



Forecast Germany 2040: Fewer inhabitants, more households

Households are getting smaller in size, but increasing in numbers. This is according to the latest household forecast by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). The rising number of single households will fuel demand for small apartments.

The BBSR assumes a population of 82.6 million in Germany in 2040. This is a slight decrease of 1.4% compared to the 2017 reference year, but in contrast, the number of households will increase by 1.3% to 42.5 million by 2040. This is primarily due to the continued steady rise in the number of single households. According to the BBSR, single-person households are already by far the most common type of household in Germany. According to the Federal Statistical Office, the share in 2019 was around 42% (17.6 million households). According to BBSR calculations, it will increase to around 44% in 2040. In the city states, for example, more than every second household (52%) will then be a single household.

Demand for microapartments on the rise



Microapartment buildings should have common areas where residents can meet to socialize. Services such as a concierge, laundry service, and restaurants and gyms in the building are also becoming increasingly important.

Regional differences

Regionally, the differences will deepen by 2040, according to BBSR. The number of households will increase above all in the current growth regions, while in regions with currently declining populations, household numbers will continue to fall. This will primarily affect the rural-peripheral regions of the new federal states and structurally weak regions in the old federal states. According to the BBSR, there is a need for further adjustments to the social and technical infrastructure.

"In the future, we will have a steadily growing demand for studio apartments in metropolitan areas such as Berlin. Those who invest in this segment now will benefit greatly in the future,"

predicts Einar Skjerven, managing director of the Skjerven Group.

Rising prices, stagnating rents

Rents are no longer rising, but home purchase prices are continuing to rise because of strong demand. Researchers read this as a post-pandemic trend toward home ownership.



In the comparison of the quarters (1st quarter 2021 to the 4th quarter 2020) the rents had grown nationwide on average by only 0.3%. Year-on-year, asking rents actually fell by 0.3%. Compared with the previous quarter, existing rents also rose by only 0.3% nationwide. In the same quarter of the previous year, there was an increase of 1.2%. F+B concludes from this that a "clear calming of the trend" can also be observed in this segment. This also means that the empirical basis and thus the legitimacy for even tougher rental policy measures are not currently available.



The stagnation phase in new contract rents continues, the consulting firm F+B has calculated in its housing index for the first quarter of 2021.

Forecast: Rents to stagnate for another year



A look at the top 50 locations in Germany with the highest rent levels suggests a similar interpretation. According to F+B, the rents offered for new leases have fallen in 17 of the 50 most expensive cities in Germany compared with the previous quarter. Real rental price declines compared with the same quarter of the previous year even occurred in 25 of the 50 most expensive cities. F+B also expects offered rents to stagnate in the coming twelve months due to the impact of the pandemic.



German house prices rising more strongly than rents

According to F+B's findings, the Corona pandemic also appears to have sustainably boosted demand for home ownership, i.e. also diverted demand from the rental to the owner-occupied segment. According to the F+B Housing Index, condominiums became more expensive, with a price increase of 2.3% compared with the previous quarter. The prices offered for detached and semi-detached houses rose by 2%. Compared with the same quarter of the previous year, condominiums rose by 4.8% and detached and semi-detached houses by 6.3%.

Aengevelt: Construction boom for owner- occupied homes

The Researcher of the brokerage house Aengevelt expect in the next years even a building boom with owner-occupied dwellings as consequence of the pandemic as well as reduced rent housing construction. They also base their forecast on the latest building permit figures. According to the Federal Statistical Office, for example, the number of permits for single-family homes in March 2021 rose by 34.5% and those for two-family homes by 28.9% compared with the previous month. In contrast, the number of building permits for multi-family houses fell by 6.2%.



Mietpreisbremse unable to dampen rental price momentum



LEASING

The online portal Immowelt has examined the development of asking rents in 39 major cities since the introduction of the Mietpreisbremse around six years ago. According to the analysis, in all cities the rents increased more than the inflation of 8%, in 29 cities there is a growth of at least 20%.

For the analysis, Immowelt examined the asking rents of apartments (40 to 120 sqm) in major cities with rent control from January to April in each of the years 2015 and 2021.

Berlin shows the strongest increase. There, asking rents climbed by 51% in the six years of the existence of the Mietpreisbremse. In 2015, the median asking rent per square meter was 8.50 euros, while the current price is 12.80 euros. In addition to the brake, the Berlin Senate introduced the Mietendeckel (rent cap) in February 2020, which was overturned by the Constitutional Court after around a year. Immowelt subsequently expects an increase of 11% by the end of the year for apartments affected by the Mietendeckel.

Significant increase in metropolitan areas and student cities

According to Immowelt, the Mietpreisbremse has also failed to provide any relief for asking rents in other metropolitan areas. In Munich, rents have risen from 14.50 to 19.20 euros/sqm since the law was introduced. That means a plus of 32%. Stuttgart follows with an increase of 28% to 13.90 euros/sqm. Cologne (+21%, 12 euros/sqm), Frankfurt (+19%, 14.40 euros/sqm) and Hamburg (+18%, 12.50 euros/sqm) are behind.

Even beyond the metropolises, the Mietpreisbremse did not have the expected effect, according to Immowelt. Heilbronn, for example, recorded the second strongest increase of all cities surveyed. Since 2015, the asking rents there climbed by 40% to currently 10.90 euros/sqm. In Augsburg, there is a plus of 38% to 11.20 euros/sqm. Student cities such as Freiburg (+25%, 13 euros/sqm) and Heidelberg (22%, 12.20 euros/sqm) have also seen significant increases since the introduction of the Mietpreisbremse.

Berlin's Ku'damm compares favourably with other European cities

European shopping streets have suffered greatly during the global Corona pandemic. Berlin's Kurfürstendamm also suffered a sharp drop in footfall last year. In London, Rome and Brussels, however, the decline was far more pronounced.

Retailers on Berlin's boulevard Kurfürstendamm had to cope with 35% fewer shoppers from March 2020 to March 2021. *"Admittedly, this is a huge drop,"* says a study by Mytraffic and brokerage Cushman & Wakefield. But other European capitals suffered more.



For example, the average monthly footfall on London's Oxford Street fell by 71% over the same period, followed by Rome's Via del Corso, down 66%; Brussels' Rue Neuve, down 65%; Madrid's Gran Via, down 63%; and Paris' Champs-Élysées, down 44%.



Kurfürstendamm remains very popular

Throughout April in 2020, the top shopping streets were almost deserted. Only 5% of the usual guests found themselves in Paris and London, 4% in Rome, but in contrast 25% on the Ku'damm in Berlin. The boulevard with its 360 stores came to 18 new vacancies last year, the survey says. Rents reached an average of 3,000 euros/sqm in the prime location. On the extension of Tauentzienstrasse toward the posh department store KaDeWe, landlords quoted 4,300 euros/sqm.

The survey shows how attractive Kurfürstendamm and City West are. The area around the famous Berlin boulevard is also very popular for residential properties and real estate is correspondingly expensive.