The sector strengths are durable, and CBRE reports that technology, robotics, defence and life sciences firms are driving office demand. The constraints are weak national growth, higher energy costs and interest rates, a shrinking labour force nationally and high housing costs, which make it harder to attract workers.

D5. Munich: growth prospects and real estate markets

Over the next five to ten years, Munich's high-pay, high-productivity growth most clearly supports prime offices and housing; it supports logistics, while secondary offices face high vacancy.

Table D13. Asset classes and Munich's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Strong for prime, weak for secondary	Technology, business services and finance concentrated and growing	Grade A in the CBD and well-connected city locations	Vacancy above 8%, mostly outside the core
Rental housing	Strong	High pay; asking rents EUR 23.70 per m² and rising	New rental housing near rapid transit	Rent regulation; slowing population growth
Logistics	Moderate	Industry holding up; trade and transport growing	Urban and airport-area distribution	Prime yield up 35 bp in H1 2026
Hotels	Moderate	Trade fairs and business travel	Central hotels	Cyclical
Social infrastructure	Moderate	Public services growing with the national trend	Healthcare and education	Public funding

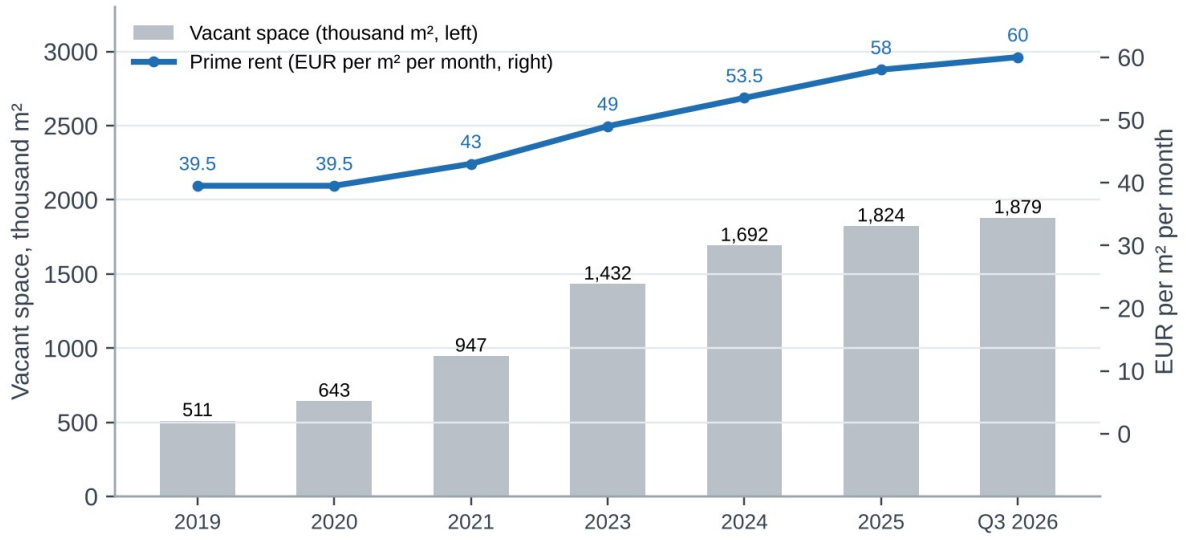
What the growth evidence does not support. Speculative office development or buying older offices outside the core without a pre-let, since vacancy is concentrated there. Industrial space for basic manufacturing is also not supported, although high-value industry has held up.

D6. Munich: the office market

Munich's office market is divided: prime rents are at record levels and the CBD is almost full, while overall vacancy has more than tripled since 2019.

Figure D4. Vacancy has more than tripled since 2019, while prime rents rose by half

Vacant office space and prime rent, Munich office market (city and periphery), 2019 to Q3 2026



Source: BNP Paribas Real Estate, Munich office market reports, Q4 2019 to Q3 2026, as compiled in the Munich data workbook. 2022 is not included in the workbook.

Table D14. Munich office market indicators

Indicator	Value	Period	Source
Vacancy rate	8.1% (Cushman & Wakefield 9.3%)	Q3 2026	BNP Paribas RE; Cushman & Wakefield
Vacancy, CBD	Below 2%	Q2 2026	CBRE
Vacant space	1.88 million m² (0.51 million in 2019)	Q3 2026	BNP Paribas RE
Prime rent	EUR 60 per m² per month	Q3 2026	BNP Paribas RE (C&W EUR 58; CBRE EUR 62 in Q2)
Average rent	EUR 26.90 per m² per month	Q3 2026	BNP Paribas RE (C&W EUR 28.05)
Take-up, January to September	485,000 m² (+19%)	2026	BNP Paribas RE (C&W 467,200 m², +16%)
Under construction	628,000 m² (C&W 883,500 m², 41% pre-let)	Q3 2026	BNP Paribas RE; Cushman & Wakefield
Prime yield	4.20% net (CBRE 4.4%)	H1 2026	BNP Paribas RE; CBRE
Investment volume, all property	EUR 1,237 million (+34.8%), 46.9% offices	H1 2026	BNP Paribas RE

Sources: BNP Paribas Real Estate, Munich office market reports (as compiled in the workbook) and Munich investment market H1 2026; Cushman & Wakefield, Munich office leasing release, 6 October 2026; CBRE, Munich Office Market Q2 2026. Providers' market definitions and figures differ.

Demand. Take-up rose about 16% to 19% in the first nine months of 2026, depending on the provider. Industry, transport and logistics accounted for 24% of take-up in Q3, technology and consultancy 17% each, and finance about 11% (Cushman & Wakefield); CBRE reports demand from technology, robotics, defence and life sciences firms. Large lettings include Google's campus on Arnulfstraße.

Supply and vacancy. Vacant space rose from 0.51 million m² in 2019 to 1.88 million m² in Q3 2026 (BNP Paribas RE), although it rose only slightly over the past year. Between 628,000 and 884,000 m² is under construction, depending on the provider, and Cushman & Wakefield reports that 41% of it is pre-let.

Rents and a two-tier market. The prime rent rose from EUR 39.50 per m² per month in 2019 to EUR 60 in Q3 2026 (BNP Paribas RE), about 52%, well ahead of consumer prices, which rose about 20% between 2019 and 2024. Average rents rose more slowly, to about EUR 27 to EUR 28. CBRE reports average rents of EUR 43.65 in the city centre against EUR 14.29 in the periphery. The gap between prime central space and the rest, not overall scarcity, is the main feature of the market.

D7. Munich: housing and capital markets

Housing. Rents are high and rising. The average asking rent for apartments in Munich was EUR 23.70 per m² per month in Q2 2026, up 3.7% on a year earlier (as reported by NADR; the underlying data provider is not named). Pay in Munich is the highest in Germany, but so are housing costs, and German rent regulation limits rent increases in much of the existing stock. Residential yields and transaction prices were not verified by the authors from a named source and are not shown.

Demand, supply and affordability. On the authors' calculation, 2024 population growth in Planning Region 14 implies about 14,000 new households (applying the city's household size to the region, which probably overstates them), against 10,784 completions in new residential buildings, a ratio of 0.77. Over 2013 to 2024 completions covered 1.20 of household growth, so 2024 was a weak year against a stronger record, and completions fell to 7,328 in 2025. At asking prices for existing apartments, the price of an 80 m² home fell from 12.4 years of household income in 2021 to 9.5 in 2024. Main renters in the city spent 30.5% of net income on gross cold rent in 2022 (microcensus), and asking rents for unfurnished relets equal about 28% of mean household income (Section 3.4).

Capital markets. Property investment in Munich reached EUR 1.24 billion in the first half of 2026, up 34.8% and the only German market above EUR 1 billion at mid-year, with offices accounting for 46.9% (BNP Paribas RE). The net prime office yield was unchanged at 4.20%, while the prime logistics yield rose 35 basis points to 4.60%. The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October.

Table D15. Munich pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, net	4.20% (CBRE 4.4%)	H1 2026	BNP Paribas RE; CBRE
Prime retail yield, net	3.45%	H1 2026	BNP Paribas RE
Prime logistics yield, net	4.60% (+35 bp)	H1 2026	BNP Paribas RE
Asking rent, apartments	EUR 23.70 per m² per month (+3.7%)	Q2 2026	As reported by NADR
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: BNP Paribas Real Estate, Munich investment market H1 2026; CBRE, Munich Office Market Q2 2026; NADR, 22 July 2026; ECB decision of 29 October 2026, as reported by Trend.az.

Reading for the investor. Munich's H1 2026 prime office yield of 4.20% differs by 170 basis points from the later ECB deposit rate of 2.50% effective from 16 September. The corresponding arithmetic differences for Milan and Vienna also use yields from their separately dated sources. These are not contemporaneous spreads and do not establish relative risk premia. Weak German growth and the need to test entry pricing remain material considerations.

D8. Munich: strategy appraisal

Strategy A offers secure income in the tightest part of the market, and its main risk is the price paid as rates rise; Strategy C has strong demand but faces regulation and affordability limits; Strategy B faces high vacancy outside the core. All figures are illustrative.

Table D16. Value sensitivity to yield, Munich prime office (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, CBD (BNP Paribas RE)	4.20%	+13.5%	+6.3%	-5.6%	-10.6%
A: prime office, CBD (CBRE)	4.40%	+12.8%	+6.0%	-5.4%	-10.2%

Source: authors' calculations on the net prime office yield of 4.20% reported by BNP Paribas Real Estate (H1 2026) and 4.4% reported by CBRE (Q2 2026).

A 25 basis point move changes value by about 5.4% to 6.3%, and a 50 basis point move by about 10% to 13.5%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table D17. Summary assessment of the Munich strategies

Factor	A: core CBD office	B: refurbishment to Grade A	C: rental housing
Market tightness	CBD vacancy below 2%	Overall vacancy 8% to 9%, mostly outside the core	High rents, rising
Demand base	Technology, business services, finance, high-value industry	Same, seeking modern central space	Highest pay in Germany; slowing population growth
Pricing	Yield 4.20% to 4.40%; prime rent EUR 58 to 62	Depends on location and quality achieved	Yield not verified
Main risk	Paying a full price as rates rise	Lease-up against 1.9 million m² vacant	Rent regulation; affordability
Verdict	Prioritise for underwriting, subject to entry price	Underwrite only in central locations with a substantial pre-let	Underwrite selectively

From growth to space. Table D17a traces each material source of Munich's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table D17a. From growth to space: Munich

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	New rental homes near rapid transit	Completions covered 0.77 of new households in 2024 and 1.20 over 2013 to 2024, and fell to 7,328 in 2025 (Section D7)	**Construction, slowing.** Supply kept pace over the long run but fell behind in 2024 and 2025. Asking rents for relets equal about 28% of mean household income; rent regulation limits increases in much of the existing stock.
Technology, business services and finance jobs	Grade A offices in the CBD and well-connected city locations	CBD vacancy below 2%; vacant space 1.88 million m² (0.51 million in 2019), mostly outside the core; 628,000 to 884,000 m² under construction, 41% pre-let	**Construction in the core; absorption doubtful elsewhere.** Central demand is being met by pre-let construction. The peripheral surplus does not match where growing firms want to be, and buying it without a pre-let is not supported.
Output and income	Premium space	As above; price of an 80 m² home fell from 10.3 to 9.5 years of household income (2019 to 2024)	**Quality.** Output per job is 34% above Germany's and real compensation rose 11.0% to 2019, which supports premium space, although it fell 2.3% after 2019.
Productive capital and industry	Specialised premises for technology, robotics, defence and life sciences	Not measured	**Not assessed.** German defence spending rose about 24% in 2026 and these firms are driving office demand (CBRE), but the edition does not measure laboratory or production space.
Trade and transport	Urban and airport-area distribution	Not measured	**Not assessed.** The prime logistics yield rose 35 basis points in H1 2026.

Sources: Sections D4 to D8 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Munich has two office markets that growth treats differently: a scarce core being extended by pre-let construction, and a periphery where vacancy has more than tripled since 2019 and growth is unlikely to fill it. Its high-value industry may need specialised space that this edition has not measured.

Recent evidence and what it supports testing. Cushman & Wakefield attributes 24% of Q3 2026 take-up to industry, transport and logistics and 17% each to technology, media and telecommunications and to consultancy (Section D6). The city's 2025 housing data show average asking rents of €25.93 per m² a month for first lettings and €22.52 in the existing stock. In the authors' judgement, the occupier split can be used to screen central office assets, after checking how much take-up reflects expansion rather than relocation, while housing viability has to be tested against achieved rents and the rent rules that apply to the specific property.

Part D-II. Berlin



Brandenburg Gate and Pariser Platz, Berlin. Illustration adapted from a photograph by Manfred Brückels, Wikimedia Commons · CC BY 3.0

D9. Berlin: metropolitan growth patterns

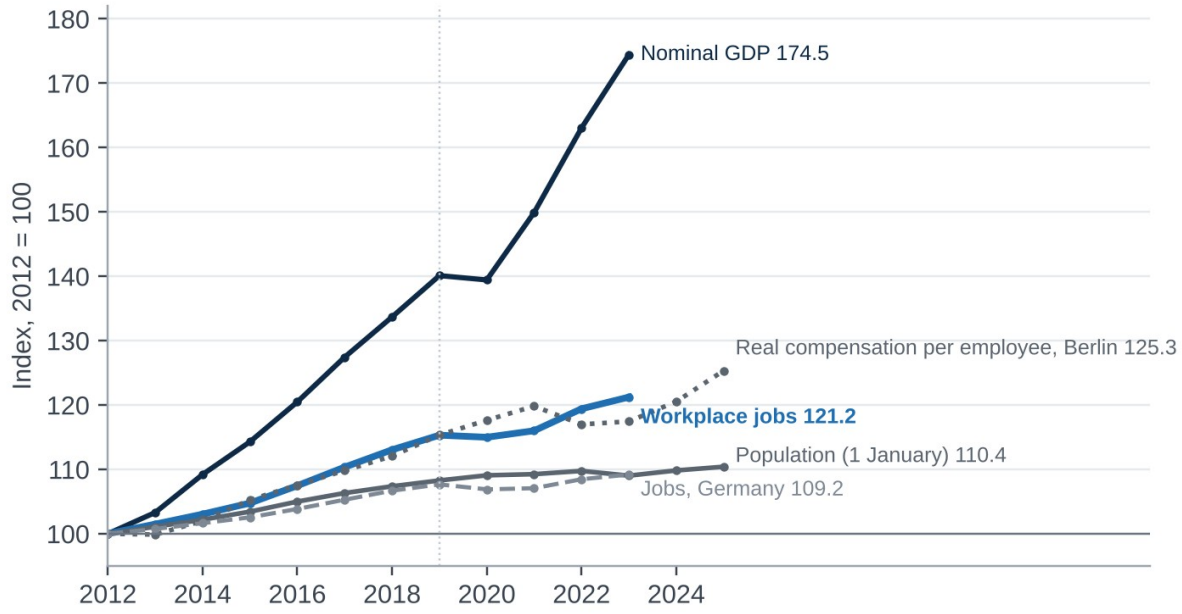
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (9.1), growth and pay by sector (9.2), specialisation and competitiveness against Germany (9.3), the demand- and supply-side drivers of growth (9.4) and the forces behind growth (9.5).

D9.1 Summary growth indicators

The Berlin region grew much faster than Germany in jobs, output and population, and its real pay rose faster than Germany's in both periods.

Figure D5. Jobs, output and real pay all outgrew Germany

Summary growth indicators, Berlin region (DE001MC), 2012 to 2023 (index, 2012 = 100)



Sources: Eurostat regional accounts (workplace jobs and nominal GDP by district) and population on 1 January; Statistical Office for Berlin-Brandenburg, compensation of employees and employees for Berlin; Germany CPI (Destatis, via finanz-tools.de); as compiled in the Berlin data workbook; authors' calculations. Population and real pay to 2025.

Population. The region's population rose from 4.90 million on 1 January 2012 to 5.41 million on 1 January 2025 (+10.4%), against 4.0% for Germany, and its share of the national population rose from 6.1% to 6.5%. Berlin city grew 10.8% and the Brandenburg districts 9.6%. Growth slowed from 1.1% a year between 2012 and 2019 to 0.3% a year between 2019 and 2025, and the population fell in 2023, a year with a statistical break. The authors understand that the 2022 census lowered population estimates across Germany, so part of the slowdown is likely to be statistical, but the data do not show how much.

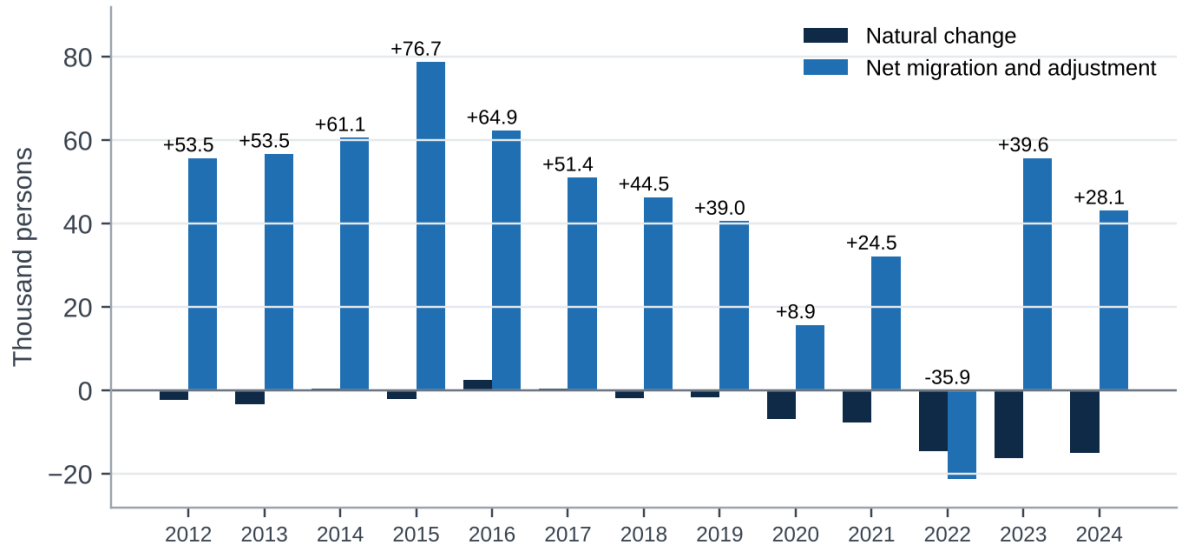
Employment. Workplace jobs rose from 2.42 million in 2012 to 2.93 million in 2023 (+21.2%). They grew 15.3% to 2019, against 7.7% for Germany, dipped in 2020 and then grew 5.1% between 2019 and 2023, against 1.4% for Germany. Berlin city's own figures show 2.20 million workplace jobs in 2024; its statistical office reports a fall of 0.1% in 2025 and of 0.3% in the first quarter of 2026, in line with Germany.

Output and pay. Nominal GDP rose from EUR 150.0 billion in 2012 to EUR 261.7 billion in 2023 (+74.5%), faster than Germany's 50.7%, so the region's share of German GDP rose from 5.4% to 6.2%. Output per job was EUR 89,300 in 2023, still 3% below the German level, against 7% below in 2012. Berlin's real GDP grew 1.1% in 2025, against 0.2% for Germany, and 0.9% in the first half of 2026, the same as Germany. Compensation per employee in Berlin was EUR 56,778 in 2023, 7% above Germany, and EUR 63,299 in 2025; after inflation it rose 15.3% between 2012 and 2019, 1.8% between 2019 and 2023 and 8.7% between 2019 and 2025. The BA median for full-time employees in Berlin city was EUR 4,459 a month in 2025, 6% above the German median; after inflation it was 5.0% above 2020, against 0.9% for Germany.

Where population growth comes from. Population change is the sum of natural change and net migration. Deaths have exceeded births in most years since 2012 and by about 15,000 a year since 2022, so migration drives all growth (Figure D6 and Table D18). Net migration was low in 2020 and negative in 2022, a period that includes statistical adjustments.

Figure D6. Natural change has turned negative; migration drives all growth

Components of population change, Berlin region, 2012 to 2024 (thousand persons; labels show total change)



Source: Eurostat, demographic balance by district, as compiled in the Berlin data workbook. Net migration includes statistical adjustment, including census revisions.

Table D18. Components of population change, Berlin region, 2024

Area	Births	Deaths	Natural change	Net migration and adjustment	Population change
Berlin region	44,328	59,354	-15,026	+43,139	+28,113
of which Berlin city	33,749	37,686	-3,937	+26,821	+22,884

Source: Eurostat, demographic balance (demo_r_gind3) for the eleven districts, as compiled in the Berlin data workbook. The data do not split migration into international and domestic flows.

Jobs per resident. The region had 0.55 jobs per resident in 2023, the same as Germany, and Berlin city 0.60. The ratio rose 6.7% between 2012 and 2019 and 4.4% between 2019 and 2023, against 4.2% and 1.2% for Germany: jobs have grown faster than population. This can reflect falling unemployment, higher participation or more commuting into the region; the census revision of population after 2019 also raises the ratio, and the data cannot separate these effects.

Synthesis by period. Table D19 summarises growth in each period and the type of growth it indicates.

Table D19. Synthesis of growth patterns by period, Berlin region (average annual % change)

Area	Period	Population	Jobs	Real pay	Nominal output	Indicative mechanism	Main forces
Berlin region	2012-19	+1.1	+2.1	+2.1	+4.9	Consistent with demand-induced; skilled constraints possible	Information and communication, business services, public services; strong migration
Berlin region	2019-23	+0.2	+1.3	+0.4	+5.6	Consistent with demand-induced; elasticity unconfirmed	Information and communication, public services; weak population growth
Germany	2012-19	+0.5	+1.1	+1.6	+3.4	National reference	
Germany	2019-23	0.0	+0.4	-0.6	+4.5	National reference	

Sources: Eurostat population on 1 January, workplace jobs and nominal GDP for the eleven districts and Germany; Statistical Office for Berlin-Brandenburg, compensation per employee for Berlin; Eurostat compensation per employee for Germany; both deflated by Germany's CPI; authors' calculations. Real pay is for Berlin city. The Berlin and German pay series come from different releases and may differ in vintage. Population growth after 2019 is affected by census revisions. Growth types follow the framework in Section D2 and are indicative.

Forecasts. The Joint Economic Forecast of September 2026 expects German GDP to grow 1.3% in 2026, 1.1% in 2027 and 0.4% in 2028, with consumer price inflation of 2.8% and 3.2% in 2026 and 2027; it cites the energy price shock from the Iran war and a shrinking labour force as limits on the recovery. The Senate of Berlin's population forecast, adopted in November 2025, projects Berlin city to grow by about 109,000 residents between 2024 and 2040, to about 4.0 million on its register-based count, which is higher than the official estimate used in this edition. A forecast for the whole metropolitan region was not available to the authors.

Table D20. Historical and forecast growth, Berlin region

Indicator	History	Forecast	Forecast source
Population	+10.4%, 2012 to 2025	Berlin city +109,000, 2024 to 2040 (register count)	Senate of Berlin, November 2025
Jobs	+21.2%, 2012 to 2023	Germany: employment broadly flat, 2026 to 2028	Joint Economic Forecast, September 2026
Nominal output	+74.5%, 2012 to 2023	Germany real GDP +1.3% (2026), +1.1% (2027), +0.4% (2028)	Joint Economic Forecast, September 2026
Real pay	Berlin +17.5%, 2012 to 2023 (+25.3% to 2025)	Germany CPI +2.8% (2026), +3.2% (2027)	Joint Economic Forecast, September 2026

Sources: history as Figure D5; Senate Chancellery of Berlin, press release of 4 November 2025 on the population forecast 2024 to 2040; Joint Economic Forecast, autumn 2026, press release of 24 September 2026, as published by DIW Berlin.

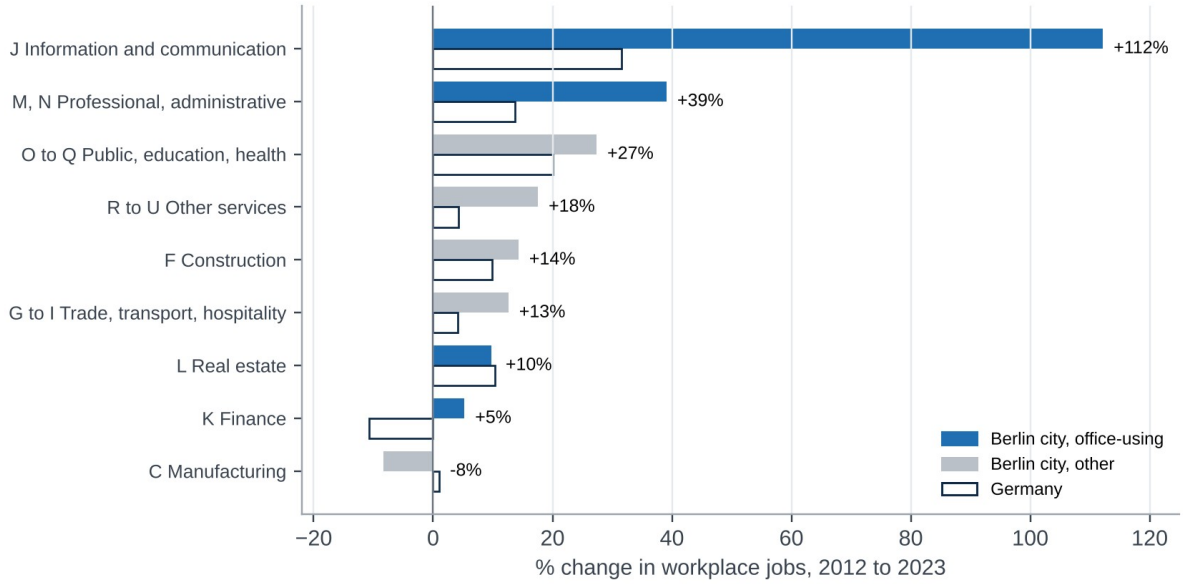
Reading for the investor. Berlin's growth has been strong in every dimension that matters for real estate: jobs, output, real pay and population all grew faster than Germany's, and real pay kept rising after 2019 when it fell nationally. The caution is that growth has slowed since 2025: employment has edged down, migration from abroad has fallen sharply and national growth is forecast to stay weak.

D9.2 Growth and pay by sector

Growth was led by information and communication, professional and administrative services and public services, while manufacturing shrank.

Figure D7. Information and communication jobs more than doubled in Berlin city

Workplace jobs by sector, Berlin city and Germany, 2012 to 2023 (% change). Office-using sectors in blue.



Source: Eurostat regional accounts (workplace jobs including self-employed), Berlin (DE300) and Germany, as compiled in the Berlin data workbook; authors' calculations.

Table D21. Workplace jobs by sector, Berlin region

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Germany jobs growth	Share of jobs 2023	LQ 2023
O-U Public and other services	895.5	1,104.5	+23.3%	+16.5%	37.7%	1.15
G-J Trade, transport, hospitality, ICT	631.2	778.9	+23.4%	+7.1%	26.6%	1.05
K-N Finance, real estate, business services	501.1	643.2	+28.4%	+9.4%	21.9%	1.28
B-E Industry excluding construction	229.1	233.5	+1.9%	+1.6%	8.0%	0.45
F Construction	144.0	156.1	+8.5%	+9.8%	5.3%	0.93
A Agriculture	17.0	15.0	-11.8%	-12.2%	0.5%	0.41
All sectors	2,417.8	2,931.2	+21.2%	+9.2%	100.0%	1.00

Source: Eurostat regional accounts (workplace jobs including self-employed) for the eleven districts and Germany, as compiled in the Berlin data workbook; authors' calculations. Only six broad sector groups are published for the Brandenburg districts.

Table D22. Compensation per employee by sector, Berlin

Sector	Employees growth 2012 to 2023	Compensation per employee 2023 (EUR)	Index, Germany = 100	Real 2012 to 2019	Real 2019 to 2023	Real 2019 to 2025	Germany real 2012 to 2023
K Finance and insurance	+10.8%	96,212	105	+4.5%	+1.5%	+11.8%	+9.0%
J Information and communication	+130.3%	85,147	102	+8.1%	+5.1%	+16.2%	+10.4%
C Manufacturing	-7.6%	66,985	99	+7.7%	-4.3%	+0.3%	+6.4%
L Real estate	+15.4%	64,192	123	+36.9%	+5.4%	+10.3%	+21.3%
O to Q Public administration, education, health	+28.2%	58,676	115	+16.7%	-1.5%	+5.4%	+7.3%
M, N Professional and administrative	+47.1%	57,160	105	+22.7%	+5.4%	+13.1%	+25.1%
F Construction	+29.7%	46,202	96	+1.7%	+3.9%	+8.0%	+6.2%
R to T Other services	+29.0%	41,895	n.a.	+14.6%	-2.8%	+1.4%	n.a.
G to I Trade, transport, hospitality	+16.8%	41,559	101	+16.8%	-0.4%	+4.8%	+9.2%
All sectors	+30.2%	56,778	107	+15.3%	+1.8%	+8.7%	+9.2%

Sources: Statistical Office for Berlin-Brandenburg, compensation of employees and employees by sector for Berlin, 2012 to 2025; Eurostat regional accounts, compensation of employees and employees for Germany, 2012 to 2023, as compiled for Munich (Part D-I); Germany CPI; authors' calculations. Compensation includes employer social contributions, is an employer cost, includes part-time employees and is affected by changes in the mix of jobs. The Berlin and German series come from different releases; other services are defined differently in the two sources, so no index is shown.

Growth types by sector. Most of Berlin's growing office sectors combined rapid job growth with rising real pay, a pattern consistent with demand-induced expansion; skilled-labour constraints remain a hypothesis. Information and communication is the clearest case: employees rose 130% between 2012 and 2023 and real pay per employee a further 16.2% between 2019 and 2025, unlike in Munich (Part D-I), where the sector's real pay fell as it grew. Professional and administrative services added 47% more employees with real pay up 22.7% before 2019. Manufacturing is the exception, with fewer jobs and flat real pay since 2019. The BA medians tell the same story: full-time median pay in Berlin city in 2025 was highest in finance (EUR 6,338) and information and communication (EUR 6,148), both above the German medians.

D9.3 Specialisation and competitiveness

The Berlin region is specialised in finance, real estate and business services and in public services, and Berlin city is highly specialised in information and communication.

Table D23. Location quotients by sector, Berlin region (Germany = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
K-N Finance, real estate, business services	1.21	1.29	1.28	21.9%	Specialised, risen since 2012
O-U Public and other services	1.20	1.16	1.15	37.7%	Specialised, falling slightly
G-J Trade, transport, hospitality, ICT	1.01	1.03	1.05	26.6%	Average, rising
F Construction	1.04	0.99	0.93	5.3%	Average, falling
B-E Industry excluding construction	0.50	0.44	0.45	8.0%	Low
A Agriculture	0.46	0.43	0.41	0.5%	Low

Table D24. Workplace jobs by detailed sector, Berlin city

Sector	Jobs 2012	Jobs 2023	Growth 2012 to 2023	Germany growth 2012 to 2023	Share 2023	LQ 2023
J Information and communication	80,390	170,560	+112.2%	+31.6%	7.8%	2.28
L Real estate	41,750	45,810	+9.7%	+10.3%	2.1%	1.88
M, N Professional and administrative	310,910	432,460	+39.1%	+13.7%	19.7%	1.45
R to U Other services	181,040	212,810	+17.5%	+4.2%	9.7%	1.45
O to Q Public administration, education, health	503,810	641,700	+27.4%	+20.1%	29.3%	1.12
G to I Trade, transport, hospitality	365,660	411,740	+12.6%	+4.1%	18.8%	0.86
K Finance and insurance	41,290	43,450	+5.2%	-10.7%	2.0%	0.85
F Construction	83,150	95,030	+14.3%	+9.8%	4.3%	0.75
C Manufacturing	122,170	112,010	-8.3%	+1.0%	5.1%	0.31
All sectors	1,750,960	2,190,900	+25.1%	+9.2%	100.0%	1.00

Source for Tables D23 and D24: Eurostat regional accounts, workplace jobs including self-employed, for the eleven districts, Berlin (DE300) and Germany, as compiled in the Berlin data workbook; authors' calculations. Rows in Table D24 exclude agriculture and energy, water and mining, so they do not sum to the total.

