

Europe Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The Europe Residential Real Estate Market is anticipated to register a CAGR of more than 9% over the forecast period. Demand for affordable residential real estate is increasing thus driving the market. Furthermore, there is a significant price rise in the market hence investors are showing interest in investing in the market.

Key Highlights

For 2022, according to experts, real estate will continue to be a focus for investment. Market experts believe the upward trend will continue and are confident of widespread adoption. The low-interest rate environment and strong economic growth have supported the recovery. It has bolstered investor confidence, but rising inflation and the emergence of Covid-19 variants remain significant challenges. Following record results in the Multifamily sector, investors' appetite is anticipated to increase for these asset classes in 2022, and the office recovery is well underway.

Like other real estate assets, the European residential market has gradually shifted due to the health crisis. The two main trends affecting real estate over the past several years are the demand for space, which has led to larger homes and flats, and the return to nature, which has resulted in a move from the city to the countryside. The multifamily real estate model, which is currently booming in the Italian market, is a new trend that is also starting to emerge.

From a pricing point of view, residential markets are experiencing slight growth in most cases despite the general uncertainty surrounding the economy. Many countries have reported unprecedented demand for new housing shortly after the strictest lockdowns. Moreover, this trend is expected to continue throughout 2022, which may support further price growth.

The recent geopolitical developments in Europe impacted the activity, which resumed after being disrupted by the epidemic for several years, and the inflation rate reached its highest level in several years (+5.3% over the last year). The residential real estate market is also significantly impacted. In Q4 2021, mortgage rates in the Eurozone remained steady at 1.31%, historically low. In 12 nations, the transactions number is increasing by an average of 17%, while residential rental values have increased by

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1.8% in the past year.

Europe Residential Real Estate Market Trends

Growth in transaction prices of new dwellings supporting the market

House prices have increased by 18.2% in Q2 2022 compared to the same quarter the previous year. As a result, the Netherlands continues to be among the top five EU nations with the most significant growth in housing prices. New data from Statistics Netherlands (CBS), the Netherlands Cadastre, Land Registry and Mapping Agency (Kadaster), and Eurostat support this. The transaction prices for both new and used owner-occupied homes are present in the house price index. In Q2 2022, the average increase in home prices across the EU was close to 10%. After Estonia (+27%), Czechia (+23%), Hungary (+23%), and Lithuania (+22%), the Netherlands experienced the most significant increase in home prices.

The average transaction price for a newly constructed home increased by 16.9% in Q2 2022 compared to the same quarter year before. Additionally, it was the first time that the median selling price for newly constructed homes went beyond EUR 500,000 (USD 531,500). Existing owner-occupied homes typically cost 18.4% more than new ones. Compared to the first quarter of 2022, when it reached a record 20.3%, this growth was less significant.

More than 47,000 owner-occupied homes were sold in Q2 2022. It represents a 10.2% decline from the same quarter last year but a 7.9% increase from Q1 2022. The number of new-build homes sold decreased by 13.8% yearly to about 8,000 transactions.

Rental segment showing significant growth in the market

Throughout the last ten years, rental costs have risen by an astounding 17.6% in Europe. The continent has grown by 1.7% in the past three months compared to the same period in 2021. It is against the backdrop of rising inflation and an energy crisis that threatens to prevent many people from being able to pay their bills this winter.

Vilnius, the capital of Lithuania, has become so difficult to rent a place that the government is considering capping the cost of the rent. According to the Baltic News Network, students are the ones who are most negatively impacted by these rent increases, with a basic apartment in Vilnius now costing EUR 400 (USD 425.2) instead of EUR 100 (USD 106.3) or less in 2021.

Ireland had the third largest rent increases, with rents jumping by 82% over the previous ten years, which may be a surprise given that Ireland has some of the lowest inflation rates in the EU. Like in the cases of Estonia and Lithuania, the cause of such growth is a shortage of properties.

Europe Residential Real Estate Market Competitor Analysis

Europe's Residential Real Estate Market is moderately consolidated, with a few players dominating the market. Major real estate players in the market are Elm Group, Places for People Group Limited, LEG Immobilien AG, Consus Real Estate AG, and CPI Property Group. The residential real estate property sales proportion through online channels has consistently grown. It is due to the rising internet penetration, growing demand, increasing personal disposable incomes, surging middle-class youth population, and opportunities offered by government infrastructure investments.

Additional Benefits:

The market estimate (ME) sheet in Excel format

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