

Frankfurt am Main, 26 May 2021

Catella Research: Investors Are Looking for Residential Investments across Europe

Catella Research has analysed the residential property markets in 61 cities and 19 countries in Europe. It becomes apparent that even the current pandemic phase afflicting Europe is hardly bringing about any changing effects on the investor and transaction markets. Demand in the low interest rate environment remains very high. This is reflected by a further increase in average purchase prices and rents since the last reporting period in October 2020. This was accompanied once again by sustained yield compression within the residential asset class. Even rising long-term interest rates and occasional inflation concerns cannot stop investors' interest in flats.

Prof. Dr. Thomas Beyerle, Head of Research Catella Group, comments: "The demand for European residential real estate remains extremely high. The increasingly noticeable addition of residential to investment vehicles that were previously primarily office or retail-focused is also giving the market a special dynamic. These markets continue to offer potential to investors looking for diversification opportunities and a balanced risk/return portfolio on the European markets. Large agglomerations and capital cities are currently the most sought-after markets. On the other hand, however, these markets are significantly more volatile and heterogeneous than B-cities, especially in times of significantly changing economic signs, increasing political intervention in pricing and still difficult to assess structural effects of the post-pandemic phase."

Here are more findings from the analysis for Europe:

- The average monthly residential rent (all construction years) of our 61 analysed cities is currently €15.46/sqm, which represents a decrease of 0.9% compared to last year's analysis in the third quarter of 2020.
- The cheapest residential rents are found in Liège (€9.30/sqm) in Belgium, followed by the Spanish city of Malaga with an average of €9.40/sqm and Brno (€9.50/sqm) in the Czech Republic.
- The most expensive rental market is in Geneva, Switzerland, at €30.10/sqm. In Luxembourg, prices have risen by a total of 16% to €29.00/sqm, and the sought-after cities of Paris and Dublin also continue to be high-priced residential locations in Europe.
- The average purchase price for a flat in Europe (all years of construction) currently stands at €5,017/sqm, completing a strong increase of 4.15% over the first half of the year. Prices range from €1,700/sqm in Riga to €15,430/sqm in London.
- London is still the most expensive market for condominiums, but the average purchase price has fallen further by 8.4% over the past six months. Geneva follows in second place with an average purchase price for flats of €13,760/sqm (+4.2%).
- The average European prime yield for apartment buildings has fallen to 3.19% and is thus 0.47% lower than six months ago.
- The lowest yield of all European residential markets can be found in Stockholm (existing flats) at 1.30%, followed by Zurich at 1.40%.
- The most attractive prime yields of the 61 markets analysed are in the Baltic cities of Riga and Vilnius at 5.35%, followed by Wroclaw in Poland at 5.3%.

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- Catella expects yields to continue to fall slightly in many European locations until the end of the year.

The complete study can be downloaded here:

<https://www.catella.com/en/germany/research>

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