GERMANY

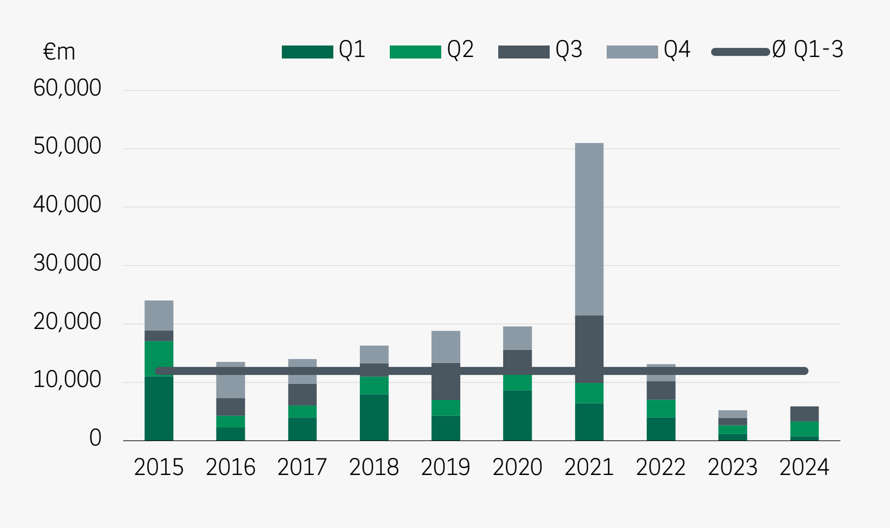
REPORT
RESIDENTIAL INVESTMENT MARKET

Q1-3 2024

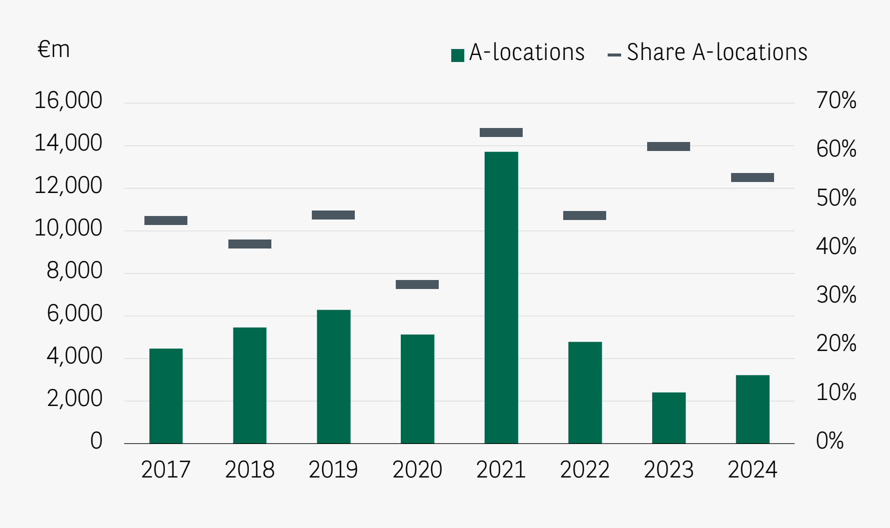
BNP PARIBAS REAL ESTATE

REAL ESTATE for a changing world

Investment volume residential portfolios



Residential investment volume in A-locations Q1-3



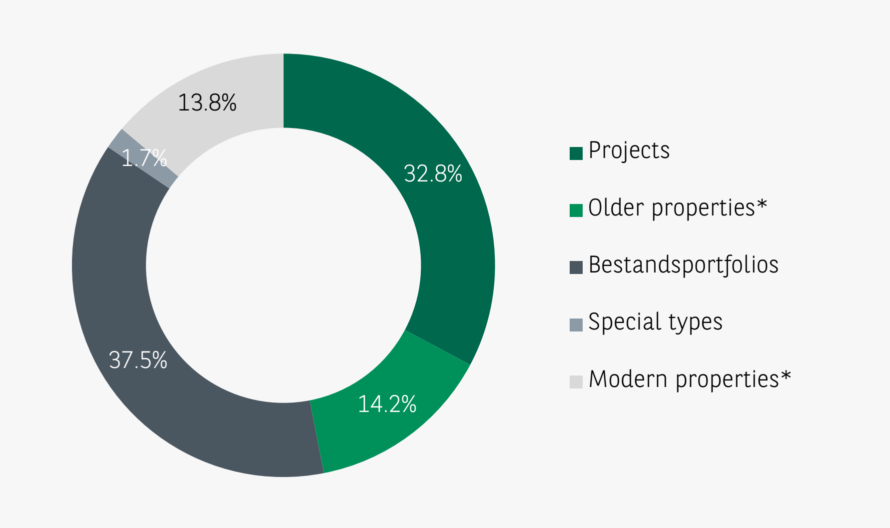
RECOVERY OF THE RESIDENTIAL INVESTMENT MARKET

- After a weak first quarter, investment activity on the German residential investment market picked up significantly in the second quarter of 2024 and continued in the third quarter. Across Germany, €5.9 billion has been invested in larger residential portfolios (30 residential units or more) in the year to date. Although this was 51% below the long-term average, the previous year's result was exceeded by 50% and the total volume of 2023 was already achieved by the third quarter. In addition, residential development sites worth over half a billion euros were sold.

