SKJERVENGROUP

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RESIDENTIAL REAL ESTATE EMERGES AS PRIME TARGET FOR INVESTORS

The EMEA Living Sector Survey by Cushman & Wakefield registers great optimism among international investors for the residential sector. More than half of those surveyed, who manage assets of more than EUR 1.4 trillion in real estate worldwide, stated that they had invested more than 20% of their real estate portfolio in the residential sector.

"We are observing a turnaround in real estate prices in Germany and are therefore seeing increased interest from investors in residential investments,"

Einar Skjerven,
Managing Director of the Skjerven Group.

Almost 80% expect their investments to increase over the next five years. For the EMEA region, the respondents anticipate residential investment potential of up to EUR 85 billion per year. According to the study, the markets in Germany and the United Kingdom will benefit most from the recovery in residential investment volumes. Spain, France, Ireland and the Nordic countries are also attracting interest. For Germany, the analysis expects social housing, senior housing and communal living in particular to grow.

Real Estate Prices: TREND REVERSAL IN GERMANY

According to the Aviv Housing Market Report by Immowelt and other portals, the mood on the European residential real estate markets has turned around in the first quarter of 2024. Germany is also on the rise, with only France still in the doldrums.

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While three out of seven European countries surveyed recorded price declines in the last quarter of 2023, according to the report, falling prices can only be observed in France in the first quarter of 2024. The median asking price of residential property there fell by 0.5%. In Germany, on the other hand, the trend has reversed: The price there rose by 1.6%.

The report cites different construction interest rate trends in the eurozone as the reason for this. In Germany, financing has become 0.4 percentage points cheaper on average and loans are once again available well below the 4% mark. In France, on the other hand, interest rates rose again by 0.1 percentage points. The central bank in Paris sets an upper limit for building interest rates at regular intervals. As a result, the trend is much slower than in Germany, for example.
The fact that even minimal adjustments have an effect can be seen in other countries, the report continues. In Spain (-0.2 percentage points), Portugal (-0.4 percentage points) and Italy (-0.6 percentage points), interest rates fell noticeably. As a result, similar to Germany, momentum has increased in these countries and residential property prices have risen.

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DISCOUNTS FOR UNRENOVATED APARTMENTS ARE FALLING

Prices for housing stock are recovering again. This is mainly due to the fact that unrenovated properties are apparently no longer being penalized so heavily with discounts. The EU's dreaded obligation to renovate is off the table, and this is apparently making purchasing decisions easier. Sellers of existing properties are becoming more aggressive again.

According to analysts, the decline in prices for unrenovated existing apartments that has been ongoing for around one and a half years has now come to a halt. The price gap between apartments with a good energy balance and those with a poor energy balance has stopped widening for the second quarter in a row, according to JLL based on regular quarterly evaluations of 5,000 asking prices. Compared to buildings in the best energy efficiency classes A/A+, the average price discount (median) for offers from classes B to G/H for apartment buildings was 16.7% in the first quarter of this year. In the previous quarter, the discount, which was exclusively attributable to energy-related features, was slightly higher at 17%, and in the third quarter of 2023 it was as high as 18.9%. In the worst energy classes (G/H), the gap in relation to A/A+ has shrunk from 28.7% to 26.9% to 25.1% in Q1 2024 over the past three quarters.

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Other analysts also observed a similar trend in the portfolio. In the first quarter of 2024, the appraiser Sprengnetter noted a convergence in the purchase prices actually paid for modernized and non-modernized properties. These had shrunk from 15% to up to 4%. The online portal Immowelt registered a 1.9% increase in asking prices for existing properties across Germany at the end of the first quarter. This means that the unrenovated stock is no longer dragging down the advertised prices of existing properties.

STILL NO EASING IN RESIDENTIAL CONSTRUCTION

The business climate is recovering somewhat. However, there is still a massive lack of orders for residential construction in Germany. Every second company (55.2%) reported a shortage in April, according to the Ifo Institute.

The Institute does not yet see the slight improvement compared to March (56.2%) as the first sign of a trend reversal. Cancellations remain a major problem. In April, 17.6% of companies reported canceled projects, compared to 19.6% in March. Despite a visible increase, the business climate in residential construction remains deep in negative territory. Expectations are therefore far from optimistic. Many companies reduced their prices due to a lack of orders. In civil engineering, 22% of companies reported a lack of orders. However, according to the Ifo Institute, companies are much more satisfied with current business. The outlook for the coming months is also characterized by scepticism in civil engineering, but not as much as in building construction.