



INTEREST IN RESIDENTIAL REAL ESTATE IN GERMAN A-CITIES REMAINS HIGH

Interest in investments in residential property in major cities remains very high among institutional investors. This applies to both new builds and existing properties, according to the results of the Empira Institutional Trends 2023 survey of 81 investors conducted by consultants Bulwiengesa in June and July 2023.

According to the survey, there is particular interest in investments in new residential construction in the seven A cities with a gross purchase yield of 4.5% to 5%. 87% of survey participants have this focus. Around a third would buy at purchase yields of up to 4%. Interest in residential investments is declining in small and medium-sized cities. Only 12% of survey participants are still willing to buy at yields of up to 4%, but this rises again to 57% at yields of up to 5%.

BERLIN APARTMENT BUILDINGS ARE POPULAR

The market for residential and commercial property proved robust in the third quarter. Domestic family offices in particular are currently buying. Compared to the same period last year, the number of residential and commercial properties traded in Berlin fell by around 19% in Q3. This is according to the apartment block market report published by estate agent Michael Schick Immobilien on the basis of figures from the Berlin expert committee and its own calculations.

The 137 transactions represent a turnover of 549.3 million euros, which corresponds to a decline of around 25% compared to the previous quarter. In the second quarter, the figure was €730.1 million. Compared to the first quarter of 2023, however, turnover has risen by 42% and purchase prices have stabilized.

The district of Neukölln leads the way in terms of the number of transactions with 20 properties traded for €102.7 million, followed by Tempelhof-Schöneberg with 18 properties for around €58.4 million and Charlottenburg-Wilmersdorf and Pankow with 16 properties each and around €80.8 million and €113.1 million respectively for Pankow, the district with the highest turnover.

VDP PRICE INDEX DOWN A GOOD 7% OVER THE YEAR

According to the Association of German Mortgage BondBanks (VDP), residential and commercial property prices in Germany fell by an average of 1.7% in Q3 2023 compared to the previous quarter and by 7.1% over the year as a whole. The index, which has been compiled quarterly since 2010, is based on the evaluation of real property transaction data from more than 700 banks and covers the entire German market.

While there are signs of stabilization in residential property prices, the VDP anticipates further price declines for commercial buildings in the coming quarters. While retail property prices fell by 1.2% on a quarterly basis and 9.3% on an annual basis, prices for offices fell by 2.5% and 10.6% respectively. For the first time since 2009, the fall in prices for office property was higher than for retail property.

Accordingly, residential property prices in Germany fell by 1.7% compared to the previous quarter and by 6.3% compared to the same quarter of the previous year. In the top 7 cities, the year-on-year decline of 5.7% was slightly lower than the national average. By comparison, commercial property prices fell by 2.2% on a quarterly basis and by 10.3% on an annual basis.

The VDP expects further price declines in the commercial property segment in the coming quarters. The residential property market, on the other hand, is about to return to calmer waters.



Survey shows:

MUTED MOOD AMONG EUROPE'S REAL ESTATE PROFESSIONALS

The Urban Land Institute (ULI), together with PwC, surveyed around 1,100 European property professionals about the outlook for the market in 2023. The results of the Emerging Trends in Real Estate are subdued, in line with the general mood in the sector.

Interest rates, inflation and weak economic growth are the most frequently cited factors currently weighing on the environment. According to the report, buyers and sellers on the transaction market are unable to agree on appropriate prices. Although confidence in a good business climate has increased somewhat compared to 2022, it is still far below the long-term average.

Looking ahead to the coming year, both the available debt and equity capital will become even scarcer - in particular, the money that was provided in abundance by institutional investors before the interest rate turnaround is now lacking. In addition, competition is growing within the asset category of tangible assets in the form of renewable energy investments.



BERLIN IS EUROPE'S FOURTH MOST POPULAR PROPERTY LOCATION

Traditionally, the experts also vote on what they consider to be the most attractive property investment locations. This year, these are London, Paris and Madrid. In the years of zero interest rates, German cities were often on the winner's podium, but no longer: Berlin is the best performer in fourth place, followed by Munich in seventh place and Frankfurt is only just in the top ten.