

ImmoScout24 Wohnbarometer

Q3 2022

Executive Summary

The "ImmoScout24 Wohnbarometer" shows the development of prices for rent and sale in the third quarter, in Germany as a whole and in the seven largest metropolitan areas (Berlin, Düsseldorf, Frankfurt (Main), Hamburg, Cologne, Munich, and Stuttgart). The analysis is based on listings for existing and new apartments for rent or sale on Germany's largest online marketplace for real estate, ImmoScout24. The price data is supplemented by information on demand and supply and price forecasts for the period up to the end of 2022.

Recent developments in the real estate market: The rental market remains tight while the sales market eases

- National average prices for rent rise by around 3% in Q3, while demand for sale properties is stabilizing
- Demand for rental apartments in the seven largest metropolitan areas continues to increase
- After significant price corrections, prices for newly built apartments are rising moderately again
- National average rent price increase twice as strong in Q3 compared to Q2
- General comment on sale price developments

Summary

Rent market: due to rising demand, which is clearly exceeding supply, the pressure on the German rental market is growing. The supply of rental apartments in Germany's top seven metropolitan areas fell by 7.3% in the third quarter compared to the previous quarter.

The sales market, on the other hand, is calming down, especially in the metropolises. After price declines in the second quarter of up to 5.3% for newly built apartments, prices are rising moderately again in the third quarter. Demand has returned to pre-Covid levels. Due to the shift in demand towards the rental market, Scout24 expects rental prices to develop much more dynamically than sales prices in the coming months.

Rental Market

In the third quarter of 2022, the WohnBarometer shows that prices for rental apartments are rising sharply again across Germany. On average, existing rental apartments are 2.9% more expensive than in the previous quarter (+2.7% in Q2). For newly built rental apartments, the price development in the third quarter is an increase of 2.5% (3.6% in Q2). On average, existing rental apartments in Germany are on offer for 7.88€/m² when newly rented in the third quarter, while newly built apartments are on offer for an average rent of 10.85€/m².

Following a significant shift in demand from buy to rent for the first time in Q2, demand for rental apartments continues to increase in Q3. The supply of rental apartments in Germany's seven largest metropolises fell by 7.3% in Q3 compared to Q2. Rising demand is clearly outstripping supply. Rent-seekers are facing even more competition and further increases in rental prices when looking for an apartment. Within the metropolitan areas, demand is highest by far in Berlin. During the third quarter, a listed existing rental apartment in Berlin receives an average of 226 contact enquiries within one week – a new record. The demand for newly built rental apartments is also highest in Berlin compared to the other metropolises.

Munich recorded the highest price dynamics in this quarter. The average rent for existing apartments in Munich climbed by 4.8% to 17.74€/m², exceeding the threshold of 17€ for the first time. Meanwhile Hamburg recorded the second largest rise in rents for existing apartments with an increase of 4.5% to 12.77€/m². Düsseldorf broke the 11-euro barrier for the first time with an increase in rents for existing apartments of 3.9% to 11.23€/m². Nevertheless, Düsseldorf remains the cheapest metropolis in Germany.

For newly built apartments, Munich also recorded the highest rental price increase of all the metropolises with a rise of 5.6%. This means that the average rent for new apartments in the third quarter is 20.74€/m². In comparison, in Berlin, the average rent for new apartments in the third quarter is 15.75€/m². This makes Berlin the second most expensive city in the newly built rental apartment segment.

**The demand, which continues to rise,
is clearly outstripping supply.**

Buying Market

The WohnBarometer shows that the sales market for residential properties normalized in the third quarter. Although demand continues to shift from a sales market to a rental market, the level of prices is settling above the pre-Covid level. Existing apartments remain much more in demand than newly built condominiums. After a drop in prices for single-family homes and newly built apartments in the previous quarter, asking prices for newly built condominiums are rising slightly again in the third quarter.

Existing condominiums on ImmoScout24 are 0.9% more expensive in Q3 2022 than in Q2. New-built condominiums increased in price by an average of 1.0%. The asking prices for single-family homes rose by 0.5% in existing buildings and by 1.9% in new buildings. Despite the rise in sales prices, the pace of these increases is slower than previous quarters, which indicates the sales price momentum is weakening. In the same period, rents are experiencing a much stronger upswing. Nationwide, rents for new apartments rose by around 2.5% and for existing apartments by 2.9% in Q3.

After a significant price drop in the second quarter of up to 5.3% for newly built condominiums, prices rose again moderately in Q3. With a price increase of between 0.5 and 1.7%, asking prices in Cologne, Düsseldorf, Hamburg, and Frankfurt nevertheless remain around 100 to 200€/m² below the level of the first quarter of 2022. Munich remains by far the most expensive metropolis in Germany

After a price drop in the second quarter (...) for newly built condominiums, asking prices rose again moderately in Q3.

with a price increase of 1.2%. The price per square meter in Q3 is around 9,837€, which is more than 3,000€ higher than in the other metropolises. In a comparison of the seven metropolises, Cologne remains the only metropolis with an asking price per square meter below the €6,000 mark. In the remaining metropolises, asking prices range from just under 6,400€ to 6,700€ per square meter.

