

ImmoScout24 WohnBarometer

Q4 2022

Executive Summary

Every quarter, the "ImmoScout24 WohnBarometer" shows the development of rental and purchase prices 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 the listings for existing and newly built apartments for rent or purchase on Germany's largest online marketplace for real estate, ImmoScout24. The price data is supplemented by information on the relation of demand to supply as well as a price forecast for the upcoming 12 months.

Purchase demand increasing again after noticeable price corrections while rents continue to rise

- **Despite price corrections in the fourth quarter – on nationwide scale average property prices increased in 2022 compared to 2021.**
- **Nevertheless, asking prices in Germany's metropolitan cities range below previous year, particularly for apartments to buy.**
- **Sustained price declines on the purchase market are not expected due to supply shortage.**
- **Offer prices for single-family houses fall significantly more than for condominiums.**
- **Asking rents for existing and new built inventory show moderate price development across Germany throughout the fourth quarter. Ancillary rental costs show steeper price increase driven by high energy prices.**
- **Demand for existing rental apartments declines for the first time, while demand for energy-efficient new built apartments increased driving rental prices in some of the metropolitan cities in this segment.**

Summary

Despite price corrections in the fourth quarter, the German real estate market for houses and apartments to buy recorded increases in property prices compared to the previous year. New apartments in the major cities show a sharper decline in prices than existing objects. The situation is different for single-family homes, where asking prices for existing homes have decreased more than for new construction. Nevertheless, ImmoScout24 does not expect ongoing price declines due to the supply shortage for residential real estate objects in Germany.

On the rental market, asking rents developed moderately in the fourth quarter. Here, ancillary costs have climbed faster than the basic rent and increased to a share of 18.3% of the total rent in December 2022. Overall, demand is shifting slightly from existing rental apartments in favor of new construction. This is also reflected in the rise of the asking rents for new energy-efficient apartments.

Buying Market

For the fourth quarter of 2022, the ImmoScout24 WohnBarometer shows an unusual picture. In recent years, the real estate market has only known one direction in terms of price development - upward. The attractive interest rate level of the recent year's led to a dynamic price development. Within the last five years alone, real estate prices had risen by up to 63%. After moderate corrections in the second and third quarter of 2022, the fourth quarter of 2022, asking prices have fallen more sharply in the fourth quarter. Despite the noticeable price correction of up to 10.0% in selected cities, most asking prices remain well above the level of 2021.

Prices for condominiums have decreased by 4.3% on average in the existing property segment. Now ranging at EUR 2,714/m², however, the asking price has risen by 3.5% year-on-year. Apartments in the new construction segment lost stronger with 6.4% and ended up at the level of Q4 in 2021. For single-family homes, the development is reversed. With 4.5%, the price decline of existing homes is higher than in new construction, where prices are going down -2.7% compared to Q3. Nevertheless, offer prices still range on a level over the same period of last year. In the existing portfolio by plus 2.7% and in new construction by plus 7.3%.

According to the Federal Statistical Office, Germany's population rose to over 84 million for the first time in the first half of 2022. At the same time, residential construction has stalled. The German Housing Industry Association [GdW](#) expects 250,000 new homes to be built in Germany in 2022 and even fewer in 2023 and 2024. This is far below the ambitious targets set by the German

government. This increases the pressure on both the rental and the purchase market. That's why sustained price declines cannot be expected due to the supply shortage.

Seasonally adjusted, demand for purchase properties appears to have bottomed out in Q3. In Q4, demand has increased again slightly in four of the top five German cities. However, overall, it remains below the pre-Corona level of Q3 in 2019. In Berlin, demand for properties to buy continues to be significantly higher than in the other metropolitan areas and is close to the starting level of 2019. The only exception among the Top5 is Cologne, where demand for purchase properties continues to decline slightly.

