MARKET SURVEY

bulwiengesa Property Market Index 1975 - 2024

Commercial & Residential – Rents & Prices – 125 German Cities – since 1975

Owner-Occupied Apartments • Terraced Houses • Residential Rents • Building Land • Retail Rents • Office Rents

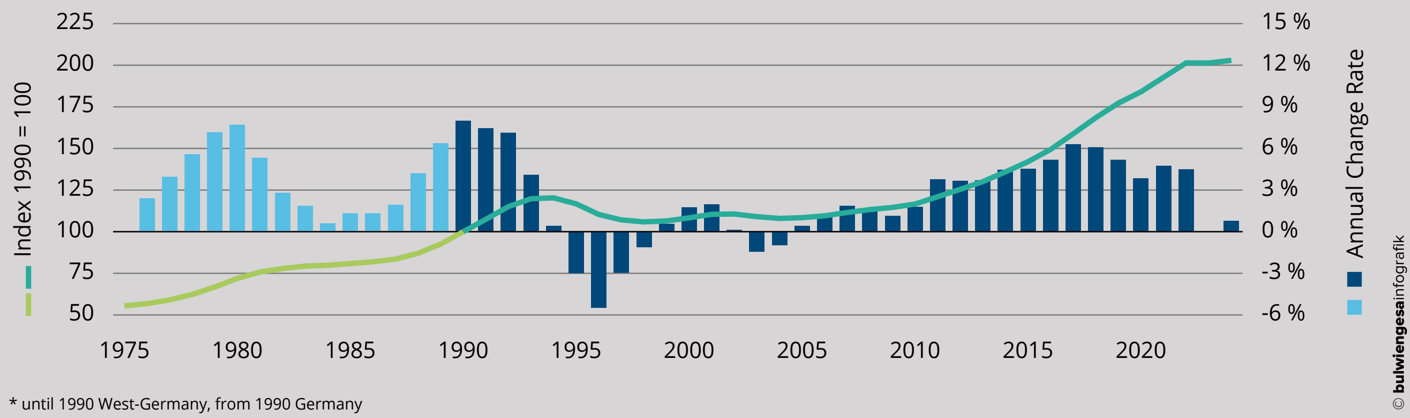
» A new start after the crisis?
bulwiengesa property index rises by +0.8 %

After stagnating in the previous year, the bulwiengesa property index recorded a slight nominal increase of +0.8 %, but like the entire real estate sector is adopting a wait-and-see approach. Low completion figures, company insolvencies and financing difficulties for commercial and private customers are an expression of an unstable market structure with high demands on the players, who are waiting for the outcome of the early general election and the ECB's interest rate moves. Forward deals and pre-lettings remain pale in 2024 and cannot offer project developers the necessary stability.

The most important results of the 2024 property index:

- The nominal rate of change in the property index recorded a slightly positive trend.
- The housing market is showing stagnation in purchase prices, while residential land is suffering a slight fall in value. In contrast, rents are rising significantly.
- The correction in retail rents is not yet complete, while office rents are rising and commercial property prices are showing an upward trend.
- Inflation rate and property index are converging.

bulwiengesa Property Market Index
1975 to 2024 for Germany*



* until 1990 West-Germany, from 1990 Germany

» Slight upturn in the housing market

In the recent past, the residential sub-index recorded a significant growth phase with regular annual growth rates of over 5 %. Since 2023, the figure has been much lower at around +1.0 % p. a. and is currently being driven by the positive rental trend. An analysis of existing and new-build rents shows a significant increase of +3.4 % and +3.7 % respectively. In contrast, prices for terraced houses are only recording a moderate increase of +0.7 %, while prices for new-build apartments (0.0 %) are stagnating. The high building land prices for family home plots fell slightly for the second year in a row, this time by -1.6 %. The 5-year average in the residential sector remains at +3.2 % p. a. overall. Market values for residential property have recently come under strong pressure due to interest rates, but are still at a historically high level. On the user side, demand for residential property remains high (singularisation, immigration), meaning that vacancy rates are low and more new construction would be required. On the property industry side, the increase in yields for the scarce commodity of housing will primarily be achieved by optimising cash flow, as high construction and financing costs are still hampering the transaction market.

