45 Years of bulwiengesa Property Market Index

Property prices rise by 3.6 percent despite economic slump

- **No break: bulwiengesa property market index rises for 16 years**
- **Residential markets with significant price premiums, properties for sale particulary expensive**
- **Working from home has hardly any influence on office rents**
- **Retail rents now falling significantly**
- **Highest price increases in 45 years: Munich**

Berlin/Munich, 28 January 2021 – The bulwiengesa Property Market Index 2021 is the 45th edition of this annual snapshot of the property price performance in Germany: its growth continued trajectory for the 16th year straight. Even the economic slump last year only partially led to falling prices. Yet the growth rate, which has been slowing since 2018, slowed more rapidly yet.

The 2020 key findings at a glance:

- Comprehensive index (across segments): 3.6 percent (2019: 5.2 percent)
- „Residential“ sub-index: 5.0 percent (2019: 5.8 percent)
- “Commercial” sub-index: 0.7 percent (2019: 4.0 percent)

The methodology and the long time series over which the data are polled make the index an important yardstick for sustainable decision-making in the real estate market, in urban development and in monetary politics. Its data are used, inter alia, in the price indices released by Deutsche Bundesbank.

Jan Finke, project manager for the Property Market Index at bulwiengesa, commented: *„In 2020, many contrary developments could be observed. However, the big general price collapse did not occur. The change rates of the Property Index have dropped back to the growth rates of the years from 2011 to 2013 while remaining well above those of the Lehman crisis years.“*

People live and buy even in the crisis

The Residential sub-index kept moving up, with properties for sale the main price drivers of the sustained upward trend. Irrespective of the property type, be it terraced houses (+7.5 %), land for single-family detached homes or new-build condominiums (+5.8 % each), selling prices keep going up. By contrast, the average German rental growth is moving at a rather moderate pace for flats both in new (+3.4 %) and in existing buildings (+2.3 %).

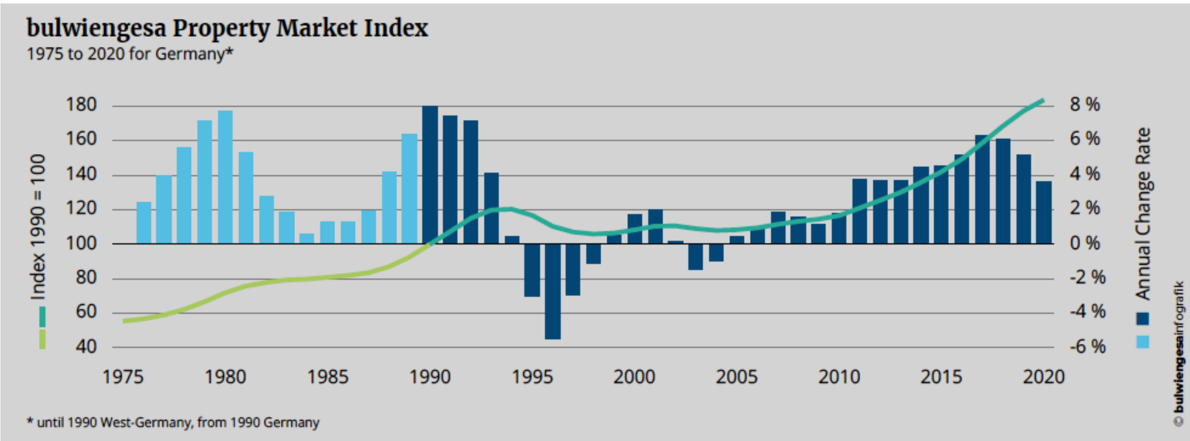
However: Low mortgage rates in combination with pent-up demand and strained rental housing markets in the conurbations have defined the German housing market for years.

Andreas Schulten, Generally Authorised Agent of bulwiengesa, said: *„Unlike the market cycles of the 1980s and 1990s, construction output for both flats and offices has continuously trailed* *demand – never creating the kind of oversupply typically preceding a bubble. Some market reactions are therefore likely to last only for a short time. Since the level of interest rates is more or less flatlining, and since the building activity makes price drops a negligible risk, residential and office property prices are likely to increase slightly in the years ahead, albeit at slower growth rates.“*

Office market: „Shaken, not stirred!“

While the headline last year was „Office boom without end“, the picture has now changed significantly. The steady rise in office rents has persisted since 2010. Vacancies are nearing zero percent in some cities, and requests for office accommodation were often hard to meet. On the office real estate market, the coronavirus pandemic has caused expansion plans to be shelved and triggered a shift toward working from home. As a result, office rents in downtown locations softened for the first time since 2009, by -0.8 %. The main factor here is plummeting demand. The office take-up of 2020 was down to a year-end total of 4.6 million sqm RAC (-28.3 % year on year). At the same time, new office space increased by +22.7 % to 2.6 million sqm RAC, the largest figure since 2003. Especially in the pro-cyclical A and B Class markets, vacancy figures and rates are now pushing up.

Andreas Schulten: „*The figures should be seen in their long-term context: Even now, the office take-up figures of the A and B Class cities still match the 30-year mean since 1990, and vacancy rates in these cities are only 40 % of what they were in the last crisis peak in 2010. So far, the office has just been shaken up badly, but remains largely robust in its fundamental structures.“*



Minus in retail rents even before COVID-19

The lockdowns caused revenues in the retail sector to take a nosedive, forcing a number of retailers out of business. That said, signs of a deeper structural change within the retail landscape began to emerge years ago, well before the corona effect. As a result, retail rents in prime high-street locations softened slightly during the past two years and dropped more sharply by -2.2 % in 2020. Further long-term rent reductions are likely in high-street pitches because the costs of goods sold and staff costs leave little potential for savings. The market for commercial real estate remains indifferent overall.