As with the overall German price trend for owner-occupied apartments, new-build apartments are suffering a sharper price decline in the metropolises than in the existing stock. In Hamburg, the strongest price adjustments can be observed in the fourth quarter compared to the other metropolitan cities – with a decrease of 7.6% in new construction and minus 6.2% in the existing segment. The only exception is Cologne, with a decline of 5.6% in existing and 3.8% in new construction compared with the previous year. In Frankfurt am Main, asking prices for existing condominiums have been stable. And in new construction Germany's financial capital recorded the smallest price decline in a metropolitan comparison with -2.6%.

In contrast to condominiums, asking prices for existing single-family homes are falling much more sharply than for new builds. The largest price corrections for existing homes were seen in Frankfurt am Main and Düsseldorf with more than 10.0% and for new build with 8.0%.

Rental Market

In the fourth quarter of 2022, the ImmoScout24 WohnBarometer shows that renting has become more expensive again. While basic asking rents rose by only 1.0% on nationwide average, warm rents increased significantly due to higher energy costs. The share of ancillary costs in the total rent is now at 18.3%. Compared to the beginning of the year, this represents an increase of 19%. This overall cost trend slows down the general price trend for basic rents in Q4 and is also having an impact on the demand.

Nationwide, the demand in the rental market shifts slightly from existing to new construction. Asking rents for existing and newly built apartments continued to increase moderately in Q4. In the existing stock, asking rents grew by 1.0% to EUR 7.96/m². In new construction, the asking price in Q4 ranged at EUR 10.88/m². This corresponds to an increase of 0.3%. Accordingly, the strong price growth seen in the previous quarter did not continue in Q4. Total housing costs are nevertheless rising due to a sharp increase in energy costs. In December 2022, ancillary costs accounted for 18.3% of total rent on average.

The development of existing rents in the major cities has also slowed down. In Germany's top 5 cities, asking rents stagnated or increased only slightly in Q4. Hamburg recorded the largest increase within the top 5 at 0.7%. Berlin even recorded a slight decline in asking rents for the first time and remains the most favorable metropolis for existing rental apartments in the Top 5.

The trend in new construction is different from that in the existing stock. Since rents for new builds are unregulated, asking rents for new build apartments also rose more significantly in Q4. Among the Top5, Munich shows the strongest price growth in new construction with +3.1% in Q3 and exceeds the EUR 21 mark per square metre for the first time. Stuttgart, with an increase of 4.2%, is showing even greater price growth, exceeding the EUR 16/m² mark, and is thus in second place among the most expensive metropolitan areas for new-build rental apartments.

Conclusion

Demand pressure for existing rental flats is easing in the short term. This is only a small consolation, as demand nevertheless remains at a very high level in the metropolises. New construction is not meeting demand as Germany's population continues to grow, and the federal government cannot meet its new construction targets either. If politicians do not address the problem effectively soon, the situation on the rental market will continue to deteriorate.

In the purchase market, the fourth quarter of 2022 was characterized by a phase of waiting and speculation on falling prices. In the current situation of excess supply, those interested in buying have the momentum on their side. The fact that prices are now falling shows that the market dynamics are functional. Compared to the price increases of the last five years, the price correction of the fourth quarter can be classified as moderate. A sustained price decline is not to be expected, as new construction stalls. ImmoScout24 expects a shortage of supply in the medium term, which may turn the purchase market around again.

Methodology

The ImmoScout24 WohnBarometer is the market report on the development of the real estate market. It is published by ImmoScout24: Germany's leading online platform for residential real estate. The ImmoScout24 WohnBarometer reflects the price development in real offer prices, supplemented by an indicator of the relationship between supply and demand. The database comprises over 8.5 million advertisements from the last five years on ImmoScout24. 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 flat with 80 square metres of living space is taken as a basis. The single-family house under consideration has 140 square metres of living space and a plot of 600 square metres. The category new construction contains all offers with a construction age of two years or less at the respective time of determination. The demand in relation to the supply is calculated based on the contact enquiries per listing of the respective property type per week. It is a standardized value to compensate for different standing times of the advertisements on the portal. The current asking prices always refer to the last data point in the market report and thus represent the asking price in the fourth quarter of 2022. 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.