» Commercial Property Market index stagnates at +0.2 %

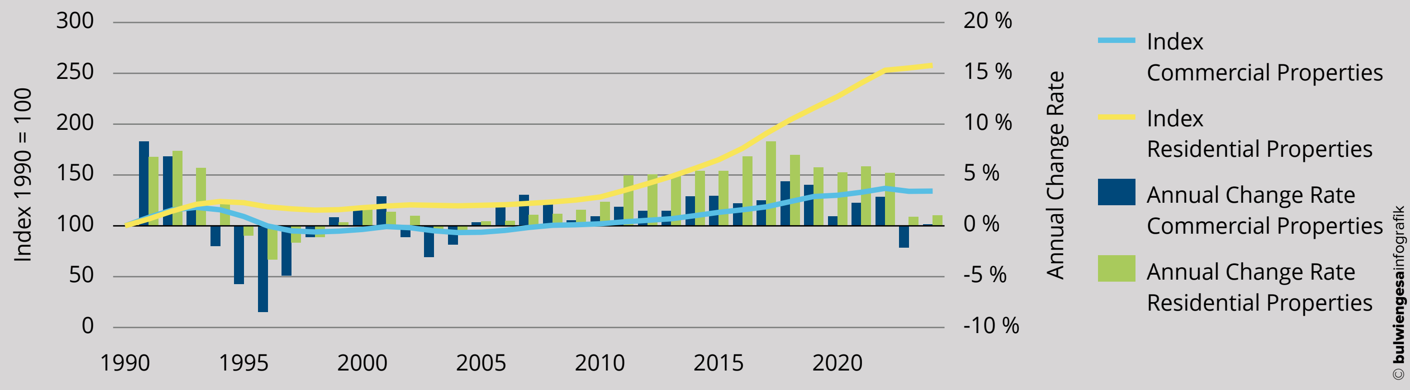
In line with the downward revision of GDP, the HDE is revising its estimate of retail sales for 2024 to nominal sales growth of +1.3 % (mid-2024 still +3.5 %). Consumption expectations are likely to be gloomy in 2025, as consumers' propensity to spend will remain subdued and the savings rate will remain at a high level. With nominal growth of +2.0 %, online retail will also show little sales momentum. In addition to the increase in insolvencies in the retail sector, the conditions for shops and hybrid business models are fraught with uncertainty.

Prime retail rents in prime locations continue to fall (-2.1 %), while secondary and district locations are moderately affected (-0.5 %). As long as the transformation of the retail landscape continues, no real rent increases are to be expected and store networks must be optimised. Apart from the top retail locations, where the optimisation of international chain stores could lead to isolated rent increases. The ambivalence of rents in the bricks-and-mortar retail sector continues to increase.

In 2024, **office rents** in central locations will increase by +2.5 % across all city categories. The main driver is the demand for modern and energy-efficient office space in central locations. This continues the paradox of rising rents and rising vacancy rates. After the significant increase in vacancies in 2023, the vacancy rate in the 127 RIWIS cities will increase further in 2024, by over +14 % to almost 11 million sqm of RAC office space. The already limited demand (office space take-up at a low level) is therefore very selective. As the number of office completions will remain relatively high in the short term, the increased vacancy rate will continue. In the medium term, the volume of new construction will decrease in favour of increased refurbishment activity in sought-after locations.

