



Federal Institute for  
Research on Building,  
Urban Affairs and  
Spatial Development

within the Federal Office for  
Building and Regional Planning



## Summary

The construction, renting, purchase and sale of property are important factors in the life and economy of any region. Housing and property market data therefore say a lot about the development of a community or region, and of the economy at large, particularly in times of economic crisis, economic upheaval and demographic change. This brochure summarises the key results of the current housing and property market report 2011 by BBSR:

- ***Situation and perspectives of property markets***
- ***Specific current and future housing market trends***
- ***Changes in housing demand and property transactions***
- ***Focus on housing and urban development policies***
- ***Commercial property markets in times of economic change***

## Housing and Property Markets in Germany 2011 at a Glance

## Let's Talk

Not only in Germany are housing and construction important signs of economic prosperity for the entire country, for spatial development and for the general welfare of its citizens. What is being built, where and to what extent? And how much does it cost? Is the range of residential properties available sufficient, appropriate and affordable everywhere? Where do housing and spatial bottlenecks occur, and what areas are threatened by vacant homes and buildings - in short, where is special action required? The BBSR report „Housing and Property Markets in Germany 2011“ will answer these questions in a thorough and differentiated manner, with plenty of data, graphs and background information.

This brief information gives a concentrated overview of the key findings of this comprehensive report. I hope you will find interesting information in it.

Your



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Project manager of the housing  
and property market report 2011 and  
author of this summary



The German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), as part of the series analysing „Construction. City. Space“, has published the report „Housing and Property Markets in Germany 2011“. The research institute thus delivers its third report, after 2004 and 2007, which provides a comprehensive insight into the current structures, developments and perspectives of the German housing and property markets.

# Situation and perspectives of the property markets

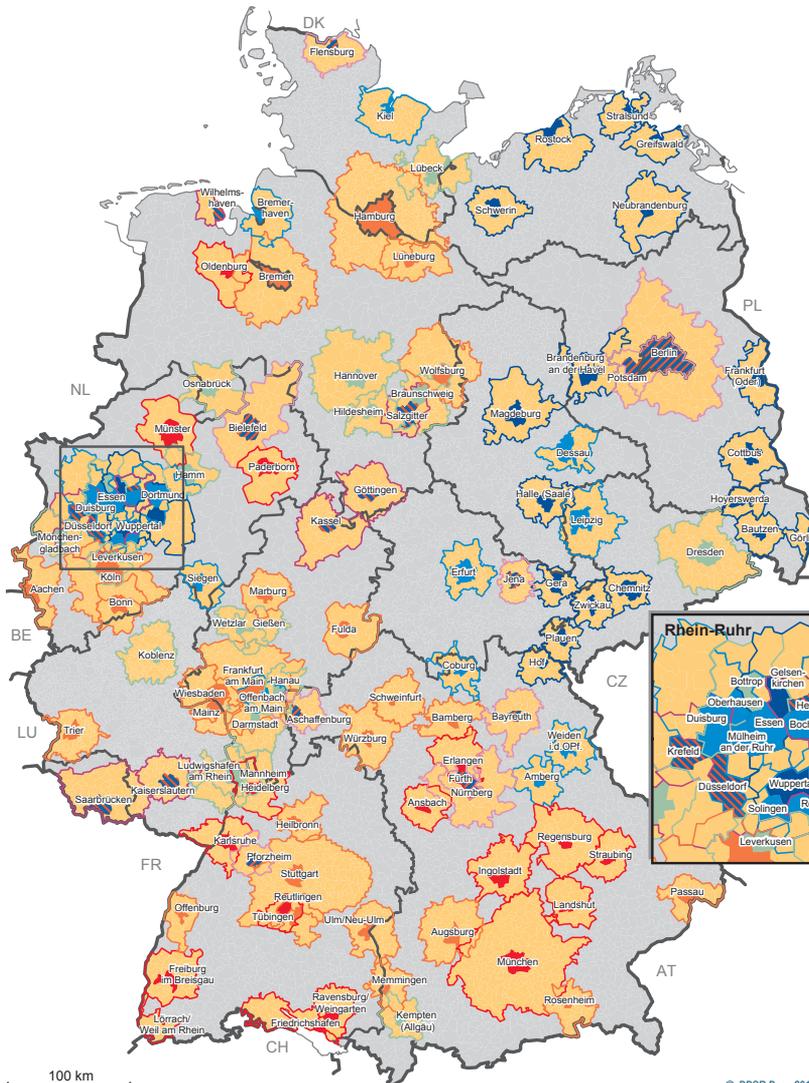
Especially the German residential property markets are solid, having weathered the financial crisis 2008/2009, and are well-positioned for the future. But they increasingly differ regionally, structurally and in terms of their development prospects. Key indicators in this context are growth and shrinkage, locations and property quality, professionalisation and internationalisation, and also, increasingly, the energy efficiency of flats and buildings.

## The German housing and property markets are diverse and robust

The German housing and property markets are very diverse. Their structures and developments differ on a large scale, sometimes on a small scale too, and in various market segments. Growing and shrinking regions exist side by side (see Map 1), each one with its own specific favourable factors and problem constellations. In particular, southern Germany and parts of the

north and west are predominantly prosperous. The economic and demographic trends there have been positive, which tends to go hand-in-hand with an increased demand for residential property and, occasionally, supply bottlenecks. The housing markets in shrinking regions, i.e., cities and municipalities with declining populations and, above all, a decrease in the number of households, can expect stagnating or even falling property prices and vacancies. In those areas, the continuing trend towards

Map 1



Growing and shrinking housing market regions 2008

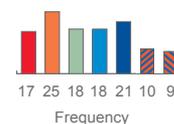
### BBSR - Types of housing market regions

Market development - Context

Core city	Housing market region
<span style="color: red;">■</span> Strong growth	<span style="color: red;">—</span>
<span style="color: orange;">■</span> Growth	<span style="color: orange;">—</span>
<span style="color: green;">■</span> Stagnation	<span style="color: green;">—</span>
<span style="color: blue;">■</span> Shrinkage	<span style="color: blue;">—</span>
<span style="color: darkblue;">■</span> Strong shrinkage	<span style="color: darkblue;">—</span>
<span style="color: blue; border: 1px solid black;">■</span> Population gains and decline of employment	<span style="color: blue; border: 1px solid black;">—</span>
<span style="color: blue; border: 1px dashed black;">■</span> Population decline and rising employment	<span style="color: blue; border: 1px dashed black;">—</span>

Note: The classification of housing market region types affects the entire housing region. For the purposes of representation, only the relevant core city's area is coloured.

Data source: BBSR Housing Market Monitoring System  
Geometric basis: BKG, municipalities, as of 31.12.2008  
BBSR, housing market regions, as of July 2008



smaller households can no longer compensate for the natural and migration-based population losses. The consequence may be the demolition of residences and other buildings or lack of renovation work if the rental income and reserves no longer allow for investment.

