



TOKENIZATION

The Future of Raising Capital for Real Estate

Real estate tokenization is the new buzzword in real estate finance. For project developers and investors, this new trend is a real boon. This is because tokenization allows real estate to be chunked into any number of digital shares. This allows investors to invest any amount of money directly in real estate in a diversified manner and select the projects themselves. For project developers, the potential investor base increases because the minimum investment amount drops drastically and the entire transaction process is faster.

But what is tokenization all about? A token issued on blockchain technology can be thought of as an empty container filled with any property right. In the case of real estate, it would be a property right to a portion of the building, appreciation and rent. These containers can be transported from user to user.



32nd Floor GmbH, the PropTech investment company of Skjerven Holding GmbH, is one of the largest shareholders of the digital real estate financing platform PlanetHome Investment AG (ILK1.SG), listed on the Stuttgart Stock Exchange.

"REAL ESTATE
TOKENIZATION
PROVIDES THE
CHANCE FOR
INVESTORS TO
RAISE CAPITAL
MORE
EFFECTIVELY,"

says Einar Skjerven,
CEO of Skjerven Group.

The container ship that can be used to transport the individual security tokens anywhere is the blockchain. The information that the container was transported from person A to person B is stored in an encrypted data block and passed on to each participant in the respective network. The computers on the network verify the new information and then add it to the blockchain. Because each block of data builds on the other and is stored in a decentralized manner, the information cannot be changed after the fact. **This makes the blockchain extremely tamper-proof.**



Germans Still
Interested in
Buying Real
Estate

What are the Ukraine war and its consequences doing to buyers of residential real estate in concrete terms? Analyses by Immoscout 24 and other market participants show, among other things: An explosion in purchase prices and ancillary costs is to be expected. The current demand, however, is still unbroken. It seems as if those who are basically willing to buy would rather strike quickly before everything becomes even more expensive.

The analysts of on-line portal Immoscout 24 expect for Germany altogether an increase of the offer purchase prices for dwellings and inventory single family houses of up to 14% within the next twelve months. Prices for newly built apartments are expected to rise by 13% and those for newly built houses by 12%.



Real Estate Interest Rates Expected at 3% p.a.

This further inflation combines with rapidly rising financing costs. **Interest rates for a typical home financing model would have moved to more than 1.5%** (up to 1.72%) in a very short time. At their low point in 2021, they were still below 1% (0.95%). Thus the monthly rate for a "typical financing" - Immoscout 24 assumes a rather low equity ratio of 15% and ten years fixed interest rate - including the development of the purchase price has already increased in price by about 30%. **If interest rates rise to 3% by the end of the year, which the analysts**

believe is quite possible, the total burden on home buyers will go up by up to 100% compared to the level in the previous year 2021 due to further increases in purchase prices and interest rates.

And demand for financing options remains high, according to Europace, the transaction platform for real estate financing, home savings products and installment loans. For example, the company said it achieved more than €30 billion in transaction volume for the first time in the first quarter of 2022.

Brokerage houses such as Savills also suspect a psychological component in the still continuing willingness to buy: Apartment, House or even second Home are purchased in order to have a "haven of security" in times perceived as dangerous.

New Peak Value for VDP Price Index

According to calculations by the Association of German Pfandbrief Banks (VDP), property prices in Germany rose by 8.8% in the first quarter. This was predominantly due to residential property prices, but commercial property also became more expensive.

The VDP property price index, which is compiled quarterly from the property transactions available to around 700 banks, reached a new high of 190.8 points. The index is based on 2010 with a value of 100 points.

Berlin and Cologne with Biggest Price Increases

The price of residential real estate increased the most in Germany, rising by 10.7%.



Cologne



In the top 7 cities, price growth was slightly higher than the national average at 11.2%. Prices rose most strongly in Berlin (12.5%), Cologne (11.9%) and Munich (11.5%). Hamburg (10.2%), Stuttgart and Düsseldorf (both 9.4%) and Frankfurt (8.5%) were below the national average.

Commercial property prices climbed by 1.8%, their second consecutive quarterly increase. The main reason was office property prices, which rose by 3.9%. By contrast, retail property prices fell by 3.2%.

