

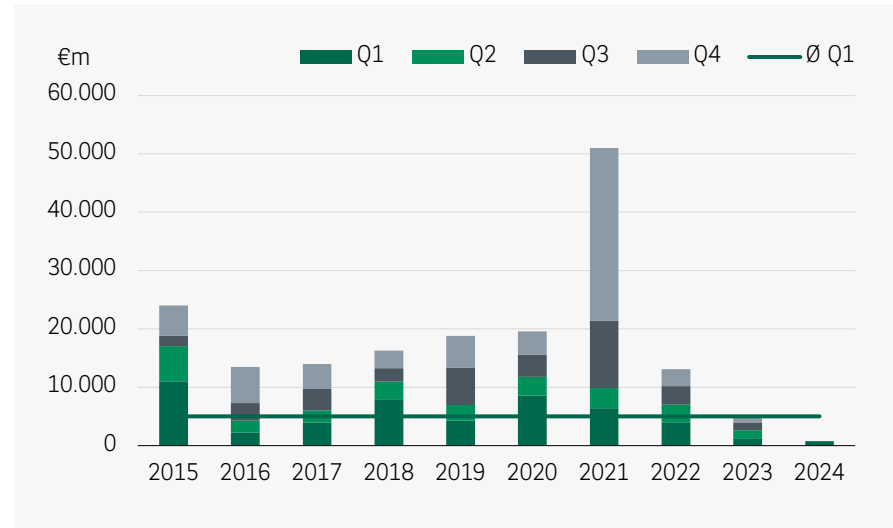
GERMANY

REPORT

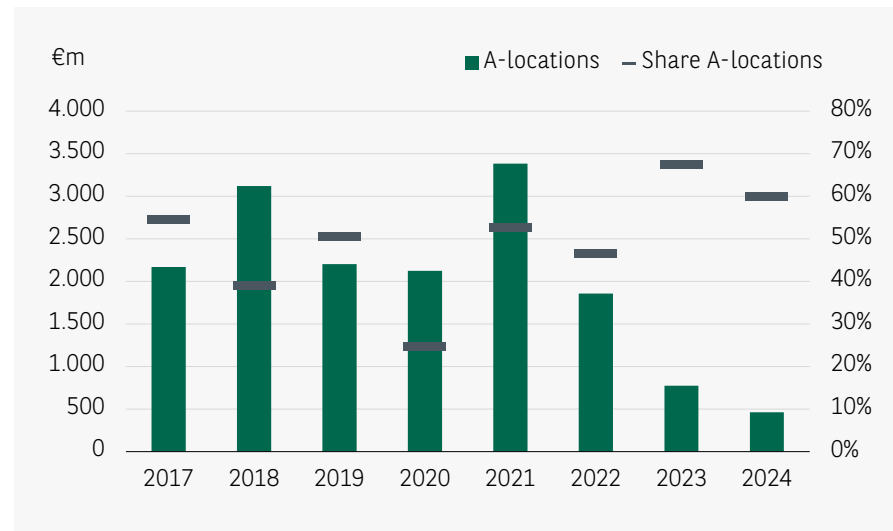
RESIDENTIAL INVESTMENT MARKET

Q1 2024

Investment volume residential portfolios



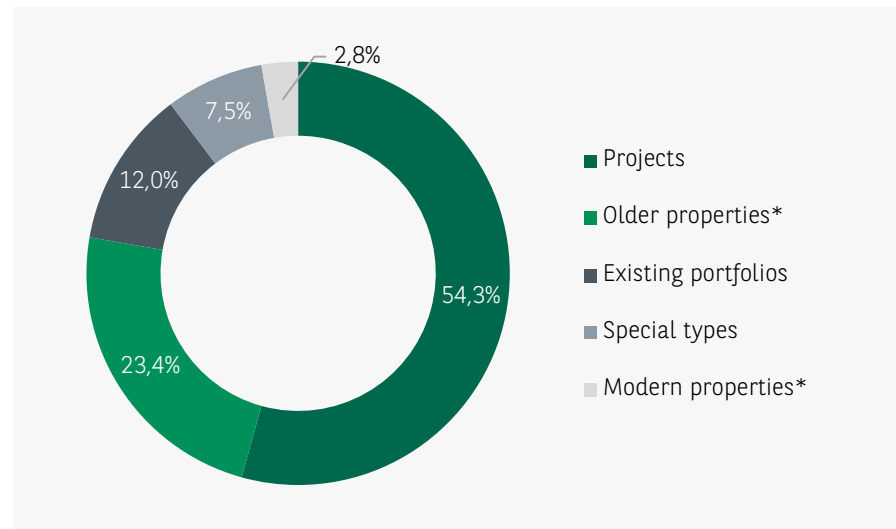
Residential investment volume in A-locations



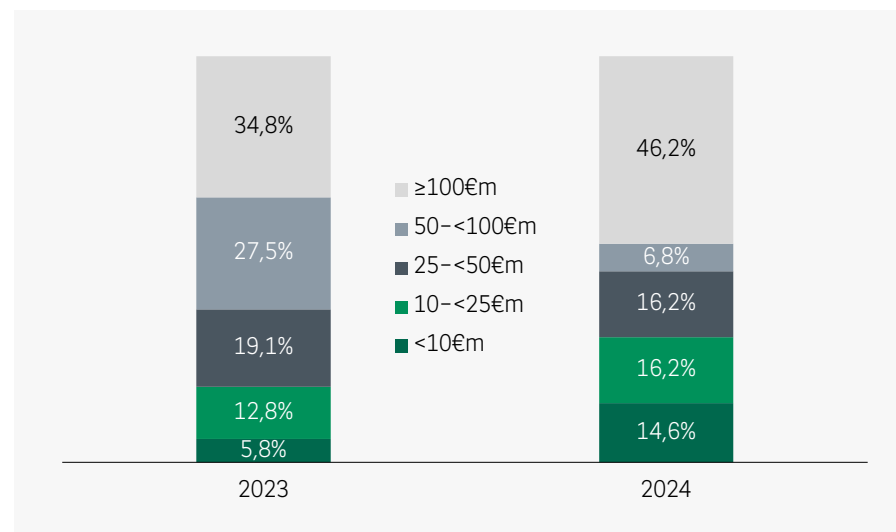
BERLIN INVESTMENT HOTSPOT WITH 52% MARKET SHARE