### The property markets are becoming more and more differentiated

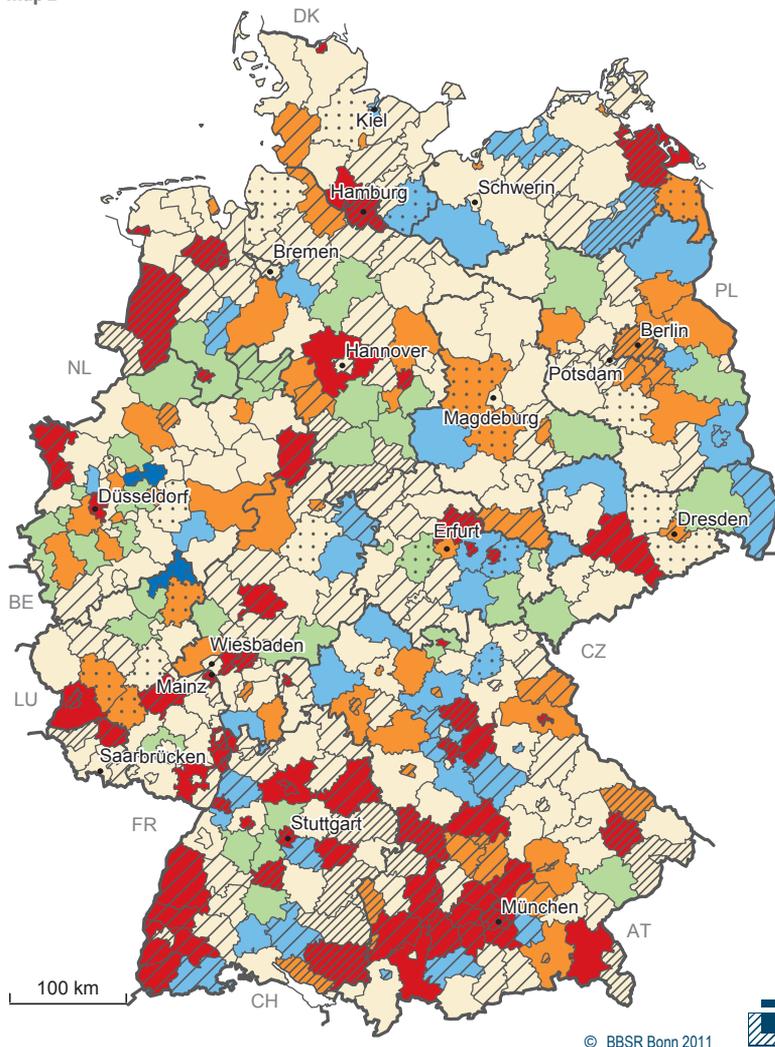
In particular, the changes in housing rental prices, property prices and disposable income point to a further increase in the differences between the regional property markets. The gap between „affordable“ and

“expensive“ areas has expanded yet again over the past few years (see Map 2). At the same time, though, the differences for completed construction projects, which are generally in decline, are diminishing – only the prosperous regions exhibit somewhat smaller decreases than other areas. A greater differentiation of the markets and, above all, the property prices can be expected in future. Apart from economic and demographic factors, the areas are increasingly subject to internal aspects regarding location, housing design and the quality of the property in general – also in terms of energy issues.

### Suppliers of residential rental property are becoming more international and more professional

As before, non-institutional private landlords dominate the German market of residential rental property. These private, small-scale suppliers manage 14.5 million residential units, that is, approx. 60 % of all residential rental property, and thus shape the – by international standards, unusually tight – supply structure. However, diversification can be seen in the supplier structures for housing rentals. Accordingly, professional suppliers manage their properties

Map 2



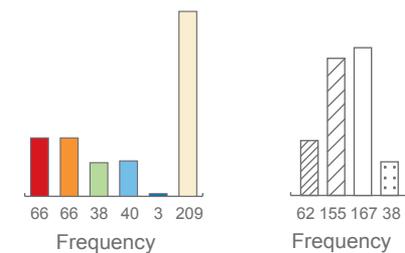
Heterogeneous trends of quoted rents, 2006 to 2010

**Trend (annual changes)**

- Continually rising
- First falling, now rising
- Stagnating
- First rising, now falling
- Continually falling
- Heterogeneous

**Dynamics (complete period)**

- Rising significantly (at least 6 %)
- Rising slightly
- Law
- Falling



Data source: BBSR Housing Market Monitoring System, IDN ImmoDaten GmbH; Geometric basis: BKG, administrative districts (modified) 31.12.2009  
 Note: In Brandenburg, internal differentiation of administrative districts by suburbs and outer development areas. Regional district of Hanover and urban region of Aachen, differentiated by city and former surrounding area.

in an increasingly international and professional fashion. In terms of regional aspects and development structures, there are significant differences among the suppliers of residential units. In urban regions, professional owners often dominate the market, while private, small-scale suppliers tend to be more common in the suburbs and rural areas.

### Residential property markets suffered less than commercial property markets during the financial crisis

The residential property markets managed to weather the 2008/2009 financial crisis better than the commercial property markets. The sharp fall in prices, rents and transactions in the commercial sector were caused by the close correlation between current market events and the utilisation of property. Loans in the commercial area were frequently issued more reluctantly than was true of those granted to private home buyers. Since 2010, however, commercial property markets have seen some improvement.

The price trends in the residential property markets are less volatile when compared to other countries. Germany had not created a property price bubble like Ireland or Spain in the lead-up to the financial crisis, and even during the crisis prices barely declined or only fell slightly (see Figure 1). The reasons for this include a financing market focused on security with multi-year and fixed interest rate contract periods. Germany also has a strong and attractive residential rental market with stable rental price trends and extensive tenant protection rights. This segment offers freedom of choice between ownership and renting. Changing preferences as to where people want to live and professions that require higher levels of mobility have also created a corresponding demand in the rental property segment.

Figure 1



## The German property markets have generally fared well in the financial crisis

Until mid-2011, the news about Germany's economic development was largely positive, whether it involved economic forecasts or the trends in the labour market and unemployment. The German labour market has shown itself to be solid. There was a marked acceleration in gainful employment, as well as jobs subject to social security contributions, in 2010 and the first half of 2011, causing unemployment to drop. Surveys show also positive trends in the property industry, indicating that there is potential to reduce the apprehensions among investors and home builders that are based on uncertainty and scepticism. The first signs of this can be seen in the again-rising number of residential construction approvals and increased number of property transactions

since 2010. Germany is internationally recognised as a stable location for investment. German real estate is known to be a secure investment. In particular, the rising rents are an important criteria for profit expectations.

Risks to the economy can primarily be seen in the global economic environment, the stability of individual EU member states and the euro as well as, to some extent, in the as-yet unstable conditions of the banking sector. The financial problems in many municipalities also appear to be a problem for local property markets, in particular, as concerns the ability to steer local investment.