No Easing Expected in the Short Term

VDP expects the price trend to continue in subsequent quarters, as supply is not keeping pace with demand, especially for residential properties. However, according to the VDP, price momentum will decline due to the price and rent levels reached and rising interest rates.



Energy Saving Plans of the Greens Let It Further Creak in The New Government

With his energy efficiency plans presented on Tuesday, Federal Minister of Economics Robert Habeck (Greens) confirms the course he has taken in the building sector. This is causing a furrowed brow within the CDU/CSU: The FDP is insisting on CO2 reduction as the decisive parameter.

In the "**Energy Efficiency Work Plan**", the Green politician sets out how Germany is to become less dependent on Russia in energy matters with the help of efficiency and savings measures. The main focus is on the building sector - Habeck describes the legislation on new construction standards and the focus of subsidies on renovation, as well as the desire for a boost for heat pumps.

The construction and housing policy spokesman for the FDP parliamentary group, Daniel Föst, is moderately enthusiastic about this. In a first reaction, he urges openness to technology and less bureaucracy. Ever higher building standards with ever thicker insulation do not lead to the goal, but to ever higher costs. According to Föst, **the focus of action must be on reducing CO2 - using all available means.**



Specifically, there is no need for a solar roof obligation as long as bureaucracy hinders the expansion of solar areas. Also a fixed number of heat pumps to specify, brings nothing, if there are not the appropriate specialists for the installation. Instead of relying solely on heat pumps, hydrogen and biomethane, for example, should also be considered, says Föst.

Forecast: Where Residential Real Estate is Still Gaining in Value

In almost half of all 401 German counties and independent cities, property owners can expect their property to increase in value in real terms until at least 2035.





Berlin is One of The Winners

Even after the Corona crisis, there will be regions in the German real estate market where purchase prices will continue to rise. Experts expect further increases above all in southern Germany, as well as in the Hamburg and Berlin areas and the Weser-Ems region. In western central Germany, purchase prices will mainly stagnate.

Falling Prices in Eastern Germany

By contrast, purchase prices for real estate are expected to fall in large parts of eastern Germany - with the exception of Berlin, Potsdam, Leipzig, Jena, Erfurt and Weimar. These are the findings of the "Postbank Wohnatlas 2022" study, for which experts from the Hamburg Institute of International Economics (HWWI) prepared a purchase price forecast up to 2035.

The upward trend on the German real estate market will continue in the long term, but only applies to certain districts and independent cities. In growing regions with high proportions of younger, high-earning workers in the population, buyers and owners of housing can expect further increases in value up to 2035.

*Munich*

Owners and potential buyers will find almost consistently good conditions for residential real estate, particularly in the south and northwest of the country. Anyone who decides to buy or already owns a property can expect value increases here up to 2035. The real estate markets of many major cities and their surrounding areas are also benefiting from good demographic and economic conditions. **Among the so-called "Big Seven" cities, i.e. the seven largest German metropolises, the strongest price increase by far is again expected for Munich, already the most expensive major city in Germany. Although the price per square meter in 2021 was already €9,732, the study forecasts a further real price increase of more than 2% per year on average. In Frankfurt am Main, Cologne and Stuttgart, too, a significant annual price increase of more than 1% is possible. In Hamburg, which currently has the third-highest purchase price among the Big Seven, prices will continue to rise until 2035, but not as dynamically as before.**

*Lübeck*

The Hanseatic city is expected to see the weakest price growth of all the Big Seven, with real annual growth of just over 0.5%.



Study:

Almost 100,000 Hectares of Building Land Available for Two Million Homes

A key challenge of our time is to build enough affordable housing: 400,000 new homes per year, 100,000 of them in publicly subsidized housing.

For a long time, it was unclear whether the reserves of building land in Germany were sufficient. A new study by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) commissioned by the Federal Ministry of Housing, Urban Development and Building (BMWSB) shows: There is enough building land.

The study puts the potentially buildable areas in the cities and municipalities at least 99,000 hectares. This is equivalent to the area of Berlin or 140,000 soccer fields. Two-thirds are earmarked for housing by municipal planning. Between 900,000 and around two million apartments can be built on this area, and up to four million with denser development.

Both in metropolitan areas and in rural areas, there is considerable land potential for housing construction. More and more municipalities are systematically recording their potentially buildable areas, such as brownfield sites and vacant lots - an important source of information for municipal building land policy.