Appendix

Data cockpit for rental apartments

	Germany	Berlin	Dusseldorf	Frankfurt (Main)	Hamburg	Cologne	Munich	Stuttgart
Rental apartments - Existing properties								
Price development Q3 2022 to Q4 2022	+1.0%	-0.3%	-1.8%	+0.1%	+0.7%	-2.5%	+0.2%	+2.4%
Price per m ² Q4 2022 (in EUR)	7.96	11.45	11.03	13.16	12.86	11.69	17.77	12.92
Net cold rent for the 70 m ² reference apartment (in EUR)	557.20	801.50	772.10	921.20	900.20	818.30	1,243.90	904.40
Demand indicator: weekly inquiries per listing	20 (Q3: 21)	139 (Q3: 226)	37 (Q3: 42)	28 (Q3: 27)	56 (Q3: 64)	60 (Q3: 70)	63 (Q3: 75)	26 (Q3: 26)
Rental apartments - new construction								
Price development Q3 2022 to Q4 2022	+0.3%	+1.3%	+2.2%	+1.5%	+0.2%	+2.9%	+3.1%	+4.2%
Price per m ² Q4 2022 (in EUR)	10.88	15.95	13.64	15.66	14.98	13.72	21.37	16.33
Net rent per m ² for 70-m ² reference apartment (in EUR)	761.60	1,116.50	954.80	1,096.20	1,048.60	960.40	1,495.90	1,143.10
Demand indicator: weekly inquiries per listing	10 (Q3: 9)	99 (Q3: 76)	7 (Q3: 8)	8 (Q3: 8)	20 (Q3: 20)	20 (Q3: 29)	22 (Q3: 18)	7 (Q3: 11)

Data cockpit for sales objects

Sales price development Q4 2022	Apartment Existing properties	Apartment New construction	House Existing properties	House New construction
Germany	-4.3%	-6.4%	-4.5%	-2.7%
Berlin	-5.3%	-6.6%	-6.5%	-5.2%
Hamburg	-6.2%	-7.6%	-8.5%	-5.3%
Dusseldorf	-3.9%	-4.2%	-10.3%	-8.0%
Cologne	-5.6%	-3.8%	-9.1%	-4.2%
Munich	-4.6%	-4.3%	-3.8%	-7.0%
Frankfurt (Main)	-0.2%	-2.8%	-10.4%	-7.9%
Stuttgart	-1.4%	-6.2%	-6.5%	-4.0%
Sales price development Q4 2022 vs. Q4 2021	Apartment Existing properties	Apartment New construction	House Existing properties	House New construction
Germany	+3.5%	+0.2%	+2.7%	+7.3%
Berlin	+2.8%	-2.9%	-1.8%	-4.7%
Dusseldorf	+7.1%	-6.9%	-9.0%	-6.5%
Frankfurt (Main)	-1.4%	-2.2%	-6.4%	-2.0%
Hamburg	-3.3%	-8.8%	-1.5%	-1.4%
Cologne	+1.9%	-4.4%	-8.6%	-1.9%
Munich	-4.6%	-4.3%	-5.9%	-5.9%
Stuttgart	+0.7%	-4.4%	-6.6%	-6.5%
Current offer prices Q4 2022 per sqm (in EUR)	Apartment Existing properties	Apartment New construction	House Existing properties	House New construction
Germany	2,714	3,901	2,916	3,605
Berlin	4,569	6,042	4,782	5,736
Dusseldorf	4,945	6,400	5,518	6,101
Frankfurt (Main)	5,578	6,374	5,634	6,429
Hamburg	5,001	5,905	5,576	6,969
Cologne	4,389	5,716	5,580	6,108
Munich	7,425	9,411	8,535	10,153
Stuttgart	5,145	6,031	6,092	7,378

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