Prices for commercial plots have stabilised again following the significant slump in the previous year (-6.0 %) and have risen slightly by +0.4 % in 2024. Even though the current economic situation is fraught with uncertainty, commercial plots remain in high demand. Commercial enterprises are looking for solutions to optimise and automate their work processes, which can also be best carried out in more sustainable properties. As a result, competition for new builds has intensified significantly, which in turn is also leading to rising rent levels. E-commerce, supply chain optimisation to reduce geopolitical risk and automation remain the dominant themes.

bulwiengesa-Index for Commercial and Residential Properties
1990 to 2024

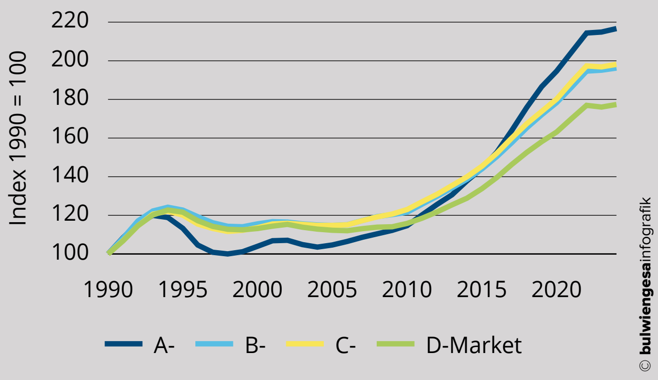


» ABCD city types: A/D before B/C in 2024

The property index shows a marginal upturn, which is reflected in uniform growth rates for all four city types. The A- and D-cities show a higher increase of +0.8 %, while the B- and C-cities have a slightly lower growth rate of +0.6 % and +0.7 % respectively. The A-cities (216.7 points) remain ahead of the C-cities (198.2 points) and B-cities (196.2 points), which are at a comparable level. The D-cities (177.4 points) show the lowest increase since 1990.

Property Market Index by Market Type

1990 to 2024



A look at the **housing market variables** shows a slightly positive trend overall, although there is a wide range in the individual variables. Rents should be emphasised positively with significant increases. New-build rents in the A- (+4.1 %) and B-cities (+4.0 %) rose slightly more than in the C- (+3.5 %) and D-cities (+2.6 %). In the case of existing rents, the spread between the highest increase (B-cities +4.3 %) and the lowest increase (D-cities +2.8 %) is equally pronounced. The increase in new-build terraced houses in the B-cities (+1.8 %) is also positive, while the other city categories tended to stagnate between -0.3 % and +0.6 %. Prices for new-build apartments rose slightly in the B-, C- and D-cities (+0.2 to 0.3 %), while the A-cities recorded a slight price decline of -0.4 %. Prices for plots of land for detached single-family homes are developing negatively across the board, falling more sharply in the B- (-3.2 %) and A-cities (-1.7 %) than in the C- (-0.2 %) and D-cities (-0.5 %). All city categories show a slight increase in the sum of all housing market variables, but do not offer complete protection against inflation in 2024.

As in the previous year, the **commercial market variables** developed very differently within the variables analysed. The decline in city centre retail rents continued in all city categories, ranging from -1.6 % in the A-cities to -2.8 % in the smaller locations, while rentsents in secondary retail locations saw more moderate growth of between 0.0 % in D-cities and -0.8 % in A-cities.

In contrast, office rents in the C-cities again rose relatively significantly by +2.7 % and only slightly less in the other city categories at +2.2 % to +2.6 %. Prices for commercial properties stabilised again after the significant decline in the previous year and increased by +1.2 % in the A-cities, while they fell slightly in the B-cities (-1.7 %). The C-cities (-0.4 %) and D-cities (-0.1 %) stagnated.