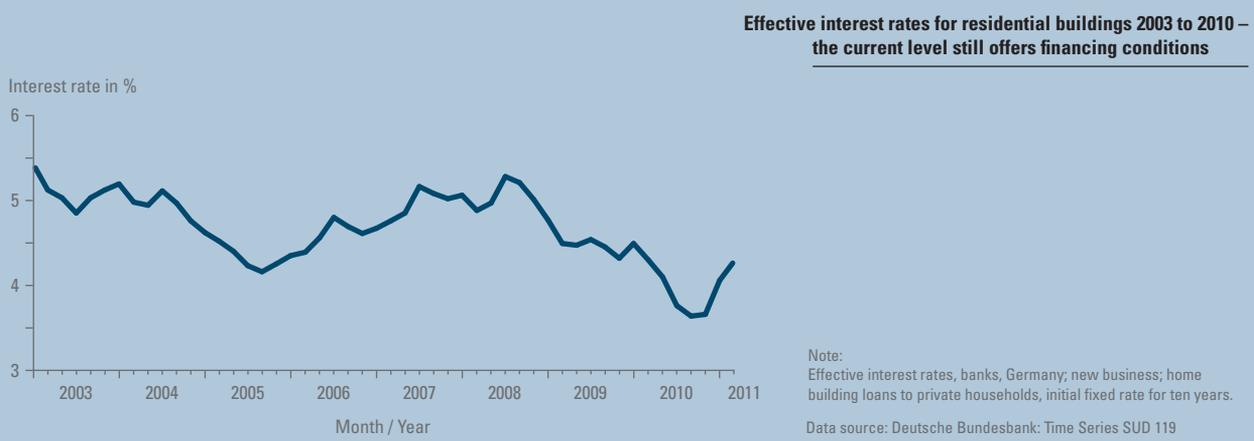
## The property business has good growth prospects

The 2011 spring report by the German Council of Real Estate Experts reinforces the positive reputation

of Germany as a relatively low-risk investment location, meaning that increased international investment is likely in the future, with property being in particularly high demand as an investment, which could translate to positive trends in terms of rent prices and property prices along with new construction.

National demand, too, can rely on several favourable factors regarding property investment. Though rising, mortgage interest rates are still relatively affordable, thus creating good financing conditions for the acquisition of real estate (see Figure 2). The European Central Bank's (ECB) moderate key interest rate increases in April and July 2011 will probably have medium-term effects on construction industry interest rates. The positive labour market trends make for improved framework conditions affecting the granting of mortgage loans.

Figure 2



## Specific current and future housing market trends

Currently, rents are increasing on a broad basis; property prices are showing more differentiated trends. Overall, the positive price dynamic is strongly focused on good and prime locations, high-quality properties as well as prosperous cities and regions. Across Germany, investment in existing residential properties exceeds that related to construction. Only 20 % of the construction volume goes towards the construction of new housing units. But after 15 years of decline, the latter is gathering steam again.

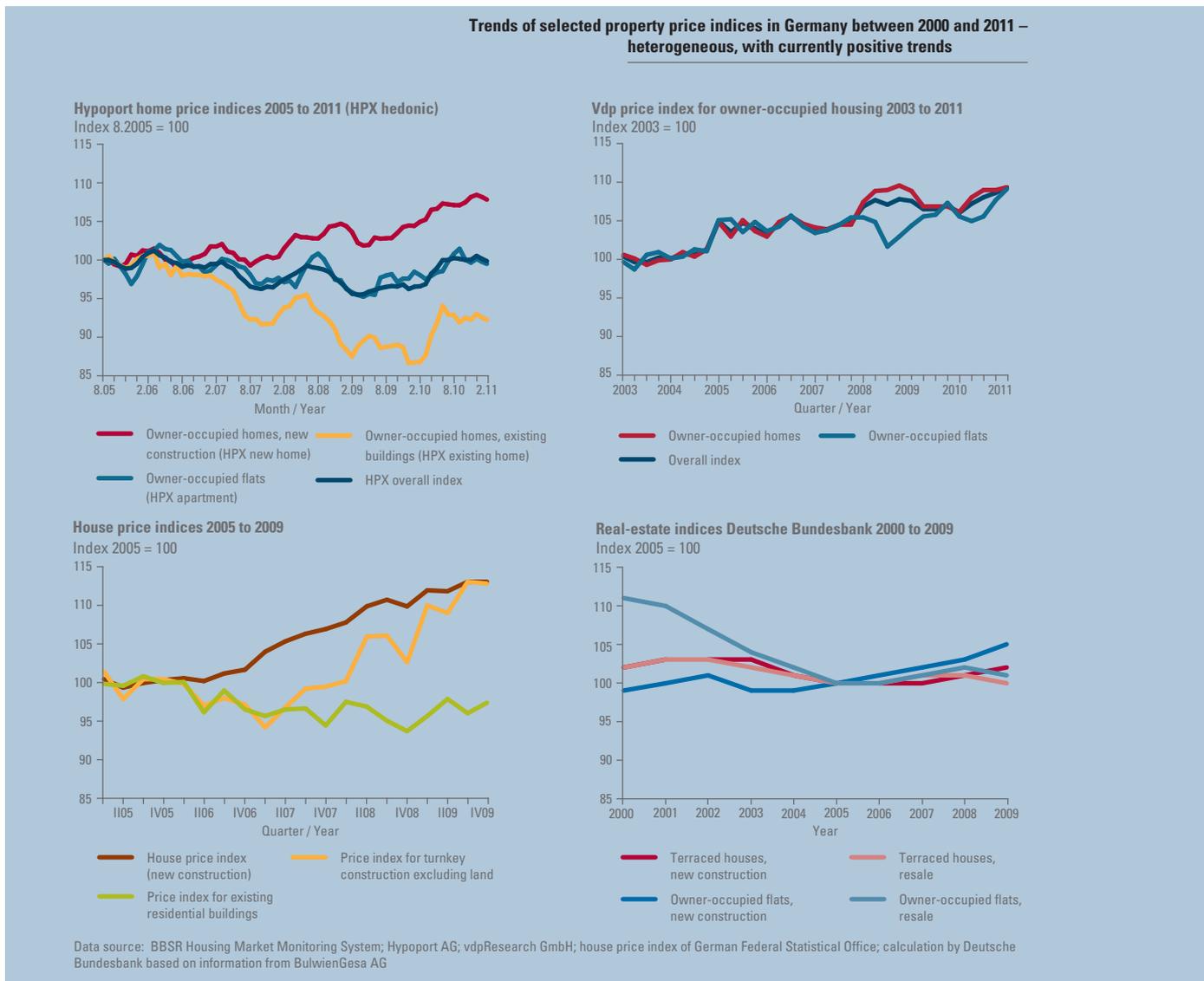
**Housing rent prices are on the rise, property price developments appear more heterogeneous, characterised by regional price differences**

On average, rent prices for housing have increased throughout the country. In addition to urban areas, rural areas have also seen rent prices increase again. Property prices tend to be slightly positive or negative, depending on the segment (see Figure 3). Stagnating and/or falling

price trends can be seen primarily in shrinking regions.

