

# RECORD SALES OF 220 BILLION EUROS ON THE GERMAN RESIDENTIAL REAL ESTATE MARKET



*According to the German research institute Gewos, 221 billion euros flowed into the residential real estate market last year - a new record. Supply will remain tight in major cities. Stagnating or falling population figures have not changed this situation. The bottleneck is building land. Berlin is the best example of this: year after year, less land is being sold. For 2020 Gewos even reports a minus of about 20%.*

## 7.7% increase in transaction volume

The German government had announced that 1.5 million new apartments would be built during this legislative period.



Now it will probably be only about 1.2 million. An end to the housing shortage is not in sight in many places, nor is a damper on price increases. The real estate market analysis of Gewos points this out. According to this, condominiums, one- and two-family houses, multi-family houses and residential land were sold for a total of 221.1 billion euros last year. This represents an increase of 7.7% over the previous year. By contrast, the number of sales rose by only 0.7%. The increase in sales was primarily the result of price rises rather than additional available supply.

# Residential Real Estate as a Driver

Gewos evaluates data from the appraisal committees for its market analysis. The residential real estate segment comprises condominiums, single- and two-family houses, multi-family houses and residential land. Including all other traded real estate, 292.8 billion euros were invested last year - 1.2% more than in 2019. The driver was therefore residential real estate.

## Multi-family houses in Berlin popular despite rent cap (Mietendeckel)

CITY	Turnover in million euro
Berlin	5,147.9 (+6.7%)
Düsseldorf	371.8 (-26.7%)
Frankfurt	1,078.1 (-24.6%)
Hamburg	1,453.6 (-24.8%)
Cologne	896.8 (-21.5%)
Munich	1,793.0 (-14.9%)
Stuttgart	615.5 (+38.1%)

Source: Immobilien Zeitung

# Sales of building land in the Top 10 cities fall



More residential construction is urgently needed in Germany's top ten cities. However, it is doubtful that much will happen in the coming years if there is no wild additions to the storey and redensification. Although take-up rose by 3.1% to just over 10,400 hectares across Germany last year, after four years in which the increase was in some cases well below the 1% mark or even in negative territory, it was precisely in the ten most populous cities - Berlin, Hamburg, Munich, Cologne, Frankfurt, Stuttgart, Düsseldorf, Leipzig, Dortmund and Essen - that the shortage of space worsened last year.

**Gewos recorded the lowest amount of space sold in these ten cities, totaling 306 ha, since data collection began in the 1980s (-13.2% compared to 2019).**

**The Corona crisis may have played into this, and the number of hectares sold also fluctuates across cities over the years; but in Berlin, for example, which has grown by a good 300,000 people over the past decade, less space has been traded year on year over the same period - with two notable exceptions.**

**For last year, the table column on floor-space turnover shows a drop of just under 22% to 72 ha compared with 2019.**

# HOUSING PRICES IN GERMANY CONTINUE TO RISE

Prices for apartments rose year-on-year in the second quarter of 2021 by more than at any time since the survey began in 2000, according to figures from the German Federal Statistical Office.

On average, residential property became 10.9% more expensive. A particularly strong increase continued to be observed in the major cities (Berlin, Hamburg, Munich, Cologne, Frankfurt, Stuttgart and Düsseldorf): There, prices for detached and semi-detached houses rose by 14.7% compared with the prior-year quarter, while owner-occupied apartments increased in price by 12.9%. In the other large cities without districts, prices for detached and semi-detached houses rose by 11.9%, while owner-occupied apartments cost 10.5% more than in the second quarter of 2020. However, the strong upward trend not only affects apartments in cities, but also in more rural regions and districts. There, houses for one or two families became 11.8% more expensive than in the prior-year quarter, while apartments rose by 9.2%.

# REAL ESTATE CLIMATE AS GOOD AS IN MARCH 2020



Deutsche Hypo's survey-based Real Estate Climate Index reached 101.4 points in September. This is the first time that the level from the beginning of the Corona crisis has been reached again. In March 2020, the index stood at around 100 points, followed by a significant downward turn. Both the investment and rental markets contributed to the positive development in September.

