



Catella: Demand for residential property continues to rise in Germany

Ongoing strong demand for residential property in metropolitan areas, and in locations with favourable population balance, is underpinned by urbanization effects and structurally good economic conditions in Germany. The increasing appeal of residential markets will lead to higher rental prices and a rise in property values.

In their current analysis of 77 investment locations for the residential segment, Catella's analysts have come to a clear conclusion: investors will once again be willing to invest in 2016. The yield-risk profile for gross yields ranges from Herne at 8.2 %, to Munich at 3.4 %. The average of the locations analysed is currently 5.40 %. The highest rental prices of EUR 18.39 per m² can be found in Munich, while the lowest in the locations investigated can be found in Herne, with prices of EUR 5.53 per m².

“What is new, and also a testament to changes in market trends, is the distribution between very good and mid-range locations,” explained Dr Thomas Beyerle, Head of Group Research, at the presentation of the analysis. This is the result of two interesting developments in the German residential market: high levels of demand in central city locations remain uninterrupted, but capital from investors is increasingly flowing into locations with substantial growth potential. “In other words, the anticipated proportional rental price development will primarily be focused on mid-range locations, in line with capital market philosophy,” continued Dr Beyerle.

Analysts expect rental prices to continue to increase, on average, in the coming years due to urbanization effects. “The value of residential properties in city centres and urban districts with excellent infrastructure has been redefined in recent years. The residential market will remain the focus of market regulation this year, but calm analysis of this issue reveals that state intervention in rental prices has so far neither been able to halt increases nor cause any measurable number of investors to pull out of this allegedly unattractive segment,” said Dr Beyerle.

Catella also forecasts considerable changes in price expectations in the popular mid-range segment in the coming years. High demand from investors, a significant increase in construction activity, rising average rental prices, and attractive offers for smaller homes in the 50–60 m² size range, will shape the residential markets in German urban centres. The polycentric nature of location structure, on the other hand, will balance out turbulence in the market and smooth away the volatility seen in other European countries.

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

For more information, please contact:

Dr. Thomas Beyerle
Head of Group Research
+49 69 310 19 30 220
thomas.beyerle@catella.de

Press contact:

Ann Charlotte Svensson
Head of Group Communications
+46 8 463 32 55, +46 72 510 11 61
anncharlotte.svensson@catella.se