

*Apartment
Buildings in Berlin:*



**GOOD LOCATIONS ARE IN
DEMAND AGAIN**

In the fourth quarter of 2023, the number of apartment building sales in Berlin rose by around 30% compared to the previous quarter. With 184 properties sold, the market is showing signs of recovery, according to the apartment building market report by estate agent Schick Immobilien.

“The market for apartment buildings in Berlin currently offers attractive opportunities for investors”.

Einar Skjerven,
Managing Director of the Skjerven Group.



There are now also sellers who realize that they can still achieve purchase prices from 2019. For anyone who bought more than 10 years ago, selling is worthwhile despite the fall in prices because the rise in interest rates means there are alternative investment opportunities again.

The fact that there is a willingness to buy and sell is particularly evident in preferred inner-city locations in Charlottenburg-Wilmersdorf. With 26 sales, the highest number of sales was achieved here in 2023, closely followed by Treptow-Köpenick and the Pankow district of Prenzlauer Berg with 25 and 21 sales respectively. In these locations, where rents have long since reached peak values, owners can expect a high return. The situation is completely different in the outlying areas with low rents, such as Marzahn-Hellersdorf and Lichtenberg. There were just three and four sales respectively last year.

Sales of multi-family homes peaked at just under €1.2 billion in the last quarter of 2023, recording an increase of 48% compared to the same quarter of the previous year. Overall, strong fluctuations were observed in 2023, according to the estate agent's report. Properties in western and south-eastern locations in the capital are at the top of the wish list.

A particularly high transaction volume was recorded in the Spandau district, but this was due to a large ensemble that was included in the calculation as a whole. Berlin's westernmost district thus tops the list of the highest turnover with 312.7 million euros.

- Charlottenburg-Wilmersdorf is in second place with EUR 214.5 million, followed by Treptow-Köpenick with EUR 150.5 million. Marzahn-Hellersdorf comes in at 22.3 million euros and Lichtenberg at just 9.6 million euros. At the same time, rents continue to rise. Rents for new lettings in existing properties have risen by 32% since the beginning of 2022, and by 30% for first-time lettings in new builds. The continuous increase in rents over the quarters is striking.

STUDY:

