

Press information dated 6 May 2024

## The Berlin Hyp Trendbarometer survey:

The industry is adjusting to changed conditions, opportunities result from the energy transformation

**In Berlin Hyp's most recent Trendbarometer, more than 200 real estate professionals expressed their opinions on opportunities and risks in the real estate industry at the moment. In addition, the expert survey focussed on the effects of megatrends such as demographic developments, digitalisation and urbanisation. The key findings of the most recent Berlin Hyp Trendbarometer\* survey are:**

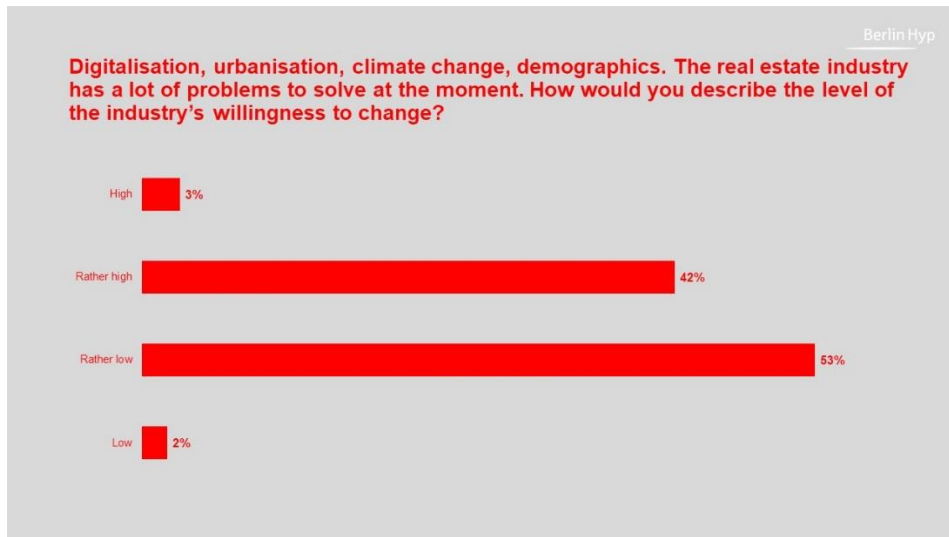
- **Real estate professionals believe perseverance is very important**
- **Access to skilled labour as key to future success**
- **The energy transformation is creating new opportunities**
- **The transformation of cities poses a great challenge**
- **The industry would like to receive more political support**

### **Is the real estate industry sufficiently willing to change?**

The first question in the most recent Trendbarometer survey on the outlook for the rest of the year shows the calm mood of the industry that apparently now prevails when it comes to talking about the situation. 71 per cent of the respondents said they do not believe the dry spell is over yet. However, only 8 per cent expect the situation to take a turn for the worse, and 21 per cent believe we have hit rock bottom and that things can therefore only get better.

The real estate industry must address a number of challenges in order to ensure a successful turnaround that lasts. These include climate change, an ageing society, increased migration into cities, changed consumption habits and rapid technological progress. Berlin Hyp therefore wanted to find out if companies in the real estate industry are ready for this. The response to the question "How would you describe the level of the industry's willingness to change?" shows a balanced view. While 42 per cent rate the "willingness to change" enquired about as "rather high", 53 per cent of the respondents deem it to be "rather low".

\*Survey period: 9 to 15 April



Interest rates, inflation and higher construction costs have been the focus of discussions in the real estate industry as of late. However, further risks also persist on top of these, and they are possibly being neglected in light of the crisis. So what are they? The answers to that question are “Shortage of skilled labour caused by a brain drain and demographics” (61 per cent), followed by “The development of infrastructure for renewable energy is progressing too slowly” (52 per cent), “Refinancing risks and equity gaps” (51 per cent) and “Decline in employment in the construction industry” (42 per cent).

### **Sascha Klaus: “The real estate industry is transforming”**

“We now need to address not only current issues such as interest rates and inflation, but also the more extensive industrialisation of the construction value chain, making processes faster, less expensive and more flexible”, says Sascha Klaus, Chair of the Board of Management of Berlin Hyp AG. “Furthermore, we have to seize the opportunities offered to us by the energy transformation, for example. In this regard, investment in our country’s energy infrastructure is just as urgently needed as investment in the existing properties themselves, if not even more urgently needed. It is thus no longer possible to view infrastructure and real estate as two separate things.”

### **Countering the shortage of skilled labour with programmes for older employees**

The Trendbarometer question “How can the real estate industry protect itself against the loss of skilled labour?” was meant to shed light on ways to counter the lack of skilled labour. 50 per cent of the respondents chose “Accelerate the digitalisation processes” as the most important way to compensate for a lack of employees. However, it is not easy to find a clear answer to the question of how to win over people for the industry and to make them stay. The respondents in the Trendbarometer survey mostly answered “Offer older employees attractive programmes” (44 per cent) and “Offer employees more continuing education programmes” (46 per cent).

### **More time capacity for construction companies vs. the shortage of skilled labour**

Berlin Hyp also queried real estate professionals about potential opportunities. The most popular response by far was “More free capacity once again for construction-industry companies” (65 per cent). “Energy transformation will progress further” (35 per cent) and “Stronger focus on property quality” (40 per cent) were also highly rated.

Opinions were different back in 2022, however, when 48 per cent of the respondents in the Trendbarometer survey still viewed the energy transformation as a key opportunity and only 35 per cent cited free capacity for construction-industry companies and building trades as an important opportunity. 32 per cent chose “Stronger focus on property quality” in the 2022 survey.

In the most recent survey, only 3 per cent said they believe that government/politicians have realised how grave the situation is, and 17 per cent see opportunities resulting from new funding programmes from the German government and KfW bank.