- On a positive note, the first major value-add deals were once again concluded. An increased number of registered large-volume core deals proves that a marketable price structure has emerged following the uncertainties of the past quarters.

- The solid investment environment of A-cities continues to be in high demand. The A-cities are responsible for an above-average share of around 55% of the investment volume (Ø10 years: 48%). The German capital in particular made a strong statement with the highest share of turnover ever measured (39%) and an investment volume of €2.3 billion. Berlin alone accounted for five major deals worth over €100 million in the core/core-plus segment. Benchmark transactions such as these underline the high level of investor interest in Berlin and the good medium and long-term prospects for the German residential property markets. However, there has also been an increase in purchasing activity outside the A-cities, such as in Leipzig and Dresden, with investment volumes of just under €200 million each.

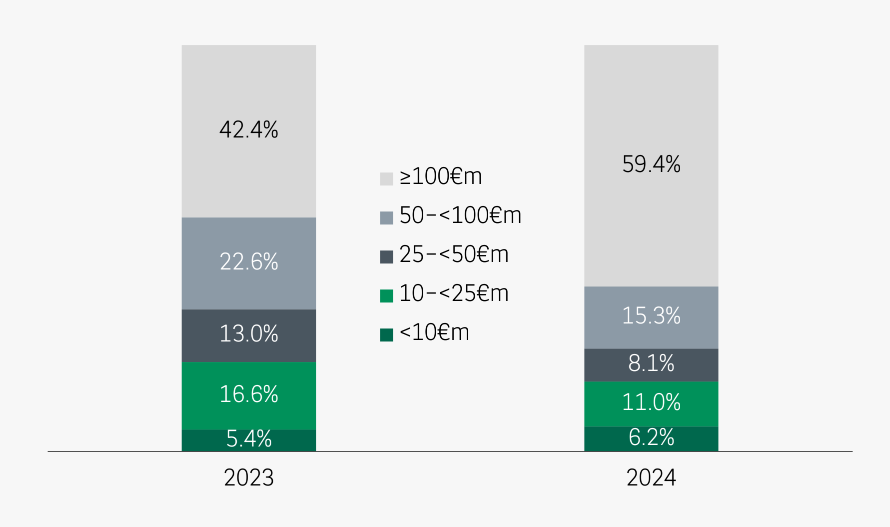
Residential investments by asset class Q1-3 2024