Prices for commercial land prices react to high logistics demand

The commercial property index registered a dynamic growth in land prices at a rate of +4.5 %. Since 2014, growth rates have consistently maintained a high range of +4.0 % to +8.7 %. The strong demand for commercial-zoned plots is explained by the persistently keen property investment demand, as well as by the specific demand for logistics real estate. The crisis has, at long last, brought out the system-critical role of this economic sector. Moreover, e-commerce got a tremendous boost (about +15 % in 2020) from the lockdown.

Rents and Prices for Residential and Commercial Property in Germany

	WEST-GERMANY incl. Berlin (West)				GERMANY				
	Value		Change (nominal)		Value		Change (nominal)		
	1975	1990	1975 - 1990		1990	2020	1990 - 2020		2019 - 2020
(Euros/sqm)			total	p. a.			total	p. a.	
O-o* Apartments	1,313	2,053	56.3 %	3.0 %	2,026	4,974	145.5 %	3.0 %	5.8 %
Terraced houses (Euros)	128,310	212,295	65.5 %	3.4 %	206,087	471,874	129.0 %	2.8 %	7.5 %
Rents (new)	4.12	6.81	65.3 %	3.4 %	6.79	12.62	85.9 %	2.1 %	3.4 %
Rents (existing)	2.54	5.17	103.5 %	4.9 %	4.49	9.95	121.6 %	2.7 %	2.3 %
Sites for family homes	106	235	121.5 %	5.4 %	152	384	152.1 %	3.1 %	5.8 %
Prime pitch retail rents	33.80	68.74	103.4 %	4.8 %	55.67	76.12	36.7 %	1.0 %	-2.2 %
Suburban retail rents	10.74	18.39	71.2 %	3.7 %	16.47	14.70	-10.7 %	-0.4 %	0.1 %
City office rents	6.21	10.99	77.0 %	3.9 %	12.33	14.43	17.0 %	0.5 %	-0.8 %
Commercial land	69	123	79.3 %	4.0 %	106	186	75.6 %	1.9 %	4.5 %
bulwiengesa Property Market Index			80.3 %	4.0 %			83.6 %	2.0 %	3.6 %
Residential			79.1 %	4.0 %			126.8 %	2.8 %	5.0 %
Commercial			81.9 %	4.1 %			29.6 %	0.9 %	0.7 %

* Owner-occupied Apartments

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Highest price increases in 45 years: Munich

The bulwiengesa Property Market Index has analysed the performance of Germany's real estate market since 1975, initially based on 49 West-German cities, and using an expanded basis of 125 cities across the reunited Germany since 1990. The table shows the largest and lowest annual price increases across all segments of these 49 cities.

Rank of Average Change Rates

since 1975 – all Segments

Rank	City	Ø p. a.	Rank	City	Ø p. a.
1	München	4.1 %	40	Bochum	2.2 %
2	Regensburg	3.5 %	41	Essen	2.2 %
3	Rosenheim	3.4 %	42	Wuppertal	2.2 %
4	Frankfurt (Main)	3.3 %	43	Bremen	2.1 %
5	Wiesbaden	3.3 %	44	Bielefeld	2.1 %
6	Augsburg	3.2 %	45	Duisburg	2.1 %
7	Mainz	3.1 %	46	Krefeld	2.0 %
8	Heidelberg	3.1 %	47	Saarbrücken	2.0 %
9	Stuttgart	3.1 %	48	Hildesheim	1.9 %
10	Trier	3.0 %	49	Siegen	1.9 %

Note: only cities in West-Germany

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Expectations for the future

Within the real estate industry, the residential and logistics segments emerged as stable growth markets. Now as in the years ahead, the segments residential, office and logistics are likely to be the lower-risk asset classes in the real estate market. By contrast, the hotel segment and in-store retailing count among the casualties of the crisis due to the contact restrictions. In addition to the largely stable retail trade for daily needs, bringing in additional components for mixed-use properties are key to a commercial real estate market with fresh growth prospects.

About the bulwiengesa Property Market Index:

The bulwiengesa Property Market Index has analysed the performance of Germany's real estate market since 1975, initially based on 49 West-German cities, and using an expanded basis of 125 cities across the reunited Germany since 1990. The findings of the bulwiengesa Property Market Index are based on the extensive data collection of bulwiengesa and on the compilation of location and market analyses in line with its independent surveying practice. The database is supplemented annually with pinpoint empirical surveys, local polls and newspaper analyses, and is published in the RIWIS database. The bulwiengesa Property Market Indexis calculated and updated annually on the basis of these data. The nine use-specific sub-markets are equally weighted when calculating the index. The comprehensive index is supplemented with sub-indices for the residential and the commercial property markets.

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About bulwiengesa:

bulwiengesa is one of the major independent analytics firms for the real estate industry in Continental Europe. For more than 30 years, bulwiengesa has supported its partners and clients in real estate industry issues by providing location and market analyses, detailed data services, strategic consultancy and bespoke expert opinions, among other deliverables. The company's RIWIS online information system delivers richly informative microdata, time series, forecasts and transaction data. The data of bulwiengesa are used by Deutsche Bundesbank for the European Central Bank (ECB), the Bank for International Settlements (BIS) and the OECD, among many other clients.

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