Some segments show sustained price increases – good residential locations and property quality in prosperous cities are marked by particularly dynamic developments. They are preferred primarily by investors. New buildings appear more stable in terms of value than existing properties. New owner-occupied homes have done better than condominiums.

Figure 3



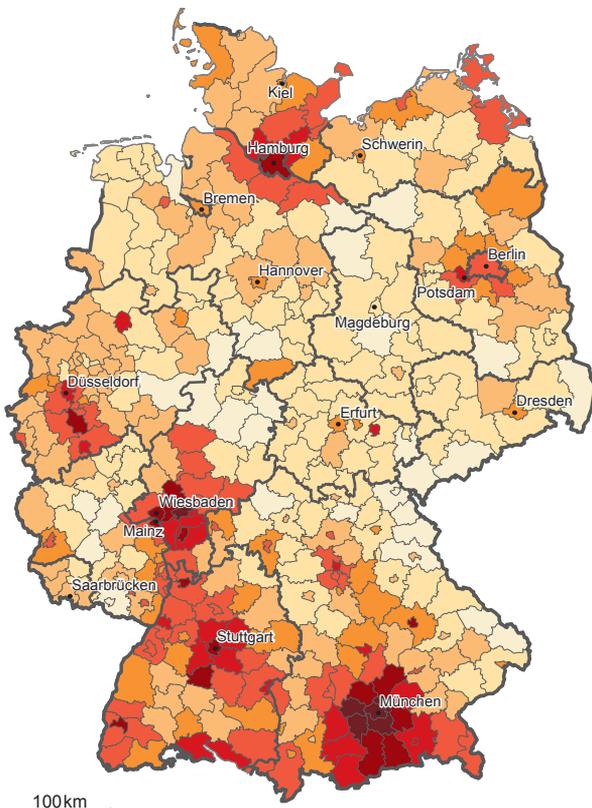
There are significant regional differences in rental and property prices. Apart from an extensive price differential ranging from the south via the west and north to the east, there is also a significant price differential between cities and rural districts; metropolitan core areas stand out from among other major cities (see Map 3). The gap in prices and rents between booming and shrinking areas is particularly significant.

### Housing construction activity had declined for a long time – increased new construction since 2010

New housing construction declined from the mid 1990s to 2009 (see Figure 4). This was true of both owner-occupied homes and multiple dwellings. Construction is increasingly concentrated on urban areas. The buildings there are generally still multi-storey. New construction of detached

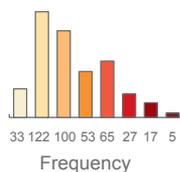
and semi-detached houses is of special importance to surrounding communities. The housing construction volume has reversed its structure since the mid-1990s – now, the market is dominated by investments in existing buildings, at a rate of approx. 80 %, rather than new buildings. These investments go towards modernisation or maintenance. Some investment is also taking place in shrinking markets to assure the marketability and, in particular, the energy-based quality of buildings.

Map 3



Proportions to surface area

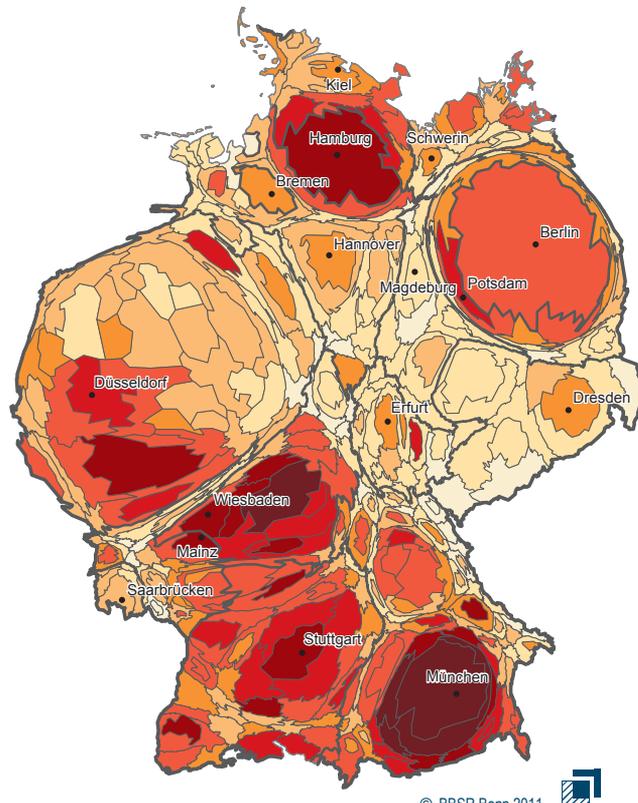
Rents in new buildings and rents in existing buildings (quoted rents, net rent excl. services) 2010 in € per sq. m.



Interpretation note:

Cartograms offer an opportunity for highlighting the degree to which people or households are affected by the information shown. Above-average rents can be observed particularly in prosperous urban and urbanised regions. The number of rented flats in multi-storey buildings is very high in such areas. Thus, many households pay above-average residential rents. Rural areas are dominated by owner-occupied homes, which means that the relatively lower rents benefit fewer households.

Significant regional rent price differences of quoted rents 2010



Proportions based on number of residential units

Notes:

The two thematic maps represent the level of rents in new buildings and rents in existing buildings for administrative districts and autonomous cities. The spatial representation in the map on the left is based on cadastral areas. In the cartogram on the right, the areas of administrative districts have been reduced or enlarged depending on the respective number of residential units in multi-family dwellings. The neighbourly relationships remain intact, thus creating a visible distortion.

Data source: BBSR Housing Market Monitoring System, IDN ImmoDaten GmbH  
Geometric basis: BKG, administrative districts (modified), 31.12.2009

Notes:

In Brandenburg, internal differentiation of administrative districts by suburbs and outer development areas. Regional district of Hanover and urban region of Aachen, differentiated by city and former surrounding area.

