

Trendbarometer 03/2020

Trends in the Real Estate Industry put to the Test

The expert survey by Berlin Hyp AG

Know
tomorrow's
trends
today.



More than 220 real estate experts took part in our online survey in November and commented on their expectations in real estate for the coming year. The survey provides an assessment of the German real estate market in the current real estate year and a perspective for further development.

Conclusion

Trendbarometer 2020

Labour market development is a decisive factor for the housing market

Increasing demands on Internet connection

The demand for space per person could increase

Mobile work is driving the move into suburban areas

The residential investment market is at a clear advantage

The COVID-19 pandemic is shaping the German real estate market

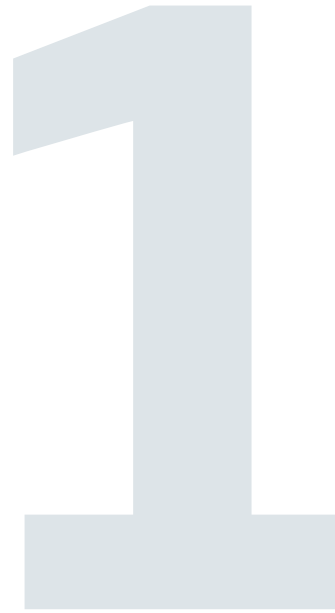
German real estate is in particular demand

The Survey Results in Detail



Which factors are decisive for the development of the housing market in the coming year?

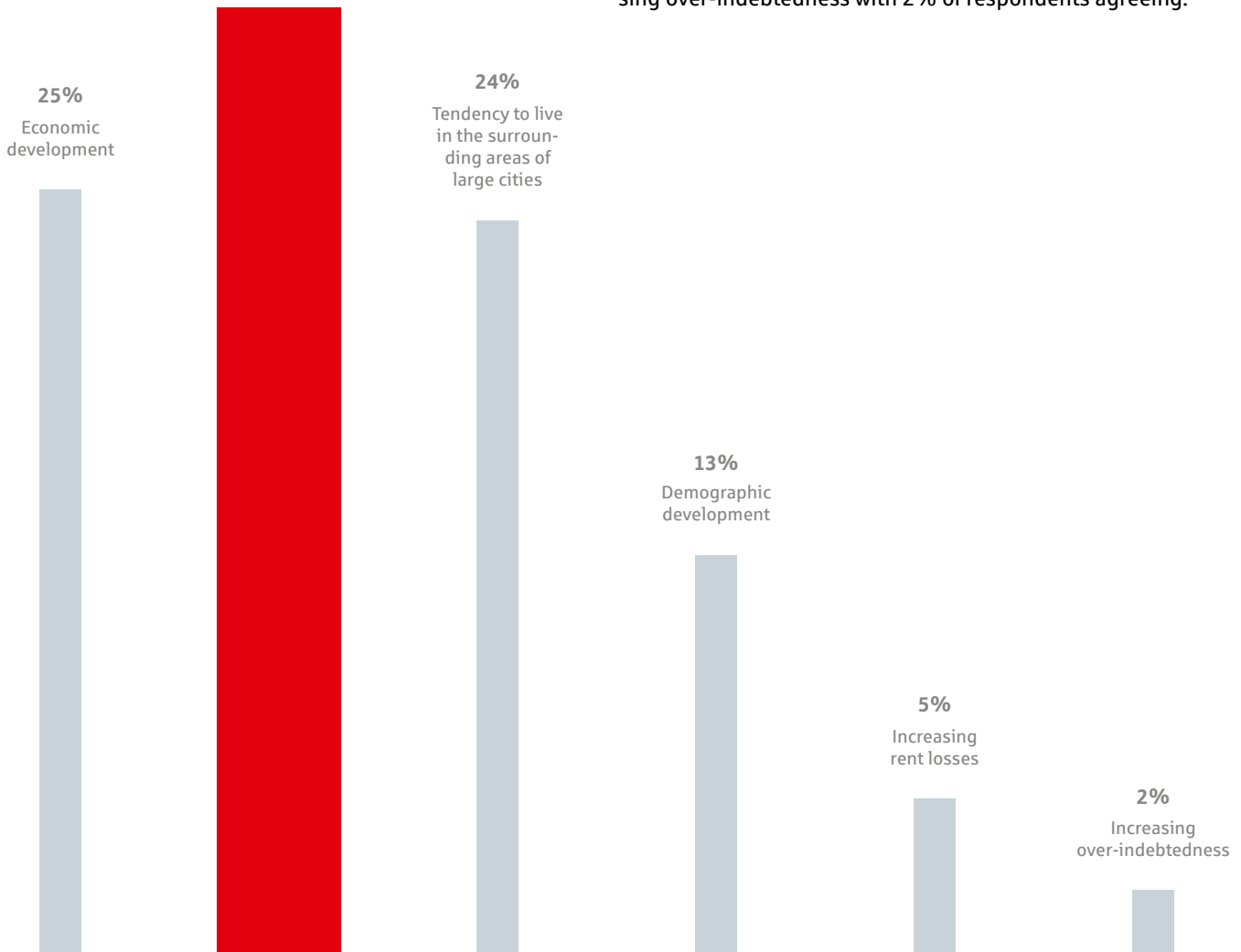
Labour market development is a decisive factor for the housing market.



