



Tanka Group Research

German residential Real Estate : What to expect ?

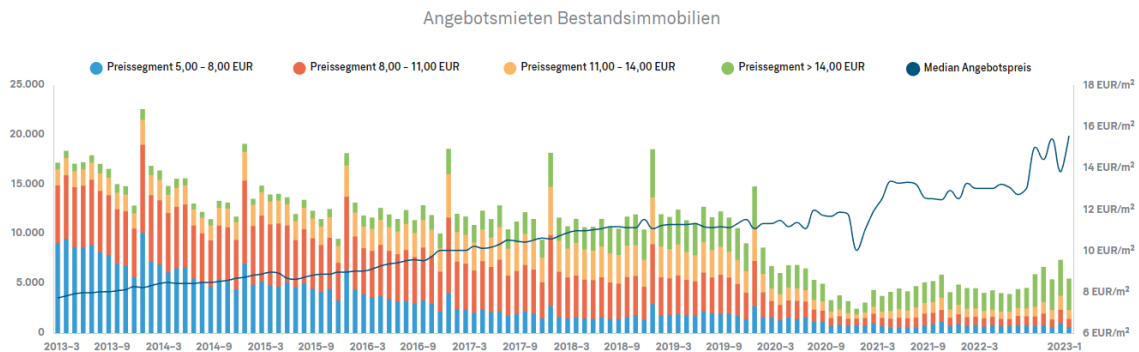
According to an article in Handelsblatt in December 2022, gross rents rose by 10.9% between September 2021 and September 2022. Even though this development is partly attributable to energy costs, net rents almost compensated for the high inflation during this period.

Net rents rose only slightly in the major cities of Frankfurt (+1.4%), Stuttgart (+2.4%) and Munich (+3.5%), but much more sharply in Leipzig (+7.8%) and Berlin (+8.3%).

In the less populated regions, net rents also rose sharply, especially in the east of the country and in the least populated regions (+9.1% in Brandenburg and +10.3% in Mecklenburg-Western Pomerania).

This development continued in Q4 2022 and Q1 2023, especially in Berlin and the major cities, but not only there.

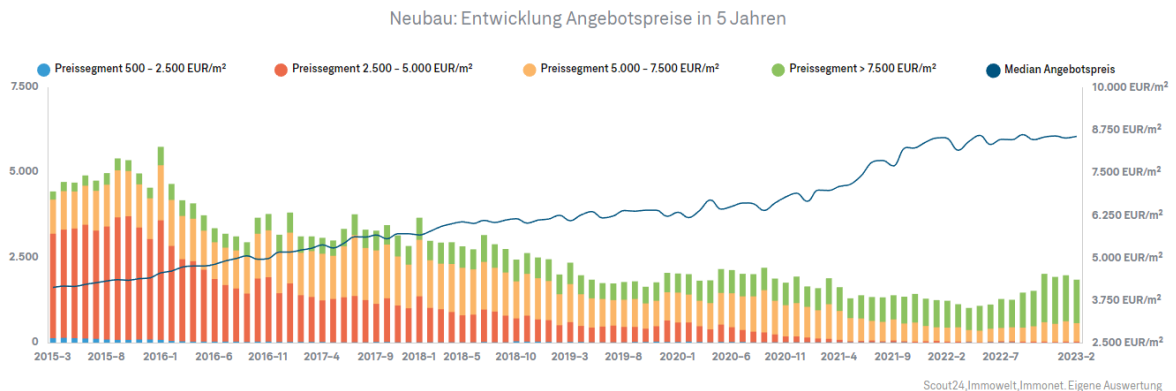
Berlin: Number of rental offers in total and by price segment as well as developments in median asking rents (month by month over 10 years)



Source : <https://guthmann.estate/de/marktreport/berlin/>

According to Guthmann Estate, editor of the Berlin 2023 market report, a very comprehensive document that thoroughly analyzes all the figures and trends in the capital, there is currently a shortage of around 100,000 apartments in Berlin alone.

Berlin: Development of the number of new residential units for sale overall and by price segment, as well as development of the selling prices offered (month by month over 10 years).



Source : <https://guthmann.estate/de/marktreport/berlin/>

The situation is unlikely to improve, as the need for construction in Germany is estimated at 400,000 new apartments in 2023, while in the best case only 245,000 will be built.

Across Germany, existing apartments available for rent at reasonable prices have never been more in demand.

The German population has exceeded 84 million for the first time and has been growing unceasingly for more than a decade, contrary to the analyses of most demographers who had completely forgotten the country's ability to attract workers from other countries, especially from Europe.

Currently, the interest rates offered to borrowers average around 4%. The increase in wages and rents and the slight decline in house prices that was seen in 2022 (and is likely to continue in the first half of 2023) has ensured that yields on purchases remain acceptable.

However, according to our analyses, as soon as interest rates fall, we will again have to expect sustained price increases, as has been the case over the past decade.

However, price increases are likely to be stronger in cities with fewer than 200,000 or even 100,000 inhabitants. This is because we expect rents in these cities to rise faster than in the larger cities in the near future. In many of these cities, property prices are still below €1,500/m² and the risk premium (yield - current lending rates) is still comfortable. If interest rates fall and rents, which are still very favorable, continue to rise, we expect very sustained price increases in the next few years.