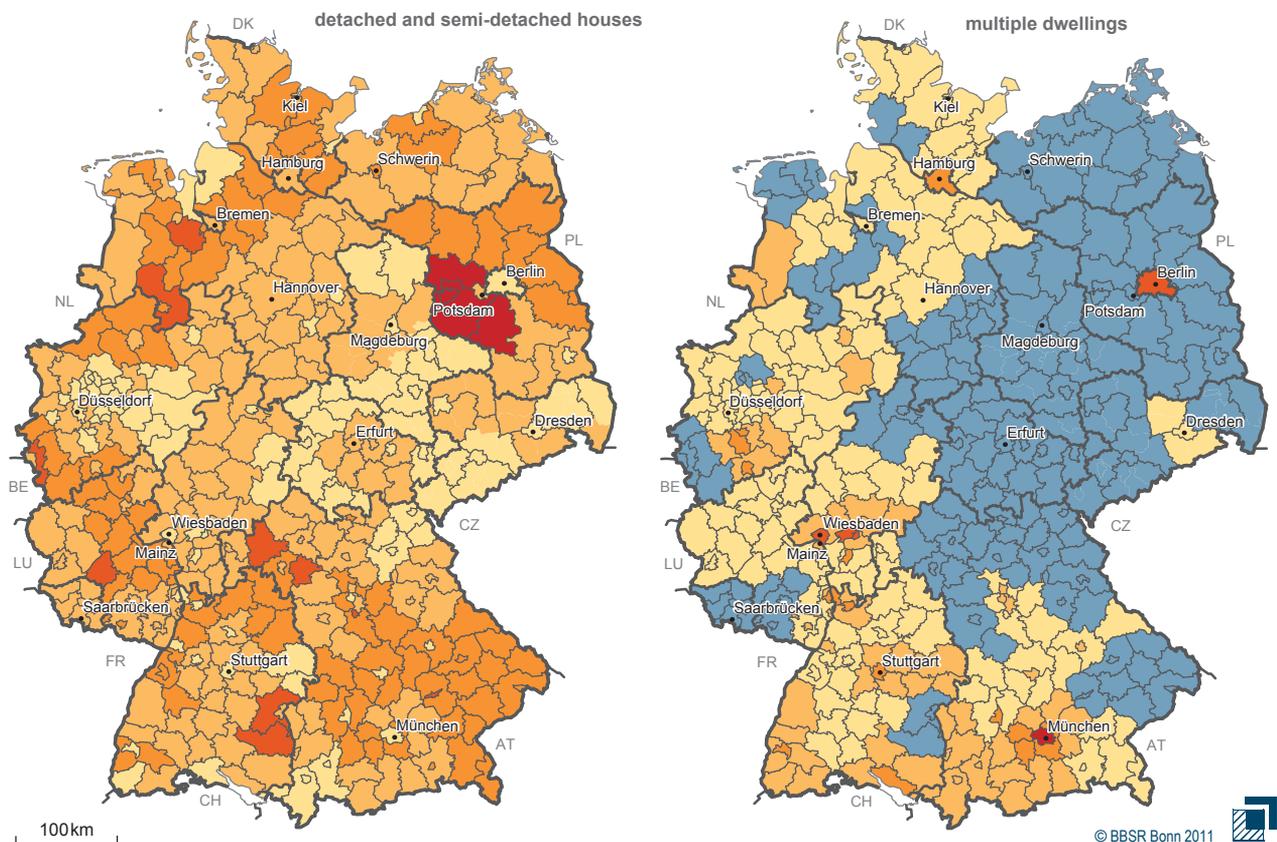
The first signs of an easing of the negative trend in housing construction have been visible since 2010. Construction permits rose 7 % compared to the previous year, in the first half of 2011 they even climbed by 28 % compared to the same period in the previous year. Construction activity in 2010 increased by 0.5 % to almost 160,000 units. Further expansion is expected in 2011 and 2012 due to the large number of construction permits issued.

### The demand for housing space will increase slightly in the future

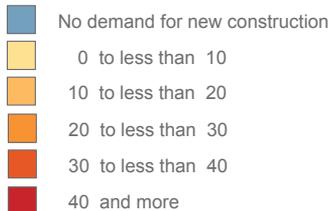
According to the BBSR Housing Market Forecast 2025, demand for housing space is expected to increase by around 6 % by 2025. This increase will be driven exclusively by owner-occupied households. This gives rise to an annual requirement of 183,000 new housing units across Germany between 2010 and 2025 – 154,000 units in the West and 29,000 units in the East. Compared to recent data, the forecast exceeds actual

construction activity. It assumes that a higher number of new buildings will be needed to satisfy a demand that is driven, above all, by demographics. In the forecast period the demand will weaken (see Figure 4). Demand for new construction is concentrated mainly on “islands of growth”: in large parts of West Germany, along with the cities of Berlin, Potsdam and their immediate surroundings in East Germany (see Map 4). Detached and semi-detached homes will make up two-thirds of the forecast demand for new construction.

Map 4 Forecast demand for new construction of residential housing, 2010 to 2025 – owner occupied homes dominate

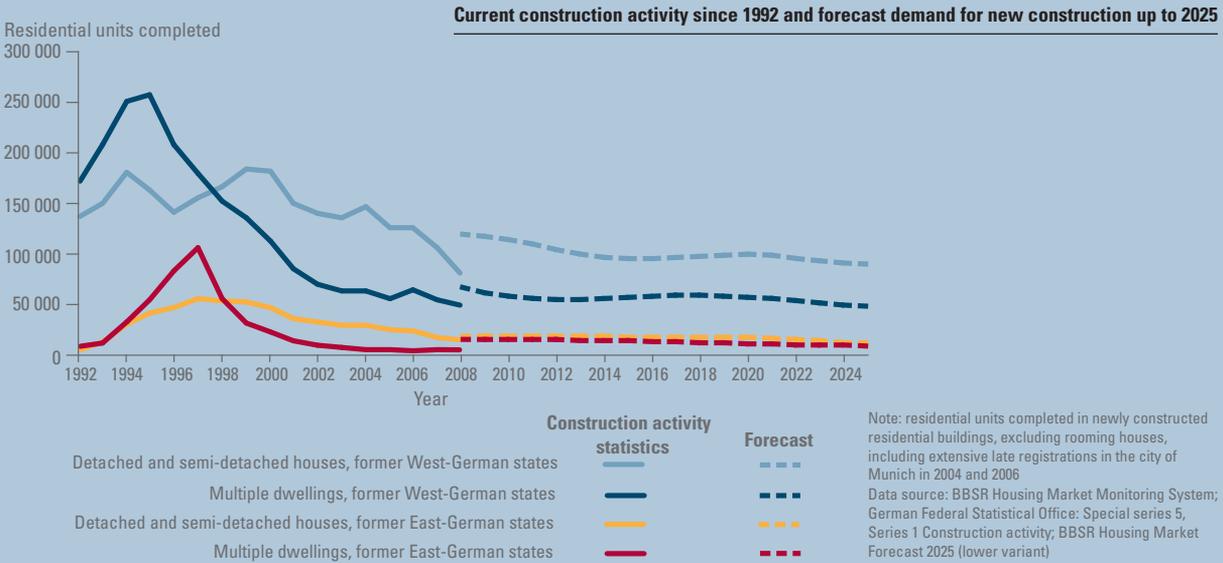


Average annual new construction of residential units per 10,000 inhabitants, 2010 to 2025