Table D25. Shift-share decomposition, Berlin region, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
O-U Public and other services	+133.1	+68.7	+27.7	+36.8	+76.0	+14.6	+38.2	+23.1
K-N Finance, real estate, business services	+117.7	+38.4	+3.2	+76.0	+24.4	+8.8	-2.4	+18.1
G-J Trade, transport, hospitality, ICT	+109.6	+48.4	-5.2	+66.4	+38.1	+10.5	-8.6	+36.1
F Construction	+11.7	+11.0	-1.7	+2.3	+0.5	+2.2	+2.7	-4.4
B-E Industry excluding construction	-0.7	+17.6	-6.6	-11.7	+5.1	+3.2	-10.2	+12.1
A Agriculture	-1.0	+1.3	-2.6	+0.3	-1.0	+0.2	-1.0	-0.2
Total	+370.3	+185.4	+14.8	+170.1	+143.1	+39.6	+18.7	+84.8

Source: Eurostat regional accounts, workplace jobs, eleven districts and Germany, as compiled in the Berlin data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2023. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. In Berlin city, information and communication employs 7.8% of workers, about 2.3 times its share in Germany, up from 1.6 times in 2012; real estate and professional and administrative services are also concentrated. Finance is below the German average, unlike in Munich. Public administration, education and health is the largest group, with 29.3% of jobs, reflecting Berlin's role as the federal capital.

What the decomposition shows. Berlin's own competitive gain, the regional shift, explains 46% of its job growth before 2019 (170.1 thousand of 370.3 thousand) and 59% after (84.8 thousand of 143.1 thousand). Trade, transport, hospitality and ICT, and finance, real estate and business services gained share in both periods. Public and other services grew mostly because the sector grew nationally, which also gives the region a positive mix effect. Industry lost share before 2019 but gained after, which the authors understand partly reflects the Tesla plant in Oder-Spree, opened in 2022.

D9.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables D25a and D25b rate each driver for the Berlin region. The ratings are the authors' judgement from the evidence shown.

Table D25a. Demand-side drivers of growth, Berlin

Driver	Rating	Evidence
National economic influences	Weak, but Berlin has outgrown Germany	German GDP grew 0.2% in 2025; Berlin's real GDP grew 1.1%, faster than Germany's every year since 2013, but only in line with it (0.9%) in H1 2026; Berlin's employment fell 0.1% in 2025 and 0.3% in Q1 2026; Berlin's competitive gain explains about half of its job growth (Table D25)
Amenities, infrastructure and tax	Moderate	BER airport handled 26.05 million passengers in 2025 (+2.3%); taxes are largely national
Clusters and innovation	Strong	Berlin start-ups raised about EUR 2.7 billion in 2025 in 218 deals, second to Bavaria (EUR 3.3 billion); Berlin has led the ING innovation index of German states for 11 years; 283 AI start-ups, about 30% of Germany's, and more than 400 firms in the region working on dual-use technology; information and communication jobs more than doubled (Table D24); Tesla plans 3,500 new jobs at Grünheide in 2026
Population growth	Moderate	The region grew 10.4% between 2012 and 2025 but only 0.3% a year after 2019; deaths exceed births by about 15,000 a year (Table D18); the Senate projects Berlin city to grow by about 109,000 by 2040
Visitor spending	Moderate	29.4 million overnight stays in 2025, about the 2024 level, 41% of them international
Government spending	Moderate	Federal capital: public administration, education and health is 29% of Berlin's jobs (LQ 1.12); the 2026 state budget of EUR 43.8 billion includes EUR 3.9 billion of borrowing made possible by the reform of the debt brake and doubled funding for housing construction; public administration is among the largest office occupiers

Sources: Statistical Office for Berlin-Brandenburg, GDP 2025 (30 March 2026), GDP H1 2026 and employment 2025 and Q1 2026; aviation.direct, 14 January 2026; GREIX, Kiel Institute, Q3 2026, as reported by Mietervereinigung Berlin; EY Startup Barometer, 19 January 2026; ING, Innovation Index 2025, 22 August 2025; Berlin Partner, annual results 2025 (2 March 2026); ZDFheute, 25 June 2026; Senate Chancellery of Berlin, 4 November 2025; visitBerlin, 18 February 2026; Senate of Berlin, double budget 2026/27; Cushman & Wakefield, Berlin office leasing, 12 October 2026; authors' calculations (shift-share, location quotients).

Table D25b. Supply-side drivers of growth, Berlin

Driver	Rating	Evidence
Immigration for non-wage reasons	Strong, but slowing sharply	Net migration provided all of the region's growth in 2024 (Table D18); 24.9% of Berlin's registered residents are foreign nationals and 42.3% have a migration background; net arrivals from abroad on Berlin's population register fell from about 25,500 in 2024 to 4,541 in 2025
Labour force participation	Strong (a large reserve)	Berlin's employment rate is 76.9% (ages 20 to 64), against 81.2% for Germany and 81.8% for Brandenburg; women's rate 73.9%; unemployment was 10.4% in October 2026 (Brandenburg 6.3%), and 41.1% of the unemployed are foreign nationals
Public policy programmes	Mixed	The EU Blue Card requires a salary of at least EUR 50,700 in 2026 (EUR 45,934 in shortage occupations); family reunification for people with subsidiary protection was suspended for two years in June 2025

Sources: Eurostat demographic balance, as compiled in the Berlin data workbook; Statistical Office for Berlin-Brandenburg, register population at 31 December 2025; Statistikportal, employment rate 2025; Federal Employment Agency, labour market report for Berlin-Brandenburg, October 2026; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, 27 June 2025.

How the drivers explain the growth pattern. Berlin's technology and start-up cluster, business services and capital functions provide demand-side evidence, alongside employment and real pay growing faster than nationally. This is consistent with demand-induced expansion. Skill mismatches can allow recruitment constraints to coexist with unemployment and inactivity; a less elastic supply of skilled labour is a hypothesis, not an estimate from aggregate growth. Migration may respond to employment opportunities and also independently expand supply and local demand.

What could change the balance. The sharp fall in migration from abroad in 2025 and the slight fall in employment suggest growth is slowing. Start-up funding, defence technology and Tesla's expansion are the main demand supports; weak national growth and state budget pressure are the main risks. On the supply side, better matching of the unemployed to jobs would add labour, while high housing costs and a less welcoming migration policy would restrict it.

D9.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Berlin's growth has been driven by its emergence as Germany's main centre for technology and start-ups, alongside business services and the capital's public sector, which has added jobs at rising real pay.

1. **Technology and start-ups.** Information and communication jobs more than doubled in Berlin city between 2012 and 2023, and the sector's real pay kept rising.
2. **Business services and the capital.** Professional and administrative services added about 120,000 jobs, and public services grew with the national trend.
3. **Rising real pay from a lower base.** Real compensation per employee rose about 2% a year before 2019 and kept rising after it, closing and then reversing Berlin's gap with Germany.
4. **Population growth through migration.** Deaths exceed births, so migration drives population growth, and the inflow from abroad fell sharply in 2025.

Will these forces persist? The technology cluster is durable, and Cushman & Wakefield reports that information and communication firms were the largest office occupiers in 2026. The constraints are weak national growth, slowing migration, rising unemployment, state budget pressure and housing policy uncertainty.

D10. Berlin: growth prospects and real estate markets

Over the next five to ten years, Berlin's growth most clearly supports rental housing, which is short of supply; it supports prime offices only selectively, while secondary offices face rising vacancy.

Table D26. Asset classes and Berlin's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Rental housing	Strong	Population growth through migration; real pay rising; completions down 28% to 11,027 in 2025	New rental housing near rapid transit, in Berlin and the inner Brandenburg districts	Socialisation plans for large landlords; rent regulation
Offices	Moderate for prime, weak for secondary	Technology, business services and public administration growing	Grade A space in central locations	Vacancy about 9% to 11%, 2.09 million m², 60% of it modern space
Logistics	Moderate	Population and e-commerce; Tesla and battery production in Oder-Spree	Urban and airport-area distribution	Take-up down 7% in 2026; supply rising
Hotels	Moderate	29.4 million overnight stays, flat in 2025	Central hotels	Cyclical; airport capacity
Social infrastructure	Moderate	Public services growing; ageing population	Healthcare and education	Public funding

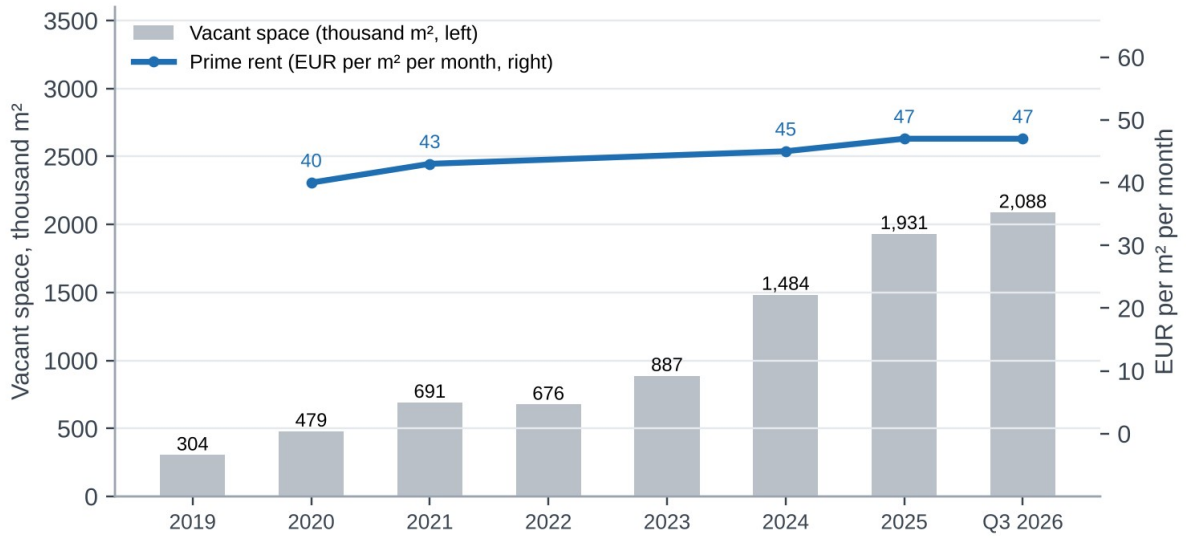
What the growth evidence does not support. Buying or refurbishing older offices without a pre-let, since vacancy has risen almost sevenfold since 2019 and most of it is in the City zone. Large existing rental portfolios also carry a specific political risk in Berlin, discussed in Section D12.

D11. Berlin: the office market

Berlin's office market has a large and growing surplus of space, but leasing has recovered strongly in 2026 and prime rents are at records.

Figure D8. Vacancy has risen almost sevenfold since 2019, while prime rents rose modestly

Vacant office space and prime rent, Berlin office market, 2019 to Q3 2026



Source: BNP Paribas Real Estate, Berlin office market reports, Q4 2019 to Q3 2026, as compiled in the Berlin data workbook. Prime rents for 2019, 2022 and 2023 are not included in the workbook.

Table D27. Berlin office market indicators

Indicator	Value	Period	Source
Vacancy rate	9.6% (JLL 9.3%; CBRE 8.6%; Cushman & Wakefield 10.6%)	Q3 2026	BNP Paribas RE; JLL; CBRE; Cushman & Wakefield
Vacant space	2.09 million m² (0.30 million in 2019), of which 1.26 million m² modern	Q3 2026	BNP Paribas RE
Vacant space by zone	City 1.28 million m²; city fringe 0.61 million m²; top locations (City West, City East, Potsdamer Platz) 0.20 million m²	Q3 2026	BNP Paribas RE
Prime rent	EUR 47 per m² per month	Q3 2026	BNP Paribas RE (JLL EUR 48; CBRE EUR 46.50; Cushman & Wakefield EUR 49)
Average rent	EUR 28.50 per m² per month	Q3 2026	BNP Paribas RE (Cushman & Wakefield EUR 27.70)
Take-up, January to September	541,000 m² (+49%)	2026	BNP Paribas RE (JLL 571,800 m², +61%; Cushman & Wakefield 563,800 m², +54%; CBRE 567,400 m², +38%)
Under construction	548,000 m², of which 424,000 m² still available	Q3 2026	BNP Paribas RE
Prime yield, net	4.60% (+10 bp in Q3)	Q3 2026	BNP Paribas RE
Investment volume, all property	EUR 1.0 billion (-56%)	Q1 to Q3 2026	BNP Paribas RE

Sources: BNP Paribas Real Estate, Berlin office market reports (as compiled in the workbook) and German investment market Q3 2026 (5 October 2026); JLL, office market release, 5 October 2026; CBRE, as reported by COLLECTION Business Centers, 8 October 2026; Cushman & Wakefield, Berlin office leasing release, 12 October 2026. Providers' market definitions and figures differ.

Demand. Take-up rose between 38% and 61% in the first nine months of 2026, depending on the provider, back to about its ten-year average. Information and communication firms were the largest occupier group, followed by construction and real estate, public administration and transport (Cushman & Wakefield). The largest deals included the transport company BVG (about 39,400 m²), the Federal Environment Ministry (31,500 m², owner-occupied) and the software firm JetBrains (19,000 m²).

Supply and vacancy. Vacant space rose from 0.30 million m² in 2019 to 2.09 million m² in Q3 2026 (BNP Paribas RE), and it was still rising in 2026, although more slowly according to Cushman & Wakefield. Unusually, 60% of vacant space is classed as modern, so vacancy is not only a problem of old stock. Construction has slowed: 548,000 m² is under construction, of which 424,000 m² is still available, and few new speculative projects have started, so new supply is likely to shrink in the medium term.

Rents. The prime rent rose from EUR 40 per m² per month in 2020 to EUR 47 in Q3 2026 (BNP Paribas RE), about 18%, slightly less than consumer prices, which rose about 22% between 2020 and 2025. Average rents have been broadly flat, at about EUR 27 to EUR 29. The market is in surplus overall, with demand concentrating in the best central buildings.

D12. Berlin: housing and capital markets

Housing. Berlin is short of housing. Completions fell to 11,027 dwellings in 2025, down from 15,362 in 2024, the largest fall in ten years, and new-build completions fell by more than a third. The average asking rent was EUR 15.80 per m² per month in Q3 2026, up 1.4% on a year earlier (GREIX, Kiel Institute). Rent regulation limits rent increases in the existing stock.

Demand, supply and affordability. On the authors' calculation, 2024 population growth in the Berlin region implies about 15,200 new households, against 22,741 completions in new residential buildings across the region (1.50). The longer record is hard to read: in the city the microcensus shows only 71,800 more households between 2012 and 2024 while average household size rose from 1.75 to 1.85, which may reflect people doubling up for want of housing or breaks in the survey, so the city's 2013 to 2024 ratio (2.06) should not be read as a surplus. The price of an 80 m² resale apartment fell from 8.7 years of household income in 2023 to 8.3 in 2024. Main renters spent 27.4% of net income on gross cold rent in 2022 (microcensus), and median asking rents equal about 30% of mean household income (Section 3.4).

Housing policy. Die Linke became the largest party in the Berlin state election of 20 September 2026, with 25.7% of the vote. In October, Die Linke, the Greens and the SPD agreed an exploratory paper that would socialise, with compensation, the Berlin holdings of private housing companies above 10,000 apartments, exempting cooperatives and apartments built after 1 January 2021; they plan a socialisation law by mid-2028, and the paper includes a large municipal construction programme (ZDFheute, 17 October 2026). Coalition negotiations were due to begin in early November 2026, so the policy is not settled. The plan would mainly affect large existing portfolios, not new-build investment, but it raises the political risk of Berlin residential investment.

Capital markets. Property investment in Berlin was only EUR 1.0 billion in the first nine months of 2026, down 56% (BNP Paribas RE). The net prime office yield rose 10 basis points to 4.60% in Q3 2026. Across Germany's A-locations, BNP Paribas RE reports average net prime yields of 4.70% for logistics and 3.75% for new-build residential. The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October.

Table D28. Berlin pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, net, Berlin	4.60% (+10 bp)	Q3 2026	BNP Paribas RE
Prime logistics yield, net, German A-locations	4.70%	Q3 2026	BNP Paribas RE
Prime yield, new-build residential, German A-locations	3.75%	Q3 2026	BNP Paribas RE
Prime logistics rent, Berlin	EUR 8.30 per m² per month	Q3 2026	BNP Paribas RE
Asking rent, apartments, Berlin	EUR 15.80 per m² per month (+1.4%)	Q3 2026	GREIX, Kiel Institute
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: BNP Paribas Real Estate, German investment market Q3 2026 (5 October 2026) and Berlin logistics market Q3 2026; GREIX, Kiel Institute, Q3 2026, as reported by Mietervereinigung Berlin, 15 October 2026; ECB decision of 29 October 2026, as reported by Trend.az. Berlin-specific residential yields were not verified by the authors from a named source and are not shown.

Reading for the investor. Berlin's Q3 2026 prime office yield of 4.60% differs by 210 basis points from the ECB deposit rate of 2.50% effective from 16 September. Munich's earlier H1 yield of 4.20% differs by 170 basis points from that later policy rate. These observation dates do not match, so the difference between the two gaps cannot by itself explain relative pricing. Berlin's higher vacancy and weaker investment market remain separate underwriting considerations.

D13. Berlin: strategy appraisal

Strategy C has the strongest demand, with housing short and population growing, and its main risk is regulatory; Strategy A offers prime rents at records but in a market with high vacancy; Strategy B faces 2.09 million m² of vacant space. All figures are illustrative.

Table D29. Value sensitivity to yield, Berlin prime office (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, central Berlin (BNP Paribas RE)	4.60%	+12.2%	+5.7%	-5.2%	-9.8%

Source: authors' calculations on the net prime office yield of 4.60% reported by BNP Paribas Real Estate (Q3 2026).

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 10% to 12%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table D30. Summary assessment of the Berlin strategies

Factor	A: core central office	B: refurbishment to Grade A	C: new-build rental housing
Market tightness	Prime rents at records; overall vacancy 9% to 11%	2.09 million m² vacant, 60% of it modern	Completions down 28% in 2025; rents rising
Demand base	Technology, business services, public administration	Same, but competing with modern vacant space	Population growth through migration; rising real pay
Pricing	Yield 4.60%; prime rent EUR 47 to 49	Depends on location and quality achieved	Yield not verified for Berlin
Main risk	Paying a full price in a market in surplus	Lease-up against high and rising vacancy	Rent regulation; socialisation plans (new builds exempt in the current proposal)
Verdict	Underwrite selectively, subject to entry price	Do not prioritise while vacancy is rising	Prioritise for underwriting, subject to entry price and regulatory risk

From growth to space. Table D30a traces each material source of Berlin's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table D30a. From growth to space: Berlin

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	New rental homes near rapid transit, in Berlin and the inner Brandenburg districts	Completions 1.50 per new household in 2024, then down to 11,027 in 2025 from 15,362; the 2013 to 2024 ratio is not reliable (Section 3.4); permits rose 40.7% to 13,754 in 2025	**Construction.** Completions are falling while the population keeps growing, although the rise in permits suggests supply may recover; median asking rents equal about 30% of mean household income. Net arrivals from abroad fell to 4,541 in 2025, which may slow demand.
Technology and business services jobs	Grade A offices in central locations	Vacancy 9.6%, 2.09 million m², 60% of it modern; 0.20 million m² vacant in top locations; 548,000 m² under construction, 424,000 m² still available	**Absorption.** Unusually, much of the vacant space is modern, so growth can be met from existing buildings; information and communication firms were the largest occupier group in 2026. There is no case for new speculative construction.
Income	Better space	Price of an 80 m² resale home 8.3 years of household income (2024)	**Supportive.** Real pay rose 15.3% to 2019 and a further 1.8% since, while output per job is still 3% below Germany's.
Productive capital and industry	Industrial and logistics space	Logistics take-up down 7% in 2026, supply rising	**Absorption of new logistics supply first.** Industry gained share after 2019, which the authors understand partly reflects the Tesla plant in Oder-Spree; logistics stock was not measured.
Visitors	Central hotels	Not measured	**Not assessed.** 29.4 million overnight stays in 2025, about the 2024 level.

Sources: Sections D9 to D13 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Berlin is the reverse of Munich: its offices can absorb growth in buildings that already exist, while its housing cannot, because completions are falling as the population grows.

Recent evidence and what it supports testing. BNP Paribas Real Estate recorded about 541,000 m² of take-up in January to September 2026, led by public administration (about 18%) and information and communication technologies (about 17%). Berlin's dwelling stock grew by 10,766 in 2025, including 9,383 homes in new buildings, while permits rose 40.7% to 13,754 (Amt für Statistik Berlin-Brandenburg; these figures cover the city only). In the authors' judgement, offices should be tested only where a building has a specific location or occupier advantage, and rental housing by comparing borough-level supply with local household growth.

D14. Risks, monitoring and review triggers

Table D31. Risks, indicators and suggested review triggers: Munich

Risk	Indicator to monitor	Suggested review trigger
Energy shock and rates	Energy prices; ECB deposit rate	Further ECB rate rises
Weak German economy	Joint Economic Forecast; industrial output	German GDP growth forecast below 0.5%
Office vacancy	Vacancy rate by submarket	Overall vacancy above 10% or CBD vacancy above 4%
Labour supply	Population and net migration	Population growth below the projection
Technology demand	Technology employment and take-up	Falling technology employment in Munich
Housing regulation	Changes to rent law	Tighter limits on new or modernised rental housing

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Table D32. Risks, indicators and suggested review triggers: Berlin

Risk	Indicator to monitor	Suggested review trigger
Housing policy	Coalition agreement; socialisation law; rent regulation	A law that extends to new-build stock or smaller landlords
Energy shock and rates	Energy prices; ECB deposit rate	Further ECB rate rises
Weak economy	Berlin employment; Joint Economic Forecast	A further year of falling employment in Berlin
Office vacancy	Vacancy rate and modern vacancy	Vacancy above 12%, or take-up falling back below 600,000 m² a year
Labour supply	Migration from abroad; unemployment	Net migration below natural decrease, so population falls
Technology demand	Start-up funding; ICT employment	Start-up funding below EUR 2 billion a year

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly, and the housing policy of the new Berlin city government should be reviewed as soon as a coalition agreement is published. A local partner with transaction, leasing and yield evidence would be needed before any investment.

D15. Sources

Munich

Official statistics and data workbook. Munich metro data workbook, compiled for this edition from Eurostat regional accounts (nama_10r_3empers, nama_10r_3gdp, nama_10r_2coe) and demographic statistics (demo_r_gind3, urb_lpop1), Federal Employment Agency pay statistics (December 2024), and City of Munich statistical yearbooks, retrieved 30 October 2026; Germany consumer price index (Destatis, via finanz-tools.de); Bavarian State Office for Statistics, regional population projection to 2044, as presented to the Regional Planning Association Munich, 21 July 2026.

Housing demand, supply and affordability. Authors' calculations in the metro data workbook, available from the authors, from: Bavarian State Office for Statistics, completions in new residential buildings by district; City of Munich, household register, Wohnungsmarktbarometer and housing market report (asking rents); German regional accounts (VGRdL), household disposable income by district; Destatis, Mikrozensus Zusatzerhebung Wohnen 2022.

Drivers of growth (Section D4.4). City of Munich, Münchner Jahreswirtschaftsbericht 2026 (3 July 2026) and population statistics; vbw, Bayern-Daten 2026 and Wirtschaftsdaten Oberbayern 2025; European Commission JRC, Regional Innovation Output Indicator; aeroTELEGRAPH, Munich Airport traffic 2025 (8 January 2026); Schwäbische, second S-Bahn trunk line (8 April 2025); tageskarte, Munich tourism 2025 (17 March 2026); Euronews, Munich's defence tech boom (1 September 2026); Statistikportal, employment rate 2025; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, family reunification (27 June 2025).

Forecasts and policy. Joint Economic Forecast, autumn 2026, press release of 24 September 2026 (DIW Berlin); ECB monetary policy decision of 29 October 2026, as reported by Trend.az; euribor-rates.info.

Market sources. BNP Paribas Real Estate, Munich office market reports Q4 2019 to Q3 2026 and Munich investment market H1 2026; Cushman & Wakefield, Munich office leasing release, 6 October 2026; CBRE, Munich Office Market Q2 2026; NADR, Munich housing market, 22 July 2026.

Berlin

Official statistics and data workbook. Berlin metro data workbook, compiled for this edition from Eurostat regional accounts (nama_10r_3empers, nama_10r_3gdp, met_10r_3gdp) and demographic statistics (demo_r_gind3, urb_lpop1), Statistical Office for Berlin-Brandenburg (compensation of employees and employees for Berlin and Brandenburg, 2012 to 2025; population of the Berlin suburban belt), Federal Employment Agency pay statistics (December 2024 and 2025) and BNP Paribas Real Estate Berlin office market reports; Eurostat compensation of employees for Germany, as compiled for Munich (Part D-I); Germany consumer price index (Destatis, via finanz-tools.de; Destatis press release of 16 January 2026 for 2025); Statistical Office for Berlin-Brandenburg, GDP 2025 for Berlin (30 March 2026), GDP H1 2026, employment 2025 (27 January 2026) and Q1 2026, register population at 31 December 2025, housing completions 2025 (22 May 2026); Senate Chancellery of Berlin, population forecast 2024 to 2040 (4 November 2025).

Housing demand, supply and affordability. Authors' calculations in the metro data workbook, available from the authors, from: Statistical Office Berlin-Brandenburg, completions in new residential buildings and microcensus households; German regional accounts (VGRdL), household disposable income; Investitionsbank Berlin, Wohnungsmarktbericht (asking rents); Destatis, Mikrozensus Zusatzerhebung Wohnen 2022.

Drivers of growth (Section D9.4). EY Startup Barometer (19 January 2026); ING, Innovation Index 2025 (22 August 2025); Berlin Partner, annual results 2025 (2 March 2026); ZDFheute, Tesla Grünheide (25 June 2026); aviation.direct, BER traffic 2025 (14 January 2026); visitBerlin, tourism annual review 2025 (18 February 2026); Senate of Berlin, double budget 2026/27 (22 July 2025); Statistikportal, employment rate 2025; Federal Employment Agency, labour market report for Berlin-Brandenburg, October 2026; RT Partner, EU Blue Card minimum salary 2026; Deutscher Bundestag, family reunification (27 June 2025).

Forecasts and policy. Joint Economic Forecast, autumn 2026, press release of 24 September 2026 (DIW Berlin); Federal Agency for Civic Education (bpb), Berlin state election 2026 (22 September 2026); ZDFheute, exploratory talks in Berlin (17 October 2026); ECB monetary policy decision of 29 October 2026, as reported by Trend.az.

Market sources. BNP Paribas Real Estate, Berlin office market reports Q4 2019 to Q3 2026, German investment market Q3 2026 (5 October 2026) and Berlin logistics market Q3 2026; JLL, office market release (5 October 2026); CBRE, Berlin office market Q3 2026, as reported by COLLECTION Business Centers (8 October 2026); Cushman & Wakefield, Berlin office leasing release (12 October 2026); GREIX, Kiel Institute, Q3 2026, as reported by Mietervereinigung Berlin (15 October 2026).

Recent market evidence (notes after Tables D17a and D30a). Landeshauptstadt München, Wohnungsmarktdaten München 2025 (May 2026): muenchen.de; Amt für Statistik Berlin-Brandenburg, dwelling stock 2025: statistik-berlin-brandenburg.de, and building permits 2025, Berlin: statistik-berlin-brandenburg.de; BNP Paribas Real Estate, Berlin office market Q3 2026, as reported by konii (6 October 2026): konii.de.

Method.

- DiPasquale, D. and Wheaton, W. C. (1996) *Urban Economics and Real Estate Markets*. Englewood Cliffs, NJ: Prentice Hall.
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PART E. AUSTRIA

Vienna



Ringstrasse tram at Rathausplatz, Vienna. Illustration adapted from a photograph by Paul Korecky, Wikimedia Commons · CC BY-SA 2.0

This part reproduces the Vienna edition. As a single-metro edition, it has no comparison section and no city sub-parts; Section E3 sets out the metropolitan growth analysis, including the drivers of growth (Section E3.4).

Data vintage. Metropolitan employment and real GDP run to 2024, population to 2025 and pay to 2023. Office market figures run to Q1 to Q3 2026.

E1. Executive summary and recommendations

Recommendations. Prioritise rental housing for underwriting, in well-connected locations and subject to entry price; underwrite core prime offices in the central business district selectively, subject to entry price; underwrite refurbishment of older offices to Grade A selectively, near the main transport hubs. Vienna's population is growing about twice as fast as Austria's, new housing supply is shrinking and rents are rising, which gives rental housing the clearest demand case. The office market is tight, with vacancy below 4% and few completions due, but growth has been driven by more workers rather than higher real pay, investment volumes have collapsed and the energy shock has pushed interest rates up. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

One metro, the same method. This edition applies the Observatory's method to Vienna: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Austria, and the forces behind growth, followed by the office market, housing and capital markets and illustrative strategies.

The case rests on seven findings:

1. **Population is growing fast, driven by migration.** Vienna's population rose 18.1% between 2012 and 2025, to 2.03 million, against 9.4% for Austria, and its share of the national population rose from 20.4% to 22.1%. Net migration accounted for about 90% of growth in 2024. The City of Vienna projects 2.11 million residents by 2030.
2. **Jobs have outgrown Austria since 2019.** Workplace jobs rose 7.7% between 2019 and 2024, against 4.9% nationally, and Vienna gained about 15.6 thousand jobs above what its sector mix implied. Before 2019 jobs grew only slightly faster than in Austria (9.9% against 9.0%), helped by a favourable sector mix.
3. **Growth has come mainly through more workers.** Real compensation per employee job rose 1.4% in 2012 to 2019, against 3.9% for Austria, and fell 4.9% in 2019 to 2023. The earlier pattern is consistent with demand expansion accommodated by elastic labour supply; migration and participation may also contribute independently. The later pay decline does not distinguish supply-induced growth from inflation and compositional effects. Broad purchasing-power evidence supports mid-market volume demand more clearly than premium pricing.
4. **Vienna is specialised in technology, business services and finance.** Location quotients in 2024 are 2.12 in information and communication, 1.50 in professional and administrative services, 1.49 in finance and 1.39 in real estate. Technology jobs rose 42% between 2012 and 2024, but slightly more slowly than the sector nationally.
5. **The office market is tight, and little new space is coming.** Vacancy was 3.9% in Q3 2026 and the prime rent EUR 29.00 per m² per month (CBRE); EHL reports 3.8% and EUR 29.50 for Q1 2026. Completions are forecast at only 65,800 to 86,300 m² in 2026, against take-up of about 200,000 m².

6. **Population drives growth; labour is plentiful.** Vienna accounted for nearly two-thirds of Austria's population growth in 2025, and 37% of its residents are foreign nationals. Unemployment was 11.5% in September 2026, against 7.1% for Austria, so labour supply is elastic and job growth has not raised real pay. City budget cuts and a pause in family reunification are now slowing both drivers (Section E3.4).
7. **Capital is scarce and rates are rising.** Office investment was EUR 201 million in the first nine months of 2026 (CBRE), and residential investment fell about 80% in the first half. The ECB raised rates in June and September 2026 and held its deposit rate at 2.50% on 29 October. IHS expects Austrian GDP to grow 0.8% in 2026, with inflation of 3.1%, after the energy shock caused by the Iran war.

The assumptions this advice is most sensitive to: the path of energy prices and ECB rates, which drive yields; whether population growth continues at the projected pace; and whether real pay recovers, which governs rental affordability.

E2. Introduction: purpose, method and area

This edition assesses whether, and how, an institutional investor should commit capital to real estate in Vienna. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Area covered. The area analysed is Vienna, which is both a city and a federal state and matches the EU's NUTS 2 region AT13 (2.03 million residents on 1 January 2025). Vienna's wider functional economy extends into Lower Austria, whose commuters fill many Viennese jobs; the wider metropolitan area has not been constructed here. Austria is the reference economy throughout. Office sections use the brokers' own market definitions.