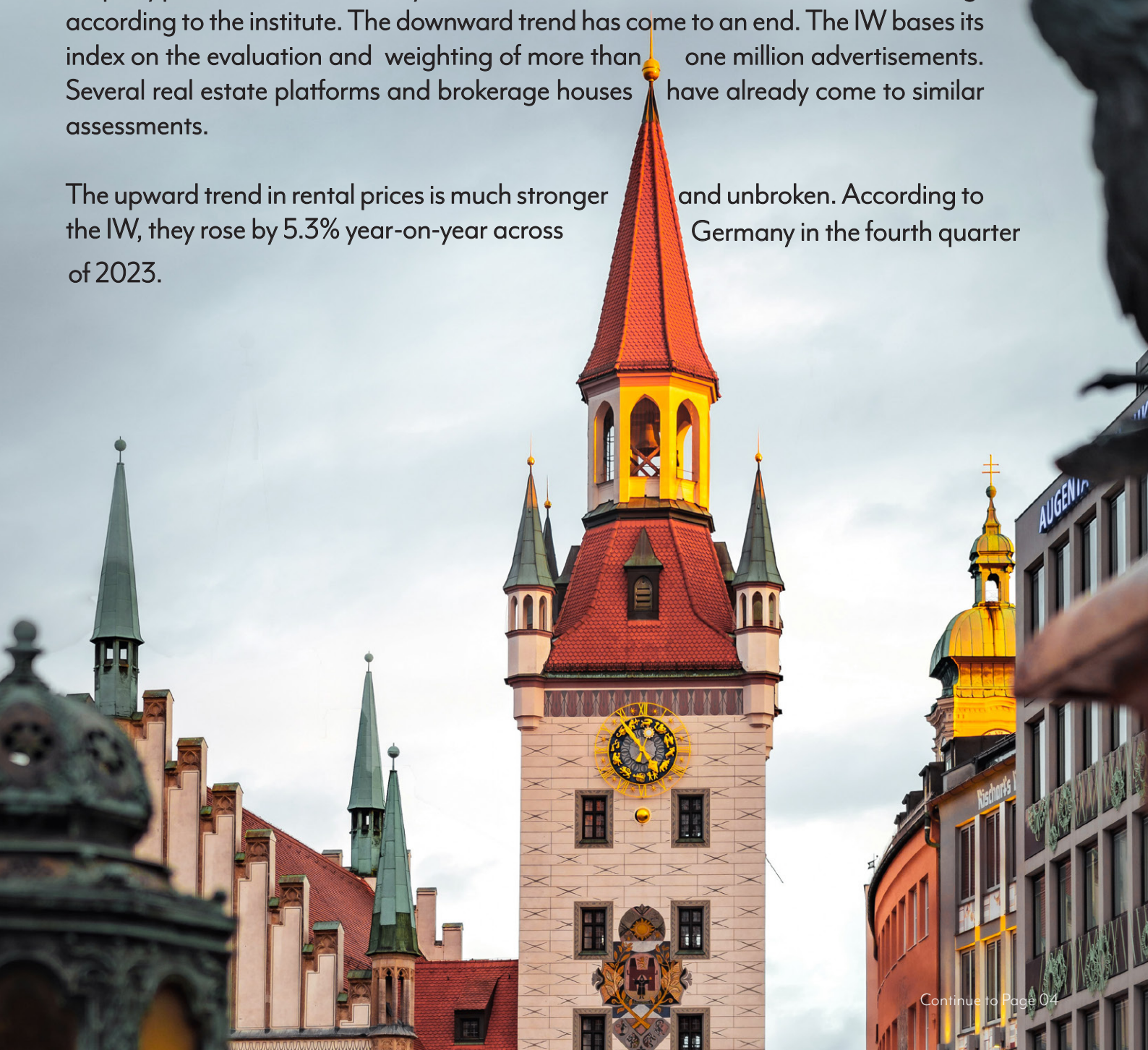
HOUSING PRICES ARE NO LONGER GOING DOWN

Offer prices for residential property have fallen for six quarters in a row, but the trend is now pointing upwards again for the first time, according to the Cologne Institute for Economic Research (IW): In the fourth quarter of 2023, condominiums became 0.8% more expensive across Germany and houses 0.6% more expensive.

Property prices are therefore likely to have bottomed out and the market is normalizing, according to the institute. The downward trend has come to an end. The IW bases its index on the evaluation and weighting of more than one million advertisements. Several real estate platforms and brokerage houses have already come to similar assessments.

The upward trend in rental prices is much stronger and unbroken. According to the IW, they rose by 5.3% year-on-year across Germany in the fourth quarter of 2023.

and unbroken. According to Germany in the fourth quarter





REAL ESTATE SECTOR MORE OPTIMISTIC ABOUT THE FUTURE THAN THE CONSTRUCTION INDUSTRY

The German Ifo business climate index does not bode well for the situation in the construction industry. The mood is poor and the outlook is gloomy. The real estate industry is more optimistic.

The mood in the construction industry is even worse than it already is. Compared to the Ifo Institute, the construction industry rated its business climate at -35.9 in January, continuing the downward trend from the end of 2023. Expectations for both the business situation and construction activity continue to decline.

Optimism in the real estate industry is also rather subdued at the start of the year - the business climate index in the real estate and housing sector fell to -4.8 (December 2023: -3.6). However, the values are improving here in terms of expectations for the business situation, turnover and prices.

Recently published figures from the Federal Statistical Office match the poor sentiment in the construction industry. According to these figures, incoming orders and turnover continued to fall in November 2023 compared to the previous month.



GERMANY WITH THE SHARPEST FALL IN RESIDENTIAL PROPERTY PRICES IN EUROPE

In 2023, purchase prices for existing apartments in Germany fell the most in Europe. However, unlike in France, for example, the decline in prices slowed down towards the end of the year. This is according to the Aviv Housing Market Report.

The report by the Aviv Group examined price trends for existing properties in seven selected European countries in 2023. According to the report, the sharpest price decline compared to the previous year was in Germany at 4.5%. France and Luxembourg also recorded a decline, although this was only 1.8% and 1.7% respectively. The situation is different in southern European countries. In Italy, average prices rose by 1.6% compared to the previous year. In Portugal, prices rose by 4.7% and in Spain by as much as 8.2%. One reason for the further increases could be that foreign investors are continuing to invest in popular vacation destinations. According to the survey, only Belgium recorded an increase outside Southern Europe, namely by 3%. In Germany, the market has apparently

reacted particularly sensitively to higher interest rates and possibly to modernization requirements for existing properties due to climate protection. The only positive aspect from a German perspective is that the negative price momentum slowed noticeably at the end of last year. According to Aviv-Analyse, the decline in the fourth quarter was only -0.3%. The situation is different in France. There, the momentum of the price decline is actually increasing. At -0.8% in the fourth quarter, the decline is more pronounced than in any of the other countries analyzed. Building interest rates in France have risen more slowly than in Germany, for example, but have now reached a level of around 4%. Immowelt sees the slowdown in price declines in Germany in the fourth quarter of 2023 as a bottoming out.