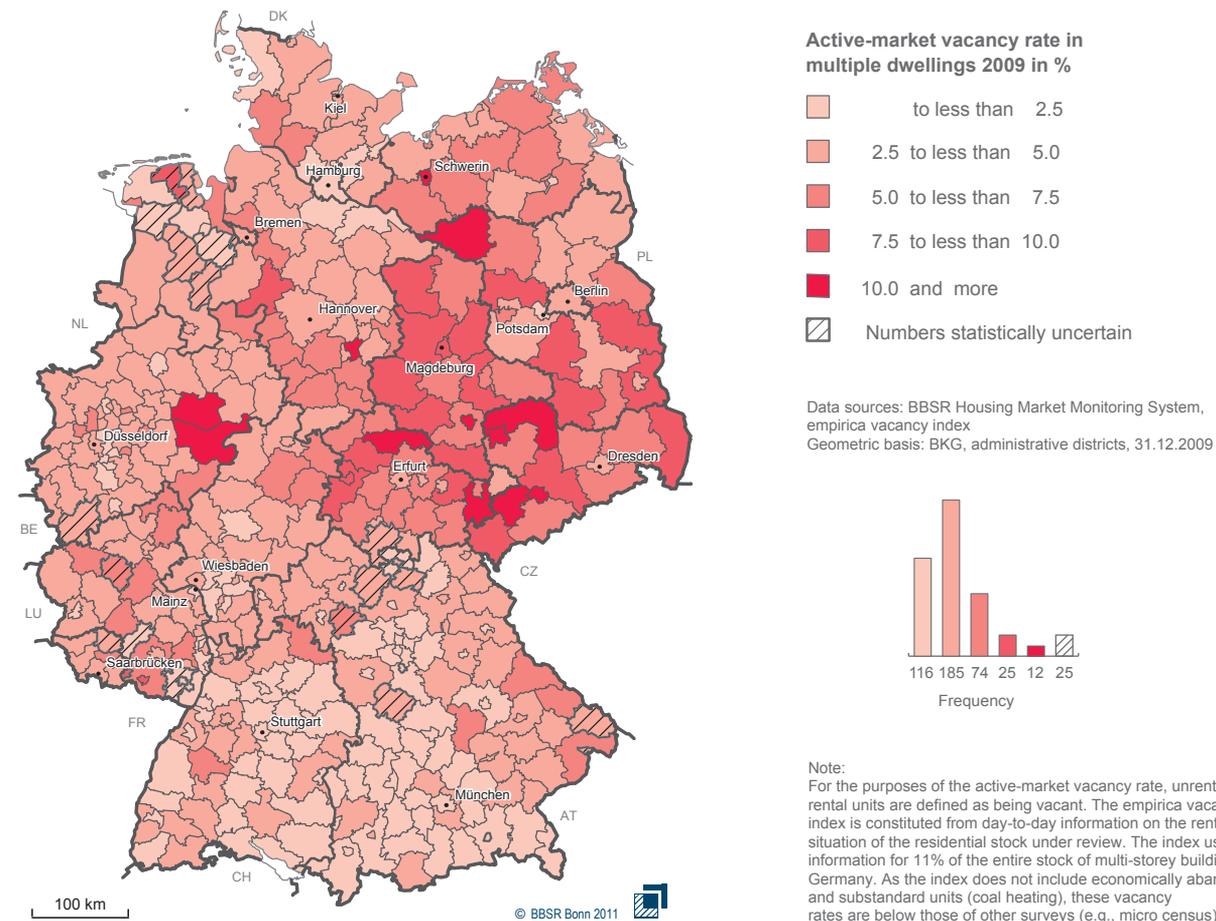
Data source: BBSR Housing Market Forecast 2025 (lower variant)  
Geometric basis: BKG, administrative districts, 31.12.2006

Figure 4



Map 5

### Vacancies in multiple dwellings 2009 – A problem in the East and West



### The extent to which housing units remain vacant is defined, in particular, by market constellations

Vacant property can be found primarily in East Germany, but also in rural areas in the West (see Map 5). The vacancies are the result of diverse market processes. Growing regions have a high level of demand for residential units, and property owners feel more secure about refinancing investments. In regions with lower demand, people looking for homes have a wider choice, while suppliers of housing units tend to be grappling with vacancies. The relationship between rent, furnishings and location dictate how easily a property can be rented. In the future, high vacancy rates can be expected in eastern Germany, in old-industrialised regions of West Germany as well as parts of northern and eastern Bavaria along with Lower Saxony.

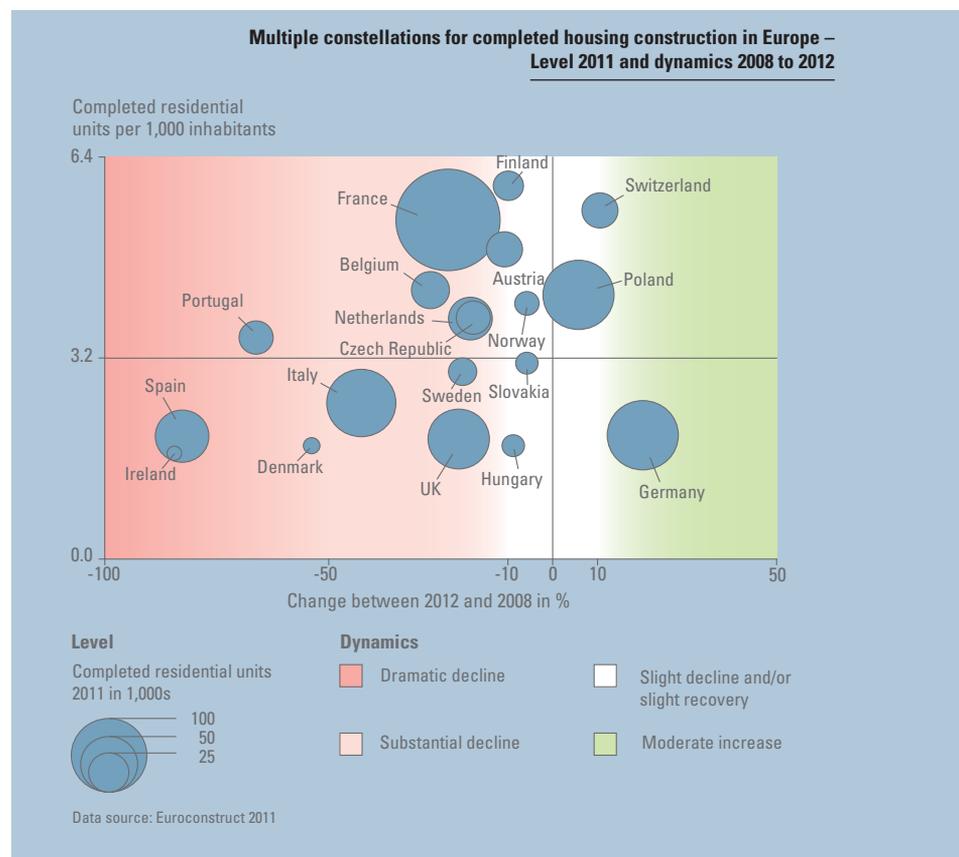
### The housing markets in Europe are displaying very different trends

The residential property markets in Europe are extremely diverse. The financial market crisis in 2008/2009 hit European countries in very different initial situations, which meant the intensity of the impact differed greatly. Some countries with a high volume of new construction and the formation of property price bubbles up to 2008 have undergone substantial price corrections, which in turn caused construction demand to be dampened (see Figure 5). This is particularly true of Ireland, Cyprus, Spain, Greece and most of the Central and East-European countries. Some

markets, such as Norway, Sweden and Finland, experienced strong price increases of more than 5 % on their residential property markets after a sharp decline in 2009. By contrast, Austria, Germany, and Switzerland effectively did not experience any crisis-related price declines.