The development of prices for existing apartments for sale in the metropolises paints a mixed picture. In Frankfurt, Düsseldorf and Cologne, asking prices have shown only minimal movement. In Frankfurt, the asking price fell by around 0.2%, or just under 3€/m², bringing average prices to around 5,590€/m² in the third quarter. Düsseldorf and Cologne, on the other hand, each recorded an increase of 0.5%. Berlin and Hamburg defied the current moderate development of prices, rising 3.2% and 2.8% respectively, well above the average for Germany as a whole. In Munich and Stuttgart, prices stagnated in the second quarter, while in the third quarter, prices declined slightly by -1.1% and -1.4% respectively.

Conclusion

The real estate market continues to adjust to the new economic reality. Particularly in the current complex market situation, the expertise of estate agents is once again much more in demand. For prospective buyers the weaker sales price momentum creates opportunities that have not been seen for almost 10 years.

The other effect of this is that pressure on the rental market continues to grow and demand far outstrips supply. Both rental prices and competition for available housing will continue to rise. Therefore the credo of German politics must be to increase construction efforts to generate more supply. Scout24 encourages German politicians to create more incentives to boost construction activity. Ultimately we need more supply so that housing does not become unaffordable, especially in the metropolises.

Methodology

The ImmoScout24 WohnBarometer is the market report on the development of the real estate market in Germany. Published by ImmoScout24: Germany's leading online platform for residential real estate. It reflects the price development in real supply prices, supplemented by an indicator of supply and demand as well as a price forecast until the end of the year. The database comprises over 8.5 million listings from the last five years on ImmoScout24. All rental apartment listings are analyzed. The values are calculated for reference properties for the respective property type considered by an algorithm from the field of machine learning. The reference object for rental apartments is a two-room existing apartment of 70 square meters. For apartments for sale, a three-room apartment with 80 square meters of living space is taken as a basis. The single-family house under consideration has 140 square meters of living space and a plot of 600 square meters. The category new construction contains all offers with a construction age of two years or less at the respective determination date.

The demand is calculated based on the number of contact requests per listing of the respective property type per week. It is a standardized value to compensate for different standing times of the listings on the portal. The algorithm applied also forms the basis for the price forecast. For this current population balances and the available and planned housing stock are included in the calculation. The current rental prices always refer to the last data point in the market report and thus represent the asking price in the first quarter of 2022.

Appendix

Data cockpit for rental apartments

	Germany	Berlin	Dusseldorf	Frankfurt (Main)	Hamburg	Cologne	Munich	Stuttgart
Rental apartments - Existing properties								
Price development Q2 2022 to Q3 2022	+2.9%	+3.5%	+3.9%	+2.6%	+4.5%	+3.5%	+4.8%	+2.9%
Price per m ² Q3 2022 (in EUR)	7.88	11.49	11.23	13.15	12.77	11.99	17.74	12.61
Net cold rent for the 70 m ² reference apartment (in EUR)	551.60	804.30	786.10	920.50	893.90	839.30	1.241.80	882.70
Forecast: price development until the end of 2022	6.0%	5.0%	3.0%	5.0%	9.0%	6.0%	5.0%	6.0%
Demand indicator: weekly inquiries per listing	21	226	42	27	64	70	75	26
Rental apartments - new construction								
Price development Q2 2022 to Q3 2022	+2.5%	+2.5%	+3.5%	+1.8%	+3.1%	+3.6%	+5.6%	+2.8%
Price per m ² Q3 2022 (in EUR)	10.85	15.75	13.35	15.44	14.94	13.34	20.74	15.57
Net rent per m ² for 70-m ² reference apartment (in EUR)	759.50	1,102.50	934.50	1,080.80	1,045.80	933.80	1,451.80	1,089.90
Forecast: price development until end of 2022	8.0%	7.0%	5.0%	6.0%	8.0%	3.0%	5.0%	5.0%
Demand indicator: weekly inquiries per listing	9	76	11	8	20	20	18	18

Data cockpit for sales objects

Sales price development Q3 2022	Apartment Existing properties	Apartment New construction	House Existing properties	House New construction
Germany	+0.9%	+1.0%	+0.5%	+1.9%
Berlin	+3.2%	+1.0%	+0.3%	-1.5%
Hamburg	+2.8%	+1.7%	+4.0%	+5.3%
Düsseldorf	+0.5%	+1.0%	+0.4%	+2.7%
Cologne	+0.5%	+1.0%	+0.2%	+2.6%
Munich	-1.1%	+1.2%	-1.9%	+1.4%
Frankfurt	-0.2%	+0.5%	-0.1%	+1.4%
Stuttgart	-1.4%	+0.2%	-1.6%	+0.3%
Current offer prices per sqm (in EUR)	Apartment Existing properties	Apartment New construction	House Existing properties	House New construction
Germany	2,835	4,170	3,055	3,703
Berlin	4,825	6,472	5,112	6,051
Dusseldorf	5,148	6,682	5,504	5,988
Frankfurt (Main)	5,590	6,558	6,290	6,977
Hamburg	5,331	6,388	6,093	6,515
Cologne	4,648	5,939	4,941	6,377
Munich	7,786	9,837	8,382	9,077
Stuttgart	5,219	6,421	6,514	7,181

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