Method and data. The data come from a workbook compiled for this edition from Statistics Austria's regional accounts (September 2025 revision) and Eurostat. Employment is workplace jobs, including the self-employed, in 17 sector groups from 2012 to 2024; professional and administrative services (M and N) and arts, other services and households (R to T) are published together. Pay is compensation per employee job: gross wages plus employer social contributions divided by employee jobs, available to 2023. It is an employer cost, not take-home pay, and includes part-time jobs. Real values use Austria's consumer price index. GDP growth is in real terms. Growth is compared over two periods, 2012 to 2019 and 2019 to 2024. Pay levels are not compared with other editions, whose pay statistics are defined differently. 'Technology' is used as shorthand for NACE section J, information and communication. Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. The report tests three illustrative strategies:

Table E1. The strategies tested

Strategy	Asset	Location	Risk style
A	Stabilised, fully let prime office building	Central business district (Inner City)	Core
B	Older office building, refurbished to Grade A	Near a main transport hub (for example Main Railway Station or Lassallestrasse)	Value-add
C	Rental housing, newly built and privately financed	Well-connected districts	Core-plus

Structure. Section E3 analyses metropolitan growth, Section E4 its implications by asset class, Section E5 the office market, Section E6 housing and capital markets and Section E7 the strategies. Section E8 sets out risks and monitoring, and Section E9 lists sources.

E3. Metropolitan growth patterns

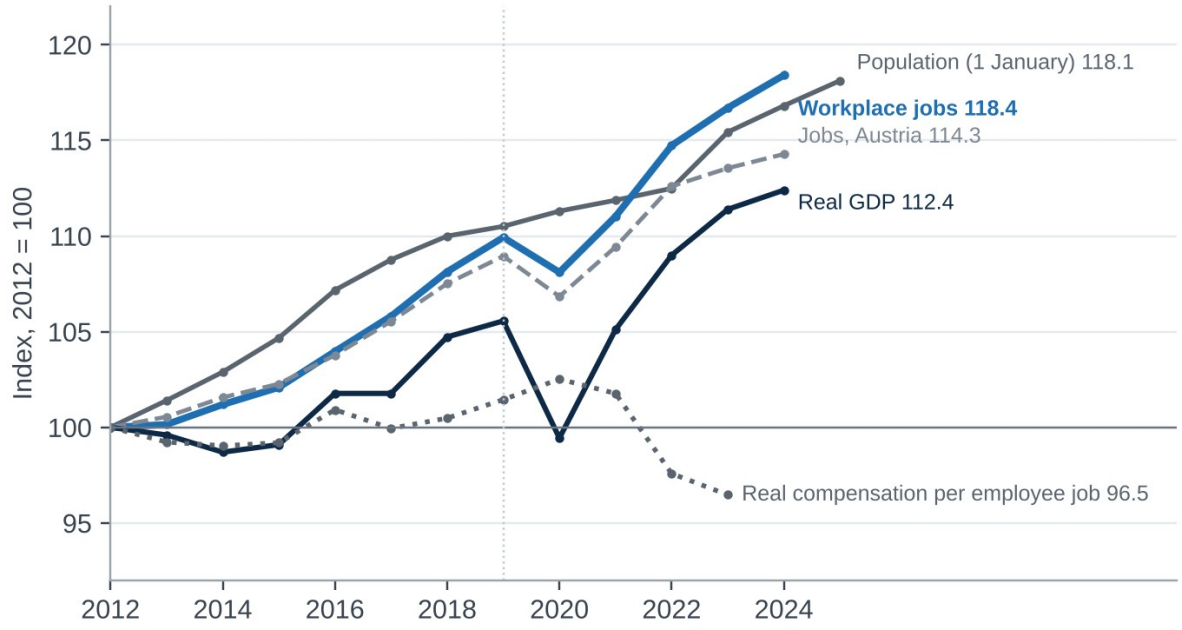
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (3.1), growth and pay by sector (3.2), specialisation and competitiveness against Austria (3.3), the demand- and supply-side drivers of growth (3.4) and the forces behind growth (3.5).

E3.1 Summary growth indicators

Vienna grew strongly in population and jobs, more slowly in output, and its real pay per job is now below its 2012 level.

Figure E1. Population and jobs grew by about 18%; real pay per job fell after 2020

Summary growth indicators, Vienna, 2012 to 2024 (index, 2012 = 100)



Sources: Statistics Austria, regional accounts (workplace jobs, real GDP growth, compensation of employees and employee jobs); Eurostat, population on 1 January (to 2025); Austria CPI (OECD, via FRED); as compiled in the Vienna data workbook; authors' calculations.

Population. Vienna's population rose from 1.72 million on 1 January 2012 to 2.03 million on 1 January 2025 (+18.1%), or 1.4% a year to 2019 and 1.1% a year from 2019 to 2025, about twice Austria's rates of 0.8% and 0.6%. Growth peaked in 2015, at about 43,000, and in 2022, at about 50,000; the authors take these to be consistent with refugee arrivals in those years, but the data do not identify the migrants.

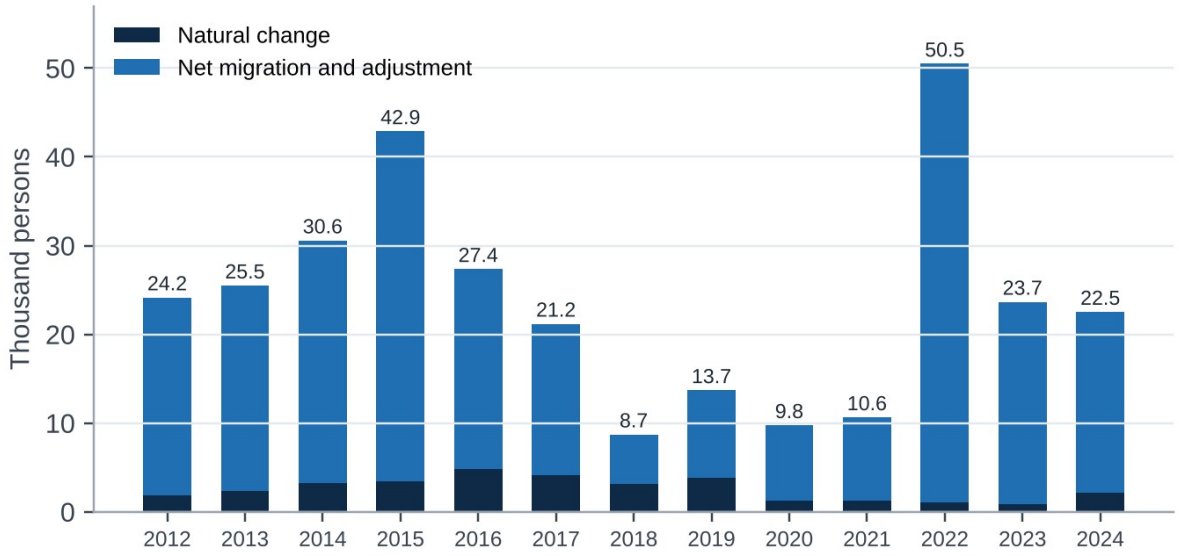
Employment. Workplace jobs rose from 1.01 million in 2012 to 1.19 million in 2024 (+18.4%). They grew 9.9% to 2019, against 9.0% for Austria, fell 1.7% in 2020 and then grew 7.7% between 2019 and 2024, against 4.9% nationally.

Output and pay. Real GDP grew 0.8% a year between 2012 and 2019, half Austria's 1.5%, but 1.3% a year between 2019 and 2024, against 0.4% nationally. Vienna produced 25.3% of Austria's GDP in 2024, and its GDP per resident was 15% above the national level, down from 24% in 2012. Compensation per employee job was EUR 61,258 in 2023, 11% above Austria; after inflation it rose 1.4% between 2012 and 2019 and fell 4.9% between 2019 and 2023. Disposable household income per resident was EUR 28,200 in 2024, below Austria's EUR 30,400, because income is measured where people live and many higher earners in Vienna's jobs live outside the city.

Where population growth comes from. Population change is the sum of natural change and net migration. Births have exceeded deaths in every year since 2012, but by small margins, so migration accounts for most of Vienna's growth (Figure E2 and Table E2).

Figure E2. Migration drives Vienna's population growth

Components of population change, Vienna, 2012 to 2024 (thousand persons)



Source: Eurostat, demographic balance (demo_r_gind3, AT130), as compiled in the Vienna data workbook. Net migration includes statistical adjustment.

Table E2. Components of population change, Vienna, 2024

Births	Deaths	Natural change	Net migration and adjustment	Population change
19,070	16,917	+2,153	+20,376	+22,529

Source: Eurostat, demographic balance (demo_r_gind3, AT130), as compiled in the Vienna data workbook. The components reconcile with the change in population on 1 January. The data do not split migration into international and domestic flows, and the authors lack data on migrants' skills.

Jobs per resident. Vienna had 0.59 jobs per resident in 2024, against 0.55 for Austria, reflecting in-commuting from Lower Austria and elsewhere. Between 2012 and 2019 the ratio was flat (-0.2%), while Austria's rose 3.4%: jobs grew only as fast as population. Between 2019 and 2024 it rose 1.7%, slightly more than Austria's 1.5%. A rising ratio can reflect falling unemployment, higher participation or more commuting, which these data cannot separate.

Synthesis by period. Table E3 summarises growth in each period and the type of growth it indicates.

Table E3. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Jobs	Real pay	Real output	Indicative mechanism	Main forces
Vienna	2012-19	+1.4	+1.4	+0.2	+0.8	Consistent with demand-induced; elastic labour supply	Migration; technology, business services and education; national recovery
Vienna	2019-24	+1.1	+1.5	-1.2	+1.3	Jobs and output growth with falling real pay	Migration, including in 2022; education, health and business services; 2022 to 2023 inflation
Austria	2012-19	+0.8	+1.2	+0.5	+1.5	National reference	
Austria	2019-24	+0.6	+1.0	-1.0	+0.4	National reference	

Sources: Eurostat, population on 1 January (2012 to 2019 and 2019 to 2025); Statistics Austria, regional accounts: workplace jobs, real GDP growth, and compensation per employee job (2012 to 2019 and 2019 to 2023) deflated by Austria's CPI; authors' calculations. Falling real pay after 2019 may reflect inflation, hours and worker composition as well as labour-supply shifts. Its cause is not identified; the same rule is applied across metros in Table 4b. Growth types follow the framework in Section E2 and are indicative.

Forecasts. WIFO's June 2026 forecast had Vienna's real gross value added growing 1.1% in 2026, against 0.9% for Austria, with employment up 0.9% against 0.5%. IHS's October 2026 forecast for Austria is real GDP growth of 0.8% in 2026 and 1.0% in 2027, consumer price inflation of 3.1% and 2.8%, and real wage losses of 1.4% in 2026 and 0.3% in 2027; it says the Iran war has interrupted the recovery. The City of Vienna projects population growth to 2.11 million by 2030 and 2.22 million by 2040, almost all of it from migration.

Table E4. Historical and forecast growth, Vienna

Indicator	History	Forecast	Forecast source
Population	+18.1%, 2012 to 2025	2.11 million in 2030; 2.22 million in 2040	City of Vienna, December 2025
Jobs	+18.4%, 2012 to 2024	+0.9% in 2026 (Austria +0.5%)	WIFO, June 2026
Real output	+12.4%, 2012 to 2024	Gross value added +1.1% in 2026 (Austria +0.9%); Austria GDP +0.8% (2026), +1.0% (2027)	WIFO, June 2026; IHS, October 2026
Real pay	-3.5%, 2012 to 2023	Austria real wages -1.4% (2026), -0.3% (2027)	IHS, October 2026
Inflation	Austria CPI +8.5% (2022), +7.8% (2023)	+3.1% (2026), +2.8% (2027)	IHS, October 2026

Sources: history as Figure E1; City of Vienna, population projection 2025 to 2055 (updated 18 December 2025); WIFO forecast for Vienna, as reported by the City of Vienna, 3 July 2026; IHS, Economic Forecast, October 2026.

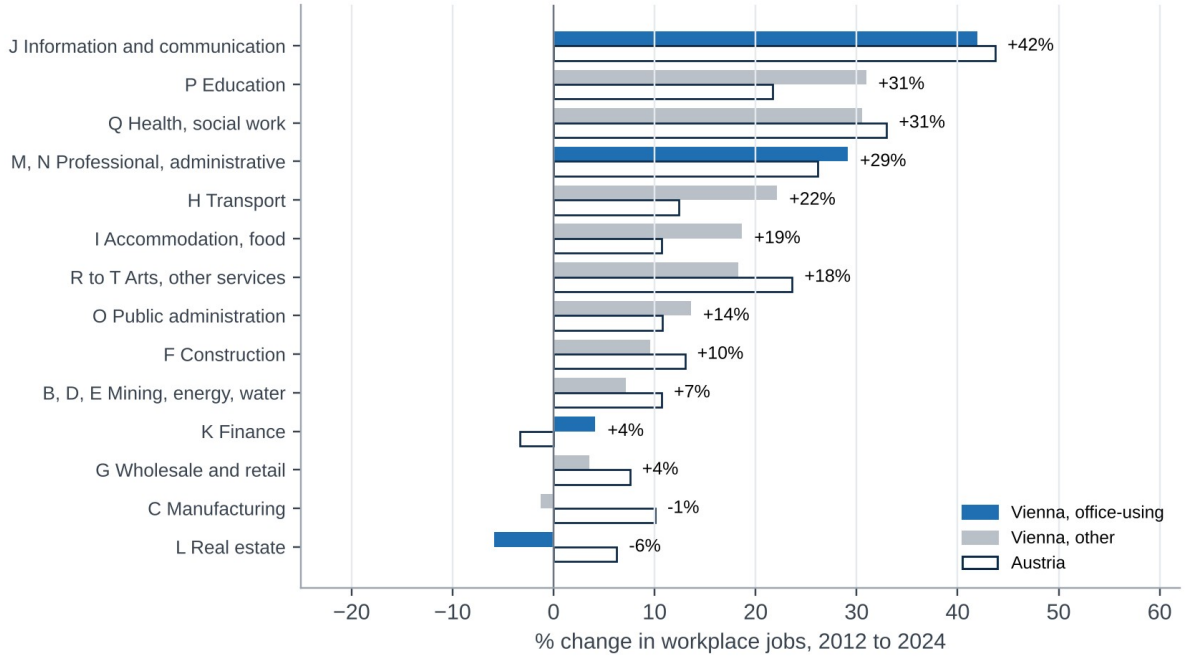
Reading for the investor. Vienna's growth is volume-led: more residents and more jobs, with real pay per job lower than in 2012. That supports demand for housing and mid-market space more than premium space. Since 2019 Vienna has outperformed Austria in jobs and output, but the near-term outlook is weak and real wages are forecast to fall again in 2026.

E3.2 Growth and pay by sector

Growth was led by technology, education, health and professional services, while real estate, manufacturing and retail stagnated or shrank.

Figure E3. Technology, education, health and professional services led job growth

Workplace jobs by sector, Vienna and Austria, % change 2012 to 2024. Office-using sectors in blue.



Source: Statistics Austria, regional accounts, workplace jobs, as compiled in the Vienna data workbook; authors' calculations.

Table E5. Workplace jobs by sector, Vienna

Sector	Jobs 2012 (000)	Jobs 2024 (000)	Jobs growth	Austria jobs growth	LQ 2024
J Information and communication	57.7	81.9	+41.9%	+43.7%	2.12
P Education	82.1	107.5	+30.9%	+21.7%	1.26
Q Health and social work	104.5	136.4	+30.5%	+33.0%	1.03
M, N Professional, scientific and administrative	175.8	227.0	+29.1%	+26.1%	1.50
H Transport and storage	46.1	56.3	+22.1%	+12.4%	1.00
I Accommodation and food	61.1	72.5	+18.7%	+10.7%	0.96
R to T Arts, other services, households	61.2	72.4	+18.3%	+23.6%	1.24
O Public administration	69.1	78.5	+13.6%	+10.7%	1.16
F Construction	53.3	58.4	+9.6%	+13.0%	0.75
B, D, E Mining, energy, water	11.2	12.0	+7.1%	+10.7%	0.80
K Finance and insurance	45.9	47.8	+4.1%	-3.3%	1.49
G Wholesale and retail	143.8	148.9	+3.5%	+7.6%	0.87
C Manufacturing	61.0	60.2	-1.3%	+10.1%	0.37
L Real estate	30.7	28.9	-5.9%	+6.3%	1.39
A Agriculture	1.6	1.5	-6.2%	-20.2%	0.03
All sectors	1,005.2	1,190.2	+18.4%	+14.3%	1.00

Source: Statistics Austria, regional accounts (workplace jobs including self-employed, rounded to hundreds), Vienna and Austria, as compiled in the Vienna data workbook; authors' calculations.

Table E6. Employee jobs and real compensation by sector, Vienna

Sector	Employee jobs growth 2012 to 2023	Compensation per employee job 2023 (EUR)	Index, Austria = 100	Real 2012 to 2019	Real 2019 to 2023	Real 2012 to 2023	Austria real 2012 to 2023
K Finance and insurance	-0.5%	104,577	117	-1.8%	-3.3%	-5.0%	-0.5%
B, D, E Mining, energy, water	-2.7%	101,495	131	+7.7%	-5.4%	+1.9%	-5.5%
J Information and communication	+44.7%	87,216	109	+1.9%	-5.2%	-3.4%	-1.5%
C Manufacturing	-2.2%	76,319	114	-0.7%	-7.3%	-7.9%	+0.2%
O Public administration	+11.7%	71,658	118	+2.0%	-5.4%	-3.5%	-2.6%
H Transport and storage	+16.7%	58,970	105	-3.0%	-4.2%	-7.1%	-5.1%
F Construction	+13.9%	58,885	101	+5.7%	-4.2%	+1.3%	+9.3%
M, N Professional, scientific and administrative	+33.8%	57,594	110	+3.8%	-5.5%	-1.8%	+4.0%
G Wholesale and retail	+3.5%	55,251	120	+2.3%	-6.3%	-4.2%	-0.2%
Q Health and social work	+28.5%	55,074	110	+5.0%	-5.0%	-0.2%	-0.7%
P Education	+27.5%	53,717	98	-2.9%	-7.1%	-9.7%	-9.8%
R to T Arts, other services, households	+7.0%	49,066	117	+1.3%	-3.9%	-2.7%	+2.3%
L Real estate	-5.5%	48,967	116	+10.3%	+0.8%	+11.2%	+12.8%
I Accommodation and food	+17.3%	35,497	95	+10.6%	-2.9%	+7.4%	+10.2%
All sectors	+16.9%	61,258	111	+1.4%	-4.9%	-3.5%	-0.2%

Source: Statistics Austria, regional accounts (compensation of employees, including employer social contributions, divided by employee jobs), Vienna and Austria, as compiled in the Vienna data workbook; Austria CPI (OECD, via FRED); authors' calculations. Compensation is an employer cost, not take-home pay, includes part-time jobs and is affected by changes in the mix of jobs. Agriculture is omitted because of its very small size.

Growth types by sector. No large sector combined fast job growth with rising real pay over 2012 to 2023, so in the framework of Section E2 none supplies clear aggregate evidence of a strong wage-related wealth effect. Professional and administrative services and health gained real pay before 2019, while adding jobs quickly, and lost it after, as did almost all sectors in the inflation of 2022 and 2023. Technology pays 9% above the sector nationally and finance 17% above, the highest pay of any large sector in Vienna at EUR 104,600 per employee job, but real pay in both fell between 2012 and 2023. For offices, the strongest occupier demand is in technology and professional services, plus public administration and education, which have grown steadily.

E3.3 Specialisation and competitiveness

Vienna is Austria's centre for technology, business services, finance, real estate and public administration, but its lead in technology and real estate has narrowed since 2012.

Table E7. Location quotients by sector, Vienna (Austria = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2024	Share of jobs 2024	Reading
J Information and communication	2.23	2.20	2.12	6.9%	Highly specialised, easing
K Finance and insurance	1.43	1.49	1.49	4.0%	Specialised, stable
L Real estate	1.63	1.50	1.39	2.4%	Specialised, falling
M, N Professional, scientific and administrative	1.52	1.49	1.50	19.1%	Specialised, stable
O Public administration	1.17	1.18	1.16	6.6%	Specialised (capital functions)
P Education	1.21	1.24	1.26	9.0%	Specialised, rising
Q Health and social work	1.09	1.05	1.03	11.5%	Average
G Wholesale and retail	0.94	0.90	0.87	12.5%	Below average, falling
H Transport and storage	0.96	0.97	1.00	4.7%	Average, rising
I Accommodation and food	0.93	0.96	0.96	6.1%	Average
R to T Arts, other services, households	1.34	1.29	1.24	6.1%	Specialised, easing
C Manufacturing	0.42	0.37	0.37	5.1%	Low
F Construction	0.80	0.80	0.75	4.9%	Below average
B, D, E Mining, energy, water	0.85	0.74	0.80	1.0%	Below average
A Agriculture	0.03	0.04	0.03	0.1%	Negligible

Table E8. Shift-share decomposition, Vienna, 2012 to 2019 and 2019 to 2024 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-24	National	Mix	Local
M, N Professional, scientific and administrative	+29.7	+15.7	+15.4	-1.4	+21.5	+10.1	+4.7	+6.8
Q Health and social work	+15.5	+9.4	+9.8	-3.6	+16.4	+5.9	+9.0	+1.5
P Education	+12.6	+7.3	+2.4	+2.9	+12.8	+4.6	+3.7	+4.5
J Information and communication	+12.6	+5.2	+7.5	-0.1	+11.6	+3.4	+9.1	-0.9
I Accommodation and food	+10.8	+5.5	+2.1	+3.2	+0.6	+3.5	-4.6	+1.7
R to T Arts, other services, households	+9.2	+5.5	+5.8	-2.0	+2.0	+3.4	-0.3	-1.1
H Transport and storage	+4.2	+4.1	-0.9	+1.0	+6.0	+2.5	+0.1	+3.5
O Public administration	+4.3	+6.2	-2.9	+1.0	+5.1	+3.6	+0.6	+0.9
G Wholesale and retail	+1.1	+12.9	-6.2	-5.6	+4.0	+7.1	-3.1	-0.0
F Construction	+5.2	+4.8	-0.0	+0.4	-0.1	+2.9	-0.7	-2.3
K Finance and insurance	-0.5	+4.1	-6.7	+2.1	+2.4	+2.2	-1.1	+1.3
B, D, E Mining, energy, water	-1.0	+1.0	-0.8	-1.2	+1.8	+0.5	+0.4	+0.9
A Agriculture	+0.1	+0.1	-0.4	+0.3	-0.2	+0.1	-0.2	-0.1
C Manufacturing	-2.8	+5.5	-1.1	-7.2	+2.0	+2.8	-1.3	+0.4
L Real estate	-0.9	+2.7	-1.4	-2.3	-0.9	+1.5	-0.9	-1.4
Total	+100.1	+90.0	+22.7	-12.6	+85.0	+54.1	+15.3	+15.6

Source for Tables E7 and E8: Statistics Austria, regional accounts, workplace jobs, Vienna and Austria, as compiled in the Vienna data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2024. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. Technology's quotient of 2.12 applies to 6.9% of Vienna's jobs and finance's 1.49 to 4.0%, while professional and administrative services (19.1%), wholesale and retail (12.5%) and health (11.5%) are the largest employers.

What the decomposition shows. Before 2019 national growth explained most of Vienna's 100,100 new jobs (90.0 thousand), and its favourable mix of fast-growing sectors added 22.7 thousand, but the regional shift was negative (-12.6 thousand), mainly in manufacturing and retail. After 2019 the regional shift turned positive (+15.6 thousand of 85,000 new jobs), led by professional and administrative services (+6.8 thousand), education (+4.5 thousand) and transport (+3.5 thousand). Technology's growth came almost entirely from the national boom in the sector: its regional shift was slightly negative in both periods, so Vienna's share of Austrian technology jobs has edged down.

E3.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables E8a and E8b rate each driver for Vienna. The ratings are the authors' judgement from the evidence shown.

Table E8a. Demand-side drivers of growth, Vienna

Driver	Rating	Evidence
National economic influences	Weak, but the services mix lets Vienna outgrow Austria	IHS expects Austrian GDP to grow 0.8% in 2026; WIFO expects Vienna's real value added to grow 1.1% in 2026 (Austria 0.9%) and employment 0.9% (Austria 0.5%); Vienna gained about 15,600 jobs above its sector mix in 2019 to 2024 (Table E8)
Amenities, infrastructure and tax	Strong	Vienna ranks 2nd in the EIU Global Liveability Index 2026, after Copenhagen; the airport handled a record 32.6 million passengers in 2025 (+2.6%) but expects about 30 million in 2026 after low-cost airline cuts; taxes are largely national
Clusters and innovation	Strong	R&D spending is 3.95% of Vienna's GDP (Austria 3.26%), about 31% of Austria's R&D; 224 international companies settled in Vienna in 2025, 60 of them in IT, with EUR 525 million of investment and 1,682 jobs
Population growth	Strong	Population rose 18.1% between 2012 and 2025, against 9.4% for Austria; in 2025 Vienna grew by 13,747, nearly two-thirds of Austria's growth; the City of Vienna projects 2.22 million residents by 2040
Visitor spending	Moderate to strong	A record 20.07 million overnight stays in 2025 (+6%), with 83% of guests from abroad
Government spending	Moderate and weakening	Capital functions; the City of Vienna's 2026 draft budget showed a deficit of EUR 2.63 billion, met with fee increases and spending cuts; the U2/U5 metro opening was delayed to 2030 for budget reasons

Sources: IHS, Economic Forecast, October 2026; WIFO, Konjunktur- und Arbeitsmarktprognose für Wien, June 2026; EIU Global Liveability Index 2026, as reported by The Star, 21 July 2026; Flughafen Wien, 20 January 2026; WKO, from Statistik Austria, R&D by federal state 2023; Vienna Business Agency, as reported by vienna.at, 3 April 2026; Statistik Austria, population on 1 January 2026; City of Vienna, population projection 2025 to 2055; vienna.at, 28 January 2026, 12 November 2025 and 20 November 2025; authors' calculations (shift-share).

Table E8b. Supply-side drivers of growth, Vienna

Driver	Rating	Evidence
Immigration for non-wage reasons	Strong, but slowing	Net migration and adjustment provided about 90% of growth in 2024 (Table E2); 37.0% of residents are foreign nationals, against 20.5% for Austria; population growth slowed from 22,529 in 2024 to 13,747 in 2025
Labour force participation	Strong (a large reserve)	Unemployment was 11.5% in September 2026, against 7.1% for Austria, and foreign nationals were 49.7% of the registered unemployed; 31.0% of Austria's employed work part time (women 49.8%)
Public policy programmes	Restrictive	Family reunification for relatives of people granted asylum or subsidiary protection was paused from 3 July 2025 and extended in December 2025, at the latest to 30 September 2026; the Red-White-Red Card for skilled workers has about 12,600 holders

Sources: Eurostat demographic balance, as compiled in the Vienna data workbook; Statistik Austria, population on 1 January 2026 and Arbeitsmarkt 2025; AMS Wien, Arbeitsmarktreport September 2026; 5min.at, 17 December 2025; Der Standard, Red-White-Red Card.

How the drivers explain the growth pattern. Vienna combines demand from services, R&D and capital functions with population growth and labour-supply expansion. Migration adds workers and local demand; the evidence does not isolate wage-driven arrivals from independent supply shifts. Job growth with modest real-pay gains before 2019 is consistent with demand expansion accommodated by elastic labour supply, while unemployment and part-time reserves suggest scope for a labour response. After 2019, falling real pay is not diagnostic of an initiating supply shift because inflation and composition can produce the same pattern. A mixed mechanism remains possible.

What could change the balance. The City of Vienna's consolidation and the pause in family reunification could slow both demand and labour supply growth, and the projected population growth may not materialise if migration stays lower. If Vienna's unemployed were absorbed, its labour supply would become less elastic and real pay could rise, in the authors' reading.

E3.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Vienna's growth has been driven by migration and by its role as Austria's capital and services centre, which have added residents and jobs, rather than by rising real pay.

1. **Migration-led population growth.** Net migration accounted for about 90% of population growth in 2024 and is projected to dominate it to 2040.
2. **Capital and services functions.** Technology, business services, finance, public administration and education are concentrated in Vienna; business services and education gained share after 2019.
3. **Falling real pay.** Real compensation per employee job fell after 2019, and real disposable income per resident was lower in 2019 than in 2012.
4. **Outperformance since 2019.** Jobs and output have grown faster than in Austria since 2019, while manufacturing-heavy regions were hit by the industrial downturn.

Will these forces persist? Population growth is projected to continue, and WIFO expects Vienna to keep growing slightly faster than Austria in 2026. The constraints are the energy shock and higher interest rates, a weak national economy, and real wages that IHS expects to fall again in 2026, limiting household spending power and rental affordability.

E4. Growth prospects and real estate markets

Over the next five to ten years, Vienna's migration-led growth most clearly supports rental housing and well-located offices; it supports hotels and logistics, while retail depends on household incomes.

Table E9. Asset classes and Vienna's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Rental housing	Strong	Population +18% since 2012; projected 2.11 million by 2030; shrinking new supply	Privately financed rental near public transport	Falling real pay; rent regulation of older stock
Offices	Moderate, polarised	Technology, business services and public sector concentrated and growing	Grade A in the CBD and near main hubs	Demand driven by headcount, not rising pay
Hotels	Moderate	Foreign overnight stays +3.5% in January to August 2026 (IHS)	Central hotels	Cyclical; energy costs
Logistics	Moderate	Transport jobs +22% since 2012	Urban and last-mile distribution	Low industrial base
Retail	Weak	Retail jobs +4%; falling real pay	Prime high street	Household spending power

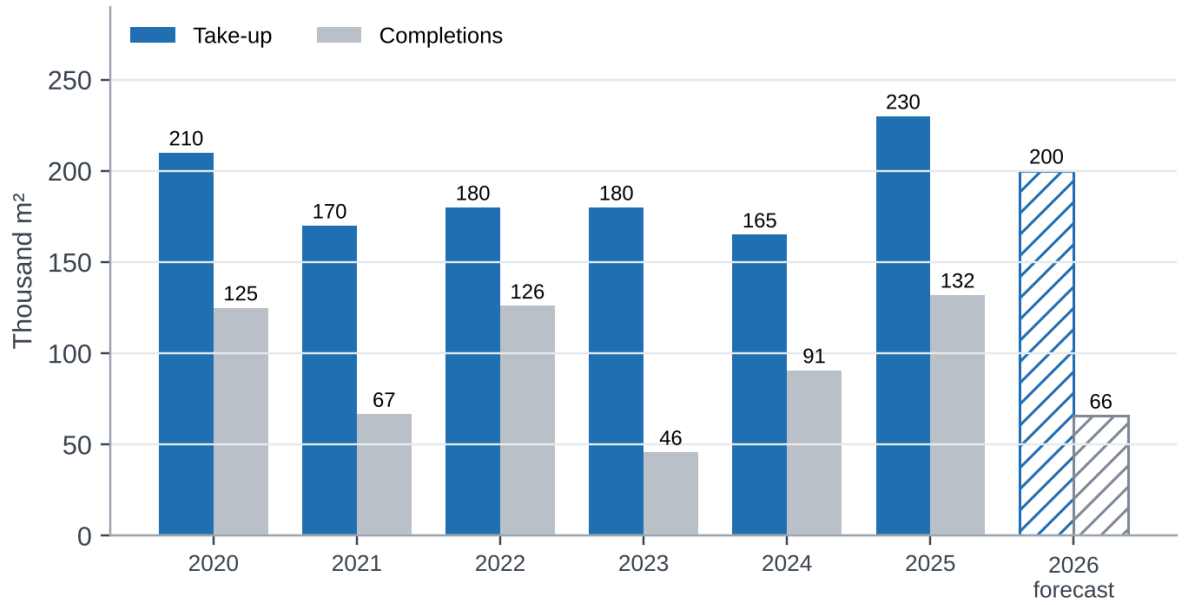
What the growth evidence does not support. Premium-priced housing or office space that relies on rising real incomes, and secondary offices without a refurbishment plan. Industrial space for manufacturing is also not supported, as manufacturing's share of jobs is low and falling.

