

RECORD TRANSACTION VOLUME ON THE BERLIN REAL ESTATE MARKET

After the Corona dip in 2020, Berlin's real estate trade once again achieved record levels.

According to the preliminary evaluation by the Gutachterausschuss für Grundstückswerte (GAA), the transaction volume in 2021 was €23.8 billion, higher than ever before.

In Berlin, there were price increases of more than 10% in almost all submarkets in 2021. Compared with 2020, when sales had slumped by 15% to €18.2 billion, the number of purchase cases also climbed again. 27,271 contracts were evaluated by the appraisers, compared with 23,681 in 2020. The turnover increased by 31% compared with 2020, which was affected by the Corona pandemic and the Berlin rent cap (Mietendeckel).



Median Purchase Prices for Residential and Commercial Properties Increased

This is reflected in particular by individual submarkets, such as the residential and commercial property segment. In this segment, the median purchase price rose to over 2,500 euros/m² in the course of the past year. By comparison, in the final quarter of 2020, this figure was just 2,200 euros/m². The number of purchase cases in this submarket rose by 11% from 886 to 981, and sales were even 50% higher than the almost 5 billion euros achieved in 2020, reaching just under 7.5 billion euros.

Condominiums are Becoming More Expensive

The median purchase price of condominiums also increased significantly in 2021, rising from around 5,500 euros/m² in the last quarter of 2020 to over 6,500 euros/m².

While the number of purchase cases in this submarket in the comparative year 2020 was 15,172, the GAA counted 18,519 for 2021 (+22%). With an increase of 37%, cash sales soared to over €7.8 billion (2020: €5.7 billion). Monetary turnover also increased by 14% for detached and semi-detached houses, reaching just under €1.9 billion. The average purchase price rose to around 6,500 euros/m².

Construction Industry Optimistic After Record Figures

The main construction industry is doing well. This can be concluded from figures from the German Federal Statistical Office on the situation in the sector last year. According to these, annual sales and incoming orders are rising.

The approximately 9,400 companies with at least 20 employees surveyed generated sales of 100.1 billion euros in the past year, according to the authority. The statisticians attribute the fact that sales rose nominally by only 0.8% compared to the previous year and even fell by 6.2% in real terms compared to the previous year to the temporary reduction in VAT in 2020, among other things: Larger final invoices, which are usually issued in the first quarter of a year, were in part brought forward to the last months of 2020 in order to be able to apply the reduced VAT rates.

Adjusted for price and calendar effects, companies received a total of 2.3% more orders in 2021. Excluding price adjustments, the increase is 9.4%. Construction services were particularly in demand in December: At around EUR 9.5 billion, new orders in the last calendar month were 26.9% higher than in December 2020 (nominal, not price-adjusted). This is the highest value of new orders ever measured in a December, according to the Federal Statistical Office.

