



## Catella: European residential markets are in a supercycle

In order to evaluate the long-term advantages of the 18 analysed European investment locations, Catella Research draws on a large number of criteria, including economies, demographics, regulation, residential property markets and finance. No matter what country or city we look at, it is clear that investments in residential property are subject to increased levels of demand, leading to continuously rising prices.

The European residential real estate sector stands out as the decade's best performer, despite the existence of substantial differences in yields and drivers between different regional markets and cities. Demand has rocketed in the past 24 months, and at present there is no discernible end in sight. Residential investment came to a total of EUR 37.5 billion in 2015, according to the "Catella Market Indicator – Residential Europe 2016.

Europe has seen two simultaneous developments that have set the stage for what is known as a "supercycle". Rising liquidity has coupled with a rate of urbanisation that can almost be described as dramatic, over more than 10 years. Together, these have produced the current situation in European residential markets, in which high demand contrasts with comparatively slow-growing supply. But one must also take into account that national residential markets are very much subject to national politics", says Dr. Thomas Beyerle, Head of Group Research at Catella.

Cities like London, Paris, the Swiss metropolitan regions and German cities such as Munich, Hamburg and Stuttgart are very popular, resulting in high rental prices. But the growth in rental prices is struggling to compensate for the increase in purchase prices, resulting in yield compression and confining rental yields to between 3% and 4%. This is pushing some of Germany's and France's category B and C towns, with rental yields of up to 6%, into the limelight, write the analysts.

Similar results have also been seen in Polish cities such as Warsaw, Gdańsk and Łódź. This trend will be carried by stable Polish economic growth over the medium and long term. Transaction activities have recently increased in Spain, although it remains to be seen whether this development is sustainable.

The Catella Market Indicator – Residential Europe, Spring/Summer 2016 is now available at [www.catella.com/research](http://www.catella.com/research).

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