E5. The office market

Vienna's office market is one of the tightest in Europe on vacancy, and with completions falling sharply, prime rents are edging up.

Figure E4. Take-up has exceeded completions every year since 2020

Office take-up and completions, Vienna, 2020 to 2026 (thousand m²; 2026 forecast)



Sources: EHL, office market reports, autumn 2024 and 2025 and spring 2026, as compiled in the Vienna data workbook. EHL total office market; 2026 figures are EHL forecasts made in Q1 2026.

Table E10. Vienna office market indicators

Indicator	Value	Period	Source
Office stock	11.78 million m² (total market)	Q1 2026	EHL
Vacancy	3.9% (Grade A and B: 4.5%)	Q3 2026	CBRE
Vacancy	3.8% (modern stock: 4.4%)	Q1 2026	EHL
Prime rent	EUR 29.00 per m² per month	Q3 2026	CBRE (EHL EUR 29.50, Q1 2026)
Average rent	EUR 17.50 per m² per month	Q3 2026	CBRE
Take-up	109,660 m², January to September	2026	CBRE
Take-up	230,000 m² (2025); 200,000 m² forecast (2026)	2025 to 2026	EHL
Completions	65,800 to 86,300 m² forecast	2026	EHL; CBRE
Prime yield	4.75% gross (EHL and BNP Paribas RE 5.0%)	Q3 2026	CBRE; EHL
Office investment	EUR 201 million, January to September	2026	CBRE

Sources: CBRE, Vienna Office Figures Q3 2026, 16 October 2026; EHL, Office Market Report spring 2026; as compiled in the Vienna data workbook. Providers' definitions differ: EHL's total stock and the Vienna Research Forum's modern stock are separate universes, and CBRE's gross prime yield is not directly comparable with EHL's.

Demand and supply. Take-up has exceeded completions in every year since 2020 (EHL), and vacancy has fallen from about 5% in 2018 to under 4%. Completions are forecast to fall to 65,800 m² in 2026 (EHL), with a few large schemes such as DC2 in Danube City and Vienna Twentytwo. EHL expects vacancy to rise briefly as recent completions are absorbed, then fall again. Demand is described as stable, with occupiers using space more efficiently through desk sharing and hybrid work.

Rents. The prime rent rose from EUR 25.50 per m² per month in 2018 and 2019 to EUR 29.00 to EUR 29.50 in 2026 (EHL; CBRE), about 14% to 16%, less than consumer prices, which rose about 25% between 2019 and 2024. Rents range from EUR 18.00 to EUR 35.00 in the Inner City, against EUR 12.00 to EUR 18.00 in the South Region (EHL). EHL attributes the rise to excess demand at prime locations and high construction and financing costs.

E6. Housing and capital markets

Housing. Demand for rental housing is strong and new supply is falling. Average net rents for new lettings of investment apartments rose 8.6% in 2025, to EUR 16.20 per m², and EHL expects rents to keep rising to at least the end of 2027, with very low vacancy and declining building permits. CBRE puts the prime residential rent at EUR 19.90 per m² per month in Q2 2026 and expects it to rise at least 2.7% this year. Completions were about 1,800 apartments in Q2 2026 (CBRE). Austrian house prices rose 3.9% in the first half of 2026 (Statistics Austria), and apartments in Vienna averaged EUR 5,212 per m² in 2025. Much of Vienna's older rental stock is subject to statutory rent limits under the Tenancy Act, so the evidence here applies to newly built, privately financed housing.

Demand, supply and affordability. On the authors' calculation, 2024 population growth implies about 12,300 new households (the microcensus shows about 13,500), against 11,194 completions in new residential buildings, a ratio of 0.91; over 2022 to 2024, the only period with household counts in the authors' data, it was 0.84. At the median apartment transaction price, an 80 m² home cost 8.7 years of household income in 2021 and 6.9 in 2024. Asking rents including operating charges equal about 32% of mean household income (January to October 2024); no renter-specific burden for Vienna was found (Section 3.4).

Capital markets. About EUR 1 billion of property was traded in Austria in the first half of 2026, with international investors accounting for 53% (CBRE); residential investment fell about 80%, which CBRE attributes to a gap between buyers' and sellers' price expectations. The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October, citing the continued rise in energy prices.

Table E11. Vienna pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield	4.75% gross (EHL 5.0%)	Q3 2026	CBRE; EHL
Prime residential yield	4.10% (+10 bp)	Q2 2026	CBRE
Prime logistics yield	5.15%	Q2 2026	CBRE
Prime high-street retail yield	4.75%	Q2 2026	CBRE
Investment apartment price, average	EUR 7,000 per m²	2025	EHL
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: CBRE, Vienna Office Figures Q3 2026, as compiled in the workbook, and Austria investment figures Q2 2026, as reported by news.at; CBRE, Wohnen Figures Q2 2026; EHL, Office Market Report spring 2026 and Investment Apartments spring 2026; ECB decision of 29 October 2026, as reported by Trend.az; euribor-rates.info.

Reading for the investor. Vienna's quoted prime office yield of 4.75% to 5.0% differs by 225 to 250 basis points from the ECB deposit rate of 2.50% effective from 16 September. Milan's earlier H1 yield gives a 150 basis point difference against that same later rate. The observation dates differ, so these are arithmetic benchmarks rather than contemporaneous pricing comparisons. Prime residential yields have risen 10 basis points to 4.10%; rising rents and falling new supply support testing housing income growth, while the weak transaction market may offer entry opportunities.

E7. Strategy appraisal

Strategy C has the strongest demand case and its main risk is affordability; Strategy A offers secure income in a tight market, and its main risk is the price paid as rates rise; Strategy B targets the shortage of new space but carries construction cost and letting risk. All figures are illustrative.

Table E12. Value sensitivity to yield, Vienna prime office and residential (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, CBD	4.75%	+11.8%	+5.6%	-5.0%	-9.5%
C: prime residential	4.10%	+13.9%	+6.5%	-5.7%	-10.9%

Source: authors' calculations on the gross prime office yield of 4.75% reported by CBRE (Q3 2026) and the prime residential yield of 4.10% reported by CBRE (Q2 2026).

A 25 basis point move changes value by about 5% to 6.5%, and a 50 basis point move by about 9.5% to 14%; the effect is larger for housing because its yield is lower. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net or gross income depending on the provider, so capitalising a headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table E13. Summary assessment of the Vienna strategies

Factor	A: core prime office	B: refurbishment to Grade A	C: rental housing
Market tightness	Vacancy 3.9%; few completions	Grade A and B vacancy 4.5%	Very low vacancy; falling new supply
Demand base	Technology, business services, public sector	Same, seeking modern space	Population +1.1% a year since 2019
Pricing	Yield 4.75% to 5.0%; rent EUR 29	Depends on location and quality achieved	Prime yield 4.10%; rents rising
Main risk	Paying a full price as rates rise	Construction cost and lease-up	Affordability; falling real pay; regulation
Verdict	Underwrite selectively, subject to entry price	Underwrite selectively, near main hubs	Prioritise for underwriting, subject to entry price

From growth to space. Table E13a traces each material source of Vienna's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table E13a. From growth to space: Vienna

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Privately financed rental near public transport	Completions covered 0.91 of new households in 2024 and 0.84 over 2022 to 2024; the Vienna Chamber of Commerce expects completions to fall from 11,404 in 2025 to 9,651 in 2027	**Construction.** Population rose 18.1% in 2012 to 2025 and is projected to reach 2.11 million by 2030, mostly from migration; asking rents equal about 32% of mean household income, and real pay is falling.
Technology, business services and public sector jobs	Grade A offices in the CBD and near the main hubs	Vacancy 3.9%; completions forecast at 65,800 to 86,300 m² in 2026, against take-up of about 200,000 m²	**Construction or adaptation near the hubs.** There is little vacant space to absorb growth, so demand needs new or refurbished buildings; EHL expects vacancy to rise briefly as recent completions are absorbed.
Income	Better space	As above	**Little additional demand.** Real compensation per employee job rose 1.4% in 2012 to 2019 and fell 4.9% in 2019 to 2023, so growth adds volume, not quality.
Visitors	Central hotels	Not measured	**Not assessed.** Foreign overnight stays rose 3.5% in January to August 2026.
Transport jobs	Urban and last-mile distribution	Not measured	**Not assessed.** Transport jobs rose 22% since 2012.

Sources: Sections E3 to E7 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Vienna needs new space in both housing and offices: it is adding people faster than homes, and its office market has too little vacancy to absorb even headcount-driven growth.

Recent evidence and what it supports testing. CBRE recorded 27,640 m² of take-up in Q3 2026, well below the 89,280 m² of Q3 2025, and completions of about 25,400 m² in the first three quarters; vacancy in modern Grade A and B space was 4.5%, and about 60,900 m², including DC Tower 2, was scheduled for completion in Q4 (CBRE, Vienna Office Figures Q3 2026). The Vienna Chamber of Commerce expects housing completions to fall from 11,404 in 2025 to 10,336 in 2026 and 9,651 in 2027, with commercially developed rental homes falling from 2,505 to 494; the national chamber puts Vienna's 2026 completions higher, at about 12,100, and the two figures have not been reconciled. In the authors' judgement, this supports testing rental housing by district, unit size and competing tenure; for offices, the pre-let share of upcoming deliveries should be checked before relying on low current vacancy.

E8. Risks, monitoring and review triggers

Table E14. Risks, indicators and suggested review triggers

Risk	Indicator to monitor	Suggested review trigger
Energy shock and rates	Oil and gas prices; ECB deposit rate	Further ECB rate rises
Weak economy	IHS and WIFO forecasts; unemployment	Austrian GDP growth forecast below 0.5%
Real incomes	Real wages; rent-to-income ratios	Real wages falling for a second year
Office demand	Take-up; vacancy	Vacancy above 5%
Housing regulation	Changes to rent law	New limits on privately financed rents
Population growth	Net migration	Net migration well below the projection

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly. A local partner with transaction, leasing and yield evidence would be needed before any investment.

E9. Sources

Official statistics and data workbook. Vienna city and economic data workbook, compiled for this edition from Statistics Austria regional accounts (gross regional product, gross value added, total employment, employees, compensation of employees, hours worked and disposable income, NUTS 2, September 2025 revision) and Eurostat population and demographic balance (demo_r_d2jan, demo_r_gind3), retrieved 29 October 2026; Statistics Austria, house price index, 23 September 2026; Austria consumer price index (OECD, via FRED, series CPALTT01ATA659N); City of Vienna, population projection 2025 to 2055.

Housing demand, supply and affordability. Authors' calculations in the metro data workbook, available from the authors, from: Statistik Austria, completions in new residential buildings, microcensus households, average real estate prices (apartment transactions) and regional household disposable income; ImmobilienScout24 Austria, asking rents, January to October 2024.

Drivers of growth (Section E3.4). WIFO, Konjunktur- und Arbeitsmarktprognose für Wien, June 2026; AMS Wien, Arbeitsmarktreport September 2026; Statistik Austria, population on 1 January 2026 (9 February 2026) and Arbeitsmarkt 2025 (12 March 2026); WKO, R&D and patents by federal state, from Statistik Austria; Vienna Business Agency, as reported by vienna.at (3 April 2026); EIU Global Liveability Index 2026, as reported by The Star (21 July 2026); Flughafen Wien, traffic results 2025 (20 January 2026); vienna.at, Vienna tourism 2025 (28 January 2026), U2/U5 delay (12 November 2025) and Vienna's 2026 budget (20 November 2025); 5min.at, family reunification pause (17 December 2025); Der Standard, Red-White-Red Card.

Forecasts and policy. IHS, Economic Forecast, October 2026; WIFO forecast for Vienna, as reported by the City of Vienna, 3 July 2026; ECB monetary policy decision of 29 October 2026, as reported by Trend.az; euribor-rates.info.

Market sources. CBRE, Vienna Office Figures Q3 2026 (16 October 2026), Wohnen Figures Q2 2026 and Austria investment figures Q2 2026 (as reported by news.at and vienna.at, July 2026); EHL, Office Market Reports autumn 2018, 2024 and 2025 and spring 2026, and Investment Apartments spring 2026; ORF, residential prices, 24 September 2026.

Recent market evidence (note after Table E13a). CBRE, Vienna Office Figures Q3 2026: cbre.com; Wirtschaftskammer Wien, Neubaubericht quarterly update, as reported by vienna.at (October 2026): vienna.at; WKÖ, national new-build report release: wko.at.

Method.

- DiPasquale, D. and Wheaton, W. C. (1996) *Urban Economics and Real Estate Markets*. Englewood Cliffs, NJ: Prentice Hall.
- Sivitanides, P. and Mourouzi-Sivitanidou, R. (2020) *Market Analysis for Real Estate*. Abingdon: Routledge.

PART F. UNITED KINGDOM

Edinburgh



Edinburgh from Calton Hill. Illustration adapted from a photograph by Ad Meskens, Wikimedia Commons · CC BY-SA 3.0

This part reproduces the Edinburgh edition, which, like the Swedish edition, is outside the euro area. As a single-metro edition, it has no comparison section and no city sub-parts; Section F3 sets out the metropolitan growth analysis, including the drivers of growth (Section F3.4). Edinburgh is compared with Great Britain on employee jobs (BRES), which exclude the self-employed, and its values are in pounds sterling.

Data vintage. Employee jobs and GDP run to 2024, population and pay to 2025. Office market figures run to Q3 2026 (prime yield Q2 2026), and Bank Rate to 5 November 2026.

F1. Executive summary and recommendations

Recommendations. Prioritise build-to-rent housing for underwriting, subject to entry price, planning consent and the affordable housing requirement; underwrite new or comprehensively refurbished prime offices in the city centre selectively; underwrite purpose-built student housing selectively, subject to planning and international student demand; do not prioritise secondary offices. Edinburgh's growth since 2019 has been led by pay and output rather than by numbers of jobs. Median full-time pay in the City of Edinburgh rose from 105.8% of the Great Britain level in 2019 to 111.7% in 2025, and finance, education and public administration added jobs much faster than in Great Britain. Housing and prime office space are both scarce. The main risks are a sharp fall in international migration, rising office vacancy outside prime buildings, and new rent controls for older private rental housing. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

One metro, the same method. This edition applies the Observatory's method to the Edinburgh and South East Scotland City Region: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Great Britain, the demand- and supply-side drivers of growth and the forces behind it, followed by the office market, housing and capital markets, and illustrative strategies.

The case rests on seven findings:

1. **Growth since 2019 has been led by pay, not by job numbers.** Employee jobs in the city region grew 4.7% between 2019 and 2024, in line with Great Britain (4.8%), and 7.8% in the City of Edinburgh. Median full-time workplace pay rose 35.6% in the city between 2019 and 2025, against 28.4% in Great Britain.
2. **Output has grown faster than jobs.** Real GDP in the City of Edinburgh rose 22.3% between 2012 and 2019 and 9.1% between 2019 and 2024, despite a fall of 12.8% in 2020. The city produced 58% of the city region's GDP of GBP 66.2 billion in 2024.
3. **Finance and education are the growth sectors.** Finance and insurance jobs in the city region rose 25.2% between 2019 and 2024, against 1.4% in Great Britain, and are twice as concentrated as in Great Britain (location quotient 2.01; 3.36 in the city). Education jobs rose 23.4% between 2015 and 2024, against 3.5%.
4. **Population growth depends on migration, which has dropped sharply.** The city region grew 7.9% between 2012 and 2025, against 4.5% for Scotland. Deaths have exceeded births since 2018. Net international migration fell from 19,470 in 2022-23 to 1,220 in 2024-25, and the City of Edinburgh's population fell by 700 in the year to mid-2025.
5. **Prime offices are scarce, but overall vacancy is rising.** Prime vacancy in the city centre was 1.6% in Q3 2026 and the prime rent GBP 49.50 per sq ft, up 30% in five years. Overall vacancy rose to 14.9%, and Grade A availability rose 30% in the quarter (Savills).
6. **Housing is supply-constrained.** The average private rent was GBP 1,596 a month in Q2 2026, up 43.1% in five years but only 1.0% in the latest year (Citylets). The council declared a housing emergency in November 2023.

7. **New regulation shapes the opportunities.** Rent control areas under the Housing (Scotland) Act 2025 will cap rises for existing private lets at CPI plus 1%, up to 6% a year, but build-to-rent and purpose-built student housing are to be exempt. A 5% visitor levy applies to overnight stays from 24 July 2026, and short-term lets of whole homes need planning permission.

The assumptions this advice is most sensitive to: whether international migration and student numbers recover; whether demand for prime offices outlasts the rise in secondary vacancy; and the path of UK interest rates, after the Bank of England raised Bank Rate to 4% on 5 November 2026.

F2. Introduction: purpose, method and area

This edition assesses whether, and how, an institutional investor should commit capital to real estate in the Edinburgh metropolitan area. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings. The aim is to identify every asset class likely to benefit from the type of growth Edinburgh is experiencing, not only offices.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space. In Edinburgh, students and visitors add to that demand.

Area covered. The metropolitan area is the Edinburgh and South East Scotland City Region, the six councils of the City Region Deal: the City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian, with 1,426,250 residents in mid-2025. It is a policy region, wider than Edinburgh's travel-to-work area, and includes the whole of Fife. The City of Edinburgh, with 531,370 residents, is shown separately where it matters, because the office market and most of the growth are concentrated there. Great Britain is the reference economy for jobs and pay, and Scotland for population.

Method and data. The data come from a workbook compiled for this edition from the Business Register and Employment Survey (BRES), ONS regional GDP, National Records of Scotland (NRS) population and migration estimates, and the Annual Survey of Hours and Earnings (ASHE). Jobs are employee jobs at the workplace, excluding agriculture and the self-employed. BRES changed coverage in 2015, so growth is chained at 2015 across the two series; BRES counts are rounded and volatile for single sectors. GDP is nominal for the city region, because chained volume measures cannot be added across councils, and real for the City of Edinburgh. Pay is the median gross annual pay of full-time employees working in the City of Edinburgh (ASHE workplace analysis); pay by sector is not published for Edinburgh. **Real pay** is deflated with the City of Edinburgh GDP implied deflator from the workbook, because a consumer price index could not be retrieved for this edition; the comparison with Great Britain uses nominal pay ratios and needs no deflator. Growth is compared over 2012 to 2019 and 2019 to 2024.

Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

The investment cases. The report tests three illustrative strategies:

Table F1. The strategies tested

Strategy	Asset	Location	Risk style
A	Prime office, new or comprehensively refurbished	City centre: Haymarket, the West End and St Andrew Square	Value-add
B	Build-to-rent housing, multifamily or single-family	City of Edinburgh and edge-of-city sites in Midlothian, East and West Lothian	Core-plus to development
C	Purpose-built student housing	Near the University of Edinburgh's central and King's Buildings sites and other campuses	Core-plus to value-add

Structure. Section F3 analyses metropolitan growth, Section F4 its implications by asset class, Section F5 the office market, Section F6 housing, hotels and capital markets and Section F7 the strategies. Section F8 sets out risks and monitoring, and Section F9 lists sources.

F3. Metropolitan growth patterns

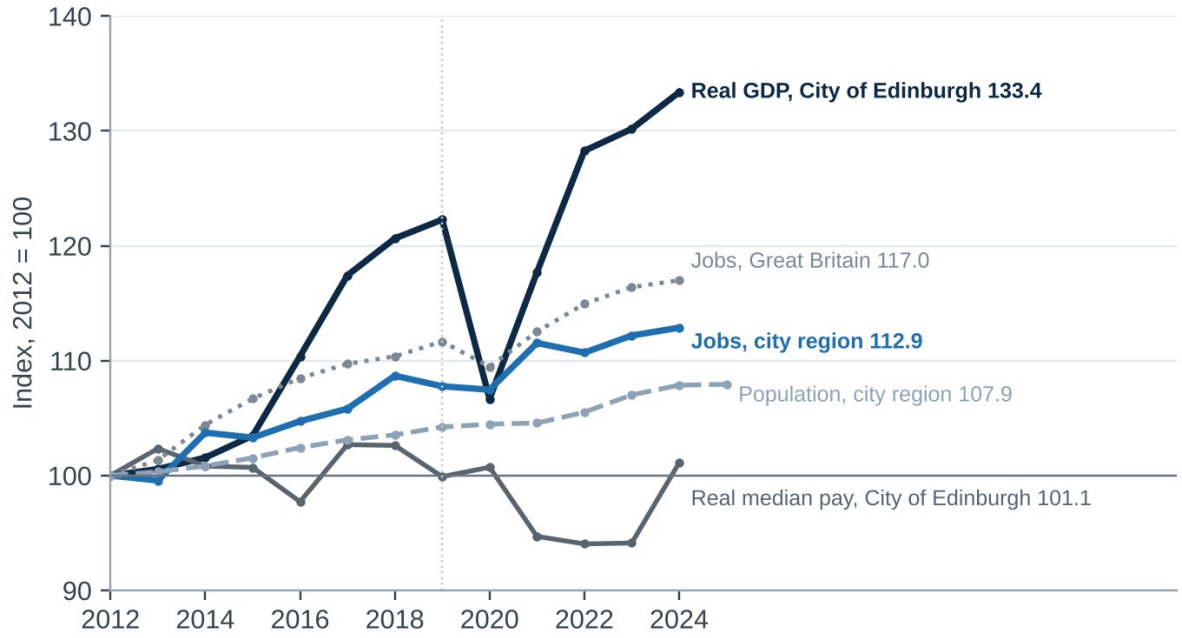
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (3.1), growth and pay by sector (3.2), specialisation and competitiveness against Great Britain (3.3), the demand- and supply-side drivers of growth (3.4) and the forces behind growth (3.5).

F3.1 Summary growth indicators

The city region's jobs grew more slowly than Great Britain's before 2019 and in line with them after; output grew faster than jobs, and the population grew faster than Scotland's.

Figure F1. Output grew faster than jobs; real pay barely changed

Summary growth indicators, Edinburgh city region, City of Edinburgh and Great Britain, 2012 to 2024 (index, 2012 = 100)



Sources: BRES employee jobs (chained at 2015), ONS regional GDP (chained volume measures, City of Edinburgh), NRS mid-year population and ASHE workplace median full-time pay, as compiled in the Edinburgh data workbook; authors' calculations. Real pay is deflated with the City of Edinburgh GDP implied deflator. Population to 2025.

Population. The city region had 1,321,260 residents in mid-2012 and 1,426,250 in mid-2025 (+7.9%), against +4.5% for Scotland. It grew 0.6% a year between 2012 and 2019 and 0.6% a year between 2019 and 2025, against 0.3% and 0.4% for Scotland. The City of Edinburgh grew faster, from 480,420 to 531,370 (+10.6%), but its population fell by 700 in the year to mid-2025.

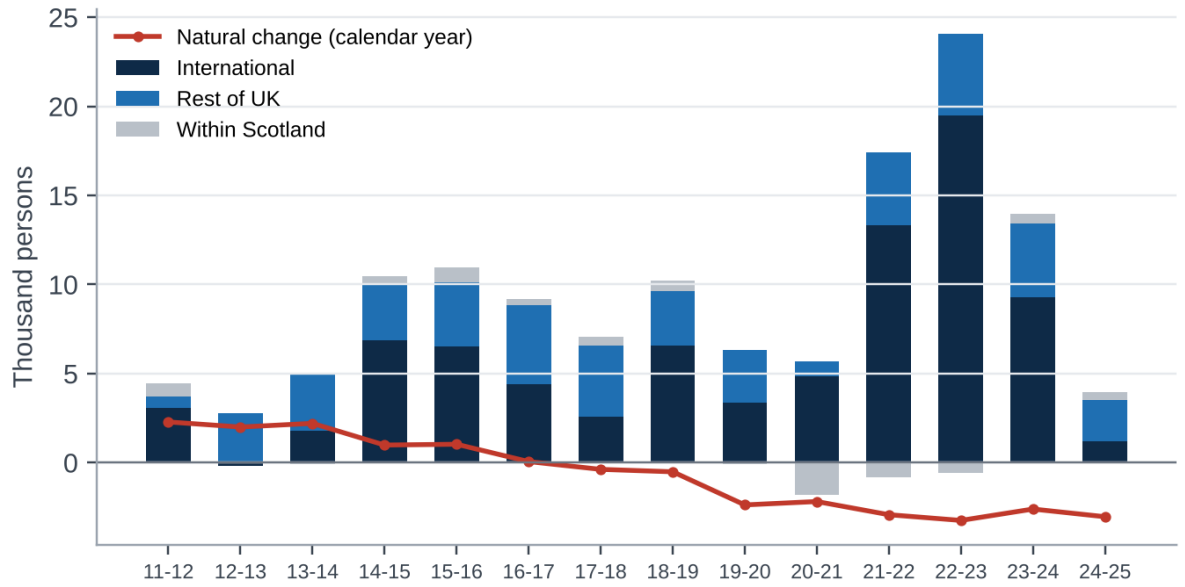
Employment. Employee jobs in the city region were 679,535 in 2024. They grew 7.8% between 2012 and 2019, against 11.7% for Great Britain, and 4.7% between 2019 and 2024, against 4.8%. Jobs in the City of Edinburgh grew 7.3% and 7.8% in the two periods. Edinburgh's employment rate of 83.2% is the highest of any major UK city (City of Edinburgh Council, Edinburgh by Numbers 2026).

Output and pay. Nominal GDP in the city region rose from GBP 36.0 billion in 2012 to GBP 48.8 billion in 2019 (+35.5%) and GBP 66.2 billion in 2024 (+35.7%). In the City of Edinburgh, real GDP rose 22.3% between 2012 and 2019, fell 12.8% in 2020 and was 9.1% above 2019 in 2024. Median full-time workplace pay in the city rose from GBP 28,282 in 2012 to GBP 32,250 in 2019 and GBP 43,715 in 2025. Relative to Great Britain it was 106.6% in 2012, 105.8% in 2019, 110.7% in 2024 and 111.7% in 2025. Deflated with the city's GDP deflator, real pay was flat between 2012 and 2019 (-0.1%) and rose 1.2% between 2019 and 2024; with a consumer price index the real change could differ. ASHE estimates for a single council are volatile from year to year.

Where population change comes from. Deaths have exceeded births in the city region every calendar year since 2018, by about 2,600 to 3,250 a year since 2022, so migration provides all growth (Figure F2 and Table F2). Net migration rose to 23,530 in 2022-23, mostly from abroad, and fell to 3,920 in 2024-25 as international net migration fell to 1,220, following tighter UK student and work visa rules. The City of Edinburgh loses residents to the rest of Scotland every year.

Figure F2. International migration drove growth, then fell sharply

Net migration by origin (mid-year periods) and natural change (calendar years), Edinburgh city region, 2011-12 to 2024-25 (thousand persons)



Source: National Records of Scotland, migration and vital events, as compiled in the Edinburgh data workbook; authors' calculations. Natural change is shown for the calendar year ending in the mid-year period.

Table F2. Components of population change, mid-2024 to mid-2025

Area	Births	Deaths	Natural change	Net migration, within Scotland	Net migration, rest of UK	Net migration, international	Population change
City of Edinburgh	4,340	4,476	-136	-3,090	+1,410	+1,190	-700
City region	11,536	14,267	-2,731	+400	+2,320	+1,220	+1,120
City region, 2022-23 for comparison	11,697	15,363	-3,666	-560	+4,620	+19,470	+19,980

Source: National Records of Scotland, mid-year population estimates, components of change, as compiled in the Edinburgh data workbook. Population change includes other small changes, so the components do not sum exactly.

Synthesis by period. Table F3 summarises growth in each period and the type of growth it indicates.

Table F3. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Jobs	Median pay, nominal	Real pay	Output	Indicative mechanism	Main forces
City region (pay and real output: City of Edinburgh)	2012-19	+0.6	+1.1	+1.9	0.0	+2.9 (real)	Output growth not shared in pay; jobs slower than Great Britain	Finance and business services productivity; tourism; migration from the rest of the UK and abroad
City region (pay and real output: City of Edinburgh)	2019-24	+0.7	+0.9	+5.2	+0.2	+1.7 (real)	Demand-side evidence; elasticity unconfirmed	Finance, education, public administration; international migration until 2023
Great Britain	2012-19	n.a.	+1.6	+2.0	n.a.	n.a.	National reference	
Great Britain	2019-24	n.a.	+0.9	+4.3	n.a.	n.a.	National reference	

Sources: NRS population; BRES employee jobs (chained at 2015); ASHE workplace median full-time annual pay; ONS regional GDP, chained volume measures, as compiled in the Edinburgh data workbook; authors' calculations. Real pay is deflated with the City of Edinburgh GDP implied deflator. Growth types follow the framework in Section F2 and are indicative.

Forecasts. The Fraser of Allander Institute expected Scottish GDP to grow 1.0% in 2026, 1.1% in 2027 and 1.2% in 2028 (June 2026), and listed as risks the conflict in the Middle East and energy prices, softening hiring and tight public budgets. UK CPI inflation was 3.5% in September 2026, and the Bank of England raised Bank Rate from 3.75% to 4% on 5 November 2026. A population or employment forecast for the city region was not available to the authors.

Table F4. Historical and forecast growth, Edinburgh

Indicator	History	Forecast	Forecast source
Population	City region +7.9%, 2012 to 2025	Not available for the city region	
Jobs	City region +12.9%, 2012 to 2024	Not available	
Output	City of Edinburgh real GDP +33.4%, 2012 to 2024	Scotland +1.0% (2026), +1.1% (2027), +1.2% (2028)	Fraser of Allander Institute, June 2026
Pay	City of Edinburgh median full-time pay 111.7% of Great Britain, 2025	UK CPI inflation 3.5% (September 2026)	ONS

Sources: history as Figure F1 and Table F3; Fraser of Allander Institute, Economic Commentary 2026 Q2; ONS, Consumer price inflation, September 2026.

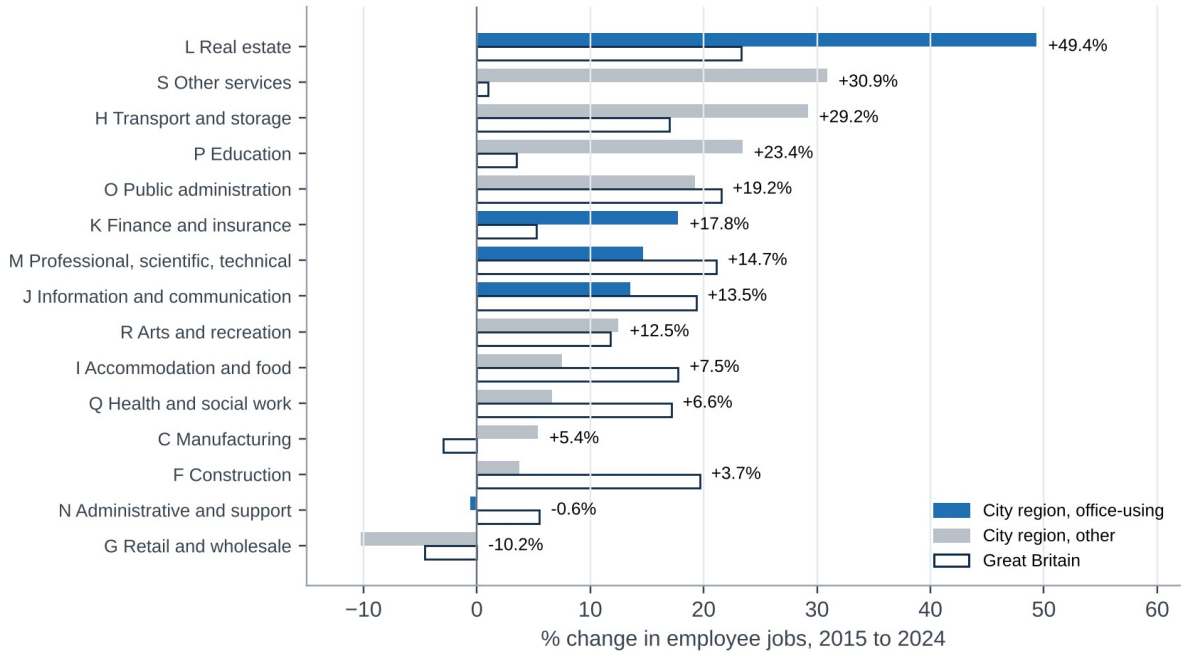
Reading for the investor. Edinburgh's growth since 2019 has raised pay and output rather than job numbers, a pattern that supports premium space: prime offices, good-quality rental housing and upper-tier hotels. Population growth depends on migration, and the fall in international arrivals in 2024-25 is the main weakness in the demand base.

