

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

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Report description:

The German residential real estate market is poised to register a CAGR of 6.1% during the forecast period (2023 - 2028). The residential real estate market came to a halt due to the COVID-19 pandemic, as the government implemented lockdowns and citizens were forced to stay at home.

Germany's housing market remains vibrant amid improving economic conditions. The average price of apartments rose by 12% in the fourth quarter of 2021 compared to the same period of the previous year and denoted the largest price increase since records began in 2000. The price increase can be seen since the pandemic began. It increased by 8.25% till Q3 2021, following Y-o-Y rises of 8.38% in Q2 2021, 7.95% in Q1 2021, 8.8% in Q4 2020, and 7.38% in Q3 2020.

At the end of the first half of 2021, the transaction volume for residential properties and portfolios in the German residential investment market totaled around EUR 10.3 billion (around 57,300 dwellings and 257 transactions), with around EUR 3.9 billion of this sum changing hands in the second quarter (21,900 dwellings). The transaction volume is significantly less than in the first three months (EUR 6.4 billion; 35,900 dwellings). Nonetheless, the five-year average transaction volume between April and the end of June was exceeded by double digits (+20%), and this is also the case (albeit in single digits) when compared to the corresponding quarter of the previous year (+8%).

Germany Residential Real Estate Market Trends

Strong Demand and Rising Construction Activities

The demand remained strong in 2021 for the residential sector, buoyed by low-interest rates, urbanization, and healthy household

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finances. In recent years, the migration crisis and strong economic growth have added to the already strong demand in the country.

Despite the pandemic, residential construction activity continues to rise. In the first three quarters of 2021, dwelling permits rose by 4.8% Y-o-Y to 282,420 units, following annual growth of 2.2% in 2020, according to the Federal Statistical Office.

Consequently, foreseeable structural changes, such as demographic effects, are also perceived as important drivers of demand. Most recently, the supply side was the main obstacle to further growth. However, the political uncertainty regarding new government constellations and the high investment pressure of many market participants have tempted some portfolio holders to bring products to the market in the second half of the year.

House Prices in Germany are Still on the Rise

A price increase of 14.5% was recorded for houses and apartments in Germany's seven largest cities: Berlin, Hamburg, Munich, Cologne, Frankfurt, Stuttgart, and Dusseldorf.

Prices have been skyrocketing in cities; the cost of buying a house has also been increasing in rural areas. In densely populated rural areas, the price of single and two-family houses rose by 12% in the third quarter of 2021, compared to the same period last year. The cost of condominiums in these areas increased by 12.3%. In less densely-populated rural areas, prices for single and two-family homes rose by 15.5%, while the price of condominiums rose by 11.2%.

Experts have identified several reasons why house prices continue to rise so rapidly. Over the past decade, low-interest rates, increasing demand, a lack of investment opportunities, and a strong economy have contributed to Germany's rising house prices. Construction cost has also increased significantly, with prices rising for building materials such as wood, concrete, and steel. The construction industry is facing labor shortages.

Germany Residential Real Estate Market Competitor Analysis

The German residential real estate sector has become increasingly competitive. The increasing spending on infrastructure, new government initiatives to drive investments, and new project announcements are expected to bring an overall development in the real estate sector, which may further enhance the interest of more investors. Some of the major players in Germany include Vonovia SE, Deutsche Wohnen SE, SAGA Hamburg, LEG Immobilien SE, and Consus Real Estate.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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