Ranking of Average Change Rates

since 1975 – all Segments

Rank	City	Ø p. a.	Rank	City	Ø p. a.
1	München	4.0 %	40	Göttingen	2.3 %
2	Rosenheim	3.4 %	41	Bremen	2.2 %
3	Regensburg	3.3 %	42	Bielefeld	2.2 %
4	Wiesbaden	3.2 %	43	Bochum	2.1 %
5	Mainz	3.2 %	44	Wuppertal	2.1 %
6	Frankfurt (Main)	3.1 %	45	Duisburg	2.1 %
7	Augsburg	3.1 %	46	Krefeld	2.0 %
8	Stuttgart	3.0 %	47	Saarbrücken	1.9 %
9	Trier	3.0 %	48	Hildesheim	1.9 %
10	Heidelberg	3.0 %	49	Siegen	1.8 %

Note: only cities in West-Germany

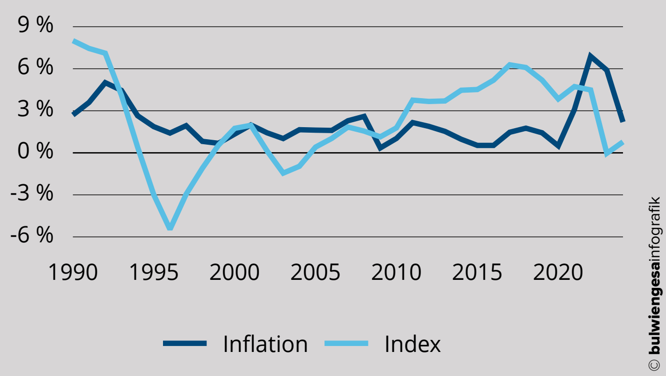
© bulwiengesainfografik

» Inflation rate falls only slowly

In the 1990s and 2000s, the rate of change in the property index was mostly below the rate of inflation, although the real estate market has recently been able to get used to significant real gains. The property index has been below the inflation rate since 2022, even though it rose again slightly in nominal terms in 2024 following a negative trend in the previous year (2023: -5.9). The spread is now -1.4 percentage points (residential -1.2 / commercial -2.0).

Inflation and Index

Change Rates 1990 to 2024



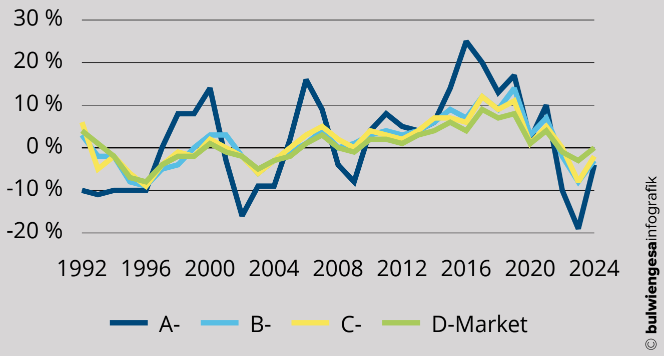
» Excursus: Property performance

2024 saw a further decline in sales proceeds. Although the significant price correction of the previous year has weakened, no increase in value was recorded. The self-imposed industry motto ‘Survive until 2025’ is also reflected in a transaction market that continues to be below average..

» After peaking in 2023, value losses for office properties stabilise at a low level

Performance of New Office Properties in Central Locations

1992 to 2024, Annual Change Rate

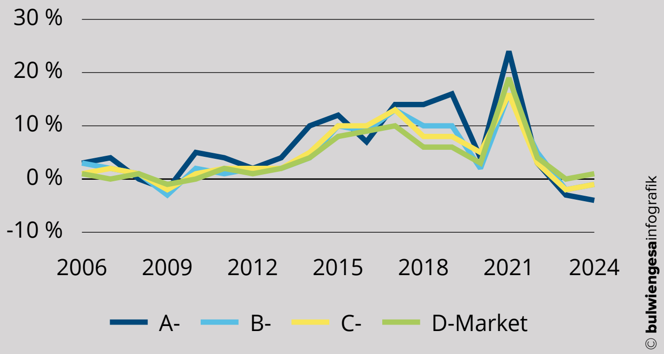


After massive losses in value in the previous year, the value correction in the office market has now levelled off significantly. Values are even stagnating in D-locations. Nevertheless, the office segment still has to cope with far-reaching restructuring.

