

Catella: Rents and sale prices rising in the European housing markets, yields falling

Housing markets in major cities and regional centres almost everywhere in Europe are enjoying impressive growth rates. Rents and sale prices are rising, while yields are falling. In the first half of 2019, in 19 countries a total transaction volume of 22.7 bn EUR was achieved. Germany accounted for 30% of this, followed by the Netherlands with 21%. These figures are from a new survey of the residential property markets in 59 European cities by Catella Research.

Dr. Thomas Beyerle, Head of Research, Catella: “Such a pronounced discrepancy between rents and sale prices has not been seen in Europe since the late 1970s. Urbanisation, densification and increasing land prices are closely associated. At the same time, trends that are putting pressure on the responsible authorities are evident. Affordable housing must be built, to ensure social balance and the ‘city of short distances’, in response to the dramatically changing mobility requirements.”

Further results of the analysis:

- The average monthly apartment rent (across all ages of building) in the 59 cities surveyed is currently EUR 15.13 per sq m.
- The lowest rents (EUR 8.50 / sq m) are in Riga, the highest in Geneva (EUR 28.50 / sq m).
- The average sale price of a condominium apartment (all ages of building) in Europe is currently EUR 4,594 per sq m. The prices range from EUR 1,450 in Riga to EUR 16,420 in London.
- The average prime yield on European apartment buildings is currently 3.72%: even lower than that on office properties. The average prime yield is 25 basis points lower than in Catella's previous analysis, in the first quarter of 2018.
- The lowest yields in the European housing markets are in Stockholm (1.75%) and Zurich (1.90%), with the highest in the eastern European cities of Riga (5.75%) and Wroclaw (5.40%).

Catella also investigated the strength of the economic influence on housing prices. In 15 countries, the capital city generates the highest GDP and, not surprisingly, its housing is therefore the most expensive. The exceptions are Austria, Germany, Spain and Switzerland, where the highest residential prices in the country are not found in the capital.

From the investor's perspective, the European housing market offers excellent diversification potential, with a balanced risk/return profile. However, being prepared for regulatory market intervention by governments or authorities is essential. Catella anticipates that yields in the cities that are currently above the European average will fall slightly up to the end of the year.

Press release

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The map can be downloaded here:

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

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