



## STUDY EXPECTS 30% DROP IN TURNOVER ON THE RESIDENTIAL REAL ESTATE MARKET

Turnover in residential real estate is likely to fall by 30% this year to €149 billion, the German consultancy Gewospredicts on the basis of surveyor committee data. Bad news with regard to future new construction: the transaction volume in residential building land is likely to drop the most.

The record sales on the residential property market in Germany came to an abrupt end last year. After analysing the data of the German Property Surveyors' Association (Gutachterausschuss), Gewos is reporting a 17.2% drop in turnover to 229 billion euros for all residential properties taken together - i.e. building land, owner-occupied flats, detached and semi-detached houses as well as multi-family houses. This year it could go down further to 149 billion euros.

# New Construction Sales Are Dropping The Most



Apart from the market for residential plots, the market for condominiums will probably get the hardest hit this year. Gewos expects sales to drop by 34% to 49.4 billion euros. First-time new-build sales will again decline the most. Gewos expects only just under half the number of sales and turnover in 2022, i.e. 19,900 sales and around 9 billion euros in turnover.



## All-Time Low For Traded Residential Plots In Germany

The area of residential plots that was traded last year has plummeted to an all-time low. And it will continue to fall, predicts the consulting firm Gewos.



“The situation is alarming with regards to new construction the coming years.

Without regulated plots, there wont be enough new construction for the growing metropolises in Germany,”

says Einar Skjerven, Managing Director of the Skjerven Group.


For a country that urgently needs housing in many places, the large shortage in the residential land sub-segment is a problem. Already last year, far less residential land was traded than before. From 2015 onwards, more than 10,000 hectares were sold annually nationwide and by 2022 only 7,350 hectares. The number of purchases also fell by 30% to 71,000 transactions, and the monetary turnover dropped by 26.8% to 16.3 billion euros.

Figures from the expert committees for the first half of 2023 suggest that the bottom has not yet been reached. Gewos expects just 5,400 hectares of residential land to be sold this year. That would be another 27% less than last year. The number of sales will probably drop to 51,000 (-28.5%), the turnover to 10.5 billion euros (-35.7%).

In some of Germany's largest cities, the development is even more rapid than the national average. In Berlin for example, the transaction volume has been falling for years from well over 100 hectares per year by a third to 55.4 hectares in 2022.

This year it could be just over 47 hectares.





## Ifo: Crisis In Residential Construction Reaches New Peaks

The crisis in residential construction continues to spread. As reported by the Ifo Institute, 20.7% of construction firms surveyed in August reported cancelled projects. This is almost 2 % points more than in the previous month.

More than 44% of companies are now complaining of a lack of orders, which also exceeds the July figure - and is many times higher than last year's figures, when they were in the low double-digit range.

This puts the situation at an all-time high for cancellations. There has not been a comparable situation since the survey began in 1991.

According to the Ifo Institute, the uncertainty in the market is enormous. At just under 12%, more house builders than ever before in the last 30 years said they had run into financing difficulties.



## Study: German Apartment Houses Fall to 2018 Level

Purchase prices for apartment houses in Germany's 50 largest cities have fallen by an average of 17% since mid-2022, returning to 2018 levels. Further price corrections are unlikely, Colliers is writing in its residential investment 2023/24 report.

German rents are expected to grow and thus yields to rise. According to Colliers, net initial yields for apartment buildings have increased from 3.9% in 2022 to 4.5% (as of mid-2023). In the seven metropolitan areas of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Stuttgart and Munich, yields climbed from 3% in 2022 to 3.8% until today.

According to Colliers, average rents across Germany rose by 2% in the existing stock and by 4% in new construction alone in the first half of 2023. The increase in rents was even more obvious in the top 7 metropolises, with 4% for existing and 6% for new construction. This trend of rising rents will continue because of a low new construction volume, and at the same time the number of households continue to rise. Colliers expects the number of households to increase by 500,000 by 2035. A further decline in purchase prices can not be expected.