31%

Development of the labour market
(unemployment rate, short-time work)

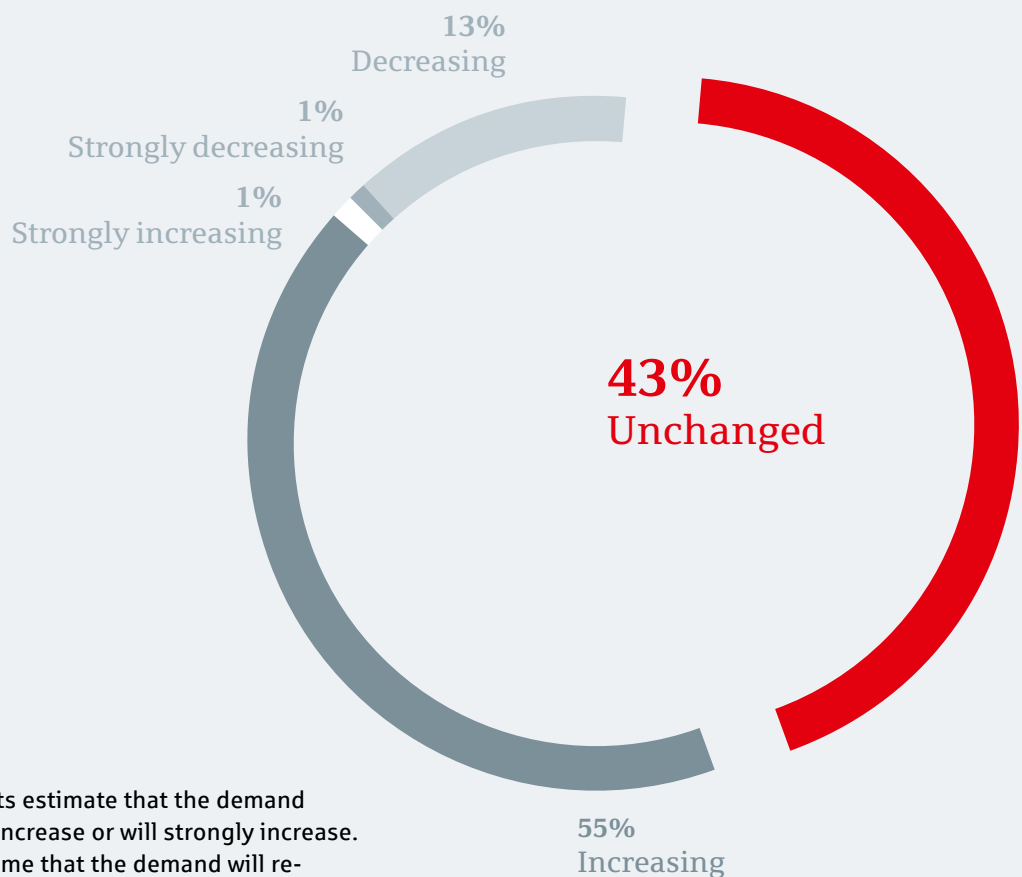
The housing market is kept alive by its tenants and their solvency. In this respect, the survey results concerning the deciding factors in view of uncertainties related to COVID-19 and their possible effects on the labour market come as no surprise. 31% of survey respondents believe that the development of the labour market is the factor that will most determine the course for the housing market in the future. The economic development is in second place with 25%, followed by the trend towards living in the surrounding areas of large cities with 24%. Demographic development is in fourth place with 13%, far ahead of rising rent losses with 5% and increasing over-indebtedness with 2% of respondents agreeing.



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How do you estimate the demand for space per person in the medium-to-long term?

The demand for space per person could increase.