F3.2 Growth and pay by sector

Real estate, transport, education, public administration and finance grew fastest; retail and administrative services shrank.

Figure F3. Finance and education outgrew Great Britain; retail shrank

Employee jobs by sector, Edinburgh city region and Great Britain, 2015 to 2024 (% change). Office-using sectors in blue.



Source: BRES employee jobs (2015 onwards coverage), city region councils and Great Britain, as compiled in the Edinburgh data workbook; authors' calculations.

Table F5. Employee jobs by sector, Edinburgh city region

Sector	Jobs 2015 (000)	Jobs 2019 (000)	Jobs 2024 (000)	Growth 2019-24	Great Britain 2019-24	Share 2024	LQ 2024	LQ 2024, City of Edinburgh
Q Health and social work	98.5	93.8	105.0	+11.9%	+13.4%	15.5%	1.09	1.09
G Retail and wholesale	89.4	85.6	80.3	-6.2%	-4.8%	11.8%	0.86	0.65
P Education	55.5	61.0	68.5	+12.3%	+4.1%	10.1%	1.17	1.17
I Accommodation and food	52.8	54.8	56.8	+3.6%	+6.1%	8.4%	1.07	1.22
M Professional, scientific, technical	44.7	48.1	51.3	+6.8%	+10.7%	7.6%	0.81	0.95
K Finance and insurance	39.6	37.2	46.6	+25.2%	+1.4%	6.9%	2.01	3.36
O Public administration	39.0	41.3	46.5	+12.7%	+16.7%	6.8%	1.40	1.44
C Manufacturing	38.9	37.1	41.0	+10.5%	-4.9%	6.0%	0.83	0.37
N Administrative and support	38.6	47.9	38.3	-20.0%	+1.4%	5.6%	0.66	0.74
F Construction	31.4	28.7	32.6	+13.5%	+6.8%	4.8%	0.96	0.57
H Transport and storage	22.2	25.2	28.7	+13.8%	+5.3%	4.2%	0.85	0.67
J Information and communication	24.3	36.7	27.6	-24.9%	+9.4%	4.1%	0.89	1.06
R Arts and recreation	19.8	20.7	22.3	+7.4%	+5.1%	3.3%	1.32	1.29
S Other services	11.6	12.3	15.2	+23.7%	+0.3%	2.2%	1.14	1.13
L Real estate	8.0	10.6	12.0	+12.7%	+14.0%	1.8%	0.93	1.15

Source: BRES employee jobs by SIC 2007 division, aggregated to sections, city region councils and Great Britain, 2015 onwards coverage, as compiled in the Edinburgh data workbook; authors' calculations. Mining and utilities are not shown. BRES counts are rounded and volatile for single sectors and councils: the rise and fall of information and communication jobs between 2015, 2019 and 2024 should be read with caution.

Growth types by sector. Pay by sector is not published for Edinburgh, so growth types by sector cannot be classified directly. The sector pattern is consistent with the rise in relative pay: the sectors that grew fastest relative to Great Britain, finance and education, are generally among the better paid, while lower-paid retail and administrative services shrank. Finance and insurance added 9,400 jobs between 2019 and 2024. Information and communication is not a clear growth sector on these data: its jobs rose sharply to 2019 and fell back by 2024, a swing that may partly reflect BRES volatility.

F3.3 Specialisation and competitiveness

The city region is specialised in finance, public administration, arts and recreation, education and health; the City of Edinburgh is more than three times as concentrated in finance as Great Britain.

Table F6. Location quotients by sector, Edinburgh city region (Great Britain = 1.0)

Sector	LQ 2015	LQ 2019	LQ 2024	Share of jobs 2024	Reading
K Finance and insurance	1.79	1.63	2.01	6.9%	Highly specialised, rising since 2019
O Public administration	1.42	1.44	1.40	6.8%	Specialised (capital functions)
R Arts and recreation	1.30	1.29	1.32	3.3%	Specialised (festivals, culture)
P Education	0.97	1.08	1.17	10.1%	Specialised, rising
Q Health and social work	1.19	1.10	1.09	15.5%	Specialised, falling
I Accommodation and food	1.17	1.10	1.07	8.4%	Specialised, falling
J Information and communication	0.94	1.30	0.89	4.1%	Below average (volatile)
M Professional, scientific, technical	0.85	0.84	0.81	7.6%	Below average
G Retail and wholesale	0.91	0.88	0.86	11.8%	Below average, falling

Source: BRES employee jobs, city region councils and Great Britain, 2015 onwards coverage, as compiled in the Edinburgh data workbook; authors' calculations.

Table F7. Shift-share decomposition, Edinburgh city region, 2015 to 2019 and 2019 to 2024 (thousands of employee jobs)

Sector	Change 2015-19	National	Mix	Local	Change 2019-24	National	Mix	Local
O-S Public, education, health and other services	+4.7	+10.5	-5.1	-0.7	+28.4	+10.9	+11.3	+6.2
K-N Finance, real estate, business services	+12.9	+6.1	+2.2	+4.6	+4.4	+6.9	+1.7	-4.1
B-E Industry excluding construction	-1.5	+2.2	-1.1	-2.6	+3.0	+2.1	-3.7	+4.6
F Construction	-2.7	+1.5	+2.3	-6.5	+3.9	+1.4	+0.6	+1.9
G-J Trade, transport, hospitality, ICT	+13.6	+8.8	+1.4	+3.4	-9.0	+9.6	-7.0	-11.7
Total	+26.9	+29.0	-0.4	-1.7	+30.7	+30.9	+2.8	-3.0

Source: BRES employee jobs, five sector groups, city region and Great Britain, 2015 onwards coverage, as compiled in the Edinburgh data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2024. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. Finance is the defining specialisation: 6.9% of the city region's jobs, twice the Great Britain share, and 3.36 times in the City of Edinburgh. Public administration, arts and recreation and education are also concentrated, reflecting Edinburgh's role as Scotland's capital, its festivals and its universities. Professional services and information and communication are below the Great Britain share, which limits the breadth of office demand.

What the decomposition shows. Over both periods the city region grew almost exactly as fast as Great Britain implies: the regional shift was -1,700 jobs between 2015 and 2019 and -3,000 between 2019 and 2024. The composition differs. Before 2019, finance and business services and trade, transport, hospitality and ICT gained share. After 2019, public, education and health services gained 6,200 jobs more than their national trend, and industry 4,600, while trade, transport, hospitality and ICT lost 11,700, and finance and business services 4,100, mainly because administrative services shrank.

F3.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables F7a and F7b rate each driver for Edinburgh. The ratings are the authors' judgement from the evidence shown.

Table F7a. Demand-side drivers of growth, Edinburgh

Driver	Rating	Evidence
National economic influences	Weak	The Fraser of Allander Institute expected Scottish GDP growth of 1.0% in 2026 and 1.1% in 2027; UK inflation was 3.5% in September 2026 and Bank Rate was raised to 4% in November 2026; the city region grew in line with Great Britain's job trend in 2019 to 2024 (Table F7)
Amenities, infrastructure and tax	Strong	Edinburgh Airport handled a record 16.98 million passengers in 2025; the capital's cultural offer and festivals (arts and recreation LQ 1.32)
Clusters and innovation	Strong in finance	Finance and insurance LQ 2.01 in the city region and 3.36 in the city; finance jobs +25.2% in 2019 to 2024 against +1.4% in Great Britain; EY took 36,209 sq ft at Haymarket Square in 2026
Population growth	Moderate, now weakening	+7.9% in 2012 to 2025 against +4.5% for Scotland; deaths exceed births; net international migration fell from 19,470 in 2022-23 to 1,220 in 2024-25 (Table F2)
Visitor spending	Strong	Record airport traffic; real hotel RevPAR more than 20% above 2019 at the end of 2024 (HVS); a 5% visitor levy from 24 July 2026, expected to raise up to GBP 50 million a year
Government spending	Moderate to strong	Capital functions (public administration LQ 1.40); public, education and health services gained 6,200 jobs more than their national trend in 2019 to 2024; the council has committed GBP 1.6 billion to affordable homes and temporary accommodation

Sources: Fraser of Allander Institute, Economic Commentary 2026 Q2; ONS, Consumer price inflation, September 2026; Bank of England decision of 5 November 2026, as reported by ForexFundamentals; Edinburgh Airport, 2025 results; HVS, Edinburgh Market Pulse 2025; Savills, Edinburgh office market Q3 2026; City of Edinburgh Council, visitor levy, as reported by Edinburgh Magazine, and housing update of 16 September 2026; authors' calculations (shift-share, location quotients).

Table F7b. Supply-side drivers of growth, Edinburgh

Driver	Rating	Evidence
Immigration for non-wage reasons	Moderate, falling	International net migration to the city region fell to 1,220 in 2024-25; since January 2024 taught postgraduate students can no longer bring dependants, and the Graduate visa is shortened from 24 to 18 months from January 2027 (Migration Observatory)
Labour force participation	Weak (little room left)	Edinburgh's employment rate is 83.2%, the highest of any major UK city
Public policy programmes	Weak	Housing shortages constrain the labour supply: the council declared a housing emergency in November 2023, and Edinburgh requires 35% affordable housing on schemes of more than 11 homes

Sources: National Records of Scotland, as compiled in the Edinburgh data workbook; Migration Observatory, Student migration to the UK, 30 June 2026; City of Edinburgh Council, Edinburgh by Numbers 2026, as reported by Scottish Financial Review, 22 May 2026; Savills, Scottish development market 2026, 22 April 2026.

How the drivers explain the growth pattern. Before 2019, Edinburgh's output grew strongly, employment lagged Great Britain and real pay was broadly flat on the city's GDP deflator. Since 2019, finance, education and public services provide demand-side evidence, while pay has risen relative to Great Britain and jobs have grown at about the national rate. This supports a tentative demand-induced interpretation, but the small measured real-pay gain does not establish a less elastic labour supply or a broad wealth effect. Recruitment conditions and housing costs may constrain labour supply. International migration eased those constraints in 2021 to 2023 before slowing in 2024-25; its causal contribution is not measured here.

What could change the balance. Further cuts to international student and work migration would reduce the population and labour supply, raising pay but weakening housing and student demand. A slowdown in financial services, or further relocation of back-office functions, would weaken the main demand driver. More housing supply would make the labour supply more elastic.

F3.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Edinburgh's economy rests on finance, the capital's public functions, its universities and its visitor economy. Since 2019 it has grown in pay and output rather than in job numbers.

1. **Finance.** Twice as concentrated as in Great Britain across the city region, and more than three times in the city, and growing.
2. **Education and public services.** Universities and the capital's functions added jobs much faster than in Great Britain.
3. **Visitors.** Record airport traffic and hotel performance above 2019, now taxed by a visitor levy.
4. **Migration-dependent population.** Growth depends on migration, which has fallen sharply.

Will these forces persist? The capital functions, universities and cultural offer are permanent. The risks are a slowdown in financial services, a sustained fall in international students and migrants, and tight public budgets.

F4. Growth prospects and real estate markets

Over the next five to ten years, Edinburgh's growth pattern most clearly supports rental housing and prime offices, which serve high-paid workers in a supply-constrained city; it supports student housing and hotels moderately, and secondary offices weakly.

Table F8. Asset classes and Edinburgh's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Build-to-rent housing	Strong	Rents +43% in five years; homes let in 27 days; housing emergency; exempt from rent control	New multifamily in the city; single-family at the city edge	Rent growth slowed to 1% a year; migration fell; 35% affordable requirement
Prime offices	Moderate to strong	Prime vacancy 1.6%; prime rent +30% in five years; finance and professional services growing	New or comprehensively refurbished Grade A in the core	Overall vacancy 14.9% and rising; Grade A availability rising
Student housing	Moderate	Education jobs +23% since 2015; exempt from rent control	Beds near the main campuses	Council planning restrictions; fewer international students; regional yields under pressure
Hotels	Moderate	Record airport traffic; real RevPAR above 2019; whole-home short lets restricted	Upper-tier and branded hotels	Pipeline of about 3,000 rooms; 5% visitor levy
Secondary offices	Weak	Occupiers moving to the best buildings	Conversion to other uses where feasible	Rising vacancy; obsolescence and energy standards

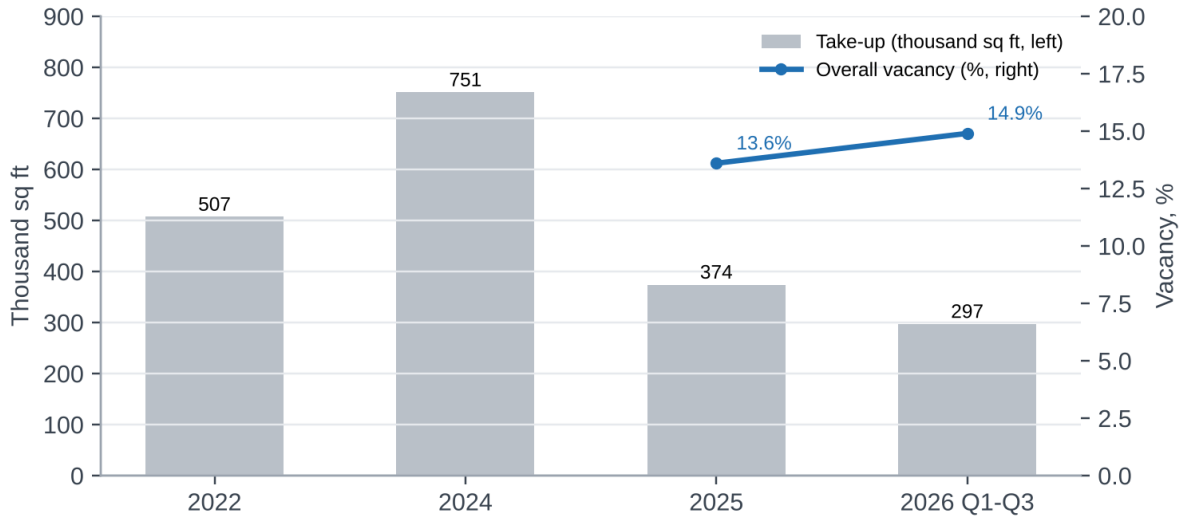
What the growth evidence does not support. Buying secondary offices for income: occupiers are concentrating in the best buildings, and the rise in vacancy is in secondary and older Grade A space. Buying existing private rented homes for rent growth is also less attractive than before, because they will fall under rent control areas once designated.

F5. The office market

Edinburgh's city-centre office market is two-tier: prime space is almost fully let and rents are rising, while overall vacancy is rising.

Figure F4. Take-up has fallen back from 2024, and overall vacancy is rising

Office take-up and overall vacancy, Edinburgh city centre, 2022 to Q3 2026



Source: Savills, Edinburgh office market reports (2022, 2024, 2025 and Q3 2026), as compiled in the Edinburgh data workbook and from Savills, 30 October 2026. Take-up for 2023 and vacancy before 2025 on a comparable basis are not shown. 2026 is the first three quarters only.

Table F9. Edinburgh office market indicators, 2026

Indicator	Value	Period	Source
Take-up, city centre	99,901 sq ft in the quarter; 297,286 sq ft year to date (+15%)	Q3 2026	Savills
Overall vacancy	14.9% (+220 bp in the quarter)	Q3 2026	Savills
Grade A vacancy	8.3%; 759,086 sq ft available (+30% in the quarter)	Q3 2026	Savills
Prime vacancy	1.6%; 147,492 sq ft available	Q3 2026	Savills
Prime headline rent	GBP 49.50 per sq ft a year (GBP 43 in 2023)	Q3 2026	Savills
Prime rent forecast	At least GBP 60 per sq ft by end-2030	Q3 2026	Savills
Prime yield	About 6.50%	Q2 2026	Knight Frank
Development pipeline	Proposed pipeline of 820,000 sq ft; space under construction reported inconsistently (none, or 159,000 sq ft)	Q2 2026	Knight Frank

Sources: Savills, Edinburgh office market Q3 2026 (30 October 2026) and earlier Savills reports in the Edinburgh data workbook; Knight Frank, UK Cities office market Q2 2026. Savills and Knight Frank use different market definitions: Knight Frank reported overall vacancy of 13.0% in Q2 2026.

Demand. Take-up in the first three quarters of 2026 was 297,286 sq ft, 15% above the same period of 2025 and in line with the five-year average, after a weak 2025 (374,438 sq ft) and a strong 2024 (750,621 sq ft). Professional services was the most active sector in 2026, with 29% of take-up, led by EY's 36,209 sq ft at Haymarket Square, the second-largest professional services letting on record. Grade A and prime space made up 44% of take-up (Savills).

Supply. Prime space is very scarce: 1.6% vacancy and 147,492 sq ft available. But Grade A availability rose 30% in Q3 2026 to 759,086 sq ft, and total availability rose 18% to 1.36 million sq ft, a third of it secondary. Knight Frank describes a proposed pipeline of 820,000 sq ft, but its reports are inconsistent on how much is under construction, and the authors could not verify a figure.

Rents and value. The prime rent rose 3% to GBP 49.50 per sq ft in Q1 2026 and has risen 30% in five years. Savills forecasts at least GBP 60 by 2030, about 21% higher. Knight Frank put the prime yield at about 6.50% in Q2 2026, the lowest among the UK regional cities it covers. Melford Capital bought Waverley Gate for GBP 77 million.

Reading for the investor. The evidence supports prime space and not the wider market. The gap between 1.6% prime vacancy and 14.9% overall vacancy means that the value of a refurbishment depends on reaching genuinely prime quality and location; older Grade A space is already accumulating.

F6. Housing, hotels and capital markets

Housing. Rents have risen fast but are now flattening. The average private rent was GBP 1,596 a month in Q2 2026, up 1.0% in a year, 43.1% in five years and 61.9% in ten years, and homes took 27 days to let (Citylets). The average selling price was GBP 317,070 in June to August 2026, up 1.1% in a year, with homes selling at 102.6% of their Home Report valuation and the number of sales down 5.2% (ESPC). On these averages the indicative gross yield is about 6.0%, the authors' calculation; the rented and sold stock differ in size and type, so this is only a rough guide. Supply is constrained: Savills describes Edinburgh as one of the UK's most supply-constrained urban markets outside London. The council and its partners completed a record 1,473 affordable homes in 2025/26.

Demand, supply and affordability. On the authors' calculation, population growth in the city region in the year to mid-2024 implies about 6,500 new households (NRS estimates 6,233), against 7,124 completions (1.10); over 2013 to 2024 the ratio was 1.28. NRS counts households from occupied dwellings, so this reconciles supply sources rather than measuring a surplus. The price of a dwelling was 3.8 years of household income in 2012, 4.5 at the 2022 peak and 4.0 in 2024, while advertised two-bedroom rents in the Lothian rent area rose from 21.9% to 27.7% of household income over 2012 to 2024 (Scottish Government); new private lets in the city equal about 28% of mean household income (2023/24) (Section 3.4).

Rent control. Under the Housing (Scotland) Act 2025, councils can designate rent control areas in which rent rises are capped at CPI plus 1%, up to a maximum of 6% a year. Build-to-rent homes completed after 31 August 2021 in developments of six or more, and certain mid-market rent homes, are to be exempt under regulations published in February 2026, and purpose-built student housing is excluded. The authors could not confirm whether Edinburgh has designated a rent control area. The exemption gives new build-to-rent a regulatory advantage over existing private rented homes.

Student housing. Education jobs in the city region rose 23.4% between 2015 and 2024, and student housing is excluded from rent control. But the council has considered licensing and planning limits on new student housing in areas where it is concentrated, and its 2023 guidance requires new schemes to include other housing, with 35% affordable. International demand is weaker: dependant visas for taught postgraduates ended in January 2024, and the Graduate visa will be shortened to 18 months from January 2027. Knight Frank put prime regional direct-let student housing yields at 5.75% to 6.00% in October 2026, with negative sentiment, and UK student housing investment at about GBP 2.8 billion in the first three quarters of 2026, below long-term trends.

Hotels. Edinburgh had nearly 19,000 hotel rooms in 2024, 23.1% more than in 2014, and real RevPAR at the end of 2024 was more than 20% above 2019 (HVS). About 3,000 rooms, nearly 15% of supply, were in the pipeline for opening by 2028, about two-thirds still in planning. Around ten hotels traded in 2024 at an average of about GBP 215,000 a room, and the W Hotel sold for about GBP 100 million in 2025. Since September 2022 the whole city has been a short-term let control area, where letting a whole home short-term needs planning permission; about 90% of applications were refused by November 2024. The 5% visitor levy applies from 24 July 2026, for up to five nights.

Table F10. Edinburgh pricing indicators, 2026

Indicator	Value	Period	Source
Average private rent	GBP 1,596 a month (+1.0% a year; +43.1% in five years)	Q2 2026	Citylets
Average selling price	GBP 317,070 (+1.1% a year)	June to August 2026	ESPC
Indicative gross residential yield	About 6.0%	2026	Authors' calculation
Prime BTR yield, Tier 1 regional cities	4.75% (stable)	October 2026	Knight Frank
Prime BTR yield, Tier 2 regional cities	5.00% to 5.25% (stable)	October 2026	Knight Frank
Prime regional student housing yield, direct let	5.75% to 6.00% (negative sentiment)	October 2026	Knight Frank
Prime office yield, Edinburgh	About 6.50%	Q2 2026	Knight Frank
Bank Rate	4.00%	5 November 2026	Bank of England, as reported

Sources: Citylets, Edinburgh rental report Q2 2026; ESPC, House Price Report, August 2026; Knight Frank, UK living sectors prime yield guide, October 2026, and UK Cities Q2 2026; Bank of England decision of 5 November 2026, as reported by ForexFundamentals. Knight Frank's tiering of cities was not verified; the BTR yields are shown as a range for regional cities, not as an Edinburgh figure.

Capital markets. Edinburgh's prime office yield of about 6.50% is a Q2 2026 observation. Bank Rate was then 3.75%, so the contemporaneous difference was about 275 basis points. Bank Rate subsequently rose to 4% on 5 November, reducing the arithmetic difference to 250 basis points if the earlier property yield is held unchanged. The quoted prime regional rental housing yields of 4.75% to 5.25% differ by 75 to 125 basis points from November's rate; this is a comparison across observation dates, not an observed contemporaneous spread. These policy rate comparisons do not measure financing costs or a property risk premium.

Reading for the investor. Housing has the strongest structural case: high-paid workers, a constrained supply and a regulatory advantage for new build-to-rent. The constraint is pricing: with Bank Rate at 4% and rent growth slowing, the yield spread is thin.

F7. Strategy appraisal

Strategy B has the strongest structural case and a regulatory advantage; Strategy A has the clearest rental growth but depends on reaching prime quality; Strategy C has a growing demand base but faces planning and international risks. All figures are illustrative.

Table F11. Value sensitivity to yield (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, Edinburgh (Knight Frank)	6.50%	+8.3%	+4.0%	-3.7%	-7.1%
B: prime BTR, Tier 1 regional cities (Knight Frank)	4.75%	+11.8%	+5.6%	-5.0%	-9.5%

Source: authors' calculations on the yields reported by Knight Frank (Q2 and October 2026). The BTR yield is a regional benchmark, not an Edinburgh-specific yield.

Because value is income divided by yield, a lower yield makes value more sensitive: a 50 basis point rise cuts BTR value by about 9.5% but prime office value by about 7.1%. Absolute capital values are not shown. Prime yields are quoted on net income, so an underwriting value needs the asset's net income after non-recoverable costs, operating costs and capex reserves, and must deduct capex, refurbishment and purchase costs. The percentage changes do not depend on the income level.

Table F12. Summary assessment of the Edinburgh strategies

Factor	A: prime office	B: build-to-rent housing	C: purpose-built student housing
Market tightness	Prime vacancy 1.6%; prime rent +30% in five years	Rents +43% in five years; 27 days to let; housing emergency	Education jobs +23% since 2015; limited new supply
Demand base	Finance and professional services; pay rising faster than Great Britain	High-paid workers; migrants; students after graduation	Domestic and international students
Regulation	No rent regulation	Exempt from rent control if completed after August 2021	Exempt from rent control; council planning limits
Pricing	Prime yield about 6.50%	Regional prime 4.75% to 5.25%	Regional prime 5.75% to 6.00%, negative sentiment
Main risk	Rising Grade A and secondary vacancy; refurbishment cost	Slowing rent growth; limited income margin at quoted entry yields; affordable housing requirement	Fewer international students; planning restrictions
Verdict	Underwrite selectively, new or comprehensively refurbished prime only	Prioritise for underwriting, subject to entry price, planning consent and the affordable housing requirement	Underwrite selectively, subject to planning and international demand

From growth to space. Table F12a traces each material source of Edinburgh's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table F12a. From growth to space: Edinburgh

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Build-to-rent multifamily in the city and single-family homes at its edge	Completions covered 1.10 of new households in 2024 and 1.28 over 2013 to 2024; the council declared a housing emergency in 2023	**Construction.** Supply has matched recorded households, which the ratio cannot go beyond; in the authors' judgement, rents up 43.1% in five years and the housing emergency point to demand that has not been able to form. Net international migration fell to 1,220 in 2024-25, which weakens new demand.
Finance and education jobs	New or comprehensively refurbished Grade A offices in the core	Prime vacancy 1.6%; overall vacancy 14.9%; Grade A availability up 30% in Q3 2026 to 759,086 sq ft; proposed pipeline not verified	**Construction or comprehensive refurbishment for prime; adaptation or conversion for secondary.** Occupiers are concentrating in the best buildings, so the rising vacancy in secondary and older Grade A space will not be absorbed by growth alone.
Students	Purpose-built beds near the main campuses	Not measured	**Not assessed.** Education jobs rose 23.4% in 2015 to 2024, but council planning restrictions apply and fewer international students are arriving.
Visitors	Upper-tier and branded hotels	About 3,000 rooms (nearly 15% of supply) in the pipeline to 2028, about two-thirds still in planning	**Construction under way.** Airport traffic and real hotel revenue per room are above 2019, but the pipeline and the 5% visitor levy may absorb the growth.
Income and output	Premium space	As above	**Quality.** Median full-time pay rose 35.6% in 2019 to 2025 (Great Britain 28.4%) and real GDP 9.1% in 2019 to 2024, while job numbers grew in line with Great Britain.

Sources: Sections F3 to F7 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Edinburgh's growth raises the quality of space it needs more than the quantity: its pay-led growth is concentrating occupiers in prime buildings, which the existing stock barely supplies, while secondary offices lose their purpose.

Recent evidence and what it supports testing. Savills recorded 130,800 sq ft of Grade A and prime take-up in January to September 2026, 44% of the total, with vacancy of 14.9% overall, 8.3% for Grade A and 1.6% for prime. Citylets reports an average two-bedroom rent of £1,449 a month in Q2 2026, with 29 days to let. The council planning officer's report on 36 Russell Road cites the applicant's study as estimating 21,740 university-managed and private purpose-built student beds in 2025/26; the authors have not seen the study itself. A further 7,004 beds were in the pipeline in March 2025, as reported by the Edinburgh Evening News from campaigners' figures. In the authors' judgement, prime offices and rental schemes should be tested against local comparables, and any student bed shortfall estimated only after matching demand and supply to the same academic year and allowing for students in shared private rentals.

F8. Risks, monitoring and review triggers

Table F13. Risks, indicators and suggested review triggers

Risk	Indicator to monitor	Suggested review trigger
Migration and student demand	NRS migration; university enrolments; visa grants	International net migration below zero for a year
Office vacancy	Grade A and overall vacancy; take-up	Grade A vacancy above 10%
Rent control	Council designation of rent control areas; changes to exemptions	Exemptions narrowed or removed for build-to-rent
Financial services employment	BRES finance jobs; major relocations	Finance jobs falling for two consecutive years
Interest rates	Bank Rate; gilt yields	Further Bank Rate rises
Hotel supply and levy	Rooms opened; occupancy after the levy	Pipeline above 15% of supply, or RevPAR falling in real terms

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly. A consumer price deflator should replace the GDP deflator for real pay when it can be retrieved, and Edinburgh-specific yields, BTR rents and student bed numbers should be obtained from a local partner with transaction, leasing and yield evidence before any investment.

F9. Sources

Official statistics and data workbook. Edinburgh metro data workbook, compiled for this edition from the Business Register and Employment Survey (via Nomis), ONS regional gross domestic product by local authority (Tables F1 to F13), National Records of Scotland mid-year population estimates, migration and vital events, and the Annual Survey of Hours and Earnings (workplace and resident analysis, via Nomis); Savills office observations retained in the workbook. City of Edinburgh Council, Edinburgh by Numbers 2026, as reported by Scottish Financial Review (22 May 2026).

Housing demand, supply and affordability. Authors' calculations in the metro data workbook, available from the authors, from: Scottish Government, all-sector new-build completions by council and Private Sector Rent Statistics, Scotland, 2010 to 2025; NRS household estimates; ONS, regional gross disposable household income; UK House Price Index; City of Edinburgh Council, Local Housing Strategy 2025 to 2030 (Citylets rents and CACI income).

Drivers of growth (Section F3.4). Fraser of Allander Institute, Economic Commentary 2026 Q2 (June 2026); Edinburgh Airport, record year in 2025; HVS, Edinburgh Market Pulse 2025 (4 August 2025); Migration Observatory, Student migration to the UK (30 June 2026); Savills, Scottish development market 2026 (22 April 2026); City of Edinburgh Council, housing update (16 September 2026).

Forecasts and policy. ONS, Consumer price inflation, September 2026; Bank of England decision of 5 November 2026, as reported by ForexFundamentals; Pinsent Masons, Scotland rent control exemptions (2026); City of Edinburgh Council, visitor levy, as reported by Edinburgh Magazine (25 August 2026); Scottish Housing News, short-term let planning applications (20 November 2024); Urban Living News, Edinburgh considers restrictions on PBSA development (2025).

Market sources. Savills, Edinburgh office market Q3 2026 (30 October 2026); Knight Frank, UK Cities office market Q2 2026; Knight Frank, UK living sectors prime yield guide (14 October 2026); Knight Frank, UK PBSA: investing through the noise (20 October 2026); Citylets, Edinburgh rental report Q2 2026; ESPC, House Price Report, August 2026.

Recent market evidence (note after Table F12a). Citylets, Edinburgh rental report Q2 2026: citylets.co.uk; Savills, Market in Minutes: Edinburgh occupational office data Q3 2026: savills.co.uk; City of Edinburgh Council, planning officer's report on 36 Russell Road, citing the applicant's student accommodation study (study not seen by the authors); Edinburgh Evening News, housing campaigners on purpose-built student accommodation: edinburghnews.scotsman.com.

Method.

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PART G. FRANCE

Paris



Paris, Seine riverfront. Architectural illustration.

This part reproduces the Paris edition; Section 3 compares Paris with the other twelve metros. As a single-metro edition, it has no comparison section and no city sub-parts; Section G3 sets out the metropolitan growth analysis, including the drivers of growth (Section G3.4).

Data vintage. Total employment and real GDP run to 2024, population and private pay to 2025, disposable income to 2023 and census housing benchmarks to 2023. Office, logistics and retail figures run to Q3 2026 and hotel figures to 2025.

