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Berlin Hyp Publishes the “Trendbarometer” Expert Survey

- **Attractiveness of the German commercial real estate market remains unabated compared to the rest of Europe**
- **Property market comparatively little affected by the effects of the COVID-19 pandemic**
- **Residential asset class leader in the crisis with rapid recovery**
- **Crisis accelerates transformation towards greater sustainability**

More than 200 real estate experts from Germany and abroad gave their assessment of the trends in the German real estate sector in Berlin Hyp's “Trendbarometer” expert survey.

Attractiveness of the German commercial real estate market unabated.
Sixty-four 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 represents a 5% decline from the approval ratings of the survey of the second half of 2019.
Apparently, the German commercial real estate market is immune to all downward trends. Despite the ongoing crisis triggered by the COVID-19 pandemic, the German real estate market has been able to maintain its position as an attractive investment location. Good politics in times of crisis, rapid financial grants and a major economic stimulus package are getting Germany through the crisis well and consolidating its reputation as a safe haven within Europe.

Is everything different? Real estate market stable even in times of crisis
According to 41% of the survey participants, there will be no major slumps in the real estate markets. 22% of the participants assume that there will be a rapid recovery after a sharp slump. 21% expect to remain at a low level for a longer period of time and expect a gradual recovery. Only 4% expect a sustained correction of the market with no prospect of a recovery.
So, the prospects for the German real estate market are good: In the opinion of the participants, the COVID-19-related restrictions appear to have little effect on the real estate market, or rather the catch-up effect is being relied upon. After many transactions were initially parked, these could be caught up in the second half of the year and lead to a year-end rally.

Residential as leader in the crisis!
Thirty-one per cent of the survey participants assume that the Residential asset class will recover very quickly from the crisis. This may be due to

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the fact that living space is scarce and sought-after, especially in the conurbations, so that new tenants can be found at better conditions in a very short time. However, it may also be due to the fact that state aid measures have taken effect and the losses of rent are not as high as feared. There is always a need for living!
Among the crisis-proof asset classes, Logistics ranks second (25%) and Social/Care Properties third (20%), followed by Special Real Estate with an approval rating of 12%.
With approval ratings in single-digit figures throughout, the Office, Retail, Shopping centres and Hotel asset classes will have to prepare for a much longer recovery phase. Here it can be assumed that completely new approaches may emerge for these asset classes. The Office asset class used as an example: The future size of office space will be characterised by two opposing effects. On the one hand, more space and/or distance is needed to keep the risk of infection low. On the other hand, the trend towards desk sharing and more flexibility between office-based and home-based work will tend to exercise a downward pressure on the demand for the number of desks in offices.

Real estate as an anchor of stability

Germany withstands the crisis well and real estate is still needed. All this helps to strengthen the position of German real estate as a “safe haven”. For 50% of the survey participants, German real estate will continue to be in particular demand as a safe haven. As interest rates are unlikely to rise and investment alternatives still have a low profitability, the general demand for real estate investments is likely to remain high.
According to 17% of the survey participants, it will be easier for investors to obtain attractive properties. In each case 8% assume that there will be significantly fewer transactions in the long term and that the situation on the housing market will ease noticeably. In each case 7% believe that foreign investors will withdraw noticeably and land costs will be lower. 3% even expect a significant increase in the level of yields.

Sustainability is becoming increasingly important

The crisis as an accelerator of transformation – this perception is also shared by the participants of the “Trendbarometer” expert survey. 42% of the survey participants assume that the topic of sustainability will become even more important. For 24%, this transformation is being driven forward through subsidies and state aid programmes. It is interesting to note that 32% of the survey participants pay less attention to this topic or it has no influence on them.

Berlin Hyp has been publishing the “Trendbarometer” expert survey for seven years in a row now. Real estate experts from Germany and abroad comment on their expectations of the real estate business in the coming 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 finance for professional investors and housing societies, for whom the Bank develops individual financing solutions. As an enterprise forming a Group together with the German savings banks, it also makes an extensive spectrum of products and services available to these institutions. Berlin Hyp is not only at the forefront as the issuer of the first Green Pfandbrief; the bank also supports the financing of sustainable real estate. Berlin Hyp's clear focus, 150 years of experience and the ability to actively shape the digital transformation in the real estate sector with an eye to the future characterize the Bank as a leading German real estate and Pfandbrief bank.