



Catella: German office markets continue to impress in 2017

The new office map from Catella shows the positive economic situation of the German office market at 76 locations. While prime rents have increased almost everywhere, the attractiveness of prime objects can be seen in the continuously decreasing yields – from first tier to fourth tier.

“The strongest increase of rents in the German office market is found in second-tier locations, with an increase of 5.3% compared to last year, followed by the first tier. Frankfurt is currently the frontrunner for rents, with EUR 39.00 /square metre. For the first time ever, the EUR 10.00 /square metre level for prime rents was exceeded in the fourth tier, with EUR 10.25 /square metre (compared to EUR 9.98/square metre at the end of 2015), which shows the sound economic situation in all regions,” says Dr. Thomas Beyerle, Head of Group Research at Catella.

With an average prime yield of 3.67% (down 53 basis points compared to 2015), the first-tier category fell below the 4% level for the first time. The average yield difference between first-tier and second-tier locations (currently 179 basis points) became even larger in 2016, and is evident in the high valuation of first-tier properties.

“On the other hand, investors are proceeding with a more balanced understanding of the risk-to-yield ratio and are relying on a sustainable cash flow, with Munich as the frontrunner at 3.3%,” says Dr. Thomas Beyerle.

When analysing the differences between location categories from first to fourth tier from a strictly geographical perspective, it becomes clear that average yields of between 3.67% (first tier) and 7.02% (fourth tier) are in accordance with the course of the yield-risk profile for 2017. At third- and fourth-tier locations, however, no outstanding investment activities can be found, despite attractive yields and many market studies, according to analysts.

“We expect a large increase in the number of transactions in this segment in the coming months. The increasing desire of owners to exit is up against certain yield attractiveness for investors,” according to Beyerle.

The complete Catella map “Investment location Germany 2017, Office – rents and yields” is now available at catella.com/research.

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