G1. Executive summary and recommendations

Recommendations. Underwrite core prime offices in the Paris central business district selectively, subject to entry price; hold logistics at a watching brief until vacancy stops rising; take rental housing in well-connected inner-ring locations forward to further due diligence, which must first establish rents and yields this edition does not hold. Paris outgrew France in jobs and output before 2019 but has tracked or lagged it since, and its office-using sectors, while still adding jobs, are losing share to the rest of the country. The office market is split: vacancy is low in the central business district and very high in the outer business districts. Housing starts have halved since 2017 while the population of the inner and outer rings keeps growing. The national outlook is weak. These are market-level judgements by the authors from the evidence in this edition, not findings of the data alone.

One metro, the same method. This edition applies the Observatory's method to Paris: summary growth indicators, growth and pay by sector, location quotients and shift-share against France, and the forces behind growth, followed by the office market, the logistics, retail and hotel markets, housing and illustrative strategies.

The case rests on eight findings:

1. **Population grows slowly, and from births, not migration.** The Paris region's population rose 5.5% between 1 January 2012 and 1 January 2025, to 12.55 million, or about 0.4% a year. Births exceeded deaths by 73,162 in 2024, while the migration and adjustment residual was -31,416. The city of Paris lost 7.8% of its population over the period, while the inner and outer rings each grew by about 8% to 9%.
2. **Paris outgrew France before 2019 because of its sector mix, and has not since.** Total employment rose 7.4% between 2012 and 2019, against 5.7% for France, but 5.4% between 2019 and 2023, against 5.9%. On employee counts for all employers, the fast national growth of the industries Paris specialises in added about 94,000 jobs in 2012 to 2019, but within its industries Paris grew more slowly than France, by about 28,000 jobs; in 2019 to 2023 that shortfall widened to about 85,000.
3. **Output per job is high; real pay has barely risen.** The region produced 29.7% of France's GDP in 2024 with 22.3% of its jobs. Gross payroll per private employee was 29% above the French level in 2024, but in real terms it was only 2.8% above its 2012 level in 2025, and still below its 2019 level.
4. **Paris is specialised in technology, finance and professional services, but is losing share in them.** Location quotients in 2024 were 2.15 in IT and information services, 1.65 in finance and insurance and 1.61 in legal, accounting, management, architecture and engineering services. All three were lower than in 2012, and IT and these professional services grew more slowly in Paris than nationally after 2019.
5. **The state sector is large but less concentrated than in France.** The public service employed 1.17 million people in the region at the end of 2024, 18.7% of employees, against 22.4% in France. Public employment grew 2.9% between 2012 and 2024, against 5.4% nationally, and employment in public administration fell.
6. **The office market is split between centre and periphery.** Vacancy was 11.6% across the region (Savills), 6.8% in the central business district and 28% in Péri-Défense. Immediately available space reached 6.6 million m², 8% more than a year earlier, and take-up in the first nine months of 2026 was 14% lower (ImmoStat).

7. **Housing supply is falling while prices have corrected.** Housing starts fell to 41,781 in 2024, half the 2017 level. Old-apartment prices in the region were 9.1% below their 2022 peak in Q2 2026 (Notaires), and an 80 m² apartment cost 7.1 years of a reference household's disposable income in 2023, against 7.9 in 2012.
8. **The national outlook is weak.** The Banque de France expects French GDP to grow 0.4% in 2026 and 0.9% in 2027, and INSEE's first estimate shows GDP falling 0.1% in Q3 2026. Since 2019 Paris has grown at about the national rate, so the national slowdown is likely to bear on it directly.

The assumptions this advice is most sensitive to: whether the office-using sectors regain share after 2019, which governs central office demand; the path of the national economy and of interest rates, which drives yields; and whether housing starts recover, which governs the supply side of rental housing.

G2. Introduction: purpose, method and area

This edition assesses whether, and how, an institutional investor should commit capital to real estate in Paris. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Area covered. The area analysed is the Île-de-France region (region 11, NUTS 2 region FR10), with 12.55 million residents on 1 January 2025 in eight departments: Paris (75), Seine-et-Marne (77), Yvelines (78), Essonne (91), Hauts-de-Seine (92), Seine-Saint-Denis (93), Val-de-Marne (94) and Val-d'Oise (95). The region is an administrative proxy, not the Paris functional urban area or the Métropole du Grand Paris, and the three must not be substituted for one another. France is the reference economy throughout. Paid and new-letting rents use the narrower Paris agglomeration of the rent observatory (OLAP), and office figures refer to the region or to named submarkets.

Method and data. The data come from a workbook compiled for this edition from INSEE, Urssaf, SDES, the Institut Paris Region, OLAP, the Notaires du Grand Paris, Eurostat and the European Commission's ARDECO database. Two employment measures are used. Headline growth uses INSEE's total employment (employees and self-employed at 31 December, October 2026 release). The sector analysis uses INSEE's employee estimates for 38 industries (all employers, public and private, excluding the self-employed, at 31 December), with a public and private split for eight broad groups. Pay is available only for the private sector: Urssaf gross payroll per average employee, adjusted to 2025 prices with France's harmonised consumer price index; it includes part-time work and is not a median or full-time salary. Shift-share and location quotients compare Paris with France (excluding Mayotte) on these all-employer counts.

The investment cases. The report tests three illustrative strategies:

Table G1. The strategies tested

Strategy	Asset	Location	Risk style
A	Stabilised, fully let prime office building	Paris central business district (QCA)	Core
B	Let modern logistics warehouse	Île-de-France logistics market	Core-plus
C	Rental housing, new or recently completed	Well-connected locations in the inner ring (petite couronne)	Core-plus

Structure. Section G3 analyses metropolitan growth, Section G4 its implications by asset class, Section G5 the office market, Section G6 logistics, retail, hotels, housing and capital markets and Section G7 the strategies. Section G8 sets out risks and monitoring, and Section G9 lists sources.

G3. Metropolitan growth patterns

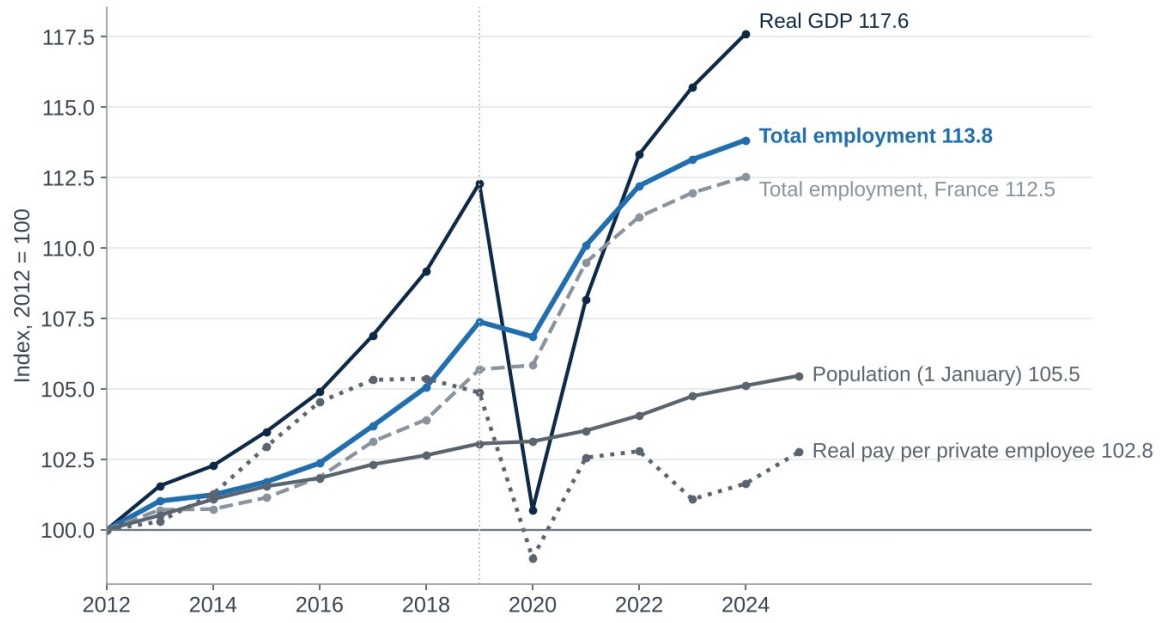
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (3.1), growth and pay by sector (3.2), specialisation and competitiveness against France (3.3), the demand- and supply-side drivers of growth (3.4) and the forces behind growth (3.5).

G3.1 Summary growth indicators

Paris grew faster in output than in jobs, faster in jobs than in population, and barely at all in real pay.

Figure G1. Output and jobs outgrew population; real pay per employee is barely above 2012

Summary growth indicators, Île-de-France, 2012 to 2025 (index, 2012 = 100)



Sources: INSEE, total employment (EAE, October 2026 release), regional accounts (real GDP, 2020 chained euros) and population on 1 January; Urssaf, private payroll and average employee counts; Eurostat, HICP for France; as compiled in the Paris data workbook; authors' calculations. Real pay is private gross payroll per average employee in 2025 euros.

Population. The region's population rose from 11.90 million on 1 January 2012 to 12.55 million on 1 January 2025 (+5.5%), or 0.43% a year to 2019 and 0.39% a year from 2019 to 2025. The workbook does not hold France's population, so the national comparison is not made here. Growth is uneven inside the region: on INSEE's department estimates, the city of Paris fell from 2.24 million to 2.07 million (-7.8%), while the inner ring grew 8.2% and the outer ring 8.8%, with Seine-Saint-Denis the fastest-growing department (+12.5%). The 2024 and 2025 figures are provisional.

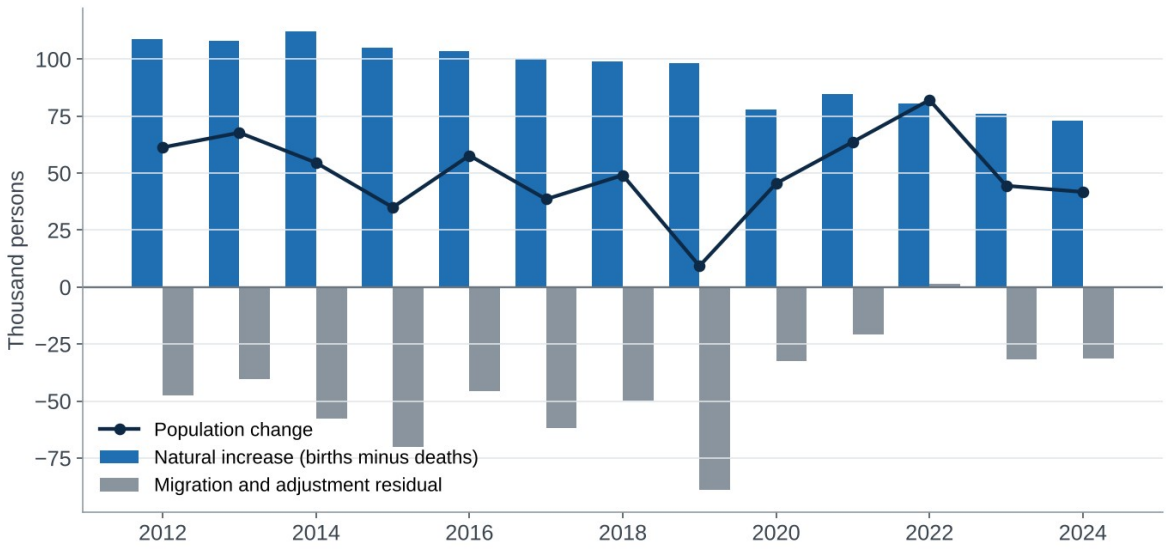
Employment. Total employment rose from 6.02 million at the end of 2012 to 6.85 million at the end of 2024 (+13.8%, against 12.5% for France), and the region's share of French jobs rose from 22.0% to 22.3%. All of that gain came before 2019: jobs grew 7.4% between 2012 and 2019 against 5.7% nationally, and 5.4% between 2019 and 2023 against 5.9%. Jobs per resident rose from 0.50 to 0.55, which can reflect higher participation, lower unemployment or more in-commuting; the workbook does not separate them.

Output and pay. Real GDP grew 1.7% a year between 2012 and 2019, against 1.4% for France, and 0.75% a year between 2019 and 2023, about the same as France (0.76%). The region produced 29.7% of French GDP in 2024, almost unchanged from 2012. INSEE's published real GDP per job rose 3.6% between 2012 and 2024, to EUR 112,600 at 2020 prices. Gross payroll per private employee was EUR 46,190 in 2024, 29% above France, but in 2025 prices it rose only 4.9% between 2012 and 2019 (France 5.2%) and fell 3.6% between 2019 and 2023 (France -4.0%). Real disposable income per resident rose 4.7% to 2019 and 3.3% from 2019 to 2023, and in 2023 was 22% above the French level.

Where population growth comes from. Population change is the sum of natural increase and a residual that includes net migration and statistical adjustments. Births have exceeded deaths by a wide but shrinking margin, while the residual has been negative in every year except 2022 (Figure G2 and Table G2).

Figure G2. Natural increase drives growth; the migration residual is negative

Components of population change, Île-de-France, 2012 to 2024 (thousand persons)



Source: INSEE, population on 1 January and domiciled births and deaths, as compiled in the Paris data workbook. The residual includes migration, census adjustments and source revisions; the 2019 value (-88,854) includes statistical adjustments and is not measured net migration.

Table G2. Components of population change, Île-de-France, 2024

Births	Deaths	Natural increase	Migration and adjustment residual	Population change
152,548	79,386	+73,162	-31,416	+41,746

Source: INSEE, as compiled in the Paris data workbook. The components reconcile with the change in population on 1 January (2024 provisional). Historical estimates by the Institut Paris Region split the residual for 2016 to 2021 (provisional) into an average net domestic outflow of about 73,800 people a year and a net international inflow of about 33,300; separate annual components are not available.

Natural increase is shrinking. Births fell from 181,229 in 2012 to 148,772 in 2025 (-17.9%), and natural increase from 108,701 to 69,341. With the residual still negative, the region is growing more slowly than its own births would imply: on these figures it sends more residents to the rest of France than it receives, and international arrivals offset only part of the outflow.

Synthesis by period. Table G3 summarises growth in each period using the same mechanism labels as Table 4b. Performance relative to France is a separate comparison, not a growth mechanism.

Table G3. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Jobs	Real pay	Real output	Indicative mechanism	Main forces
Paris region	2012-19	+0.4	+1.0	+0.7	+1.7	Consistent with demand induced expansion; elasticity unconfirmed	Favourable sector mix (business services, IT); construction and social care
France	2012-19	n/a	+0.8	+0.7	+1.4		
Paris region	2019-23	+0.4	+1.3	-0.9	+0.75	Mixed or undetermined; inflation and composition matter	Construction and finance; trade, hospitality, public administration and business services lose share
France	2019-23	n/a	+1.5	-1.0	+0.76		

Sources: INSEE, population, employment and regional accounts; Urssaf, private payroll per average employee deflated by France's HICP; authors' calculations. Before 2019, jobs, output and real pay rose, consistent with demand-induced expansion, but labour-supply elasticity is not established. After 2019, rising employment and falling real pay leave the mechanism undetermined from these series. Inflation, coverage and composition must be considered alongside sector and migration evidence; see Section 2.

Forecasts. No regional forecast for Île-de-France was recovered for this edition. The Banque de France's September 2026 interim projections for France are real GDP growth of 0.4% in 2026, 0.9% in 2027 and 1.2% in 2028, with HICP inflation of 2.3%, 1.9% and 1.6% and unemployment of about 8.3% in 2026 and 2027. INSEE's first estimate shows GDP falling 0.1% in Q3 2026 (as reported by the Direction générale du Trésor, 30 October 2026).

Table G4. Historical and forecast growth, Paris region and France

Indicator	History	Forecast	Forecast source
Population	+5.5%, 2012 to 2025	No regional projection recovered	n/a
Total employment	+13.8%, 2012 to 2024 (France +12.5%)	No regional forecast recovered	n/a
Real GDP	+17.6%, 2012 to 2024 (France +14.6%)	France: +0.4% (2026), +0.9% (2027), +1.2% (2028)	Banque de France, September 2026
Inflation (HICP)	France 2025: 0.9%	France: 2.3% (2026), 1.9% (2027), 1.6% (2028)	Banque de France, September 2026
Real pay per private employee	+2.8%, 2012 to 2025	Not forecast	n/a

Sources: history as Figure G1; Banque de France, Macroeconomic interim projections, September 2026; INSEE first estimate of Q3 2026 GDP, as reported by the Direction générale du Trésor, 30 October 2026.

Reading for the investor. Paris outgrew France before 2019 and lagged slightly after 2019. This describes relative performance; the mechanism classifications remain those in Tables G3 and 4b. Output per job is high, but real pay has barely risen, so growth adds to the amount of space needed more than to what occupiers can pay for it. With national growth forecast below 1% in 2026 and 2027, the near-term outlook for demand is weak.

G3.2 Growth and pay by sector

Employee growth was led by IT, professional services, hospitality, construction and administrative support; public administration and manufacturing shrank.

Table G5. Employees by industry, all employers, Paris region

Industry (A38)	Employees 2012 (000)	Employees 2024 (000)	Growth	France growth	Share 2024
Trade and motor repair (G)	682.4	723.3	+6.0%	+8.9%	11.6%
Public administration (O)	617.9	609.2	-1.4%	+2.0%	9.7%
Administrative and support (N)	460.0	549.4	+19.4%	+28.2%	8.8%
Legal, accounting, management, architecture and engineering (M69 to M71)	339.9	474.3	+39.6%	+42.6%	7.6%
Education (P)	353.2	396.9	+12.4%	+9.6%	6.3%
Transport and storage (H)	349.8	372.0	+6.3%	+7.9%	5.9%
Finance and insurance (K)	314.7	349.6	+11.1%	+11.1%	5.6%
Accommodation and food (I)	284.6	344.5	+21.0%	+27.2%	5.5%
Construction (F)	277.6	331.5	+19.4%	+4.2%	5.3%
Residential care and social work (QB)	257.9	294.9	+14.3%	+7.0%	4.7%
Human health (QA)	266.3	291.9	+9.6%	+10.8%	4.7%
IT and information services (JC)	197.1	290.4	+47.3%	+57.1%	4.6%
Publishing, audiovisual and broadcasting (JA)	128.9	139.3	+8.1%	+12.7%	2.2%
Research and development (MB)	60.0	66.6	+11.1%	+14.8%	1.1%
Real estate (L)	72.4	77.8	+7.5%	+13.0%	1.2%
Manufacturing (C)	369.8	342.7	-7.3%	-1.7%	5.5%

Source: INSEE, employment estimates, employees at 31 December by A38 industry (T202), October 2026 release, Île-de-France and France excluding Mayotte, as compiled in the Paris INSEE employment extract; authors' calculations. All employers, public and private; the self-employed are excluded. The largest industries are shown; manufacturing sums the A38 manufacturing industries.

The public sector. INSEE classifies employers as public (the fonction publique) or private by their legal category. On that basis the public service employed 1.17 million people in the region at the end of 2024 (Table G5a), more than any single industry in Table G5, but a smaller share of employees than in France, and a falling one. Of the public employees, 48% work in public administration, 26% in education, 16% in human health and 4% in social work; 5% work in market services, where public employment is more concentrated in Paris than in France (location quotient 1.54).

Table G5a. Public service employees, Paris region and France

Year	Paris public employees	Share of Paris employees	France public employees	Share of France employees	Location quotient
2012	1,134,276	20.2%	5,765,414	23.5%	0.86
2019	1,149,235	19.2%	5,904,982	22.9%	0.84
2023	1,158,941	18.6%	6,046,303	22.4%	0.83
2024	1,167,638	18.7%	6,076,330	22.4%	0.83

Source: INSEE, employment estimates by type of employer (T203), October 2026 release, employees at 31 December, Île-de-France and France excluding Mayotte, as compiled in the Paris INSEE employment extract; authors' calculations. Public means the fonction publique, classified by the employer's legal category; it is not every publicly owned company and not the same as the public-administration industry. Public employment grew 2.9% in Paris and 5.4% in France between 2012 and 2024.

Table G6. Private employment and real pay by sector, Paris region

Sector (Urssaf groups)	Jobs growth 2012 to 2024	Payroll per employee 2024 (EUR)	Paris / France pay	Real pay 2012 to 2019	Real pay 2019 to 2024
Finance and insurance	+6.5%	80,970	1.38	+9.1%	+2.3%
Legal, consulting, architecture and engineering	+34.5%	63,838	1.29	+5.0%	-7.0%
Publishing, telecoms and IT	+25.8%	63,725	1.17	+9.1%	-3.9%
Research and other professional activities	+16.0%	58,848	1.21	+9.3%	-2.1%
Real estate	+3.8%	45,594	1.25	+10.4%	-6.3%
Trade	+6.4%	42,320	1.29	+6.1%	-3.0%
Transport and storage	+8.7%	41,902	1.18	+1.6%	-4.5%
Human health	+23.5%	38,666	1.13	+5.7%	+2.6%
Administrative and support (excluding temporary agency)	+19.2%	32,466	1.20	+7.0%	+0.3%
Construction	+25.5%	32,376	1.09	+1.0%	-10.7%
Social work and residential care	+36.0%	26,722	1.09	-0.8%	-0.3%
Accommodation and food	+26.2%	26,625	1.09	+1.8%	-3.6%

Source: Urssaf, private employment (annual average) and gross payroll by activity group, as compiled in the Paris data workbook; Eurostat, HICP for France; authors' calculations. Payroll per employee is an employer-reported gross amount, includes part-time work and is affected by changes in the mix of jobs.

Growth types by sector. Pay by sector is available only for private employers (Table G6). Among the sectors in Table G6, only finance and insurance, human health and administrative and support services combined job growth with rising real pay in both periods, which is consistent with demand-induced expansion, but does not establish labour-supply elasticity. The fastest-growing large sectors, construction, social work, hospitality and legal and consulting services, added jobs at flat or falling real pay after 2019. Pay in Paris is above the French level in every group shown, most of all in finance (38%).

G3.3 Specialisation and competitiveness

Paris is France's centre for publishing and media, IT, finance and professional services, and in most its lead has narrowed slightly since 2012; it is under-represented in public administration, health and social work.

Table G7. Location quotients by industry, Paris region (France = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2024	Share of jobs 2024	Reading
Trade and motor repair (G)	0.96	0.95	0.93	11.6%	Close to France
Public administration (O)	0.91	0.88	0.87	9.7%	Under-represented; falling
Administrative and support (N)	1.20	1.11	1.11	8.8%	Specialised; lead narrowing
Legal, accounting, management, architecture and engineering (M69 to M71)	1.66	1.65	1.61	7.6%	Specialised; stable
Education (P)	0.89	0.91	0.91	6.3%	Slightly under-represented
Transport and storage (H)	1.13	1.11	1.10	5.9%	Specialised; lead narrowing
Finance and insurance (K)	1.67	1.64	1.65	5.6%	Specialised; stable
Accommodation and food (I)	1.27	1.23	1.20	5.5%	Specialised; lead narrowing
Construction (F)	0.82	0.91	0.93	5.3%	Under-represented; gaining
Residential care and social work (QB)	0.59	0.62	0.62	4.7%	Under-represented
Human health (QA)	0.76	0.75	0.75	4.7%	Under-represented
IT and information services (JC)	2.31	2.19	2.15	4.6%	Highly specialised; lead narrowing
Publishing, audiovisual and broadcasting (JA)	2.67	2.57	2.54	2.2%	Highly specialised; lead narrowing
Research and development (MB)	1.60	1.57	1.53	1.1%	Specialised; lead narrowing
Real estate (L)	1.36	1.32	1.29	1.2%	Specialised; lead narrowing
Manufacturing (C)	0.56	0.53	0.52	5.5%	Under-represented

Source: as Table G5; authors' calculations, which match the quotients in the extract. All employers, public and private; the self-employed are excluded.

Table G8. Shift-share decomposition, Paris region, 2012 to 2019 and 2019 to 2023 (thousands of employees, all employers)

Industry (A38)	Change 2012-19	National	Mix	Regional	Change 2019-23	National	Mix	Regional
All sectors	+350.6	+284.8	+93.8	-28.0	+263.3	+288.4	+60.1	-85.1
IT and information services (JC)	+55.8	+10.0	+56.1	-10.3	+42.3	+12.2	+35.9	-5.8
Legal, accounting, management, architecture and engineering (M69 to M71)	+77.6	+17.2	+58.2	+2.2	+54.8	+20.1	+44.6	-9.9
Finance and insurance (K)	+10.7	+15.9	-2.4	-2.9	+19.9	+15.7	+2.6	+1.5
Administrative and support (N)	+79.6	+23.3	+92.7	-36.4	+12.1	+26.0	-4.7	-9.2
Trade and motor repair (G)	+29.7	+34.5	-6.8	+1.9	+14.4	+34.4	+0.9	-20.9
Accommodation and food (I)	+34.8	+14.4	+27.2	-6.8	+17.8	+15.4	+12.9	-10.5
Construction (F)	+32.6	+14.1	-16.4	+34.9	+25.8	+15.0	+6.5	+4.3
Public administration (O)	-6.9	+31.3	-26.2	-12.0	-4.9	+29.5	-23.2	-11.2
Education (P)	+21.1	+17.9	-6.1	+9.3	+17.6	+18.1	+1.8	-2.2
Human health (QA)	+8.1	+13.5	-3.0	-2.4	+13.5	+13.2	+1.5	-1.3
Residential care and social work (QB)	+27.1	+13.1	-3.4	+17.5	+8.6	+13.8	-7.0	+1.9

Source: INSEE, employees at 31 December by A38 industry (T202), as compiled in the Paris INSEE employment extract, whose decomposition this table reproduces; the components reconcile with the change in each row. National, Mix and Regional are the national growth effect, industry-mix effect and regional shift. The regional shift is an accounting residual, not a causal estimate. Selected industries are shown; the total covers all 38.

Quotients and shares. A quotient shows concentration, not size. Publishing and media (2.54) and IT (2.15) have the highest quotients but only 2.2% and 4.6% of employees, while trade (11.6%), public administration (9.7%) and administrative and support services (8.8%) are the largest employers.

What the decomposition shows. Between 2012 and 2019 Paris gained 350,600 employees: national growth explains 284,800 and its favourable mix of fast-growing industries 93,800, led by administrative support, professional services and IT, but the regional shift was -28,000. Construction (+34,900) and social work (+17,500) gained locally, while administrative support (-36,400), public administration (-12,000) and IT (-10,300) grew more slowly than nationally. Between 2019 and 2023 Paris gained 263,300; the mix added 60,100 but the regional shift was -85,100, concentrated in trade (-20,900), public administration (-11,200), hospitality (-10,500), professional services (-9,900) and administrative support (-9,200). IT and professional services still added about 97,000 employees between them, but grew more slowly than the same industries elsewhere in France. In the authors' reading, Paris's growth has rested on specialising in industries that grow fast nationally rather than on growing faster within them, and since 2019 this has been consistent with office-using activity spreading to other French metros; the data do not identify the cause.

G3.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables G8a and G8b rate each driver for Paris. The ratings are the authors' judgement from the evidence cited; where this edition has no evidence, the tables say so.

Table G8a. Demand-side drivers of growth, Paris

Driver	Rating	Evidence
National economic influences	Weak	Banque de France projects French GDP growth of 0.4% in 2026 and 0.9% in 2027; GDP fell 0.1% in Q3 2026 (first estimate). Since 2019 Paris jobs and output have moved with France.
Specialised business services	Strong, but losing share	Location quotients of 2.15 (IT), 1.65 (finance) and 1.61 (legal, accounting, management and engineering) in 2024; 29.7% of French GDP. The sector mix added about 94,000 employees in 2012 to 2019, but regional shifts in IT and professional services were negative after 2019.
Visitor economy	Strong	Hotel guest-nights rose 7.1% in 2025 to 72.8 million (INSEE); revenue per available room in Paris city rose 4.4% to EUR 180.4 (MKG panel).
Construction activity	Strong before 2019, fading	Construction had the largest positive regional shift in 2012 to 2019 (+34,900 employees), but housing starts halved between 2017 and 2024.
Public services	Weak relative to France	Public service employees grew 2.9% in 2012 to 2024 (France 5.4%), to 18.7% of employees (France 22.4%); public administration fell 1.4% (France +2.0%). Education (+12.4%) and social work (+14.3%) outgrew France; health did not (+9.6% against +10.8%).
Investment in productive capital	Moderate	ARDECO's modelled capital stock grew 1.2% to 1.9% a year between 2015 and 2025; investment was about 8% of the stock. The series is modelled and does not isolate buildings.

Sources: Banque de France, Macroeconomic interim projections, September 2026; Direction générale du Trésor, 30 October 2026; INSEE Flash Île-de-France No. 110; UMIH and GNC hotel performance observatory, December 2025 (MKG panel); INSEE employment estimates (T202, T203); European Commission JRC, ARDECO; as compiled in the Paris data workbook.

Table G8b. Supply-side drivers of growth, Paris

Driver	Rating	Evidence
Domestic migration	Negative	Average net outflow to the rest of France of about 73,800 people a year in 2016 to 2021 (Institut Paris Region, provisional); the annual residual was negative in every year from 2012 to 2025 except 2022.
International migration	Positive, modest	Average net inflow of about 33,300 a year in 2016 to 2021 (provisional); no annual series.
Natural increase	Positive, declining	Births exceeded deaths by 108,701 in 2012 and 69,341 in 2025; births fell 17.9%.
Housing supply as a constraint	Tightening	Starts fell from 84,438 in 2017 to 41,781 in 2024; the city of Paris lost 7.8% of its population in 2012 to 2025 while the rings grew.

Sources: INSEE, demography and housing starts (SDES Sitadel); Institut Paris Region, period estimates of natural increase and migration; as compiled in the Paris data workbook.

How the drivers explain the growth type. Paris adds residents mainly through births and loses them to the rest of France, so its labour supply grows slowly. Before 2019 jobs nonetheless grew faster than in France while real pay grew no faster, and jobs per resident rose: in the authors' reading, demand was met by drawing more residents and commuters into work rather than by bidding up pay. Even then, Paris grew more slowly than France within its industries, and after 2019 that shortfall widened.

What could change the balance. If housing starts stay low, the net outflow of residents could grow and the labour supply tighten, which would raise real pay only if demand for Paris's specialised services recovers. A further loss of share in office-using sectors would weaken the main source of central office demand.

G3.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Paris has grown through its role as the national centre for high-value services and through natural increase, rather than through migration or rising real pay, and since 2019 these forces have only kept pace with France.

1. **High-value specialisation.** Technology, finance and professional services are concentrated in Paris, which produces 29.7% of French GDP with 22.3% of its jobs.
2. **A smaller state sector than France.** Public service employment is 18.7% of employees, against 22.4% nationally, and has grown more slowly.
3. **Natural increase, not migration.** Births drive population growth; the region loses residents to the rest of France.
4. **Flat real pay.** Real pay per private employee in 2025 was 2.8% above 2012 and below 2019.
5. **Growth from mix, not local advantage.** Paris gained from specialising in fast-growing industries, but within industries it has grown more slowly than France, and since 2019 jobs and output have grown at or below the national rate.

Will these forces persist? Natural increase is shrinking and housing starts are low, so population growth is likely to stay slow. The national forecast is weak, and no regional forecast was recovered. Paris remains far more productive than France as a whole, but the evidence since 2019 gives no basis for assuming it will outgrow France over the next five years.

G4. Growth prospects and real estate markets

Over the next five to ten years, Paris's growth most clearly supports central offices and hotels in the city, and housing in the inner and outer rings; the evidence is weaker for logistics and does not support secondary offices outside the core.

Table G9. Asset classes and Paris's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Central offices	Moderate	Office-using sectors still add jobs; CBD vacancy 6.8%	Prime and refurbished space in the CBD	Sectors losing share since 2019; prime rent -3% year on year
Secondary and outer offices	Weak	Péri-Défense vacancy 28%; availability +8% year on year	Little; adaptation or conversion candidates	Conversion feasibility not assessed
Rental housing	Moderate	Rings growing about 8% to 9% since 2012; starts halved	Well-connected inner-ring locations	No residential yield or completions data
Hotels	Strong in Paris city	Paris city occupancy 80.7% in 2025; RevPAR +4.4%	Paris city hotels	Outer-region RevPAR -8.6%; no pipeline data
Logistics	Weak to moderate	Transport and storage employees +6.3% in 2012 to 2024 (France +7.9%)	Modern warehouses near the main routes	Vacancy 7.6% and rising
Retail	Weak	Regional shift in trade of about -20,900 employees in 2019 to 2023	Prime high streets	No vacancy or leasing data

Sources: Sections G3, G5 and G6 and the sources cited there. Evidence ratings are the authors' judgement.