## Lower prices for building land of little consequence for new residential construction

In addition to demographic developments, the increase in urbanisation has caused a lot of societal problems. For example, the large number of people migrating to cities and large metropolitan areas are facing a housing shortage. New residential construction is experiencing a fundamental crisis. Therefore, Berlin Hyp asked the real estate professionals what would need to happen for residential construction to recover. The top answer, “Less red tape” (73 per cent) did not come as a surprise; “Fewer construction-related constraints and regulations” (59 per cent) and “More serial and modular construction” (47 per cent) came in second and third, respectively.

The “Faster Construction Act” planned for the end of 2024 could at least serve as a remedy for Berlin, and/or lead to simpler processes. This act might possibly be used as a template for the rest of the country as well. However, it is quite remarkable that only 16% chose “Lower prices for building land”, as these prices have increased sharply in recent years and are thus one of the main reasons for higher housing costs.

## How can city centres be successfully transformed?

The transformation of city centres may offer further potential in terms of a solution to the housing shortage. City centres now have a number of vacancies for office and retail properties, in some cases even in prominent locations. That is why Berlin Hyp asked “How can city centres and city district centres be transformed in a meaningful way?”

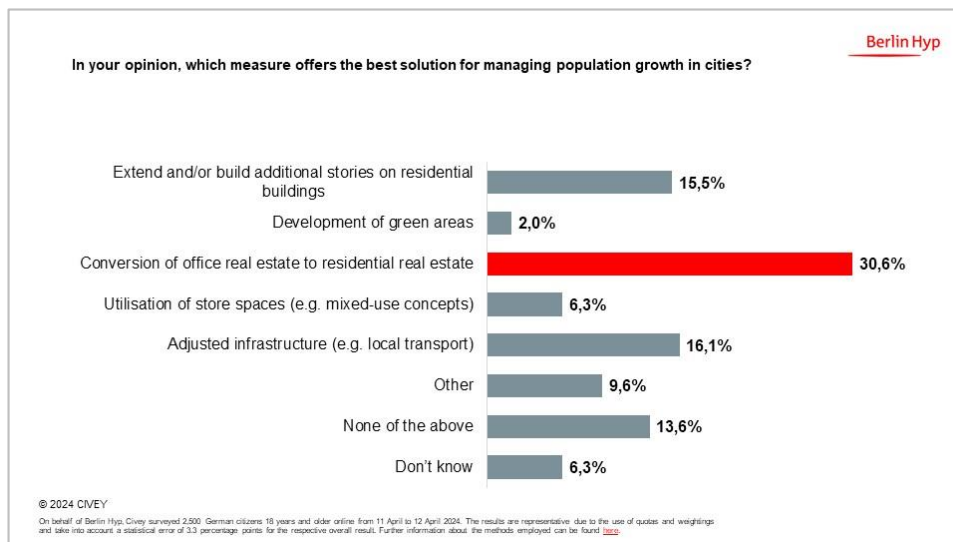


The answer of the real estate professionals was clear: “Conversion of office real estate to residential real estate” (92 per cent) was the top answer by far. However,

“Reutilisation of large store spaces” (61 per cent), “Redensification for more housing” (49 per cent) and “Adjusted infrastructure” (48 per cent) seem to be equally relevant.

“Conversion of office real estate to residential real estate” has been a hot topic time and again; in Germany, however, this also means a lot of regulations and considerable costs. Here, a look at other European countries where this potential is being tapped more extensively may be helpful. Still, this can only be one of the building blocks on the path to alleviate the housing shortage.

For comparison purposes, 2,500 citizens were surveyed by research institute Civey\*\* to gain a better understanding of the question in a slightly modified form.



Neither industry experts nor the surveyed individuals considered “Development of green areas” to be relevant. This is definitely an interesting survey result, especially when one considers the discussions about this topic, e.g. in Berlin regarding the development of the “Tempelhofer Feld” at a former airport site and the simultaneous lack of housing in the capital.

### Digitalisation trends that show potential for the industry

Digitalisation remains a hot topic for the real estate industry. Real estate professionals rate “Building information modelling” (55 per cent), “Artificial intelligence” (43 per cent), “Cloud technologies” (31 per cent) and the “Internet of Things” (31 per cent) as particularly relevant for the industry’s future.

**You can view the detailed results of the Berlin Hyp Trendbarometer survey in the attached presentation.**

\*\* On behalf of Berlin Hyp, Civey surveyed 2,500 German citizens 18 years and older online from 11 April to 12 April 2024. The results are representative due to the use of quotas and weightings and take into account a statistical error of 3.3 percentage points for the respective overall result. Further information about the methods employed can be found [here](#).

**About the Berlin Hyp Trendbarometer survey:**

Berlin Hyp has been publishing the “Trendbarometer” expert survey for almost ten years now. Within the framework of this survey, real estate experts from Germany and abroad comment on their expectations for the real estate business in the coming year. The survey provides an assessment of the German real estate market in the current year and an outlook on the market’s further development. More than 200 real estate experts participated in the most recent survey, which was conducted in mid-April.

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Berlin Hyp is a wholly owned subsidiary of LBBW and specialises in large-volume real estate financing for professional investors and housing companies. It also provides German savings banks with a comprehensive range of products and services. Sustainability has been a central component of the Bank’s business strategy for years. Berlin Hyp plays a pioneering role on the capital market in the development of sustainable refinancing products. At the same time, the Bank also promotes the financing of sustainable real estate in order to help drive the transformation of the real estate market and contribute to achieving the goal of climate neutrality. Berlin Hyp’s clear focus, more than 155 years of experience and the ability to actively shape digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.