

Savills: London and key German cities remain most attractively priced office markets in Europe

3 years ago



According to [Savills](#) latest research, London City, Hamburg, London West End, Frankfurt and Berlin's office markets remain the most attractively priced in Europe, buoyed by a more positive rental outlook over the next five years and recent yield softening in the top 7 German office markets.

Since the last quarter, the average European office yield spread between calculated market yields and current market yields has reduced from 101 bps to 73 bps, reflecting both an inward movement of risk free rates, and an outward movement of prime office yields in some European markets, according to the international real estate advisor.

Mike Barnes, Associate Director European Research at Savills, says: "The German cities of Hamburg, Frankfurt, Berlin and Munich (+30 bps), Paris CBD (+15 bps) and Madrid (+15 bps) have moved first, perhaps due to higher liquidity within these markets, and we anticipate a similar trend across less liquid markets in the next quarter."

Chris Gillum, Head of Offices, European Capital Markets at Savills, says: "Q3 2022 is marking a period of price discovery, as we see office sales processes taking longer to complete and vendors deciding whether, and when, to bring stock to the market. 2023/24 will provide more transparency on pricing as investors who rely on debt seek to refinance at the most competitive rates.

"There is a premium developing for best in class offices and a widening difference for secondary older assets, driven by, amongst others, ESG requirements and uncertainty of construction costs. During Q2



2022, we have seen secondary office yields move out by an average of 26 bps, against an average of 15 bps for prime. We anticipate secondary yields to observe further outward movement, particularly for older assets in need of capital expenditure.”

To read the full report, please click [here](#).