What the growth evidence does not support. Secondary offices outside the core without a refurbishment or conversion plan; premium space that relies on rising real incomes; and industrial space for manufacturing, whose share of private jobs is low and falling.

G5. The office market

The regional office market is weak on the headline numbers, but the weakness is concentrated outside the centre.

Table G10. Île-de-France office market indicators

Indicator	Value	Period	Source
Take-up	1,050,300 m² (-14% year on year)	January to September 2026	ImmoStat
Take-up, quarter	313,900 m² (-26% year on year)	Q3 2026	ImmoStat
Immediately available space	6,591,000 m² (+8% year on year)	30 September 2026	ImmoStat
Vacancy, Île-de-France	11.6%	October 2026 release	Savills
Vacancy, Paris CBD (QCA)	6.8%	October 2026 release	Savills
Vacancy, Péri-Défense	28%	October 2026 release	Savills
Prime rent, Paris CBD	EUR 1,202 per m² per year (-3% year on year)	October 2026 release	Savills
Average face rent, second-hand	EUR 449 per m² per year (-2%)	Q3 2026	ImmoStat
Average face rent, new or refurbished	EUR 444 per m² per year (-1%)	Q3 2026	ImmoStat
Incentives	30.6%	Q2 2026	ImmoStat
Prime yield	4.25% to 4.50%	Q3 2026	JLL

Sources: ImmoStat, results for Q3 2026; Savills, Paris office market, 19 October 2026; JLL, Île-de-France investment, 12 October 2026; as compiled in the Paris data workbook. Take-up is gross transactions, not net absorption. Savills' vacancy rates use its own stock definitions and are not averaged with other providers' rates. Average face rents exclude incentives and are affected by the mix of transactions.

Demand and supply. Take-up fell 14% in the first nine months of 2026 and 26% in the third quarter, while immediately available space rose 8% to 6.6 million m². The surplus is in the outer business districts: vacancy was 28% in Péri-Défense against 6.8% in the central business district. Incentives averaged about 30% in Q2 2026, so effective rents are well below face rents.

Rents. The prime rent in the central business district was EUR 1,202 per m² per year, 3% lower than a year earlier, and average face rents fell 1% to 2%. Average face rents for new or refurbished space (EUR 444) were slightly below those for second-hand space (EUR 449), which reflects where each was let rather than a lack of quality premium; the data do not compare like with like.

Reading for the investor. Central demand from the office-using sectors can be met from existing and refurbished central stock. The outer surplus is in the wrong locations for the occupiers that are growing and is unlikely to be absorbed by them; it is a candidate for adaptation, including conversion to other uses, whose feasibility this edition has not assessed.

G6. Logistics, retail, hotels, housing and capital markets

Logistics, retail and hotels. Logistics take-up of warehouses over 5,000 m² was 467,400 m² in the first nine months of 2026 (ImmoStat), and vacancy in class A and B warehouses rose 1.2 points from Q4 2025 to 7.6% (BNP Paribas Real Estate), with a prime rent of EUR 95 per m² per year. Hotel demand is strong in the city of Paris, with occupancy of 80.7% and revenue per available room up 4.4% in 2025, but weaker elsewhere in the region, where revenue per available room fell 8.6% (MKG panel). No retail vacancy or leasing series was recovered.

Table G11. Logistics, retail and hotel indicators, Île-de-France

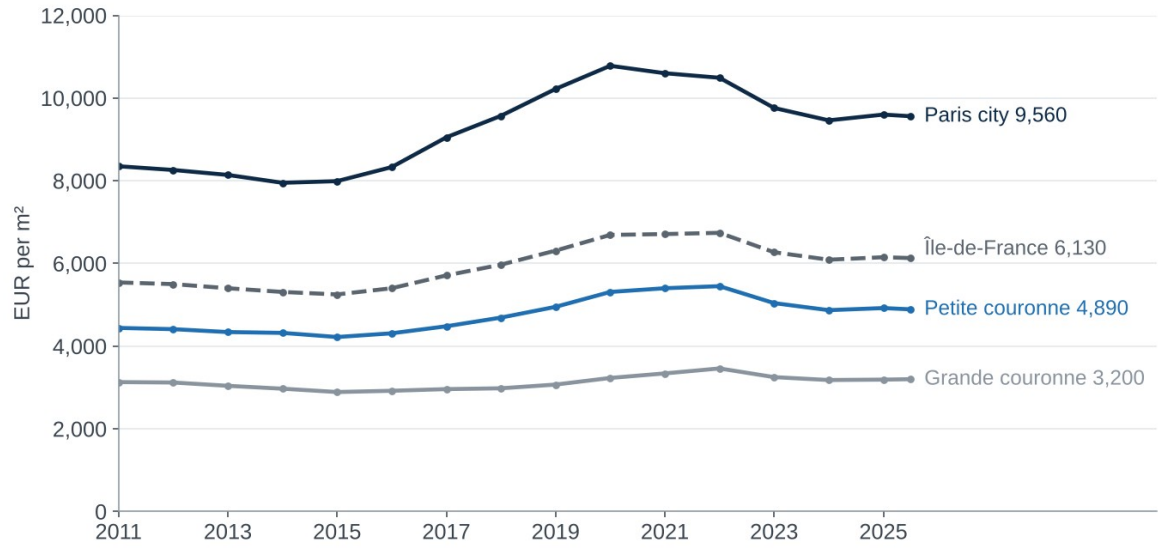
Indicator	Value	Period	Source
Logistics take-up, warehouses over 5,000 m²	467,400 m²	January to September 2026	ImmoStat
Logistics vacancy, class A and B	7.6% (+1.2 points from Q4 2025)	Q3 2026	BNP Paribas Real Estate
Logistics prime rent	EUR 95 per m² per year	Q3 2026	BNP Paribas Real Estate
Hotel room occupancy, region	72.7%, 70.8%, 72.9%	2023, 2024, 2025	INSEE
Hotel guest-nights, region	72.8 million (+7.1%)	2025	INSEE
Hotel occupancy, Paris city	80.7% (+4.3 points)	2025	MKG panel (UMIH, GNC)
Average daily rate, Paris city	EUR 223.5 (-1.1%)	2025	MKG panel (UMIH, GNC)
Revenue per available room, Paris city	EUR 180.4 (+4.4%)	2025	MKG panel (UMIH, GNC)
Revenue per available room, region excluding Paris	EUR 64.9 (-8.6%)	2025	MKG panel (UMIH, GNC)

Sources: ImmoStat, Q3 2026; BNP Paribas Real Estate, REview Logistique Q3 2026, page 6; INSEE Flash Île-de-France No. 110; UMIH and GNC, hotel performance observatory, December 2025; as compiled in the Paris data workbook. INSEE survey rates and MKG panel rates use different samples and are not combined. Hotel rates exclude VAT.

Housing. Housing permits fell from 98,757 in 2017 to 53,683 in 2024 and starts from 84,438 to 41,781; both recovered slightly in 2025 (64,396 permits and 47,857 starts). Starts are not completions, and the workbook does not hold a completions series.

Figure G3. Apartment prices have fallen since 2022 across the region

Old-apartment prices, Île-de-France, Q4 2011 to Q2 2026 (EUR per m²)



Source: Notaires du Grand Paris, historical prices of old apartments sold vacant, as compiled in the Paris data workbook. Points are Q4 values; the last point is Q2 2026. These are transaction-price benchmarks, not annual averages or asking prices.

Demand, supply and affordability. Between the 2012 and 2023 censuses the dwelling stock grew by about 618,700 and households by 454,500, or 1.36 dwellings per added household; principal residences grew by 435,500, almost one for one with households (0.96). Vacant and second homes took 29.6% of the stock increase, and the vacancy rate rose from 6.1% to 7.1%. These are net census changes, not completions. Old-apartment prices in the region fell from EUR 6,740 per m² in Q4 2022 to EUR 6,130 in Q2 2026 (-9.1%), and in the city of Paris from a peak of EUR 10,780 in Q4 2020 to EUR 9,560 (-11.3%). On the Observatory's convention, an 80 m² apartment cost 7.9 years of a reference household's disposable income in 2012, 7.8 in 2017 and 7.1 in 2023.

Table G12. Housing supply and affordability indicators, Île-de-France

Indicator	Value	Period	Source
Change in dwelling stock	+618,743	2012 to 2023	INSEE census
Change in households	+454,516	2012 to 2023	INSEE census
Dwellings added per added household	1.36 (principal residences 0.96)	2012 to 2023	Authors' calculation
Vacancy rate, dwellings	6.1% to 7.1%	2012 to 2023	INSEE census
Housing starts	84,438 to 41,781	2017 to 2024	SDES Sitadel, via INSEE
Old-apartment price	EUR 6,130 per m² (-9.1% from Q4 2022)	Q2 2026	Notaires du Grand Paris
Price of an 80 m² apartment / reference household income	7.9, 7.8 and 7.1 years	2012, 2017, 2023	Authors' calculation
Paid rent, Paris agglomeration (all tenants)	EUR 20.3 per m² per month	1 January 2025	OLAP
Rent on re-letting, increase on previous rent	+4.3%	2024 lettings	OLAP

Sources: INSEE, census housing and household tables (RP); SDES Sitadel housing starts, via INSEE; Notaires du Grand Paris; INSEE regional household accounts; OLAP, rent reports; as compiled in the Paris data workbook. Reference household income is disposable income per resident times average household size. Census household and principal-residence counts differ in 2023 by about 18,900 and are both kept as published. OLAP's annual rent levels come from different report vintages and do not form a constant-quality index, so no rent growth is inferred from them.

Capital markets. JLL quotes prime yields of 4.25% to 4.50% for offices, 5.15% for logistics, 4.25% for high-street retail and 6.15% for light industrial premises in Q3 2026. With the ECB deposit rate at 2.50% (Section E6), the prime office yield is 175 to 200 basis points above it and the logistics yield 265 basis points. No prime residential yield or investment volume was recovered for this edition. Observation dates differ: the policy benchmark is the ECB deposit rate of 2.50% effective from 16 September 2026, while the property yield retains the period stated in its source table. These arithmetic differences are not contemporaneous spreads, financing costs or property risk premia.

Reading for the investor. The office yield premium over the policy rate is narrower than Vienna's (Section E6), at a time when central rents are edging down and incentives are high, so pricing leaves little margin for weaker demand. Housing prices have corrected and affordability has improved, which may offer entry opportunities, but rents and yields need to be established before rental housing can be appraised.

G7. Strategy appraisal

Strategy A has the clearest market support and its main risk is the price paid; Strategy B has supportive demand but rising vacancy; Strategy C has the strongest structural case on supply but cannot yet be priced. All figures are illustrative.

Table G13. Value sensitivity to yield, Paris prime office and logistics (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, CBD	4.50%	+12.5%	+5.9%	-5.3%	-10.0%
B: logistics	5.15%	+10.8%	+5.1%	-4.6%	-8.8%

Source: authors' calculations on the prime yields reported by JLL for Île-de-France (Q3 2026). For offices the upper end of JLL's 4.25% to 4.50% range is used as the central case; at 4.25% the effects are slightly larger. No residential yield was recovered, so Strategy C is not shown.

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 9% to 12.5%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown.

Table G14. Summary assessment of the Paris strategies

Factor	A: core prime office	B: logistics	C: rental housing
Market tightness	CBD vacancy 6.8% against 11.6% for the region	Class A and B vacancy 7.6%, rising	Starts halved since 2017; vacancy 7.1% of stock
Demand evidence	Office-using sectors growing, but losing share since 2019	Transport and storage employees +6.3% (2012 to 2024), below France (+7.9%)	Rings +8% to 9% since 2012; city of Paris -7.8%
Rent evidence	Prime EUR 1,202, -3% year on year; incentives about 30%	Prime EUR 95	Re-let rents +4.3% on previous rent (2024); no constant-quality index
Pricing	Prime yield 4.25% to 4.50%	Prime yield 5.15%	No residential yield recovered
Main risk	Price paid as demand softens	Further rise in vacancy	Unknown rents, yields and completions
Authors' view	Underwrite selectively, subject to entry price	Watching brief	Take forward to due diligence

Sources: Sections G3 to G6. The views are the authors' market-level judgements.

From growth to space. Table G14a traces each material source of Paris's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table G14a. From growth to space: Paris

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Homes, mainly in the inner and outer rings, where population is growing	Stock +618,700 against +454,500 households (2012 to 2023); 29.6% of the increase was vacant or second homes; 436,400 vacant dwellings in 2023; starts 41,781 in 2024	**Construction, with some absorption.** Principal residences kept pace with households in 2012 to 2023, but starts have halved since 2017 and the city of Paris is losing population while the rings grow. Whether vacant dwellings are in usable condition and in the right places is not known.
Office-using jobs (technology, head offices and consultancy, finance)	Offices in the CBD and other well-connected central locations	Regional vacancy 11.6%, CBD 6.8%, Péri-Défense 28%; 6.6 million m² immediately available, +8% year on year	**Absorption in the centre; adaptation elsewhere.** These sectors still add jobs but have lost share since 2019, so central demand can be met from existing and refurbished stock. The outer surplus is in the wrong locations for them and points to adaptation, including conversion, whose feasibility is not assessed.
Visitors	Hotel rooms	Paris city occupancy 80.7%; region excluding Paris 65.7% (2025)	**Little slack in the city; absorption outside it.** Paris city hotels are close to full and gaining revenue; outer-region hotels have spare rooms. No hotel pipeline data were recovered.
Trade, transport and logistics	Modern warehouses and urban logistics	Class A and B vacancy 7.6%, up 1.2 points since Q4 2025	**Absorption.** Rising vacancy means existing stock can meet near-term demand.
Health and social care	Clinics, care homes and related premises	Not measured	**Not assessed.** Employees in social work rose 14.3% in 2012 to 2024 (France 7.0%) and in human health 9.6% (France 10.8%), many of them in the public service; stock data are not in this edition.
Income	Better or larger space	Price of an 80 m² apartment fell from 7.9 to 7.1 years of reference household income (2012 to 2023)	**Little additional demand.** Real pay per private employee is 2.8% above 2012, so income growth adds little demand for better space; affordability improved because prices fell, not because pay rose.

Sources: Sections G3 to G6 and the sources cited there. Judgements are the authors'.

Reading. Paris needs new homes more than new offices. Its office surplus is large but in the wrong places for the sectors that are growing, so the office question is adaptation; housing supply has fallen sharply while the rings keep adding residents.

G8. Risks, monitoring and review triggers

Table G15. Risks, indicators and suggested review triggers

Risk	Indicator to monitor	Suggested review trigger
National slowdown	Banque de France and INSEE forecasts; quarterly GDP	French GDP growth forecast for 2027 below 0.5%
Rates and energy	ECB deposit rate; energy prices	Further ECB rate rise
Loss of share in office-using sectors	Regional shift in IT, professional services and finance (INSEE employment estimates)	Negative regional shift continues in 2025 data
Outer office surplus	Immediately available space; Péri-Défense and CBD vacancy (ImmoStat, Savills)	Availability above 7 million m² or CBD vacancy above 8%
Logistics vacancy	Class A and B vacancy (BNP Paribas Real Estate)	Vacancy above 9%
Housing supply	Housing starts and permits (SDES)	Starts below 45,000 for a second year
Data gaps	Completions, residential yields, household wealth	Before any housing investment decision

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly. A local partner with transaction, leasing and yield evidence would be needed before any investment.

G9. Sources

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PART H. UNITED KINGDOM

London



London, Westminster. Architectural illustration.

This part reproduces the London edition; Section 3 compares London with the other twelve metros. As a single-metro edition, it has no comparison section and no city sub-parts; Section H3 sets out the metropolitan growth analysis, including the drivers of growth (Section H3.4).

Data vintage. Employee jobs, pay and population run to 2025, real output and household income to 2024, and detailed employment by industry to 2024. Office figures run to Q3 2026 (rents and yields Q1 2026), logistics to H1 2026, hotels to September 2026 and retail to Q4 2025 and June 2026.

H1. Executive summary and recommendations

> **Recommendations.** Underwrite core prime offices in the City selectively, subject to entry price, and treat West End prime pricing with caution, given its low entry yield and sensitivity to income assumptions; underwrite refurbishment of older offices to Grade A selectively in well-connected locations, with the delivery pipeline in view; take build-to-rent housing in well-connected outer boroughs forward to due diligence, which must first establish the yields this edition does not hold. London has outgrown the UK in jobs both before and since 2019, and its lead in finance and technology has deepened. Central office vacancy is low and falling, and almost all leasing is of Grade A space. Asking rents for homes have risen by about a quarter in four years and the flow of new homes has fallen. But output per job has not grown, real pay has barely risen, international migration has fallen sharply and interest rates are rising. These are market-level judgements by the authors from the evidence in this edition, not findings of the data alone.

One metro, the same method. This edition applies the Observatory's method to London: summary growth indicators and forecasts, growth and pay by industry, location quotients and shift-share against Great Britain, and the forces behind growth, followed by the office market, the logistics, retail and hotel markets, housing and illustrative strategies.

The case rests on eight findings:

1. **London has outgrown the UK in jobs, before and since 2019.** Employee jobs rose 17.5% between 2012 and 2019, against 11.4% for the UK, and 9.1% between 2019 and 2023, against 4.4%. London gained about 87,000 more employee jobs than national growth and its industry mix implied in 2015 to 2019, and about 134,000 more in 2019 to 2023.
2. **Population growth depends on international migration, which has fallen.** Between mid-2012 and mid-2025 net international migration added 1.48 million people, while net moves to the rest of the UK took away 1.51 million. Net international migration fell from 235,320 in the year to mid-2023 to 51,839 in the year to mid-2025, and London's population fell by 26,737.
3. **Output has grown only with jobs, and pay has barely risen.** Real output per job was no higher in 2024 than in 2012. Real median full-time pay rose 2.1% between 2012 and 2025, against 5.2% for the UK, although real household disposable income per head rose 15.3% between 2012 and 2024, against 10.3%.
4. **Specialisation in finance and technology is deepening.** Location quotients against Great Britain rose from 2.04 to 2.30 in finance and insurance and from 1.88 to 2.14 in information and communication between 2015 and 2024. Professional services, finance and technology led the gain over national trends after 2019.
5. **The central office market is tightening.** Central London vacancy fell to 6.3% in Q3 2026 and availability to 19.5 million sq ft, the lowest since 2020 (CBRE). Grade A space made up 92% of take-up in Q1 2026, and about 22 million sq ft of completions is expected in 2026 to 2029 (Savills).
6. **The housing stock grew faster than households, but rents rose.** Between the 2011 and 2021 Censuses the stock grew by 2.27 dwellings per added household, but average household size rose and asking rents rose 26.8% between Q4 2021 and Q4 2025 (Rightmove). Net additions fell to 32,678 in 2024/25 from a peak of 45,677 in 2019/20.

7. **House prices have fallen in real terms.** The average London home cost 6.1 years of a reference household's income in 2024, against a peak of 6.9 in 2016 and 2017. Prices were 12.6% lower in real terms in 2025 than in 2022, but still 2.1 times the UK average.
8. **Rates are rising.** Bank Rate rose to 4% on 5 November 2026. At the Q1 2026 yield observation, Bank Rate was 3.75%: the West End office yield of 3.75% equalled it and the City's 5.25% was 150 basis points above it. Comparisons with November's rate are later rate scenarios, not spreads observed in Q1. GLA Economics expects London's real output to grow 1.7% in 2026 and 2.0% in 2027.

The assumptions this advice is most sensitive to: whether international migration recovers, which drives population and labour supply; whether demand for Grade A offices absorbs the pipeline due to 2029; and the path of UK interest rates, which governs pricing.

H2. Introduction: purpose, method and area

This edition assesses whether, and how, an institutional investor should commit capital to real estate in London. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Area covered. The area analysed is Greater London, the 32 London boroughs and the City of London (9.12 million residents in mid-2025). It is an administrative boundary; the wider commuter belt, from which many London jobs are filled, is excluded. The UK is the reference economy for population, jobs, pay, output, income and prices, and Great Britain for detailed employment by industry and household wealth. Office figures refer to Central London or its City and West End submarkets, and logistics figures to London and the South East.

Method and data. The data come from a workbook compiled for this edition from the ONS, the GLA, HM Land Registry, MHCLG and Rightmove, and from broker research. Headline job growth uses ONS employee jobs (annual averages of four quarters); workforce jobs, which add self-employment, are used only for output per job, because London's quarterly self-employment estimates are volatile. Detailed employment by industry uses the Business Register and Employment Survey (BRES), which covers employees of all employers, public and private; because BRES added PAYE-only businesses from 2015, the sector analysis starts in 2015. Pay is the ASHE median for full-time employees at their workplace, adjusted to 2025 prices with the UK consumer price index.

The investment cases. The report tests three illustrative strategies:

Table H1. The strategies tested

Strategy	Asset	Location	Risk style
A	Stabilised, fully let prime office building	City of London or West End	Core
B	Refurbishment of an older office to Grade A	Well-connected Central London locations	Value-add
C	Build-to-rent housing, new or recently completed	Well-connected outer boroughs	Core-plus

Structure. Section H3 analyses metropolitan growth, Section H4 its implications by asset class, Section H5 the office market, Section H6 logistics, retail, hotels, housing and capital markets and Section H7 the strategies. Section H8 sets out risks and monitoring, and Section H9 lists sources.

H3. Metropolitan growth patterns

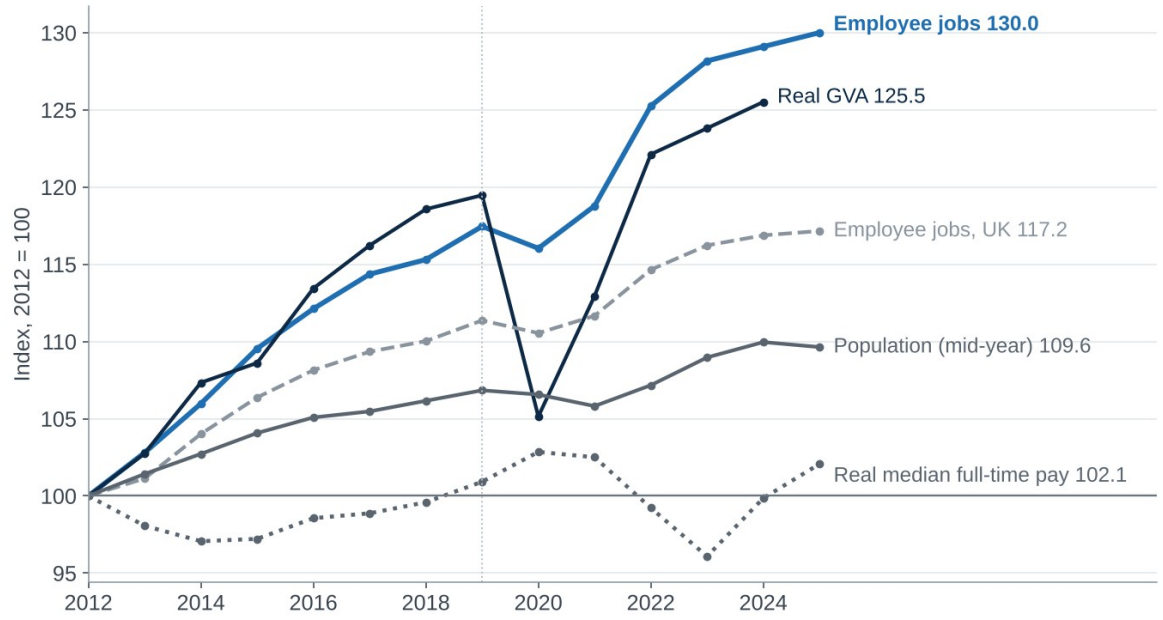
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (3.1), growth and pay by industry (3.2), specialisation and competitiveness against Great Britain (3.3), the demand- and supply-side drivers of growth (3.4) and the forces behind growth (3.5).

H3.1 Summary growth indicators

London grew much faster than the UK in jobs, slightly faster in output and population, and more slowly in real pay.

Figure H1. Jobs grew 30% and output 26%; real pay is barely above 2012

Summary growth indicators, Greater London, 2012 to 2025 (index, 2012 = 100)



Sources: ONS, employee jobs (annual averages), regional GVA (chained volume measures, 2023 prices), mid-year population estimates and ASHE median full-time weekly pay; UK CPI; as compiled in the London data workbook; authors' calculations.

Population. London's population rose from 8.32 million in mid-2012 to 9.12 million in mid-2025 (+9.6%, against 9.1% for the UK), or 0.95% a year to 2019, against 0.64% for the UK, and 0.43% a year from 2019 to 2025, against 0.70%. London lost population in 2020, 2021 and 2025.

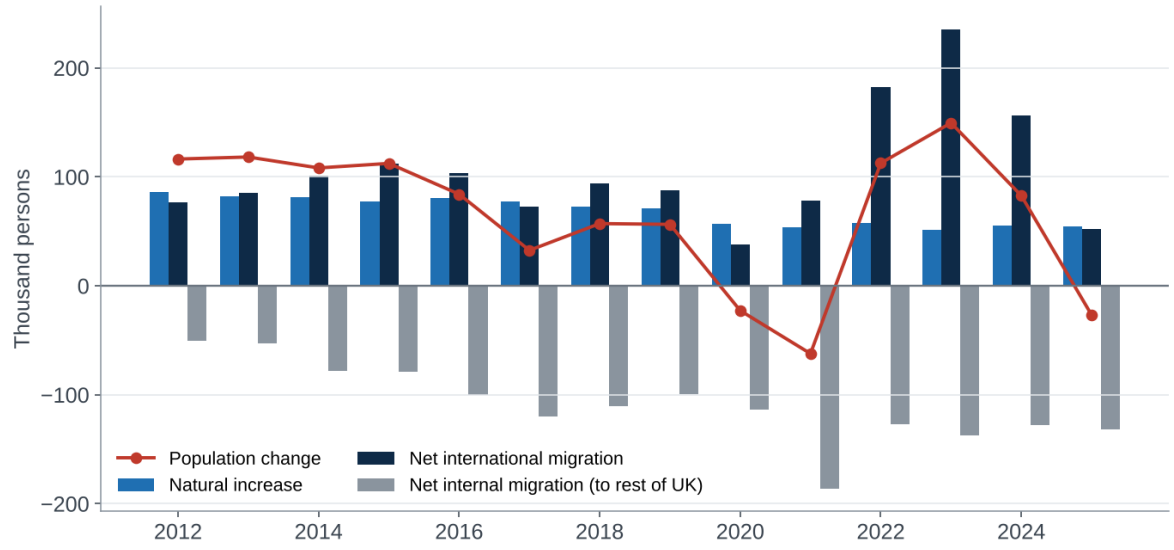
Employment. Employee jobs rose from 4.46 million in 2012 to 5.76 million in 2024 (+29.1%, against 16.9% for the UK), and London's share of UK employee jobs reached 17.9%. Growth was faster than the UK's in both periods: 17.5% against 11.4% in 2012 to 2019, and 9.1% against 4.4% in 2019 to 2023. In 2025 employee jobs grew 0.7%, against 0.2% for the UK. London employee jobs rose 2.8% in Q1 2012, against 0.8% for the UK, for reasons not established; this raises the 2012 base and, if anything, understates growth from 2012.

Output and pay. Real output grew 2.6% a year between 2012 and 2019, against 2.2% for the UK, and 0.9% a year between 2019 and 2023, against 0.8%. London produced 23.6% of UK real output in 2024. Because jobs grew as fast as output, real output per workforce job was about GBP 92,200 (2023 prices) in both 2012 and 2024. Median full-time pay was GBP 958 a week in 2025, 25% above the UK, but in real terms only 2.1% above 2012 (UK +5.2%), after falling 4.8% between 2019 and 2023. Real household disposable income per head behaved differently: it rose 15.3% between 2012 and 2024, against 10.3% for the UK, and was 41% above the UK level in 2024.

Where population growth comes from. Population change is the sum of natural increase, net international migration, net migration to and from the rest of the UK and other changes. London gains people from births and from abroad and loses them to the rest of the UK (Figure H2 and Table H2).

Figure H2. International migration drives growth; London loses residents to the rest of the UK

Components of population change, Greater London, years to mid-2012 to mid-2025 (thousand persons)



Source: ONS, mid-year population estimates (MYEB3, October 2026 release), as compiled in the London data workbook. Other changes, which are small, are not shown.

Table H2. Components of population change, Greater London, year to mid-2025

Births	Deaths	Natural increase	Net international migration	Net internal migration	Other	Population change
104,610	50,399	+54,211	+51,839	-131,961	-826	-26,737

Source: ONS, mid-year population estimates (October 2026 release), as compiled in the London data workbook. The components reconcile with the change in population. These are estimates subject to revision.

Migration drives growth both ways. Between mid-2012 and mid-2025 natural increase added 958,700 people, net international migration 1.48 million, and net moves to the rest of the UK took away 1.51 million. Natural increase fell from 86,067 to 54,211 a year as births declined. London's growth therefore depends on international arrivals, which rose to 235,320 in the year to mid-2023 and fell to 51,839 in the year to mid-2025.

Synthesis by period. Table H3 summarises growth in each period and the type of growth it indicates, in the framework of Section 2.

Table H3. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Jobs	Real pay	Real output	Indicative mechanism	Main forces
London	2012-19	+0.9	+2.3	+0.1	+2.6	Consistent with demand-induced; elastic labour supply	Technology, finance, construction; international migration
UK	2012-19	+0.6	+1.5	+0.4	+2.2		
London	2019-23	+0.4	+2.2	-1.2	+0.9	Demand-side evidence; mixed mechanism possible	Professional services, finance, technology, health
UK	2019-23	+0.7	+1.1	-0.8	+0.8	Demand-side evidence; mixed mechanism possible	

Sources: ONS population estimates, employee jobs, regional GVA and ASHE median full-time weekly pay deflated by UK CPI; authors' calculations. Before 2019, strong job growth and minimal real-pay gains are consistent with demand expansion accommodated by elastic labour supply. After 2019, rising jobs and falling real pay can reflect overlapping demand growth, labour-supply expansion, inflation and composition; they do not identify one dominant mechanism. International migration and commuting may respond to jobs as well as expand labour supply independently; see Section 2.

Forecasts. GLA Economics estimates that London's output grew 1.4% in 2025 and that workforce jobs fell 0.4% in the year to Q1 2026, to 6.46 million. Its Summer 2026 reference scenario has real output growing 1.7% in 2026, 2.0% in 2027 and 2.1% in 2028, and workforce jobs 0.5%, 0.8% and 1.0%. UK consumer price inflation was 3.5% in September 2026 (Section F).

Table H4. Historical and forecast growth, London

Indicator	History	Forecast	Forecast source
Population	+9.6%, mid-2012 to mid-2025 (UK +9.1%)	No projection recovered	n/a
Employee jobs	+29.1%, 2012 to 2024 (UK +16.9%)	Workforce jobs +0.5% (2026), +0.8% (2027), +1.0% (2028)	GLA Economics, Summer 2026
Real output	+25.5%, 2012 to 2024 (UK +21.3%)	+1.7% (2026), +2.0% (2027), +2.1% (2028)	GLA Economics, Summer 2026
Real household income	Per head +15.3%, 2012 to 2024 (UK +10.3%)	Aggregate +1.2% (2026), +1.3% (2027), +1.5% (2028)	GLA Economics, Summer 2026
Real median full-time pay	+2.1%, 2012 to 2025 (UK +5.2%)	Not forecast	n/a

Sources: history as Figure H1 and ONS regional gross disposable household income (August 2026 release) deflated by UK CPI; GLA Economics, London's Economic Outlook: Summer 2026, reference scenario, as compiled in the London data workbook. Forecast income is modelled real aggregate household income, not income per head.

