

Co-living providers on expansion course



While the hotel industry is dying, the hour of co-living offers seems to have come more and more. Despite Corona, there is a huge growth spurt in this sector. More and more players are flooding into the market and established brands are looking to expand.

One driver is the growth in students, predicted to be high, who will come to Germany from countries that have not come through the crisis so well. Add to that the Brexit, which will result in the UK's exit from the Erasmus program. Studio apartments in Germany and continental Europe will benefit from this.

Add to this the massive undersupply of student housing that already exists. The number of students in Germany has increased by more than 60% in the past 20 years. Most recently up to about 3 million, including about 350,000 foreign students. The number of units for student housing has not grown nearly as much. In the private sector, that's about 25,000 to 30,000, plus about 240,000 publicly subsidized dorm beds. So arithmetically, there are more than ten students for every bed. This has hardly changed during the pandemic.

High-priced offers attractive

In this market environment, high-priced offers with a lot of service are also in demand, especially in cosmopolitan cities like Berlin. Wealthy parents are also happy to pay their offspring for a studio apartment for their studies, which has more to offer than a normal student apartment. In addition, there are professionals who are in another city for several months for a project and then do not want to sleep in a hotel.

The long-stay business of co-living and micro concepts is so successful in the crisis that more and more hotels are toying with the idea of switching from the short-stay to the long-stay model. What looks easy at first glance, however, could be a major challenge with high investment sums in reality. After all, hotel rooms without kitchenettes and fast W-LAN are generally not at all suitable for long-stay concepts. In addition, hotels do not even have access to this target group.

Co-living remains a very interesting business model and the market is only just beginning to grow.





Industry initiative calls for new housing offensive

In an incendiary letter, the Impulse für den Wohnungsbau (Impetus for residential construction) campaign, whose members include the German Tenants' Association, IG Bau and the Federal Association of German Housing and Real Estate Companies (GdW), recently addressed politicians with a list of demands.

Companies and associations from the construction and real estate industries are calling for a new and more effective housing offensive in the election year 2021, saying that a corona-induced housing crisis urgently needs to be averted by relaunching the German government's previous housing offensive.

Catalog with eight demands

The eight-point catalog demands, among other things, 5 billion euros per year for social housing construction, a permanent increase in the standard depreciation rate from 2% to 3% for rental housing construction, easing of building requirements for affordable housing, and the lowering or abolition of price components such as the land transfer tax or the fee for land register entry to facilitate the formation of residential property.



Study:

Prices for apartment buildings rose sharply in 2020

At EUR 36.5 billion, the German transaction market for residential and commercial properties not only achieved its second-best result last year after the record year of 2019, when EUR 37.7 billion was achieved. Offer prices rose even more strongly than in previous years. This is the result of a study by Engel & Völkers.

The number of traded residential and commercial properties (40,500 properties) in the 67 cities surveyed has fallen noticeably compared to 2019 (42,900). However, according to the report, the average asking prices for apartment buildings have increased even more than in previous years. Existing properties would have increased in price by around 10.7%. In previous years, it was an average of 7.2%. The average asking price is currently 1,635 euros/m².

Largest increases outside the metropolitan areas

In 65 of the 67 locations surveyed, the average asking price for an apartment building in the second half of 2020 was higher than the comparable figure for the previous year. **Munich (price increase 0.9%, purchase price 7,307 euros/m²) leads the price ranking ahead of Frankfurt (+10.8%, 4,724 euros/m²) and Constance (+11.7%, 4,702 euros/m²).** The five locations with the highest price momentum include three eastern German cities, **Rostock (+33.2%), the city of Brandenburg (29.1%) and Zwickau (25.6%).**

Price growth of 80% since 2012

The brokerage house registers a price increase of 80% for residential and commercial properties between 2012 and 2020. In many more rural districts, values rose sharply in the process. In nine, they even increased by more than 100% since 2015. The district of **Oberhavel**, which borders Berlin to the north, recorded the highest increase since 2012 at around 113.8%.

Property prices up 3.6% in 2020 according to Bulwiengesa



*The German Real
defying the*



*Estate market is
pandemic*

In 2020, prices went up by 3.6%, even though price growth has weakened slightly. Thus, the index of the analyst firm bulwiengesa has been pointing incessantly upwards for 16 years. Growth in residential real estate declined from 5.8% in 2019 to 5.0%. Commercial real estate fell from 4% to 0.7%.

Residential saw a particularly strong uptick in townhomes at +7.5%. The office boom, however, was abruptly slowed by the pandemic crisis. Office space take-up fell by 28.3% in 2020 compared with the previous year. At the same time, 22.7% new office space was added - the most since 2003.

Meanwhile, retail rents fell by 2.2%. According to the study, further rent declines are foreseeable in downtown locations. Commercial properties, on the other hand, have become 4.5% more expensive. This was mainly due to the high demand for real estate investment - primarily for logistics properties. This is due not least to the e-commerce boom, which is having a stimulating effect. Bulwiengesa also considers the residential, office and logistics segments to be less risky for investors than hotels or stationary retail in the coming years.

Rent growth in the surrounding areas exceeds values in metropolitan areas

Asking rents on the residential markets have risen in the eight major cities surveyed by JLL - Berlin, Hamburg, Munich, Cologne, Frankfurt, Düsseldorf and Leipzig. Only in Stuttgart did the consultants note a decline. On average, rents in the cities rose by 3.5% year-on-year in the second half of the year. This exceeded the overall German average of 2.8%.

Stronger growth in rents in the surrounding areas

According to the JLL analysis, if the surrounding area can be reached by car in 45 to 60 minutes, the cost of an apartment rose by an average of 5.5%; if it can be reached in between 30 and 45 minutes and in less than 30 minutes, the increase in rents was 4.6% and 3.3% respectively.



Berlin rents up by 6%

The strongest growth in advertised metropolitan rents was observed in Cologne, according to JLL. In a year-on-year comparison, median asking rents in the second half of 2020 had risen by 6.6% to 12.85 euros/m². Hamburg (2.4%), Munich (2.8%), Leipzig (3.4%) and Frankfurt (4.2%) were slightly below their respective five-year averages. In Stuttgart, there was even a year-on-year decline in rents of 1.6% to a median rent level of €15/m². In Berlin, JLL registered an increase of 6% despite the rent cap (Mietendeckel).



Purchase prices continue to grow rapidly

In terms of advertised purchase prices for condominiums, JLL anticipates an average increase of 9.3% in the second half of 2020. This would be above the five-year average (8.6%). Here, too, JLL is registering a shift to the surrounding areas of the metropolises. There, the price increases in the offers were on average almost 50% higher than in the core cities. Overall, demand for condominiums will not abate in the medium term and will continue to fuel price increases in 2021, JLL predicts.

