



Catella: Demand for office properties drives purchase prices in Germany

Strong demand for office properties – particularly from international investors in the top locations – means a further increase in purchase prices. “B” and “C” locations are also seeing this trend, in some cases with a delay. Rents are rising and yields continue to fall. However, the gap between the change in rents and purchase prices is becoming measurably bigger. Overall, office markets in 2016 promise a balanced risk-return profile.

The analysis of 76 German office markets in the categories “A” to “D”, presented today by Catella, reveals a uniform picture: the persistent strong demand for German office properties continued to drive prices up over the past twelve months. This development is tracking a strict location-based hierarchy. Peak yields in the seven analysed “A” locations (Munich, Berlin, Hamburg, Frankfurt, Stuttgart, Cologne and Düsseldorf) have fallen by around 45 basis points over the past twelve months. During the same period, the decline in the twelve analysed “B” locations was just 21 basis points, i.e. only half as much. At the 31 analysed “C” locations, a decline of 14 basis points was recorded. There was no change in price noticeable at any of the 26 analysed “D” locations.

“This apparent textbook trend is, however, bucked by the development in rents. The largest percentage increase in rent can currently be observed in the “B” locations. Put another way, the positive overall economic development appears to be having a greater effect here than in the “A” and “C” locations,” says Dr Thomas Beyerle, Head of Group Research at Catella.

“We expect yields to continue falling in 25 of 77 locations; we anticipate increases in rents at a total of 25 locations in 2016. The highest level of rent being paid is currently in Frankfurt (€38.50/m²), the lowest in Schwerin (€8.50/m²). As is traditional, Munich once again recorded the lowest peak yield, at 3.8 %, while the highest value recorded in this market segment was reached in Solingen, at 8.7 %,” Dr Beyerle continues.

The risk-return profile for Germany at the beginning of 2016 continues to fit well into the vision and purchasing profile of national and international investors. Although purchase prices have generally increased, this does appear to have a fundamental economic basis. Similarly, the run on “B” locations is by no means a nationwide phenomenon.

“The philosophy of investors at the moment appears to be investment discipline combined with clearly defined asset management measures. Furthermore, large portfolio transactions are so far missing,” Dr Beyerle adds.

The map of individual results is available at www.catella.com/research.

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