56% of survey participants estimate that the demand for space per person will increase or will strongly increase. 43% of respondents assume that the demand will remain the same, while 14% estimate that the demand will decrease or strongly decrease. The trend towards mobile work could be a possible reason for the expected increase in demand for space, since those needing to concentrate on their work in quiet surroundings will sooner or later need a proper workspace. The dining table or a temporary set-up in the bedroom are certainly good temporary solutions, but they are not suited to be permanent workplaces.

How will the demands on housing change among users?

High demands on Internet connection.

During the COVID-19 pandemic, many employees did mobile work from home. For many employers, positive experiences here together with potential savings in office space have made at least partially mobile work an option for the future. With this in mind, it is no surprise that increased working from the home is also having an impact on the demands on living space and that these will change. For 43% of survey participants, Internet connections must be able to keep up with increasing demand, 39% consider an additional room for a home workstation necessary, whereas 14% would like a bigger garden or balcony. A functioning neighbourhood is an important point for only 4% of those surveyed.



43%

Internet connection/Wi-Fi must meet higher demands



39%

Space required for an additional workstation at home



14%

Larger garden or balcony desired



4%

Functioning neighbourhood

4



How will the trend towards mobile work affect the move into surrounding regions?

From urban to suburban life.

Last year, the major trend of urban popularity was a constant. Many people moved urban areas, especially younger people. In agglomerations like Berlin and Munich, living space became increasingly scarce and more expensive, causing big cities to burst at the seams. However, if the results of this survey are anything to go by, this city boom could soon come to an end.

73% of survey participants estimate an increasing or strongly increasing move into the surrounding areas, provided that the trend for mobile work continues. 25% of respondents assume that the rate of movement out into the surrounding areas will remain the same, whereas 2% envisage this trend as decreasing or strongly decreasing.

If this development into the surrounding areas is confirmed, this will have far-reaching consequences on the demands on infrastructure and local transport in both suburban and rural areas. There is a lot to be done in this respect and Internet connection in particular still leaves a lot to be desired. In view of the fact that the majority of survey respondents indicated that they urgently require this, the suburban boom may need some time after all.

1% Strongly decreasing

1% Decreasing

25% Unchanged

67%
Increasing

6% Strongly increasing

Which measures are being most affected by COVID-19?

Tenant support and maintenance/modernisation are being strongly affected by COVID-19

The COVID-19 pandemic and the containment measures are also having an impact on property owners and housing companies. For 30% of survey participants, tenant support has been strongly affected by COVID-19, which is quite understandable given the compliance with local and national guidelines. For 23% of respondents, maintenance and modernisation is being slowed down and for 20%, renting apartments is restricted. 16% of survey respondents estimate that the purchase and sale of residential properties is being affected and for 11%, energy renovations are being slowed down. In uncertain times, planned measures are postponed and pushed back.



30%

Tenant support



23%

Maintenance and modernisation



20%

Apartment rental



16%

Purchase / sale of residential real estate



11%

Energy renovations



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How much of an advantage does the housing investment market have over the commercial real estate investment market?

The residential investment market is at a clear advantage.

The vote is clear: For 89% of survey participants, the residential investment market is at a clear advantage compared to the commercial investment market. 7% do not consider the housing investment market to have any advantage and for 4% there is no difference between the two markets in terms of advantage.

Housing is once again proving to be a strong and resilient asset class, even amidst the crisis. Rental losses which were previously feared have arguably not materialised to the extent assumed after all, meaning that income continues to flow. In addition to this, German property continues to be a sought-after investment for both German and foreign investors. An investment in a residential or office property is a sound, safe option in light of the low interest rates and increasing rents. There will always be a need for living.