» Logistics properties are struggling with the economic cycle, but further falls in value are only marginal

Performance of As-New Logistics Properties in Good Logistics Locations

2006 to 2024, Annual Change Rate

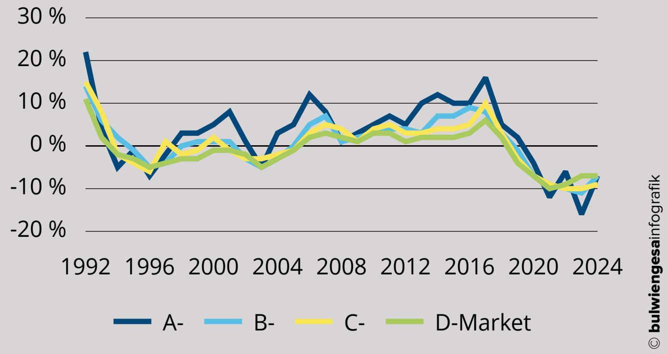


The values of logistics properties will change slightly in 2024, -1 to -4 %, and even +1 % in German cities. Rising yields will be offset by rising rents. The asset class remains attractive due to the shortage of land.

» AContinuing decline in value of retail properties slightly weakened

Performance of New Retail Properties in Prime Locations

1992 to 2024, Annual Change Rate

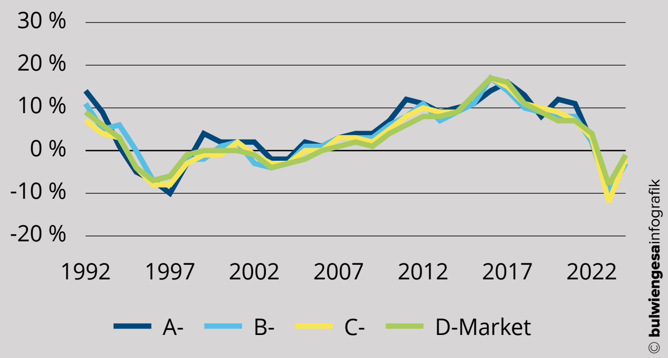


Although there will be no negative peak in 2024, the decline in value across all city categories will continue. This illustrates the structural problems of the asset class and also the challenges of city centre development.

» Residential property is particularly dependent on the buyer's market, rising rents bring rays of hope

Performance of New Multi-Family Houses in Good Locations

1992 to 2024, Annual Change Rate



In 2024, the correction phase of the residential property market has continued, with losses decreasing. The synchronisation of the curves for all city categories makes it clear that there are structural rather than regional issues.

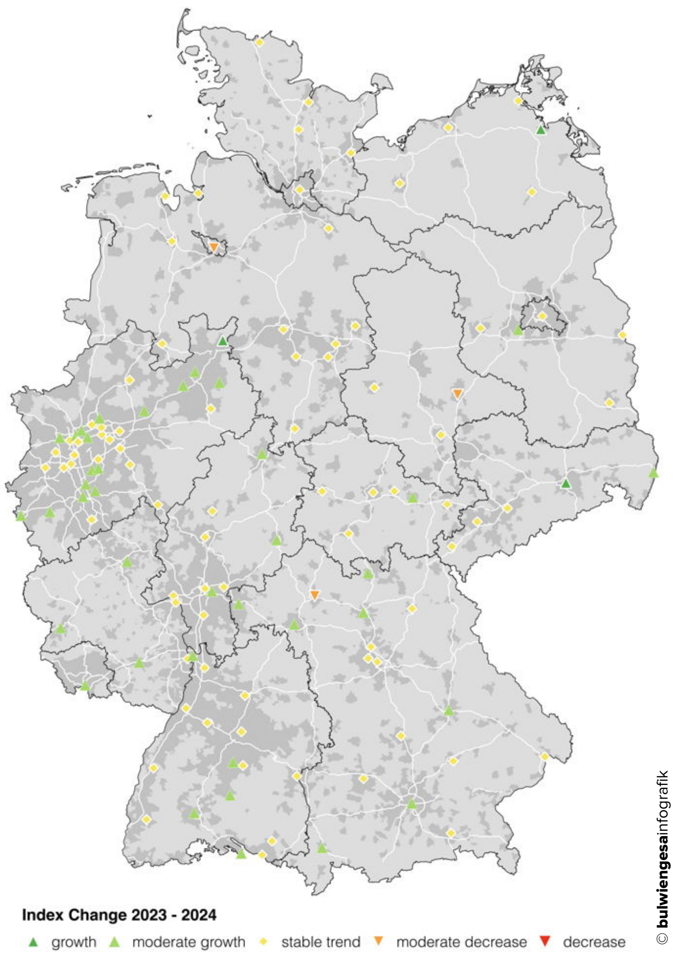
Rents and Prices for Residential and Commercial Property in Germany