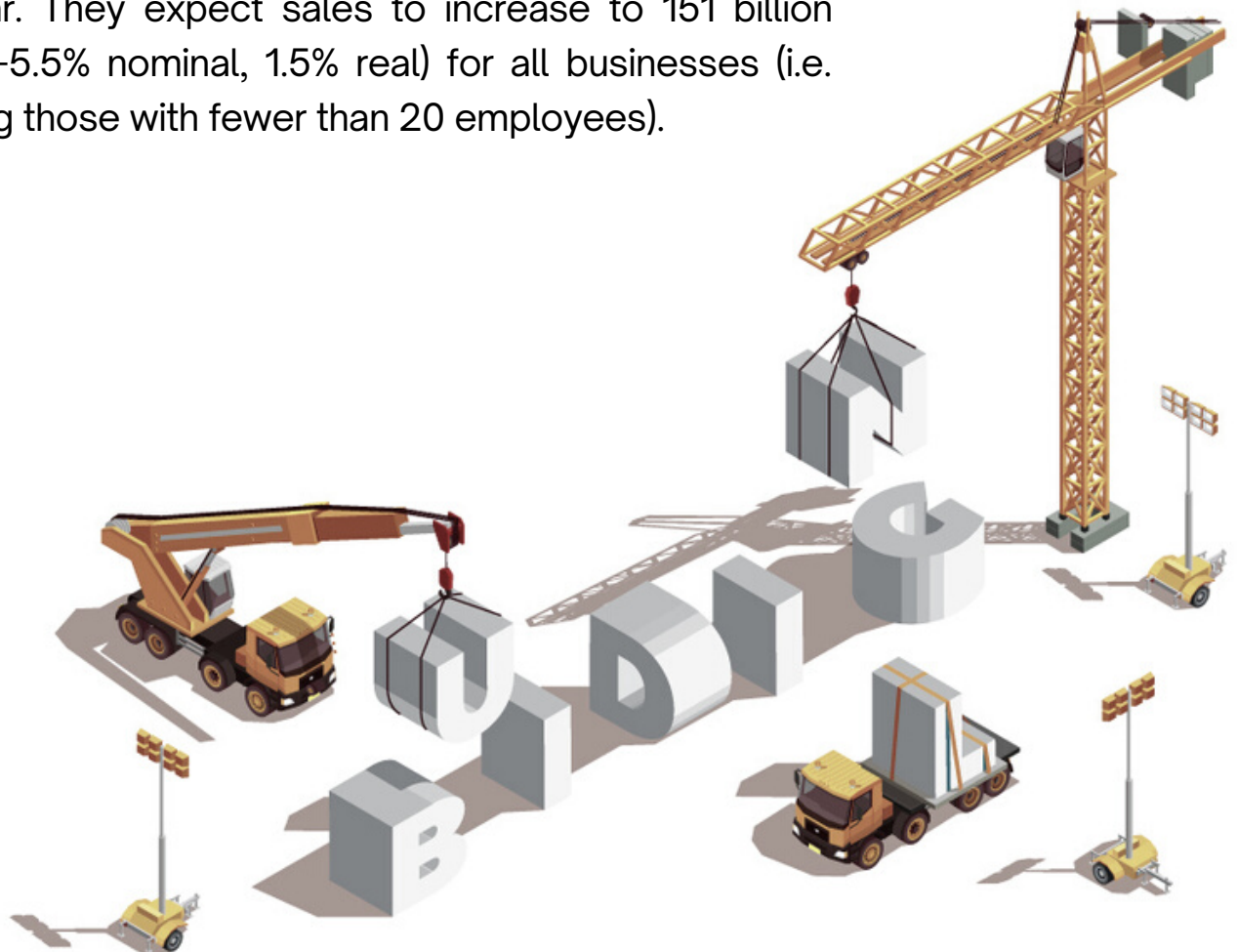


Supply Bottlenecks and Growing Demand

At the same time, the stock of orders is growing. According to the authority, this is not only due to the fact that companies are not keeping up with the work of demand.

Supply bottlenecks for construction materials are also causing delays. At the end of September 2021, the order backlog rose to a new record of 64.3 billion euros, which is nominally 11.4% more than in the same quarter of the previous year and is the highest value ever measured since the time series began 30 years ago.

Back in December, the leading industry associations expressed their optimism that things would continue well this year. They expect sales to increase to 151 billion euros (+5.5% nominal, 1.5% real) for all businesses (i.e. including those with fewer than 20 employees).





German Central Bank Expects Inflation of Up to 5%

The German central bank expects consumer prices to rise faster this year.

"I expect that we will have to raise our forecast for the inflation rate in Germany again in 2022."

Central Bank President Joachim Nagel said at the presentation of the Annual Report for 2021. In the meantime, the German central bank experts expect that the inflation rate could reach 5% on average for the year.

The consequences of the war in Ukraine cannot yet be precisely estimated. However, it is clear that a further increase in energy prices will also lead to higher consumer prices. The central bank president said that a higher inflation rate was also to be expected for the euro zone. Against this backdrop, he added, referring to the ongoing debate about a key interest rate hike by the European Central Bank (ECB),

"We have to keep an eye on the normalization of our monetary policy."

Nagel is a member of the ECB's Governing Council, the Central Bank's Top Decision-making Body.



ECB to Discuss Further Course on March

The ECB's medium-term inflation target is 2%. But it has been exceeded even more than before with the recent surge in prices in the euro area: In February, the inflation rate in the euro countries reached a record 5.8%. Even among Europe's monetary watchdogs, there is now a consensus that high inflation cannot be sat out. The ECB could take countermeasures by raising interest rates.

However, the war in Ukraine is making it difficult for the central bank to decide on the further course to be taken.

In Germany, inflation had risen to 5.1% in February. For 2021 as a whole, it had stood at 3.1% and had already reached its highest level since 1993. Against this background, the new head of the German central bank, Nagel, had already made it clear that he considered ECB measures to be necessary if inflation remained high.

"Against the increasing devaluation of money, real estate is the best protection. That is why we are observing that investors are increasingly investing in Real Estate."

says Einar Skjerven, Managing Director of the Skjerven Group.

Prices for Student Apartments Rise Sharply

Corona had overridden rent increases in student housing. Now students are returning to college and rents are going up again.

Behind student housing landlords are difficult years. When universities decided to cancel face-to-face classes and replace them with online offerings in the wake of the pandemic, demand for student housing also plummeted. Now, however, rising rents are back, and across the board. That's according to an analysis by the Moses Mendelssohn Institute. It evaluated student housing in 97 college towns with more than 5,000 students.

Two years of standstill

During the two years marked by the pandemic, the average room prices for new leases in Germany ranged between 389 euros and 400 euros. At the start of 2022, however, the figure is already 414 euros. The current significant price increase affects locations of all kinds: metropolises, classic university towns and many smaller cities. The study assumes that there will already be a further, clearly noticeable development in housing costs for students in the summer semester, but especially then in September.

