Press Release

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Catella Research: European Office Markets Develop Increased Covid Resistance

After almost two years of the pandemic, the office asset class in Europe is proving to be largely resistant to the crisis, albeit with limitations. Although the transaction volume of around €87.5bn in 2021 was up on the previous year (+4.1%), it still lagged behind the pre-pandemic period (-28.2% compared to 2019, -15.3% compared to the 10-year average).

Prof. Dr. Thomas Beyerle, Head of Research Catella Group, comments: "If you compare the 39 European locations, the markets offer significantly more impressive diversification opportunities than in the years before the pandemic. These will become even more differentiated as the effects of remote working gradually articulate themselves in local office markets. This year we have added Vienna to the analysis, as we have established a new branch of the Catella Group there."

Other special features:

- **Office rents stable:** The average top office rent for all 39 markets surveyed is almost unchanged at €34.74/sqm, which represents a decline of around 0.2% compared to the previous year.

- **London at the top:** The most expensive office market remains London West End at €102.50/sqm. The lowest top rents are unchanged in the Baltic cities of Vilnius, Riga and Tallinn with an average of €17.50/sqm.

- **Changed dynamics:** The dynamics of yield compression have visibly weakened in recent years. Nevertheless, a decline in net prime yields in the office sector of around 20 basis points to a value of 4.01% can be observed compared to the previous year.

- **Germany "expensive":** The lowest yields and at the same time the most expensive investments in Europe continue to be found in the German top 7 markets as well as in Paris, where yields are all below the 3% mark.

- **Sideways movement, but momentum in the top segment:** Despite the continuing uncertainty regarding the Covid 19 pandemic and the associated considerations surrounding home offices and hybrid forms of work, we do not see any declining rents in the individual office markets until the end of the year and expect a stagnant level for the most part. In the smaller prime segment of new construction/first occupancy/CBD we expect rents to rise.

- **Synchronous price increase slowed down:** The still high demand for office properties in Europe is also causing yields to move sideways in terms of net prime yields. We expect yields to remain stable in 24 of the 39 markets surveyed, whereas a slight yield compression is to be expected in the remaining 15 office locations.

You can download the complete study here:
https://www.catella.com/de/deutschland/research

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