

Frankfurt am Main, 26 November 2020

European housing markets react calmly, but not uniformly to COVID-19

Catella Research's current analysis of the European housing markets reveals two facts: Firstly, the housing markets have positioned themselves well compared to spring 2020, i.e. before COVID-19. Demand in the housing market has traditionally been relatively insensitive to exogenous shocks and policy makers in most countries have reacted strongly and quickly. Secondly, it is also clear that COVID-19 has led to massive inequalities between sectors, economies, companies and countries across Europe. Transaction volumes and price development vary from country to country. There are slightly increasing market returns in strongly affected areas, but overall returns are stagnating and even decreasing in some cases. A total of 19 countries and 61 locations were analysed.

Prof. Dr. Thomas Beyerle, Head of Research Catella Group, comments: „The view that European residential real estate continues to be very attractive to investors seeking good diversification opportunities and a balanced risk/return portfolio in the European markets has not changed. Large Conurbations, Gateway Cities or the Capital of any country remain the most desirable markets with positive socio-economic development and further price increases. However, this positive development is reflected in declining returns. On the other hand, however, these markets are significantly more volatile and heterogeneous than the 2ND-tier markets, especially in times of markedly changing economic conditions.“

Further results:

Rents:

- The average monthly apartment rent (all years of construction) of our 61 analysed cities currently stands at €15.54/sqm, an increase of 1.4% compared to our last analysis in Q1 2020.
- The lowest residential rents are found in Liège (€9.00/sqm), followed by the city of Brno in the Czech Republic with an average of €9.60/sqm.
- The most expensive rental market is Geneva, reaching the €30.00/sqm mark, followed by Paris and Zurich standing at €28.60/sqm and €27.00/sqm respectively.
- The highest rent increase (+13.6%) was recorded in Gothenburg while Krakow recorded the sharpest drop with a decline of 8.6% (rent decreases in Denmark are related to a modification in data calculation).

Price:

- The average purchase price for an apartment in Europe (all years of construction) currently amounts to €4,783/sqm, an increase of 3.6% compared to the first quarter. Prices range from €1,650/sqm in Riga to €16,843/sqm in London.

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- The largest increase of average purchase price was recorded in Brno (+16.36%) followed by Manchester (+13.92%), while the sharpest drop was recorded in Jyväskylä and Oulu with 15.37% and 10.15%, respectively.

Yields:

- The average European prime net yield for multifamily houses is currently at 3.66%. Compared to our last analysis in Q1 2020 average prime yield decreased by 3 basis points.
- While yields slightly increased in Finland, Spain and London at around 10 basis points we observe moderate compressions in France, Germany, Belgium, Netherlands and Austria - The yield increase in Vienna relates to a modification in data calculation.
- The lowest yield of all European residential markets can be found in Stockholm and Zurich both at 1.50%.
- The most attractive prime yields of the 61 analysed markets can be mainly found in the Eastern European cities like Wrocław (5.90%), Riga (5.40%) and Vilnius (5.40%).

Transaction Volume:

- The total residential transaction volume (incl. student housing) of our analysed 19 countries totalled to €43.27 billion in first three quarters 2020. Compared to the result of the previous year the volume increased by approx. 11%.
- More than one third of total transaction volume amounts to Germany (€16.1 billion). The UK ranks on second place with €8.9 billion. The taillights in the transaction ranking are mainly the Eastern countries with a traditionally high ownership rate e.g. Lithuania, Latvia, Czech Republic and Estonia.

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

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