



OFFER PRICES FOR HOUSING STOCK ROSE IN THE FIRST QUARTER

According to Immowelt's Price Compass, asking prices for existing apartments rose in 14 of the 15 largest German cities surveyed in the first three months of 2024. The average price increase was 1.9%. In the previous quarter, purchase prices had already risen in 11 of the 15 cities, albeit by only 1.3%. This means that there is now a clear trend reversal in cities with more than 500,000 inhabitants. Prices in the majority of cities have bottomed out and the price curve is once again pointing upwards, according to an Immowelt analysis. The residential real estate markets are also recovering noticeably in high-priced metropolitan areas.

In Cologne, advertised prices rose by 2.7% in the first quarter of 2024. Buyers now have to pay an average of 4,634 euros/sqm for existing residential property. There was also a significant increase in Munich: The percentage growth in the first quarter was 2.4%. As a result, asking prices there rose for the first time in two years (to an average of 8,076 euros/sqm). In Hamburg, prices for advertised existing apartments increased by 1.5% to an average of 5,948 euros/sqm. The highest percentage increase of all 15 cities surveyed was recorded in Dortmund, where prices for advertised existing residential property rose by 2.8% to EUR 2,499/sqm.

INVESTMENT MARKET:

PRIME YIELDS ARE RISING IN BERLIN



Prime yields on the Berlin investment market have risen significantly in a twelve-month comparison - most strongly in the office segment: by 0.65 percentage points to 4.4% (fourth quarter of 2021: 2.6%). Logistics properties also rose by 0.6 percentage points to 4.4% (3.2%) and commercial properties were only just behind at 4.3% (2.8%).

With a transaction volume of €600 million in the first quarter of 2024, the market lost 14% compared to the already weak first quarter of 2023. However, Grossmann & Berger expects the mood to brighten over the course of the year and more movement in the market.

With a turnover of 2.7 billion euros last year, the Berlin investment market clearly missed the ten-year average (2014-2023) of 7 billion euros. And looking at the €600 million that Grossmann & Berger has added for the first three months of 2024, the downward trend looks set to continue. This is because the EUR 600 million is another 14% below the turnover of the already weak first quarter of 2023. The share of international investors is 25%.



CONSTRUCTION PRICES FOR RESIDENTIAL BUILDINGS RISE BY 2.8%

Construction prices for new residential buildings in Germany rose by 2.8% in February 2024 compared to the same month last year, according to the German Federal Statistical Office (Destatis). While prices for finishing work rose by 4.7% in the same period, prices for shell construction work almost stagnated at 0.4%.

According to Destatis, prices for newly built, conventionally constructed residential buildings in Germany rose by 2.8% between February 2023 and February 2024. In November 2023, the previous quarter of the statistics, a year-on-year increase of 4.3% was recorded. From November 2023 to February 2024, construction prices increased by 1.2%. According to Destatis, the price figures refer to construction work on buildings including VAT.

Destatis measured a clear increase of 4.7% for finishing work in the comparison between February 2023 and February 2024. Prices for carpentry work, which accounted for the largest share of the construction price index for residential buildings, rose by 3.5%, prices for heating systems and water heating systems such as heat pumps by 6.9%, low and medium-voltage systems such as electric water heaters by 7.3% and external thermal insulation composite systems by 3.5%.

Meanwhile, construction prices for shell construction work rose by a moderate 0.4% overall between February 2023 and February 2024. Concrete and masonry work made up the largest share of both shell construction work and the overall index for new residential construction. Prices fell by 2.1% for concrete work, but rose by 1.4% for bricklaying work, by 3.1% for roofing and roof waterproofing work and by 4.8% for earthworks in the same period. Prices for carpentry and timber construction work fell again by 1.4%.



FORECAST:

**BERLIN'S POPULATION
WILL GROW BY 5.8%
BETWEEN 2020 AND
2040**

In Germany, the population will increase by 0.6% between 2020 and 2040. However, this development is distributed very differently across the individual federal states. Population declines are expected for the eastern federal states and for Saarland. The other federal states can expect population growth up to 2040.

In order to overcome the shortage of skilled workers and develop a suitable infrastructure for older generations, tailor-made strategies are needed at municipal level. Many municipalities will face major challenges in the coming years as a result of demographic developments: Above all, the ageing of the German society will continue and exacerbate the already existing shortage of skilled workers. Together with growing or shrinking populations, this increasing ageing will put further pressure on municipal infrastructures.

Population development between 2020 and 2040 is unevenly distributed in Germany. In some federal states, the population will grow over the next 20 years, while in other regions it will shrink significantly. This is the result of the new population forecast for 2040 by the German Bertelsmann Stiftung. According to the forecast, population growth in the 13 federal states will be between +4.6% (Baden-Württemberg) and -12.3% (Saxony-Anhalt). There is significant population growth in the city states of Berlin and Hamburg at +5.8 % and +3.5 % respectively; Bremen is growing at a more moderate rate of +1.1 %. Among the independent cities, Leipzig, Potsdam and Bamberg can expect population growth of more than 10%. Among the rural districts, this applies to Biberach, Mühldorf am Inn and Kelheim. At the other end of the scale are only districts and independent cities from the eastern federal states with an expected population decline of -17% or more.