50%

At a strong advantage



39%

At a slight advantage



4%

No difference to commercial



7%

Not at all at an advantage



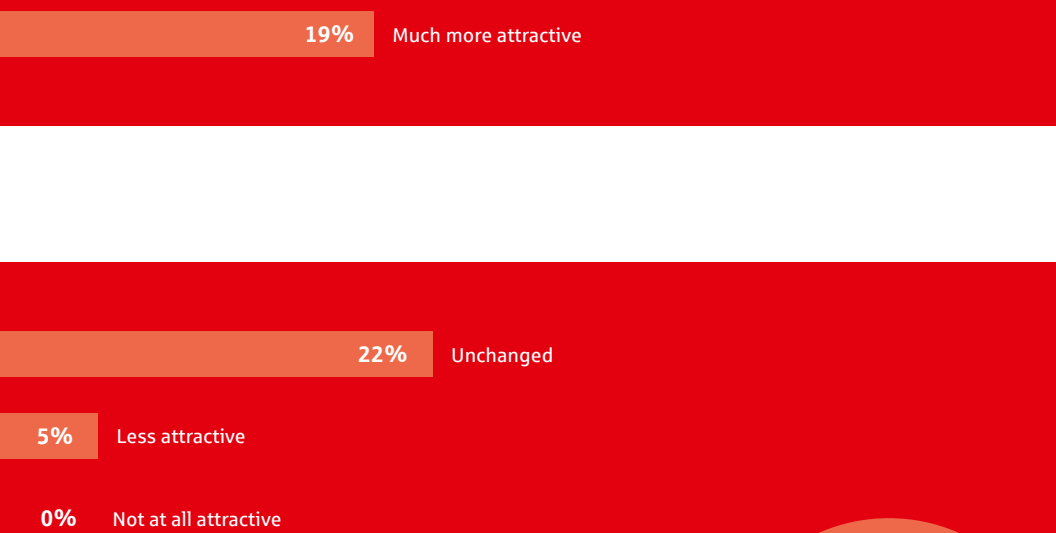
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How do you currently assess the attractiveness of the German commercial real estate market compared to other European markets?

German real estate market remains attractive.

For 73% of survey participants, the German market for commercial real estate is considerably more attractive or somewhat more attractive compared to other European markets. For 22% of respondents, it maintains the same level of attractiveness, and for 5% it is less attractive.

The German real estate market appears to be not just resilient to all external influences, especially the COVID-19 pandemic, but is also proving to be particularly appealing during the crisis. This is no doubt the result of the German government's strict crisis policy put in place until now, and the relatively contained rates of infection until September. Further developments remain to be seen.



54%
Slightly more attractive





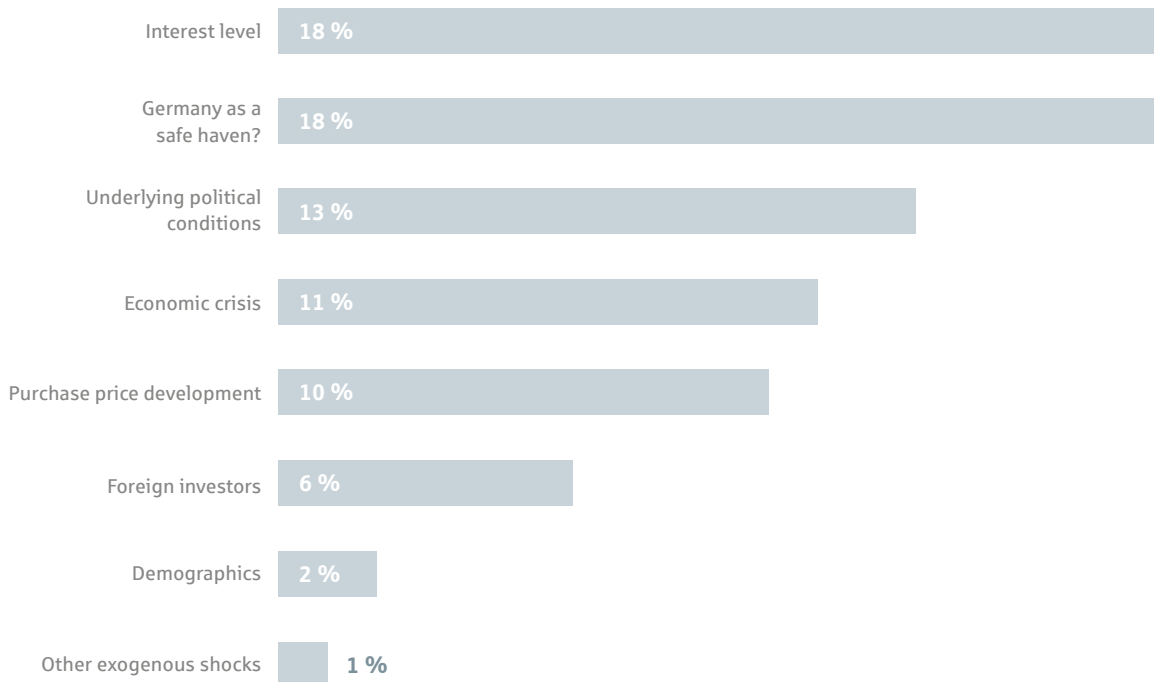
Please name up to three factors that will shape the German real estate market over the coming 12 months.

The COVID-19 pandemic is shaping the German real estate market.

A less surprising result: the COVID-19 pandemic will shape the real estate market in the coming year (21%). This is followed by the interest rate at 18%, which is on par with Germany as a “safe haven”. Underlying political conditions follow with 13%, the economic crisis with 11% and purchase price development at 10%. Foreign investors (6%), demographics (2%) and other exogenous shocks at 1% make up the factors least mentioned by respondents.