The residential property ownership rates vary greatly within the individual countries in Europe; from 90 % among the leaders Spain, Hungary and Slovakia to 36 % in Switzerland. Germany with an ownership rate of 43 % is actually at the lower end for Europe as a whole.

Figure 5



## Changes in demand for housing property and in property transactions

Increasingly, real estate is used as an alternative money investment and for pension planning. Owner-occupied residential properties continue to be the most popular form of housing among Germans. Residential property ownership at this time is still relatively affordable, which is frequently focused on existing building stock. Most households rent, especially from private small-scale landlords. Many of the large, professionally managed, rental units have meanwhile gone to international financial investors. Transactions involving municipal existing stock are much rarer than is commonly assumed.

### Home ownership is still important – Demand for and supply of existing property are expanding

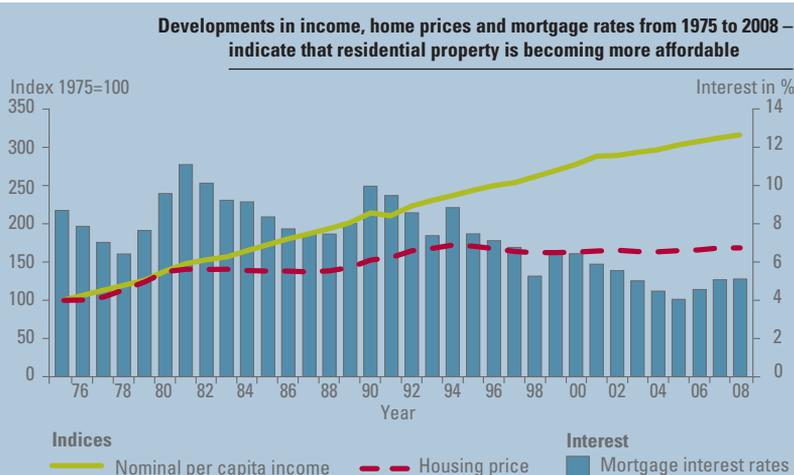
The home ownership rate rose slightly to 43.2 % over the last few years. However, there is still a large difference between West and East Germany. The conditions for acquiring home ownership are very favourable due to the low interest rates and the moderate home prices. The affordability of owning a home has increased almost continuously over the last few years (see Figure 6). Private households are taking out more and more mortgages to acquire existing properties. They are a much more affordable way to attain the dream of home ownership and some of the properties are available in central locations. Due to the generational shift among home owners, the supply of homes on the market is increasing accordingly. In particular, childless couples and families with children are increasingly opting for existing properties (see Figure 7). The demographic and economic developments will lead to continued increases in the rate of home ownership.

### Detached homes dominate individual property transactions

Lots for detached homes dominate transactions for undeveloped properties. Even in core cities the share of property transactions involving building lots for building private homes is very high, making up 90 % of all building lot transactions. Private home lots are primarily purchased in suburban and rural areas (see Figure 8), existing properties tend to be in cities. Some of the transactions involving undeveloped lots can be seen in delayed construction activity. Detached and semi-detached home construction continues to make up the majority of construction activity.

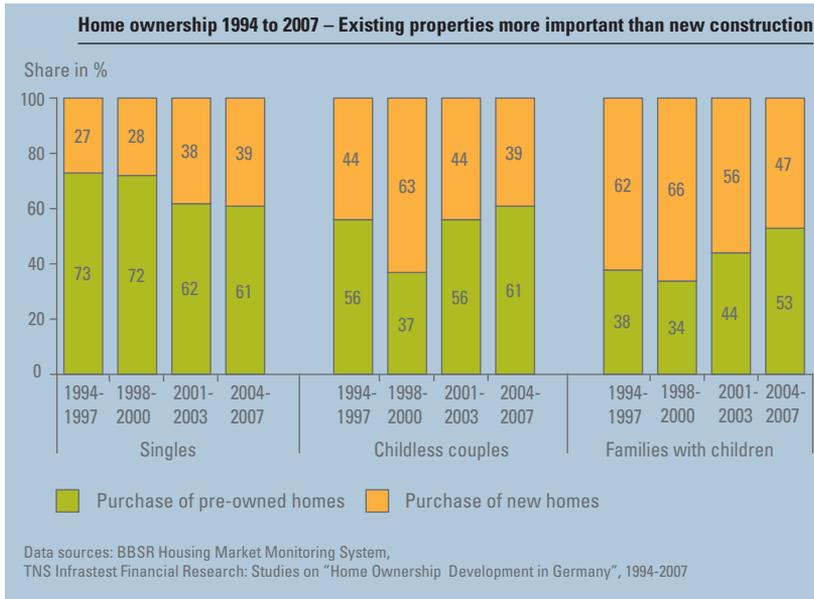
Due to the significant decline in new housing construction, transactions involving and investments in existing properties are playing an ever larger role. In 2008 there were 2.7 times as many transactions involving existing properties with individually built detached and semi-detached homes than there were for undeveloped lots. They are also more important than the sale of developed lots for multiple dwellings.

Figure 6



Data source: DB Research: Wohnungsbaufinanzierung wird persönlicher (Housing finance is becoming more personal). Frankfurt/M. 2009. = Aktuelle Themen (Actual subjects) 451

Figure 7



### Type and scope of transactions for large lots of existing housing properties changed greatly over time – Municipal properties are seldom sold

Since the end of the 1990s an increase could be noted in the sales of larger residential rental unit portfolios and housing property companies. Portfolio sales by public institutions and private actors are each responsible for half of all transactions. Foreign investors have become more common as buyers on the transaction market since 2004. Since 2006 there has been an increasing number of re-sales from private investors and a decline in public sales.

Transactions involving large housing property portfolios in 2010 only slightly increased compared to the previous year. Transaction gains can primarily be found in connection with smaller property volumes (see figure 9), The German residential property market remains attractive for national and international investors due to the relatively low price levels by international standards and the stability of the German rental property market.

The sales of municipality-owned residential property that attracted media attention in the past have declined sharply. In addition, the majority of municipalities has not attempted any sales and has no intention of doing so in future either. Many municipalities feel that the public housing properties are very important and use them to obtain local political objectives in terms of housing, urban development and climate policies.

