



Catella: European office markets in an upswing

The new Catella Market Indicator, Office Europe 2017, offers an extensive view of the European office markets, looking at economic policy and performance. The future currently looks bright for real estate investors on the continent, primarily due to exceptionally positive prospects for the coming years.

Office prices continue to rise, resulting in yield compression in this segment. Our assessment of office investment prices includes classic core and core plus as well as, to a lesser extent, value-added properties. This conclusion describes the recent situation based on an analysis of 32 European office locations by Catella.

“We expect international investors to focus even more strongly on continental European real estate markets due to the ongoing Brexit process,” says Dr. Thomas Beyerle, Head of Group Research at Catella. “The continued uncertainty during the still-hesitant Brexit is also evidenced by some investors looking around for alternative locations,” Beyerle continues. The analysts are upbeat in their forecasts, but find it necessary to keep an eye on market cycles since economic growth and rising office property prices are positively correlated.

Although the office segment will continue to be regarded as the number-one investment vehicle in investment portfolios, the yield compression in existing space and increasing supply shortages are prompting investors to turn their attention to project developments – with a dominant share of office use.

Catella’s analysis of 32 office locations in Europe identified these trends in the clear majority of cases. Given that we can identify increasing rents in 19 of 32 locations, the markets are in a very strong position from a purely market perspective. Vacancy rates are continuing to fall and rents are increasing across the board. The highest rents are still paid in London (EUR 111.50/m²) and the lowest in Rotterdam (EUR 16.25/m²). The lowest office yield was registered in Paris (3.0%) and the highest in Finland (Ouloand and Lahti each 7.50% for core properties).

For the first time, Germany knocked the UK off its traditional top spot in terms of investment volume in Q1 2017, with France following in third place. The Nordics are performing extraordinarily well at present, particularly Sweden and Finland. In southern Europe, Spain recently recorded its best quarter ever.

The complete Catella Market Tracker, Market Indicator Office Europe 2017, is available at catella.com/research.

For further information please contact:

Dr Thomas Beyerle

Head of Group Research

+49 69 310 19 30 220, thomas.beyerle@catella.de