The improvement in sentiment was particularly evident in the hotel, office and retail usage types, which were particularly hard hit by Corona. However, the approximately 1,200 real estate experts surveyed remain most optimistic about residential and logistics.

# STUDENT APARTMENTS IN GERMANY BECOME MORE EXPENSIVE

University locations such as Berlin are often characterized by tight housing markets. This is also reflected in the development of rents for individual rooms in apartments.

Anyone who decides to study in Jena and not in Munich, and consequently looks for a room in a shared apartment in Jena and not in Munich, saves an average of 367 euros each month. This is the result of the latest evaluation of rents for individual rooms in shared apartments at German university locations by Empirica, which is based on more than 100,000 rental advertisements for shared apartments and updated every six months. The analysis provides standard prices for all major university locations in Germany, i.e. more than 120, as well as the price range for the warm rent of an unfurnished individual room in a shared apartment, which is between 10 and 30 m<sup>2</sup> in size.



It lives most expensively for students in Munich. There at the beginning of the winter semester 2021 on the average 650 euro for the unfurnished room are called. Frankfurt comes second with 500 euros, closely followed by Hamburg with 490 euros. Overall, the standard price for the current semester is 402 euros, Empirica has determined. That is 15% more than in the winter semester 2016 and 1.8% more than in the winter semester a year ago.



# Rent of Berlin Student Apartments increased by 67%



The portal Immobilienscout 24 also takes a look at the cost of student apartments in Germany's university cities, but here it is not individual room rents that are compared with each other, but the cold rents per square meter that are called in shared apartments. And the rents for one-room apartments are also included in this evaluation. Immobilienscout 24 also sees Munich as the most expensive place nationwide at 39.74 euros/m<sup>2</sup>, although it is closely followed by Berlin. In the federal capital the cold rent lies accordingly with 38,29 euro/m<sup>2</sup>.

***The metropolitan areas showed the strongest rates of increase. The offer prices for student apartments in Berlin rose the most significantly; they were 67% more expensive in July 2021 than a year earlier.***

# Studio Apartments increasingly popular

*Given a rent of up to 30 euros/m<sup>2</sup> for student apartments in Berlin, an investment apartment is a very attractive option for many private investors.*



**"We are also feeling the strong demand for smaller apartments in our project in Eisenbahnstraße near Kurfürstendamm,"**

reports Einar Skjerven, Managing Director of Skjerven Group.

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# Student Rents remain at a high level

The IW and MLP Student Housing Report shows that an increase in the supply of student housing is having an impact on rents.

The Corona pandemic has given the student housing markets a small breather, even if rents remain at a high level in many places. This is the conclusion of the MLP Student Housing Report 2021, compiled and published by the financial services provider MLP and the Institut der deutschen Wirtschaft (IW).

# Bafög not enough for rent

**Average rents in the so-called student housing price index, i.e. adjusted for qualities and locations, continued to rise in 19 of the 30 university locations surveyed.**

On average, prices were 1.8% higher than in the previous year. However, in line with the somewhat lower demand recorded in many cases, the momentum has slowed somewhat. Munich remains the most expensive place to study. There a student model dwelling costs up-to-date warm 802 euro, followed by Stuttgart for 750 euro and Cologne for 663 euro. The state Bafög housing allowance of a maximum of 325 euros is only enough for students in Magdeburg to finance the rent.



## Politicians still without a plan

For the report, IW and MLP also took a look at the election programs of the political parties and examined how much attention they give to proposals for student housing. The Left Party is the only party that wants to increase Bafög. The Greens wanted to set accents with a new basic income, and the FDP wanted to launch a new loan program. Often, the aim is to make Bafög more flexible. What is missing, according to the IW, is a concept like that for housing subsidies, where the amount of Bafög varies depending on the city.