	WEST-GERMANY incl. Berlin (West)				GERMANY				
	Value		Change (nominal)		Value		Change (nominal)		
	1975	1990	1975-1990		1990	2024	1990-2024		2023-2024
(Euros/sqm)			total	p. a.			total	p. a.	
O-o* Apartments	1,313	2,053	56.3 %	3.0 %	2,026	5,497	171.3 %	3.0 %	-0.0 %
Terraced houses (Euros)	128,310	212,295	65.5 %	3.4 %	206,087	553,369	168.5 %	2.9 %	0.7 %
Rents (new)	4.12	6.81	65.3 %	3.4 %	6.79	14.69	116.3 %	2.3 %	3.7 %
Rents (existing)	2.54	5.17	103.5 %	4.9 %	4.49	11.39	153.7 %	2.8 %	3.4 %
Sites for family homes	106	235	121.5 %	5.4 %	152	426	179.6 %	3.1 %	-1.6 %
Prime pitch retail rents	33.80	68.74	103.4 %	4.8 %	55.67	67.69	21.6 %	0.6 %	-2.1 %
Suburban retail rents	10.74	18.39	71.2 %	3.7 %	16.47	14.52	-11.8 %	-0.4 %	-0.5 %
City office rents	6.21	10.99	77.0 %	3.9 %	12.33	16.72	35.6 %	0.9 %	2.5 %
Commercial land	69	123	79.3 %	4.0 %	106	202	91.3 %	1.9 %	0.4 %
bulwiengesa Property Market Index			**80.3 %**	**4.0 %**			**102.9 %**	**2.1 %**	**0.8 %**
Residential			79.1 %	4.0 %			157.9 %	2.8 %	1.0 %
Commercial			81.9 %	4.1 %			34.2 %	0.9 %	0.2 %

* Owner-occupied Apartments

» Expectations for the future

In the property year 2025, purchase prices will be under pressure, rents will tend to rise, too little will be built and it will usually be too expensive, and it will be difficult to designate new commercial properties. Inflation is expected to be around 2 %, consumer spending and the economy are forecast to rise slightly again in 2025 and the key interest rate is likely to be below 3 % in 2025. These are all facts and figures that will only gain substance in the context of the upcoming general election, when the framework conditions for the economy and property market become clear. Exemplary issues that need to be clarified are the development of the rent freeze and the amendment of building regulations. It is questionable whether there will be a housing construction offensive for privately financed and social housing and which commercial properties will be needed in the future. Finally, a resurgent property market must be compatible with sustainability goals. It should be noted that the need for new builds and refurbishments continues. In addition, bold functional restructuring is required in city centre development. Urban and property development will become even more closely intertwined with economic and political interests.



» More Details

Detailed information, data series and evaluations are available separately. If you are interested, please get in touch with us.

Contact

Jan Finke (finke@bulwiengesa.de)
Franziska Wenzel (wenzel@bulwiengesa.de)
www.riwis.de, riwis@bulwiengesa.de

bulwiengesa AG
Nymphenburger Straße 5
80335 München, Germany

Tel. +49 89 23 23 76-0
Fax +49 89 23 23 76-76
www.bulwiengesa.de