

Press release, 13 November 2019

Berlin Hyp Publishes the “Trendbarometer” Expert Survey

- **Compared to other European countries, attractiveness of the German commercial real estate market unbroken**
- **Stagnation in new lending development**
- **Rent cap not an adequate instrument for more social justice**
- **Construction the only solution for housing shortage**
- **The real estate sector is still a ‘digital dinosaur’**

Around 500 real estate experts from Germany and abroad gave their assessment of the trends in the German real estate sector in the “Trendbarometer” expert survey conducted by Berlin Hyp.

Attractiveness of the German commercial real estate market unabated.

Sixty-nine per cent of the survey participants still consider the German commercial real estate market to be somewhat or much more attractive than other European countries. This means an increase of 2% compared to the approval values from January 2019 (67% somewhat or much more attractive) and a decrease of 11% compared to the values from 2018. The decline is also striking among those respondents who do not consider the German commercial real estate market to be attractive at all.

The German commercial real estate market is apparently immune to all downward trends. Although the excess demand in some top cities continues to be reflected in the lack of suitable products, the German commercial real estate market is still extremely robust. However, there are few equally attractive alternatives across Europe.

Is everything different? New lending remains at a high level.

The result is balanced: for 37% of our experts, new lending will stagnate. An increase in new lending is expected from 31% of survey participants, whereas 32% expect a decrease.

Overall, the outlook is solid for the real estate year to come. The strong pressure to invest and the good economic situation in Germany seemingly continue to be reflected in stable new lending figures and there are still sufficient real estate investments available. Only the tightening of global trade restrictions and a disorderly Brexit could affect the commercial real estate market in 2020.

More social justice – but not with the rent cap!

A clear result: 39% of the survey participants do not see the rent cap as a suitable instrument for promoting social justice. Only 2% would clearly answer this question in the affirmative.

The discussion was controversial and emotional. Nevertheless, the fact remains; the demand for living space is increasing in growing cities. If the offer does not grow with it, then the rents will rise. This is simple logic. There is a lack of residential space in almost all major cities. According to current estimates, there is a demand in Berlin for more than 130,000 additional apartments. This is offset by an offer that is far too small: the additional annual demand is currently insufficiently covered by new

construction – in Berlin by less than three-quarters of it.

The only way to more residential space is to build, build, build!

According to the real estate experts surveyed, the best method of creating more residential space is increased construction activity. This was mentioned 165 times. Also on the wish list is less red tape and a simplified policy framework (122), as well as the creation of incentives and the provision of subsidies (81). “More building land” was mentioned 56 times, “restructuring of existing buildings/consolidation” 45 times and “inexpensive building/other kinds of construction” 31 times.

More residential space can therefore only be created through increased building activity, but also through the conversion and consolidation of existing plots. There are no limits to creativity, as long as the bureaucracy plays its part.

Real estate companies: ‘dinosaurs’ of digitisation?

Fifty-one per cent of survey participants believe that real estate companies are still investing too little in digitisation. Nineteen per cent of real estate experts think that real estate companies invest enough, whereas 30% are undecided.

Although real estate companies see digitisation as an important opportunity to improve business processes and reduce costs, on average they invest only 5% of their annual revenue in measures to improve digitisation. The implementation of new digital trends such as the electronic collection and evaluation of data, automation and networking is making slow progress in the real estate sector. So there is still enough catch-up potential here.

Berlin Hyp has been publishing the “Trendbarometer” expert survey for six years now. Real estate experts from Germany and abroad share their expectations for the coming real estate year. The survey provides an assessment of the German real estate market in the current real estate year and a perspective for further development.

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Berlin Hyp specialises in large-volume real estate financing for professional investors and housing companies, for whom the Bank develops individual financing solutions. As an S-Group enterprise, it also provides an extensive spectrum of products and services to the German savings banks. It has a pioneering role as the issuer of the first Green Pfandbrief and promotes the financing of sustainable real estate. Berlin Hyp’s clear focus, about 150 years of experience and the ability to actively shape the digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.