- The persistently challenging market environment continued to have a dampening effect on the German residential investment market in the first quarter of 2024, although the consolidation phase that has been evident since 2022 is now likely to have come to an end. Across Germany, €771 million was invested in larger residential portfolios (30 residential units or more) in the past three months. This was 33% below the result for the same quarter of the previous year and 85% below the long-term average.
- The Big Six cities account for a significantly above-average share of almost 60% (Ø 10 years: 46%) and thus clearly dominate the transaction activity on the German residential investment market. However, this high market share of the six largest cities is mainly driven by the German capital: Berlin is responsible for 52% of the total volume with a turnover of around €403 million. Even though sales are slightly down on the same quarter of the previous year (€546 million), the market share is well above the long-term average (26%). A forward deal worth €225 million concluded by a US investor in Berlin-Neukölln sends a strong signal. Opportunities like these emphasize the confidence in the German capital and the good medium as well as long-term prospects on the German residential property market.
- Of the other A-locations, only Düsseldorf, Frankfurt and Hamburg can report significant volumes, with market shares in the low single-digit percentage range in each case.

Residential investments by asset class Q1 2024



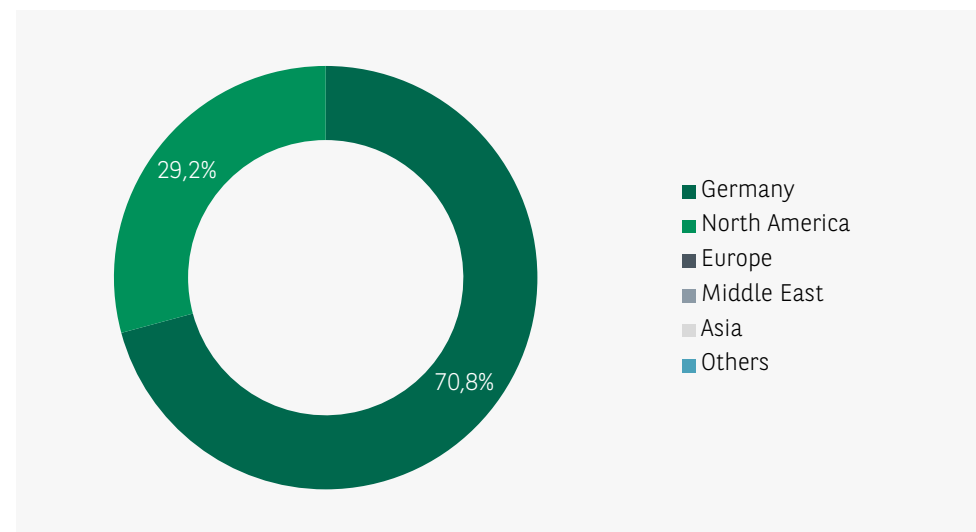
Residential investments by € category Q1



PROJECT DEVELOPMENTS WITH A LARGE MARKET SHARE

- More than half of the investment volume is attributable to forward deals. High demand is currently meeting a largely consolidated supply.
- A comparatively large number of small deals were concluded in the first three months. The segment up to €25 million recorded an investment volume of €238 million and, therefore accounting for just under 31% of turnover, which is well above-average (10 years Ø: 14%). The relatively high volume in this segment indicates that the pricing phase is already well advanced.
- The high proportion of US capital (29%) is not necessarily typical of the German residential investment market (average 10 years: 7%). At 71%, German capital dominates the German residential investment market to a slightly lesser extent than in previous years (Ø 10 years: 73%).

Residential investments by origin of capital Q1 2024



OUTLOOK

- Although the German residential investment market has not yet experienced a noticeable recovery in the first three months of 2024, a significant recovery is anticipated as the year progresses. However, the significant decline in inflation in the EU and the US in recent months suggests that the interest rate plateau has already been reached and that the central banks will begin to slowly lower interest rates over the course of the year. This promises improved access to debt capital and more favorable financing costs and should give investors more scope for action and planning security. In combination with the rise in rental yields that has already taken place, risk premiums are likely to rise again compared to other safe assets, making residential investments more attractive. Given the prospect of falling bond yields and the all-time highs reached by the most important stock indices, the residential investment market is more likely to benefit from inflows of funds from other asset classes. In view of the very tight housing market, the already slumped construction completions and the predicted low level of new residential construction for years to come, the supply/demand ratio for residential property is also likely to become increasingly attractive in fundamental terms, which should be reflected in the already strong and persistently high rental price momentum. The prospect of an improved fiscal and brightening economic environment point to a further recovery in the second quarter, before the German residential investment market picks up significantly in the second half of the year, accompanied by the first interest rate cuts.

Key facts residential investment market Germany

INVESTMENT VOLUME	Q1 2023	Q1 2024	CHANGE
Total (€m)	1,148	771	-32.8%
Share above €100 million	34.8%	46.2%	+11.3%pts
Share of A-cities	67.5%	59.9%	-7.6%pts
Share of foreign investors	37.9%	29.2%	-8.8%pts
Ø-number of units per transaction	172	115	-33.1%

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