

Frankfurt am Main, 22 June 2021

# Catella Research: Continued High Investor Demand in the German Residential Markets

Flat rents are rising and rising. The wish or, depending on one's position, the horror vision that it will go on forever is preoccupying the industry as much as the tenants. Let's look at the facts. In its annual residential map, Catella Research has examined rents and yields in 81 locations in Germany and identified trend movements.

Prof. Dr. Thomas Beyerle, Head of Group Research, Catella, comments: "The enormous growth rates of the past are easing somewhat, but we do not see a structural break in the trend. Rising completions (+13.8% from January to April compared to the previous year) and a turnaround in interest rates on the horizon should provide relief on the market in the medium term, even if there is still excess demand."

## Rents:

- The average flat rents of the 81 analysed locations have increased in the annual comparison. In medium locations the average rent is currently €9.17/sqm and in very good locations €12.16/sqm.
- The different growth rates between the residential locations are striking. Berlin's rent cap (which has been lifted again) is having a price-reducing effect on existing rents, but even without Berlin, rents in the very good locations have risen much more strongly.
- Compared to the previous year, this means a price increase of approx. 2.2% in medium locations and approx. 5.3% in very good locations.
- In the top 7 residential markets, the average rent in very good locations has risen by 3.63% to currently €18.56/sqm, while rents in medium locations have fallen by 0.02% (excluding Berlin, there has been growth of 1.27% here).
- The strongest rent increase of approx. 6.4% thus occurred in the category "very good location", outside the top 7 markets.
- The most expensive location in absolute terms is still Munich, with an average of €26.81/sqm in very good locations and €17.15/sqm in medium locations.
- It is comparatively cheap to live in the city of Herne, with an average of €6.29/sqm in medium locations and €7.98/sqm in very good locations.

## Yields:

- Yields continue to decline in almost all 81 locations surveyed. On average, the current gross initial yield is 3.97% and has fallen by 40 basis points compared to the previous year. Even the Corona pandemic could not stop the compression dynamic.

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- The yield in the top 7 housing markets fell by a full 27 basis points this year to 2.63%. The decline was even higher in the B locations or the top 25 markets in our overall ranking. The average yield here is 3.53%, which corresponds to a decline of 34 basis points.
- Munich is the clear front-runner in Germany's lowest yield, with a gross yield of 2.0%, due to the very high demand and strong investment momentum in recent years. The most attractive yield can currently be earned in Cottbus at 5.9%.

A look at the Catella risk-return profile shows that investor demand for the "safe asset class" of residential remains high, so that the locations with attractive yields continue to dwindle. Nevertheless, there are still diversification opportunities at portfolio level and the spread against safe government bonds is still high. We should get used to this level of yields and prices for the next few quarters.

The complete study can be downloaded here:  
<https://www.catella.com/en/germany/research>

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