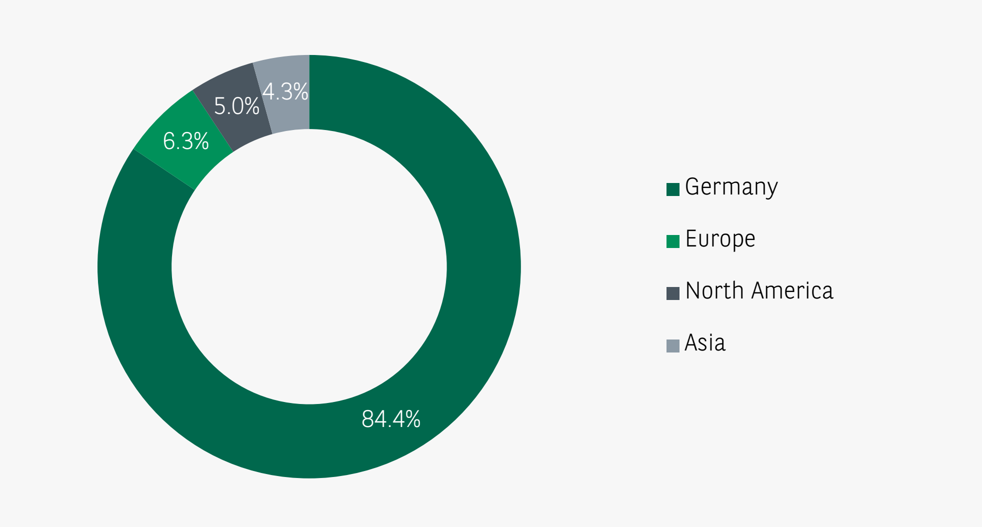
LARGE-VOLUME SEGMENT WITH HIGHER SHARE

- At 38% (Ø10 years: 51%), existing portfolios have a significantly higher market share than recently. Forward deals have an above-average market share of 33% (Ø10 years: 24%) and modern existing properties 14% (Ø10 years: 5%).
- The increasing importance of large-volume deals is a clearly positive sign and evidence of the availability of capital: 59% of the investment volume is attributable to deals in the segment over €100 million (Ø10 years: 55%). A total of €3.5 billion was invested here.
- German capital accounts for around 84% of turnover on the German residential investment market (Ø10 years: 75%) and thus dominates the market to a much greater extent than in previous years. The public sector is by far the strongest buyer group with a volume of around €1.5 billion or a market share of 25% (Ø10 years: 9%).

Residential investments by € category Q1-3



Residential investments by origin of capital Q1-3 2024



OUTLOOK

- The increase in completed transactions in general and in the large-volume segment in particular in the first nine months and the return of investor interest in the value-add segment are evidence that the consolidation and pricing phase is coming to an end. Among the large-volume transactions, the first benchmark transactions outside the top locations and larger nationwide portfolios have already been registered. At the same time, the fundamental data has continued to improve. It has already become clear in recent months that, in addition to completed new buildings, forward deals are already being concluded again. The recent fall in inflation in the eurozone below the ECB's 2% target and to its lowest level for a good three and a half years increases the likelihood of one or two further interest rate cuts this year. This should contribute to better planning in the procurement of debt capital and a further reduction in the cost of capital in 2025. The significant population growth in the last two years is being met by a weakening supply side due to the slump in new residential construction in Germany. The highly unbalanced relationship between supply and demand, particularly in the top locations, is articulated in extraordinarily high rental price momentum. For example, median asking rents in new buildings rose by 10% in Hamburg and 6% in Berlin in the first half of 2024 alone. The high rental price momentum is likely to continue in the coming quarters. Together with the completed valuation corrections and the already significantly lower bond yields, this speaks in favour of investing in German residential property. For the final quarter, we expect market momentum to be similar to that of the past two quarters and a stronger recovery on the German residential investment market in the coming year. There is a good chance that net prime yields in new construction will fall again for the first time in 2025.

Key facts residential investment market Germany

INVESTMENT VOLUME	Q1-3 2023	Q1-3 2024	CHANGE
Total (€m)	**3,921**	**5,877**	**+49.9%**
Share above €100 million	42.4%	59.4%	+17.0%pts
Share of A-cities	61.2%	54.8%	-6.4%pts
Share of foreign investors	30.4%	15.6%	-14.8%pts
Ø-number of units per transaction	226	272	20.4%

CONTACT

BNP Paribas Real Estate GmbH

Christoph Meszelinsky
Head of Residential Investment
Managing Director

Kö-Quartier | Breite Straße 22 | 40213 Düsseldorf
Phone: +49 (0)211-52 00-00
E-Mail: christoph.meszelinsky@bnpparibas.com

Imprint: Publisher and copyright: BNP Paribas Real Estate GmbH
Edited by: BNP Paribas Real Estate Consult GmbH | As of: 30.09.2024
Photo credits: ©TensorSpark – stock.adobe.com

LEARN MORE