21 %

COVID-19 pandemic



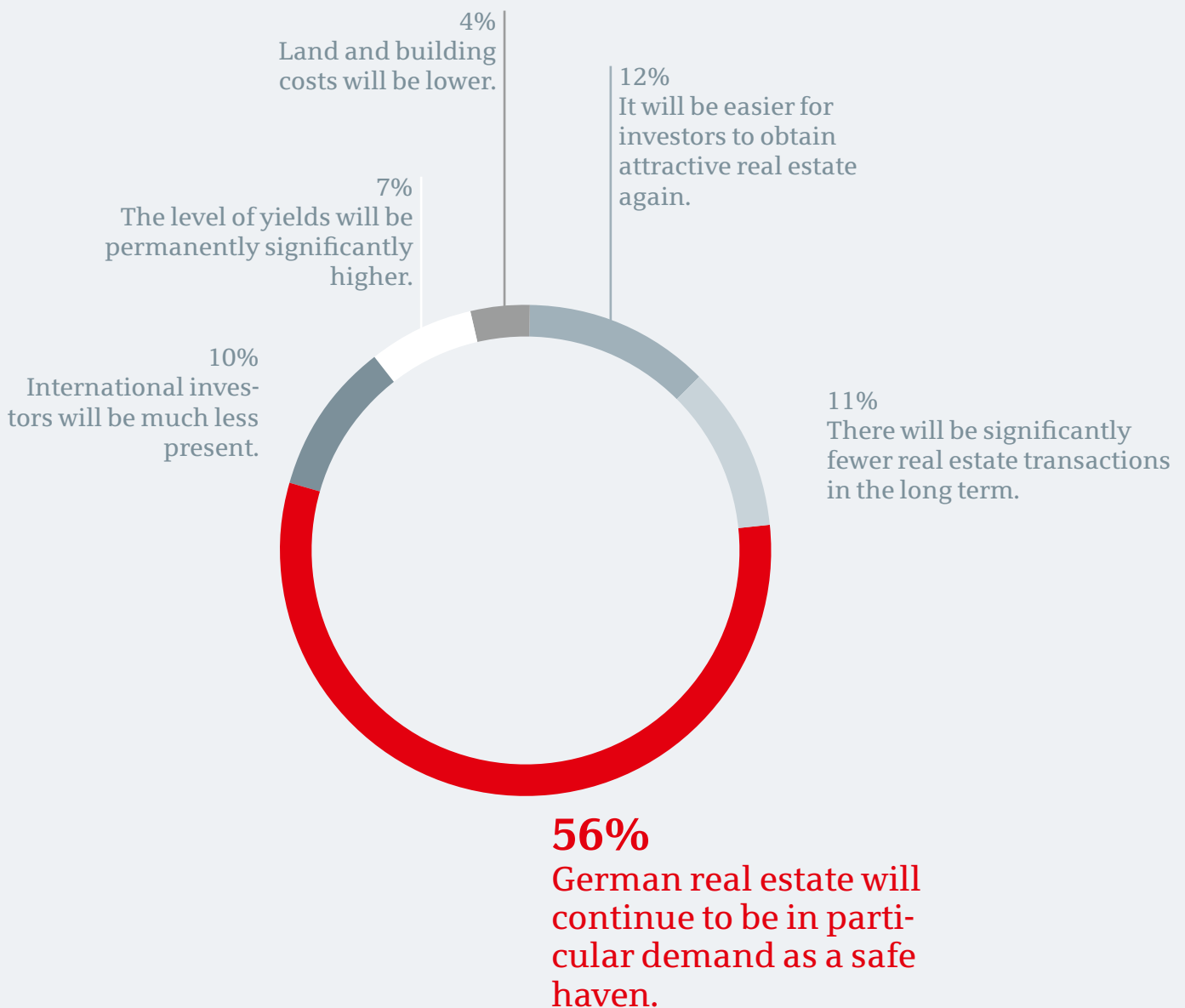
What will characterise the new “normal” in the real estate markets in Germany?



German real estate is in particular demand.

According to 56% of survey participants, German real estate is in particular demand. 12% of survey participants predict that it will become easier for investors to obtain attractive properties again, and 11% predict that property transactions will fall. Only 5% consider an increase in yields to be realistic.

Overall, the prospects for the German real estate market are favourable, as it is capable of withstanding all difficulties. As long as interest rate levels remain low and the liquidity still available cannot be invested in other asset classes profitably, German real estate is and remains our investment of choice.



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