

# The European Prime Office Rebound

## *A compelling opportunity in supply-constrained markets*

Hybrid work and structural decline have dominated the European office narrative, but the fundamentals reveal a more nuanced picture. Prime assets in supply-constrained markets have been seeing some of the strongest rent growth of any real estate sector in the region. As AI reshapes the workplace, the flight to quality is expected to accelerate: The best spaces will matter more, not less.

### Three Forces Driving the Opportunity

#### 1. The Flight to Quality Has Been Accelerating

Occupier preferences have sharpened significantly, driving more intense competition for Grade A space while a great deal of secondary stock sits empty.

**Stark Difference in Average/Prime CPPI for Office: % Cumulative Since Q4 2019<sup>1</sup>**

**-33.7%**

Office

**-6.7%**

Industrial

**-8.5%**

Retail

**-6.5%**

Residential

**Result:** Strong competition for the best stock, historically tight prime vacancy, and a widening gap between winners and laggards.

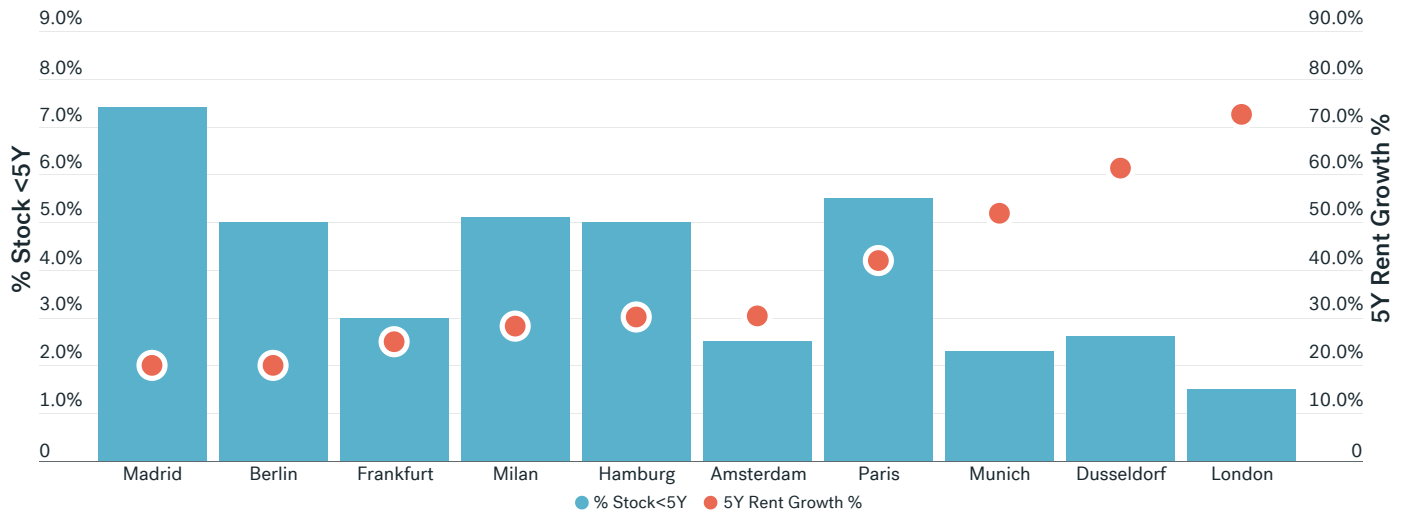
**Key figure:** Prime office CPPI has diverged from average office values by 33.7% since Q4 2019, the widest bifurcation of any European real estate sector.<sup>1</sup>

**Takeaway:** The gap between prime and average has continued to widen.

#### 2. Supply Has Been Critically Constrained

Rising construction costs, tight financing, and planning restrictions have combined to impede new office development across European central business districts (CBDs).

## Rents Up Where Supply is Thin: CBD Stock <5y Old & Rent Growth %<sup>2</sup>



**Result:** Markets with the least Grade A vacancy have seen the strongest rent growth; the inverse relationship has been clear and consistent across European submarkets.<sup>2</sup>

