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The Berlin Hyp Trendbarometer survey: The real estate industry is now looking towards the snap election

Many challenges await Germany, its economy and the real estate sector in the new year. The latest Trendbarometer survey conducted by commercial real estate financier Berlin Hyp reveals the important issues for the industry in 2025:

- **Politics, construction costs and interest rates will be the top issues in 2025**
- **New German government: less bureaucracy, more investment**
- **Positive predictions regarding the willingness of banks to provide financing**

Will things improve, deteriorate or move in a more “sideways” direction? Given the upcoming snap election in Germany, as well as the country’s economic stagnation and difficult financial situation, the current state of Europe’s biggest economy resembles a balancing act. This is also affecting Germany’s real estate industry, whose development is being hampered by excessive bureaucracy and high costs in particular.

In Berlin Hyp’s most recent Trendbarometer*, just under 300 real estate professionals were asked about their expectations regarding the new year and federal and state government policies.

“The results of the latest Trendbarometer clearly show that the period of political gridlock must now come to an end”, says Sascha Klaus, Chair of the Board of Management of Berlin Hyp. “The real estate industry expects more decisiveness and reliability from the political realm in the new year. If the urgently needed reboot of Germany as a business location is to succeed, we need to have a government capable of acting as quickly as possible after the election. The top priority should then be a reduction of bureaucratic obstacles – and for our industry in particular we need to see an improvement in the underlying conditions for new-construction activities and refurbishments.”

Such an attitude was also reflected in the responses to the first question in the survey: **“What will be the most important issue in the real estate industry in 2025?”**. Here, 67 per cent of the respondents cited “Underlying political conditions” as the determinant of prosperity or difficult times in the industry. This was followed by what are still considered to be excessively high “Construction costs” (59 per cent), as well as the

*Survey period: 2-8 December 2024

“Interest rate level” (53 per cent), which is expected to continue to decline.

Such opinions were also reflected in the responses to the following question in the survey: **“What could help the real estate industry in the new year?”**. Here, 53 per cent of the respondents chose the option “New political initiatives on the federal level”. Expectations relating to government policies were also the subject of the most frequent response of “Better conditions for new-construction activities” (71 per cent), as well as the third most frequent response: “Facilitation of refurbishment projects” (52 per cent). The response option of “Further interest rate cuts” was chosen by 47 per cent of the respondents. Only 9 per cent chose “Comeback for the office asset class” – likely in view of the current weak state of the Germany economy.

When specifically asked **“What should the next German government do to stimulate the German economy?”**, the majority of respondents by far (79 per cent) chose the response “Reduce bureaucracy”. The respondents also believe that “Promote investment” is extremely important as well (47 per cent of respondents). However, “Reform the so-called debt brake”, which is the subject of much discussion, was chosen by only 26 per cent of the respondents. “Take measures to reduce energy prices” was considered more important here (39 per cent of respondents), as was “Take measures to strengthen Germany as a manufacturing location” (37 per cent of respondents). On the other hand, “Reduce taxes on businesses” was supported by only 13 per cent of the respondents.

However, it’s not just the federal government but also state and local authorities that can have a considerable influence on the development of the real estate industry. Berlin Hyp therefore also asked: **“What do state and local authorities need to do in order to help stimulate the real estate sector?”**. Here, 56 per cent of respondents chose the response “Align state building regulations more closely with the Model Building Code”. This was followed by “Reduce municipal constraints and regulations relating to redensification and reutilisation” (55 per cent). Both measures could lead to more housing, which is urgently needed at the moment. “Lower the real estate transfer tax” was selected by 30 per cent of the respondents here.

The question **“How would you describe your company’s willingness to make investments (in 2025)?”**, which Berlin Hyp regularly asks, also produced an interesting result, as such willingness to invest is now slightly on the rise, despite the economic stagnation in Germany. At the end of 2023, for example, 41 per cent of respondents described this willingness as “Balanced”, while today the figure is 49 per cent. In 2023, 36 per cent described the willingness to invest as “Limited”; today that figure is down to 24 per cent. In addition, 21 per cent describe the willingness to invest as “High” (2023: only 16 per cent). This change in perception may be due to the cautious mood of optimism on the market that was also apparent at Expo Real.

The outlook in terms of financing is also more positive compared to the previous year, as is reflected in the responses to the question **“In what way do you think the willingness of commercial real estate financiers to provide financing will change in the coming 24 months?”**. Here, 42 per cent of the respondents chose the option “Will remain unchanged” – only 9 per cent chose this response at the end of 2023, which corresponds to an increase of 33 percentage points. A total of 30 per cent of the respondents chose the option “Will be limited”; at 53 per cent, the figure for the previous year was much higher. A total of 26 per cent of the respondents selected the option that the willingness to provide financing “Will increase”, which is 4 percentage points higher than the figure for the previous year. All of this amounts to a tremendous improvement,

and it remains to be seen whether the development of transaction volume over the next few months confirms these predictions.

About the Berlin Hyp Trendbarometer survey:

Berlin Hyp has been publishing the “Trendbarometer” expert survey for more than ten years now. Within the framework of this survey, real estate experts from Germany and abroad offer an assessment of the German real estate market in the current real estate year, as well as their opinions on the outlook regarding the further development of the industry.

Just under 300 real estate experts participated in the most recent survey, which was conducted in December. You can view the detailed results of the survey in the attached presentation, which can also be found on the Berlin Hyp website.

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