



## German office market: Prime yields below 3% – Yield differential between B- and C- locations shrinking

The uplift in German office rents continues: According to Catella Research, Germany's seven A-locations again achieved highest rental growth, averaging 5.7% over the past twelve months. Average prime rent climbed to EUR 31.04/m<sup>2</sup>. Frankfurt was the frontrunner again, at EUR 42/m<sup>2</sup>.

Accordingly, yields at the top locations went down, albeit at a slower rate than in same period 2017. The average prime yield is 3.06% and therefore down 24 basis points as against the end of 2017. Prime yields in Munich and Berlin only reached 2.8% and 2.9% respectively, according to the latest investment analysis from Catella Research on 76 German office locations covering office markets in the A- to D-cities.

“In the A-cities, investors in central locations are aware of the high prices of their investments and are responding rationally. Most transactions are still taking place in these cities, followed by, at some distance behind, B-cities,” explained Dr Thomas Beyerle, Head of Group Research at Catella. “Parallel to this, we are seeing investors switch to value-add investments and other location categories.”

### **Similar developments in all location categories**

The picture outside Germany's seven leading office locations tells a similar story, though at different magnitudes. Prime rents per square metre in the 13 B-locations rose by an average of 4.1% to EUR 15.54/m<sup>2</sup>, while in the 30 C-cities the numbers were up by 5% on average to EUR 13.35/m<sup>2</sup>. Thus, the rent levels in the two location categories are slowly converging.

The rate at which rents rose in the 26 D-cities was slightly slower, at 1.7%. The situation here is a little more mixed, as rents some locations remained stable on the previous year, while cities such as Halle (Saale) or Bamberg and Salzgitter enjoyed double-digit growth rates. Prime rents in D-cities now averages EUR 10.48/m<sup>2</sup>. The most affordable office rents can be found in Gera in Thuringia: The price per square metre of office space here is currently just €7.50.

In 2018, the 26 D-cities under analysis saw the sharpest decline in yields in Germany. Falling by 28 basis points, average prime yields here dropped to 6.7%. In 2017, this category had claimed the smallest drop in yields.

# Press Release



*Frankfurt/Main, 5 March 2019*

By contrast, yield compression was virtually identical at both the B- (down 27 basis points) and C-locations (down 26 basis points). The yield spread between the two categories has therefore shrunk further, now at just 83 basis points as compared to 91 basis points in 2017. At 8%, the highest yields were achieved in Solingen and Wilhelmshaven, followed by Weimar and Siegen at 7.4% each.

“The variation between the average yields across all location categories is continuing to diminish,” says Beyerle in summary. “We see this as a sign that the risk parameters and investor profiles from core to value-add and opportunistic are increasingly blending.”

The full analysis can be found at [catella.com/research](http://catella.com/research).

Further information:  
Catella Property Valuation GmbH  
Dr Thomas Beyerle  
Head of Group Research  
+49 69 3101 9302 20  
[thomas.beyerle@catella.de](mailto:thomas.beyerle@catella.de)