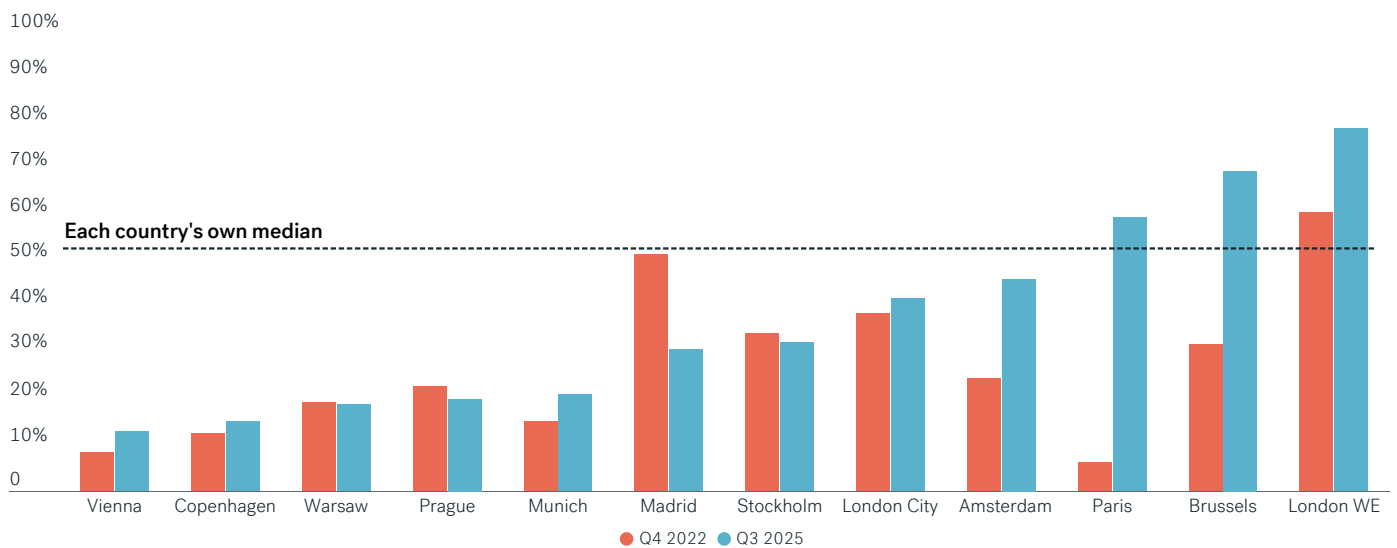
**Key figure:** In London's West End, Dusseldorf's CBD, and Amsterdam's Zuidas, new stock under five years old has fallen below 3% of total inventory.<sup>2</sup>

**Takeaway:** Quality and location have become imperatives.

## 3. Rents Have Significant Room to Run

Constrained supply and intensifying occupier demand have driven prime rents sharply higher. Across the EU-15, growth has totaled 35.6% since Q4 2019.<sup>2</sup>

### Rising Rents, Rising Earnings: Prime Rent to Corporate Earnings Percentile Score<sup>3</sup>



**Result:** Rents in most markets have remained below their historical earnings median, which suggests there may be meaningful room for growth.

the end of 2025, suggesting significant capacity for occupiers to absorb further increases.<sup>3</sup>

**Key figure:** In Paris, rents moved from very affordable levels in Q4 2022 to only slightly above median at

**Takeaway:** Entry today could position investors to capture growth ahead.

## Supply-Demand Gap: *Starts Down, Rents Trend Up*

EU-15 Prime Rent Growth  
Since Q4 2019

**+35.6%<sup>2</sup>**

Latest Year-on-Year  
Prime Rent Growth

**+7.1%<sup>2</sup>**

Office Starts vs.  
Recent Peak

**-80%<sup>4</sup>**

### Hines View

*Concentrated demand and minimal new stock appear to be driving the European prime office rebound, continuing to place upward rent pressure on the sector. Hines research indicates this thesis should hold even as AI reshapes how people work, accelerating the divide between spaces that command premium rents and those left behind. Our analysis gives us the conviction to move into the Buy phase.*

– James Purvis, Head of European Research

## Where Hines Sees Opportunity

- Not limited to the core CBD
- Well-connected transport hub submarkets:
  - May offer meaningful discounts to adjacent prime markets
  - Could present compelling entry points as demand spills outward
- Frankfurt Hauptbahnhof:
  - Trades at a 23% discount to the CBD<sup>2</sup>
- Areas near London's King's Cross:
  - Trade at a 37% discount to the West End.<sup>2</sup>

*For more insights or to learn about investment opportunities, visit [hinesprivatewealth.com](https://hinesprivatewealth.com)*

1. Source: CBRE, Green Street, and Hines Research. As of Q4 2025.

2. Source: BRE and Hines Research. As of Q4 2025.

3. Source: Hines Research. As of Q3 2025.

4. Source: RCA, Hines Research, Q4 2025.

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