Reading for the investor. London's growth is volume-led: more jobs and, until 2024, more people, with real output per job flat and real pay barely above 2012. It has outgrown the UK in jobs in both periods, which sets it apart from Paris (Part G). Household incomes have risen faster than pay, which, in the authors' reading, points to income from sources other than employment, such as property and investment, concentrated among higher-income households.

H3.2 Growth and pay by industry

Employee growth between 2015 and 2024 was led by technology, construction, finance, health and professional services; retail shrank.

Table H5. Employees by industry, Greater London

Industry (SIC divisions)	Employees 2015 (000)	Employees 2024 (000)	Growth	Great Britain growth	Share 2024
Information and communication (58 to 63)	383.0	554.0	+44.6%	+19.3%	9.6%
Finance and insurance (64 to 66)	353.0	446.0	+26.3%	+5.2%	7.8%
Real estate (68)	132.0	143.0	+8.3%	+23.3%	2.5%
Professional, scientific and technical (69 to 75)	665.0	801.0	+20.5%	+21.1%	13.9%
Administrative and support (77 to 82)	528.0	572.0	+8.3%	+5.5%	10.0%
Public administration and defence (84)	217.0	263.0	+21.2%	+21.6%	4.6%
Education (85)	389.0	408.0	+4.9%	+3.5%	7.1%
Health and social work (86 to 88)	506.0	623.0	+23.1%	+17.1%	10.8%
Accommodation and food (55, 56)	374.0	447.0	+19.5%	+17.8%	7.8%
Retail (47)	430.0	407.0	-5.3%	-8.7%	7.1%
Wholesale (46)	150.0	170.0	+13.3%	+0.1%	3.0%
Transport and storage (49 to 53)	227.0	235.5	+3.7%	+17.0%	4.1%
Construction (41 to 43)	141.0	203.0	+44.0%	+19.7%	3.5%
Arts, entertainment and recreation (90 to 93)	129.0	148.0	+14.7%	+11.8%	2.6%
Manufacturing (10 to 33)	114.2	114.4	+0.1%	-3.0%	2.0%

Source: ONS, Business Register and Employment Survey (BRES), employees by two-digit SIC 2007, London and Great Britain, as compiled in the London data workbook; authors' calculations. All employers, public and private. Counts are rounded at source; 2015 is the first year that includes PAYE-only businesses.

Table H6. Full-time pay by industry, London

Industry (SIC section)	Median full-time annual pay 2025 (GBP)	London / UK pay	Real pay 2015 to 2025	UK real pay 2015 to 2025	Real pay 2019 to 2025
Finance and insurance	89,727	1.53	-2.4%	+11.2%	-7.5%
Information and communication	62,216	1.18	+5.3%	+3.4%	+0.7%
Professional, scientific and technical	60,279	1.30	+1.9%	-1.1%	+2.8%
Construction	53,103	1.23	+6.1%	+5.8%	-9.4%
Public administration and defence	49,068	1.18	-6.4%	-5.0%	+0.2%
Transport and storage	46,730	1.17	-4.9%	+2.2%	-8.1%
Real estate	46,107	1.25	-4.2%	-0.3%	+2.3%
Education	45,172	1.13	-4.6%	-2.7%	-5.2%
Administrative and support	44,959	1.25	+15.5%	+11.3%	+10.0%
Health and social work	42,529	1.19	-4.3%	+4.3%	-1.7%
Wholesale and retail	38,939	1.17	+6.2%	+8.0%	+2.7%
Accommodation and food	32,470	1.13	+18.5%	+19.4%	+2.3%

Source: ONS, ASHE Tables 5.7a (London) and 16.7a (UK), full-time workplace gross annual pay, revised editions, as compiled in the London data workbook; UK CPI (April); authors' calculations. Medians are survey estimates and can move by several per cent from year to year.

Growth types by industry. Technology, professional services, construction, administrative support and hospitality combined job growth with rising real pay between 2015 and 2025, a pattern consistent with demand-induced expansion in Section 2; labour-supply elasticity is not estimated; in the authors' reading, the rise in hospitality and support services may partly reflect increases in the statutory minimum wage, which the data do not separate. In finance, jobs grew 26.3% between 2015 and 2024 while real median pay fell 2.4% (UK +11.2%), although the London median remains 53% above the UK's. Health, education, public administration, transport and real estate also lost real pay. Pay is above the UK level in every industry shown.

H3.3 Specialisation and competitiveness

London is Great Britain's centre for finance, technology and professional services, and its lead in finance and technology has grown since 2015; it is under-represented in health, education, retail, manufacturing and, increasingly, transport.

Table H7. Location quotients by industry, Greater London (Great Britain = 1.0)

Industry	LQ 2015	LQ 2019	LQ 2024	Share of employees 2024	Reading
Information and communication (58 to 63)	1.88	1.96	2.14	9.6%	Highly specialised; rising
Finance and insurance (64 to 66)	2.04	2.11	2.30	7.8%	Highly specialised; rising
Real estate (68)	1.60	1.54	1.32	2.5%	Specialised; falling
Professional, scientific and technical (69 to 75)	1.61	1.48	1.51	13.9%	Specialised; stable since 2019
Administrative and support (77 to 82)	1.21	1.22	1.16	10.0%	Specialised; slightly falling
Public administration and defence (84)	1.00	1.00	0.94	4.6%	Close to Great Britain
Education (85)	0.87	0.83	0.83	7.1%	Under-represented
Health and social work (86 to 88)	0.78	0.77	0.77	10.8%	Under-represented
Accommodation and food (55, 56)	1.05	1.06	1.00	7.8%	Close to Great Britain
Retail (47)	0.89	0.81	0.86	7.1%	Under-represented
Wholesale (46)	0.77	0.81	0.81	3.0%	Under-represented
Transport and storage (49 to 53)	1.00	1.01	0.83	4.1%	Under-represented; falling
Construction (41 to 43)	0.63	0.77	0.71	3.5%	Under-represented; gaining
Arts, entertainment and recreation (90 to 93)	1.08	1.08	1.04	2.6%	Close to Great Britain
Manufacturing (10 to 33)	0.28	0.29	0.27	2.0%	Under-represented

Source: as Table H5; authors' calculations, which match the quotients in the workbook. All employers, public and private.

Table H8. Shift-share decomposition, Greater London, 2015 to 2019 and 2019 to 2023 (thousands of employees)

Industry	Change 2015-19	National	Mix	Regional	Change 2019-23	National	Mix	Regional
All industries	+332.7	+228.4	+17.3	+87.0	+420.1	+220.4	+65.5	+134.2
Information and communication (58 to 63)	+60.0	+17.8	+14.6	+27.6	+79.0	+18.6	+25.6	+34.8
Finance and insurance (64 to 66)	+34.0	+16.4	-4.1	+21.8	+47.0	+16.2	-9.3	+40.0
Real estate (68)	+8.0	+6.1	+4.6	-2.7	+12.0	+5.9	+12.2	-6.0
Professional, scientific and technical (69 to 75)	+16.0	+30.8	+19.8	-34.7	+155.0	+28.6	+59.9	+66.5
Administrative and support (77 to 82)	+38.0	+24.5	-0.5	+14.0	+11.0	+23.7	-22.8	+10.1
Public administration and defence (84)	+12.0	+10.1	-1.1	+3.1	+27.0	+9.6	+18.6	-1.2
Education (85)	-14.0	+18.0	-20.1	-11.9	+15.0	+15.7	-4.2	+3.4
Health and social work (86 to 88)	+21.0	+23.5	-5.6	+3.1	+79.0	+22.1	+38.3	+18.6
Accommodation and food (55, 56)	+53.0	+17.3	+23.2	+12.4	+11.0	+17.9	+17.2	-24.1
Retail (47)	-39.0	+19.9	-28.6	-30.3	-5.0	+16.4	-41.4	+20.0
Wholesale (46)	+14.0	+7.0	-5.3	+12.3	-11.0	+6.9	-7.9	-10.0
Transport and storage (49 to 53)	+34.0	+10.5	+11.1	+12.3	-15.0	+10.9	-2.3	-23.7
Construction (41 to 43)	+57.0	+6.5	+11.6	+38.8	+3.0	+8.3	-2.8	-2.5
Arts, entertainment and recreation (90 to 93)	+11.0	+6.0	+6.2	-1.2	+11.0	+5.9	+0.5	+4.6
Manufacturing (10 to 33)	+7.9	+5.3	-4.3	+6.9	-2.5	+5.1	-6.1	-1.5

Source: ONS, BRES, as compiled in the London data workbook, whose two-digit decomposition this table sums into industry groups; the components reconcile with the change in each row. National, Mix and Regional are the national growth effect, industry-mix effect and regional shift against Great Britain. The regional shift is an accounting residual, not a causal estimate. Selected groups are shown; the total covers all industries. Two-digit results move a lot between periods, so groups are shown instead.

Quotients and shares. A quotient shows concentration, not size. Finance (2.30) and information and communication (2.14) have the highest quotients and 7.8% and 9.6% of employees; professional services (13.9%), health and social work (10.8%) and administrative and support services (10.0%) are the largest employers.

What the decomposition shows. Between 2015 and 2019 London gained 332,700 employees: national growth explains 228,400, its industry mix 17,300 and a positive regional shift 87,000, led by construction (+38,800), technology (+27,600) and finance (+21,800), while professional services (-34,700) and retail (-30,300) grew more slowly than nationally. Between 2019 and 2023 it gained 420,100: national growth explains 220,400, the mix 65,500 and the regional shift 134,200, led by professional services (+66,500), finance (+40,000), technology (+34,800) and health (+18,600). Hospitality (-24,100) and transport (-23,700) fell behind. Unlike Paris, London has gained within its specialised industries, not only from specialising in them.

H3.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables H8a and H8b rate each driver for London. The ratings are the authors' judgement from the evidence cited; where this edition has no evidence, the tables say so.

Table H8a. Demand-side drivers of growth, London

Driver	Rating	Evidence
National economic influences	Weak to moderate	GLA Economics estimates London output grew 1.4% in 2025 and forecasts 1.7% in 2026; UK inflation 3.5% in September 2026 and Bank Rate raised to 4% in November 2026 (Section F).
Specialised business services	Strong, gaining	Location quotients of 2.30 (finance) and 2.14 (technology) in 2024, up from 2.04 and 1.88 in 2015; regional shifts of +40,000 in finance, +34,800 in technology and +66,500 in professional services in 2019 to 2023.
Visitor economy	Strong	Hotel occupancy 87.6% and revenue per available room GBP 227.65 in September 2026, against 85.6% and GBP 151.28 for the UK sample (HotStats, RSM); one month only.
Construction activity	Moderate, fading	Construction had the largest regional shift in 2015 to 2019 (+38,800), but net housing additions fell from 45,677 in 2019/20 to 32,678 in 2024/25.
Public, health and education services	In line	Health and social work employees grew 23.1% in 2015 to 2024 (Great Britain 17.1%); public administration in line with Great Britain; education under-represented.
Investment in buildings	Moderate	Nominal investment in dwellings rose from GBP 9.6 billion in 2011 to GBP 25.1 billion in 2022 and in other buildings from GBP 18.2 billion to GBP 30.4 billion (ONS, experimental). No capital stock series is available for London.

Sources: GLA Economics, London's Economic Outlook: Summer 2026; ONS, Consumer price inflation, September 2026; Bank of England decision of 5 November 2026 (Section F); RSM, Hotels tracker (HotStats), September 2026; ONS, BRES, MHCLG net additions and experimental regional GFCF; authors' calculations.

Table H8b. Supply-side drivers of growth, London

Driver	Rating	Evidence
International migration	Strong, but falling	Net inflow of 1.48 million in mid-2012 to mid-2025; 235,320 in the year to mid-2023, 51,839 in the year to mid-2025.
Migration to the rest of the UK	Negative	Net outflow of 1.51 million in mid-2012 to mid-2025, and 131,961 in the year to mid-2025.
Natural increase	Positive, declining	Births exceeded deaths by 86,067 in the year to mid-2012 and 54,211 in the year to mid-2025.
Housing supply as a constraint	Tight	Asking rents +26.8% between Q4 2021 and Q4 2025; net additions down to 32,678 in 2024/25; average Census household size rose from 2.47 to 2.54 between 2011 and 2021.

Sources: ONS, mid-year population estimates; Rightmove, Rental Trends Tracker; MHCLG, Table 122; ONS and GLA, Census 2011 and 2021; as compiled in the London data workbook.

How the drivers explain the growth pattern. London's specialised services provide demand-side evidence, while international migration and commuting expand the pool of workers. Before 2019, rapid job growth and minimal real-pay gains are consistent with demand growth accommodated by elastic labour supply. After 2019, real pay fell despite strong employment growth, leaving demand, independent supply shifts, inflation and composition difficult to distinguish. Weak output per job and pay growth do not establish that gains accrued to capital owners: that requires profit and ownership evidence absent here. The broad implication is volume demand with constrained employee purchasing power, alongside sector-specific demand for higher-quality space.

What could change the balance. The fall in international migration, if it persists, would make London's labour supply less elastic: job growth would slow, but real pay could rise. Tight housing supply works in the same direction by making it harder for workers to move to London.

H3.5 Forces behind growth and the five-year outlook

Preliminary conclusion: London has grown through its global role in finance, technology and professional services, met by international migration, rather than through rising productivity or real pay.

1. **Global specialisation.** Finance and technology are more concentrated in London than in 2015, and they gained jobs faster than nationally after 2019.
2. **International migration.** Arrivals from abroad more than offset net moves to the rest of the UK until 2024, but fell sharply in 2025.
3. **Flat productivity and pay.** Real output per job was the same in 2024 as in 2012, and real median pay rose only 2.1% in 2012 to 2025.
4. **Rising household incomes.** Real disposable income per head rose 15.3% in 2012 to 2024, much faster than pay.

Will these forces persist? GLA Economics expects output growth of about 2% a year and job growth below 1% to 2028, which would mean rising output per job for the first time in the period. The main constraints are lower international migration, higher interest rates and housing costs.

H4. Growth prospects and real estate markets

Over the next five to ten years, London's growth most clearly supports Grade A offices and rental housing; it supports hotels, while the evidence for logistics inside London is weaker and does not support secondary offices without refurbishment.

Table H9. Asset classes and London's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Grade A offices	Strong	Finance, technology and professional services gaining; Grade A 92% of take-up	City and West End core, refurbished space near transport	22 million sq ft due in 2026 to 2029; Low West End entry yield; sensitivity to income assumptions
Secondary offices	Weak	Almost all leasing is of Grade A space	Refurbishment candidates	Refurbishment cost and planning
Rental housing	Strong	Asking rents +26.8% since Q4 2021; net additions falling	Well-connected outer boroughs	No residential yield data; lower migration
Hotels	Moderate to strong	September 2026 occupancy 87.6%; RevPAR 50% above the UK sample	Central hotels	One month of data; no pipeline
Logistics	Weak to moderate	Transport and storage employees +3.7% in 2015 to 2024 (Great Britain +17.0%)	Inner M25 units	Vacancy about 9.5% in London and the South East
Retail	Selective	Prime Central London rent index +7.6% a year; Oxford Street vacancy 0.4%	Prime streets	Retail employees -5.3% in 2015 to 2024

Sources: Sections H3, H5 and H6 and the sources cited there. Evidence ratings are the authors' judgement.

What the growth evidence does not support. Secondary offices without a refurbishment plan; large logistics schemes inside London on the evidence of employment alone; and industrial space for manufacturing, whose share of jobs is 2%.

H5. The office market

Central London is one of the few markets in the series where demand for offices is rising, and the space let is almost all Grade A.

Table H10. Central London office market indicators

Indicator	Value	Period	Source
Take-up	3.2 million sq ft	Q3 2026	CBRE
Take-up, year to date	8.1 million sq ft	Q1 to Q3 2026	CBRE
Availability	19.5 million sq ft	End of Q3 2026	CBRE
Vacancy	6.3%	End of Q3 2026	CBRE
Average prime rent, City	GBP 130.80 per sq ft a year	Q1 2026	Savills
Average prime rent, West End	GBP 165 per sq ft a year	Q1 2026	Savills
Grade A share of take-up	92%	Q1 2026	Savills
Development completions	1.4 million sq ft	Q1 2026	Savills
Completions expected	22 million sq ft (25% not started)	2026 to 2029	Savills
Prime yield, City	5.25%	Q1 2026	Savills
Prime yield, West End	3.75%	Q1 2026	Savills

Sources: CBRE, Central London Office Figures Q3 2026 (26 October 2026); Savills, Central London office market, Q1 2026; as compiled in the London data workbook. Take-up is gross leasing, not net absorption. CBRE's Q3 and Savills' Q1 figures are different providers and dates and are not compared with each other.

Demand and supply. Take-up rose to 3.2 million sq ft in Q3 2026 and availability fell for a fourth consecutive quarter to 19.5 million sq ft, the lowest since 2020, with vacancy at 6.3% (CBRE). Demand is concentrated on new and refurbished space: Grade A accounted for 92% of take-up in Q1 2026 (Savills). About 22 million sq ft is expected to complete in 2026 to 2029, a quarter of it not yet started.

Rents. Average prime rents were GBP 130.80 per sq ft in the City and GBP 165 in the West End in Q1 2026 (Savills). These are prime averages and say little about secondary rents, which this edition does not hold.

Reading for the investor. Demand from London's growing industries is for Grade A space, so it is met by new construction and by refurbishing older buildings to Grade A, not by absorbing the existing secondary stock. The pipeline due by 2029 is the main risk to rents.

H6. Logistics, retail, hotels, housing and capital markets

Logistics, retail and hotels. Large-warehouse vacancy was 9.48% in London and the South East and 9.69% inside the M25 at the end of H1 2026, with 13.4 million sq ft available (Savills). Prime retail is strong: Bond Street Zone A rents were GBP 2,750 per sq ft in Q4 2025 (Cushman & Wakefield), Oxford Street vacancy was 0.4% in June 2026 and CBRE's prime Central London rent index rose 7.6% in the year to Q2 2026. Hotels in the HotStats sample achieved 87.6% occupancy in September 2026.

Table H11. Logistics, retail and hotel indicators, London

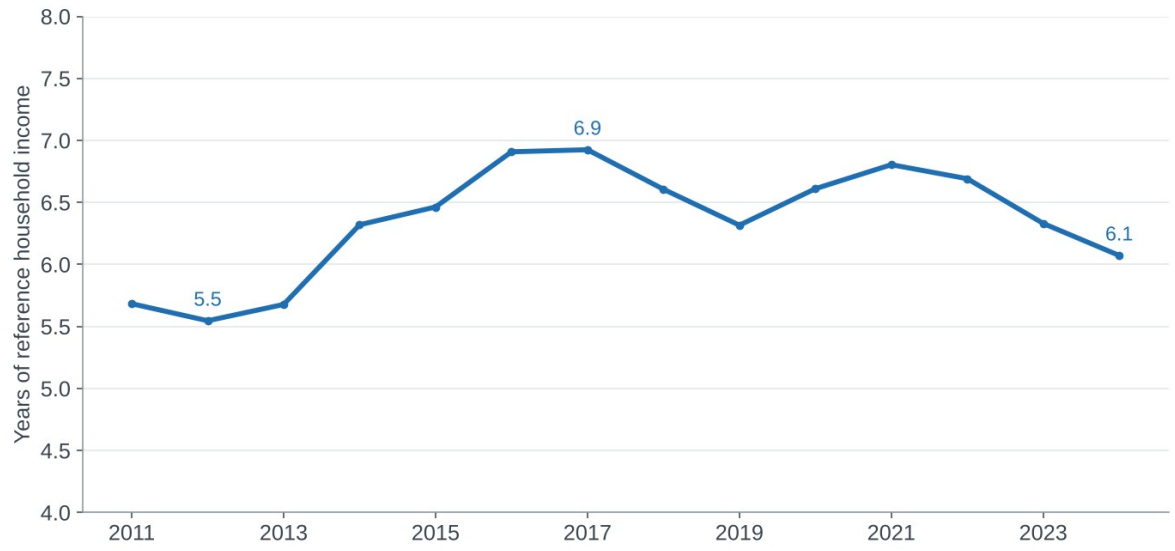
Indicator	Value	Period	Source
Logistics vacancy, London and South East	9.48%	End of H1 2026	Savills
Logistics vacancy, inner M25	9.69%	End of H1 2026	Savills
Logistics supply, London and South East	13.4 million sq ft (77 units)	End of H1 2026	Savills
Logistics under construction	1.07 million sq ft (9 units)	End of H1 2026	Savills
Prime retail rent, Bond Street	GBP 2,750 per sq ft Zone A	Q4 2025	Cushman & Wakefield
Prime retail yield, Bond Street	3.00%	Q4 2025	Cushman & Wakefield
Prime retail rent index, Central London	+7.6% year on year	Q2 2026	CBRE
Hotel occupancy, London (UK)	87.6% (85.6%)	September 2026	HotStats, RSM
Revenue per available room, London (UK)	GBP 227.65 (GBP 151.28)	September 2026	HotStats, RSM

Sources: Savills, London and South East logistics, H1 2026; Cushman & Wakefield, UK retail MarketBeat Q4 2025; CBRE, UK real estate market outlook mid-year review 2026; RSM, Hotels tracker, September 2026; as compiled in the London data workbook. Logistics figures cover large warehouses in a wider market than Greater London. Zone A is a frontage-weighted valuation convention, not rent across the whole shop. Hotel figures are one month of a sample and are seasonal.

Housing. Net additions to the dwelling stock, which include new building, conversions and changes of use less demolitions, rose from 29,671 in 2011/12 to a peak of 45,677 in 2019/20 and fell to 32,678 in 2024/25. The stock reached 3.85 million dwellings in March 2025.

Figure H3. Affordability has improved since 2016 as real prices fell

Average house price relative to reference household income, Greater London, 2011 to 2024 (years)



Source: authors' calculation in the London data workbook from the UK House Price Index (annual mean of monthly average prices) and ONS gross disposable household income per head times average household size (Labour Force Survey). An illustrative mean ratio, not the official ONS median affordability ratio.

Demand, supply and affordability. Between the 2011 and 2021 Censuses London's households rose by 157,717 (+4.8%) while the dwelling stock rose by 357,569, or 2.27 dwellings per added household; population grew 7.3%. The ratio does not show that supply was adequate: average household size rose from 2.47 to 2.54, which is consistent with people sharing or forming households later, and the 2021 Census was taken during the pandemic, when London's population was temporarily lower. Asking rents rose 26.8% between Q4 2021 and Q4 2025, to GBP 2,716 a month (Rightmove). The average house price was GBP 562,200 in 2025, 2.1 times the UK average, and 12.6% below its 2022 level in real terms; it cost 6.1 years of a reference household's income in 2024, against 5.5 in 2012 and 6.9 in 2016 and 2017.

Table H12. Housing supply and affordability indicators, Greater London

Indicator	Value	Period	Source
Change in households	+157,717 (+4.8%)	2011 to 2021	Census
Change in dwelling stock	+357,569	March 2011 to March 2021	MHCLG Table 125
Dwellings added per added household	2.27	2011 to 2021	Authors' calculation
Net additions	32,678 (peak 45,677 in 2019/20)	2024/25	MHCLG Table 122
Average asking rent	GBP 2,716 a month (+26.8% since Q4 2021)	Q4 2025	Rightmove
Average house price	GBP 562,200 (2.1 times the UK)	2025	UK House Price Index
Price / reference household income	5.5, 6.9 and 6.1 years	2012, 2017, 2024	Authors' calculation
Median household wealth, London / Great Britain	1.13 (2018 to 2020); 0.83 (2020 to 2022)	Survey periods	ONS Wealth and Assets Survey

Sources: ONS and GLA, Census 2011 and 2021; MHCLG live tables 122 and 125; Rightmove, Rental Trends Tracker; HM Land Registry, UK House Price Index; ONS, regional GDHI and Wealth in Great Britain Table 2.8; as compiled in the London data workbook. Rightmove changed its method in Q3 2020, so growth is measured only from Q4 2021. The wealth ratio for 2020 to 2022 reflects a change in pension valuation and is not comparable with earlier periods.

Capital markets. Savills puts prime office yields at 5.25% in the City and 3.75% in the West End (Q1 2026). Bank Rate was 3.75% during Q1, giving contemporaneous differences of 150 and zero basis points, respectively. Against the later 4% rate effective from 5 November, the arithmetic differences would be 125 and minus 25 basis points; these are not contemporaneous market spreads. Cushman & Wakefield quotes prime retail yields of 3.00% on Bond Street and 4.00% on Oxford Street (Q4 2025). No logistics, hotel or rental housing investment yield was recovered for London.

Reading for the investor. West End pricing assumes continued rental growth: its low entry yield makes value sensitive to weaker income and exit assumptions. The Q1 yield equalled the policy rate then in force; comparison with the higher November rate is not contemporaneous. The City offers more income for a similar demand case. Housing has the clearest structural demand, but rising rents and falling prices may reflect affordability limits rather than room for further growth.

H7. Strategy appraisal

Strategy A has the strongest occupier demand and its main risk is the price paid, above all in the West End; Strategy B targets the shortage of Grade A space but competes with a large pipeline; Strategy C has the clearest structural case but cannot yet be priced. All figures are illustrative.

Table H13. Value sensitivity to yield, London prime offices (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, City	5.25%	+10.5%	+5.0%	-4.5%	-8.7%
A: prime office, West End	3.75%	+15.4%	+7.1%	-6.2%	-11.8%

Source: authors' calculations on the prime yields reported by Savills (Q1 2026). No build-to-rent yield was recovered, so Strategy C is not shown.

A 25 basis point move changes value by about 5% in the City and 6% to 7% in the West End, and a 50 basis point move by about 9% to 10.5% and 12% to 15%. The lower the yield, the more sensitive the value, which is a further reason for caution in the West End.

Table H14. Summary assessment of the London strategies

Factor	A: core prime office	B: refurbishment to Grade A	C: build-to-rent
Market tightness	Vacancy 6.3%; availability lowest since 2020	Grade A 92% of take-up	Asking rents +26.8% since Q4 2021; net additions falling
Demand evidence	Finance, technology and professional services gaining	As A	Population +9.6% since 2012, but falling in 2025
Rent evidence	Prime GBP 130.80 (City) and GBP 165 (West End)	No secondary or refurbished rents	Asking rent GBP 2,716 a month
Pricing	Prime yield 5.25% (City), 3.75% (West End)	Not recovered	No yield recovered
Main risk	Price paid; Low West End entry yield; sensitivity to income assumptions	Construction cost; 22 million sq ft pipeline	Affordability; lower migration
Authors' view	Underwrite selectively, City first	Underwrite selectively	Take forward to due diligence

Sources: Sections H3 to H6. The views are the authors' market-level judgements.

From growth to space. Table H14a traces each material source of London's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table H14a. From growth to space: London

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Rental homes near transport, including build-to-rent	Stock +357,569 against +157,717 households (2011 to 2021 Censuses); net additions 32,678 in 2024/25, down from 45,677	**Construction.** The Census ratio suggests ample supply, but rising household size and asking rents (+26.8% in four years) indicate that households are not forming as fast as people arrive. Supply is falling while demand, until 2024, rose.
Finance, technology and professional services jobs	Grade A offices in the City, West End and well-connected locations	Central London vacancy 6.3%, availability 19.5 million sq ft (lowest since 2020); 22 million sq ft due in 2026 to 2029	**Construction and adaptation.** Occupiers want Grade A space (92% of take-up), so demand is met by new building and by refurbishing older stock, not by absorbing it as it is.
Visitors	Hotel rooms	Not measured; September 2026 occupancy 87.6%	**Not assessed.** High occupancy in one peak month suggests little slack, but annual performance and pipeline data are needed.
Trade, transport and logistics	Modern warehouses and urban logistics	Large-warehouse vacancy 9.48% (London and South East), 9.69% inside the M25	**Absorption.** Vacancy near 10% and slow transport employment growth (+3.7% in 2015 to 2024) suggest existing stock can meet near-term demand.
Health and social care	Clinics, care homes and related premises	Not measured	**Not assessed.** Employees rose 23.1% in 2015 to 2024 (Great Britain 17.1%), but stock data are not in this edition.
Income and wealth	Better homes, prime retail and premium space	Price 6.1 years of reference household income (2024); prime retail vacancy very low	**Selective demand for premium space.** Household income per head has risen faster than pay, and prime retail rents are rising, but median pay is barely above 2012, so premium demand is concentrated.

Sources: Sections H3 to H6 and the sources cited there. Judgements are the authors'.

Reading. London's growth needs new space in both offices and housing: occupiers want Grade A offices that the existing stock does not provide, and the flow of new homes has fallen while rents rise.

H8. Risks, monitoring and review triggers

Table H15. Risks, indicators and suggested review triggers

Risk	Indicator to monitor	Suggested review trigger
Lower international migration	ONS mid-year estimates; visa grants	Net international migration below 50,000 for a second year
Interest rates	Bank Rate; gilt yields	Further Bank Rate rise
Office pipeline	Completions and vacancy (CBRE, Savills)	Central London vacancy above 8%
Finance and technology employment	BRES; workforce jobs (GLA)	Employees in either falling for two consecutive years
Housing supply	Net additions (MHCLG)	Net additions below 30,000
Rental affordability	Asking rents against pay	Rents rising more than 5% a year faster than pay
Data gaps	Build-to-rent and logistics yields; annual hotel data	Before any investment decision

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly. A local partner with transaction, leasing and yield evidence would be needed before any investment.

H9. Sources

Official statistics and data workbook. London annual metro data workbook, compiled for this edition and available from the authors, from the sources listed below. Geography: Greater London unless stated.

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- ONS, workforce jobs, via the London Datastore: data.london.gov.uk/dataset/workforce-jobs-2w9my
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- ONS, regional GVA balanced by industry: www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalandrealregionalgrossvalueaddedbalancedbyindustry
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Market sources

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- CBRE, UK real estate market outlook, mid-year review 2026: retail: www.cbre.co.uk/insights/books/uk-real-estate-market-outlook-midyear-review-2026/retail
- RSM, Hotels tracker (HotStats), September 2026: www.rsmuk.com/insights/hotels-tracker/extended-summer-season-provides-boost-to-uk-hotel-industry

Forecasts

- GLA Economics, London's Economic Outlook: Summer 2026: data.london.gov.uk/download/e5m70/gmk/LEO-summer-2026.pdf

Method.

- DiPasquale, D. and Wheaton, W. C. (1996) *Urban Economics and Real Estate Markets*. Englewood Cliffs, NJ: Prentice Hall.
- Sivitanides, P. and Mourouzi-Sivitanidou, R. (2020) *Market Analysis for Real Estate*. Abingdon: Routledge.

Important notice

The strategies in Sections A2, B2, C2, D2, E2, F2, G2 and H2 and their appraisals in Sections A9, A16, B8, B13, C8, C13, C18, D8, D13, E7, F7, G7 and H7 are illustrative: no specific asset or transaction is assessed, and nothing in this report is a recommendation to buy or sell a particular property or a substitute for independent valuation, legal or tax advice.

Data. Market figures run to Q3 2026, except Barcelona's prime yield (Q1 2026) and detailed zone breakdown (Q1 2025), Edinburgh's prime yield (Q2 2026), Florence's hotel performance (to 2023), Paris hotel performance (2025) and London office rents and yields (Q1 2026), logistics (H1 2026) and retail (Q4 2025); the Bank of England rate is at 5 November 2026. Metropolitan statistics run to 2023 (Italy, Germany), 2024 (Sweden, provisional; Austria; Edinburgh; Paris) or 2025 (Spain; London). Rents, vacancy, yields, interest rates and rental regulation change quickly, so every market figure and the regulatory position should be refreshed before any investment decision.

Not an investment approval. The recommendations are market-level judgements that identify which opportunities merit asset-level underwriting; they do not establish that any acquisition meets a required return. That needs net cash flows, capex, incentives, financing and exit assumptions for a specific asset.

Provenance. Broker and press figures are transcribed from the cited sources and attributed; broker reports remain the property of their authors. Employment, location quotient, shift-share, real pay, GDP share and affordability figures are the authors' calculations from official data. Value sensitivities, lease-up periods and indicative yields are illustrative calculations, and inputs marked *hypothetical* are assumptions, not market data.

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