Figure 8

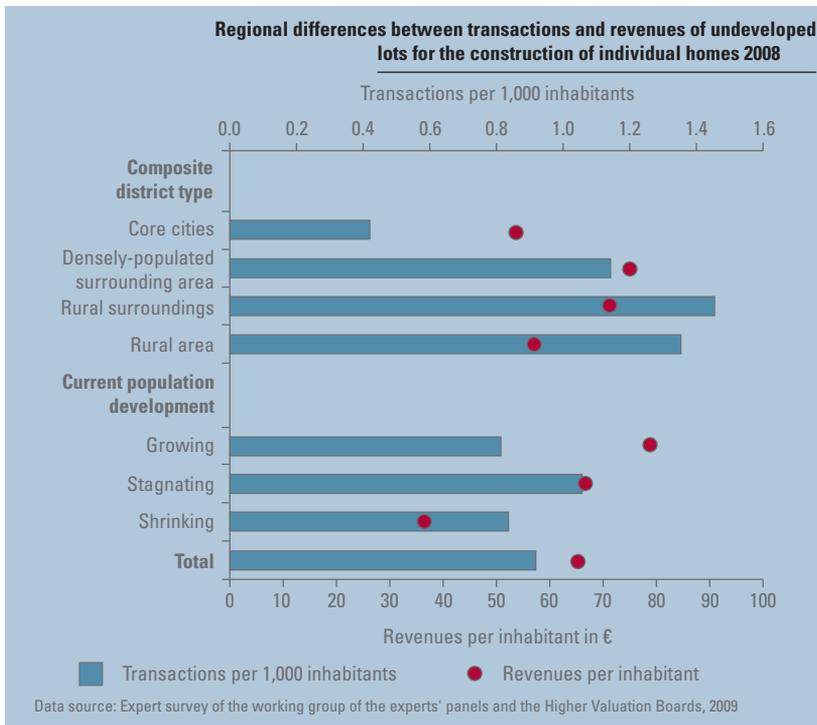
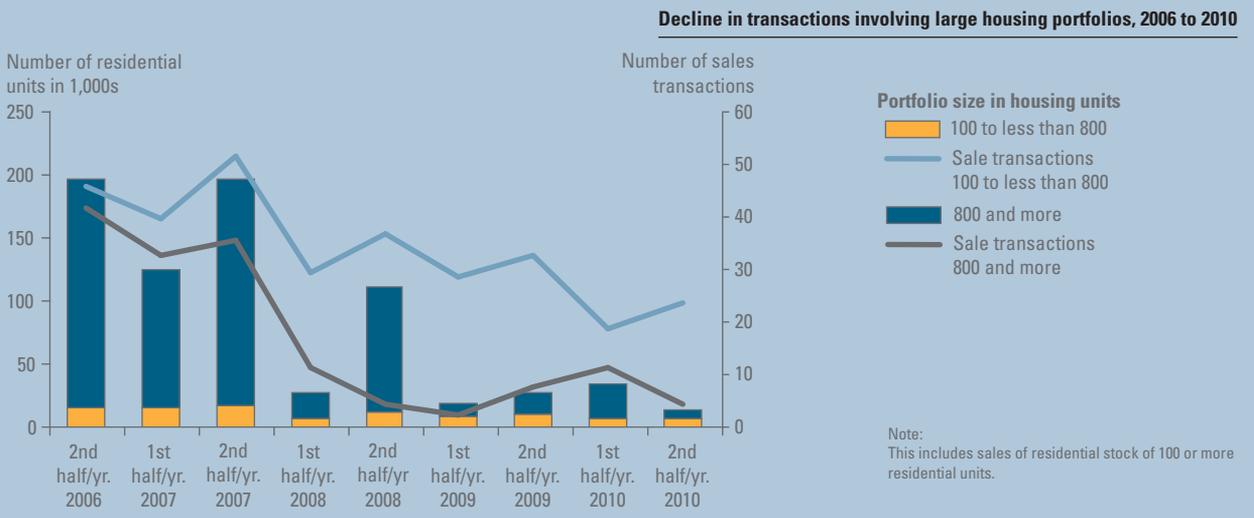


Figure 9



### The energy efficiency of residential property becomes ever more important

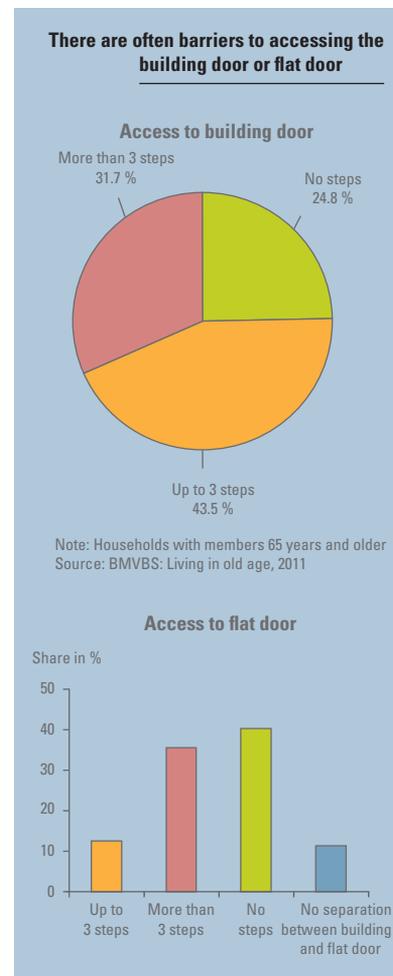
The energy efficiency of residential property is a factor of growing importance. Energy savings and a switch to renewable energy supplies are high on the agenda for many home owners, renters and policy makers. As a nation leading in technology and industry, Germany plays a pioneering role here.

As 40 % of the end energy consumption in Germany is used for heating and hot water in existing buildings, housing generates about 15 % of Germany's CO<sub>2</sub> emissions. The highest potential for energy retrofits can be found in residential buildings constructed before 1978. In all new construction after 2005, heat insulation has been standard. The calculated annual potential CO<sub>2</sub> reduction for all the modernisation steps subsidised under the "Energy Efficient Renovation" programme is equal to approximately 750,000 tons.

### The ageing of society increasingly requires new construction for barrier-free residences

Due to demographic trends and the growing number of older people, there is growing demand for age-appropriate, largely barrier-free residences or accessible residences (see Figure 10). This means that numerous investments are needed, not only on the part of property developers or private landlords but also on the part of owner-occupants so that they can improve their quality of life in old age. Roughly half of the households with a member at least 65 years of age live in housing that they own. Since it is often not possible to remove all barriers in pre-existing housing, one objective needs to be the removal of as many barriers as possible.

Figure 10



# Focus on housing and urban development policies

Twelve per cent of all German households receive public assistance for their living expenses. They live predominantly in areas with high unemployment, such as the Ruhr area or many parts of East Germany. Many cities and communities in these and other regions affected by population and/or economic decline are simultaneously faced with the necessity of adapting their existing housing stock and urban structures. They are helped by the federal-state city support programmes "Urban restructuring East" and "Urban restructuring West".

## The social security of living is ensured via housing allowances and the assumption of costs associated with housing and heating

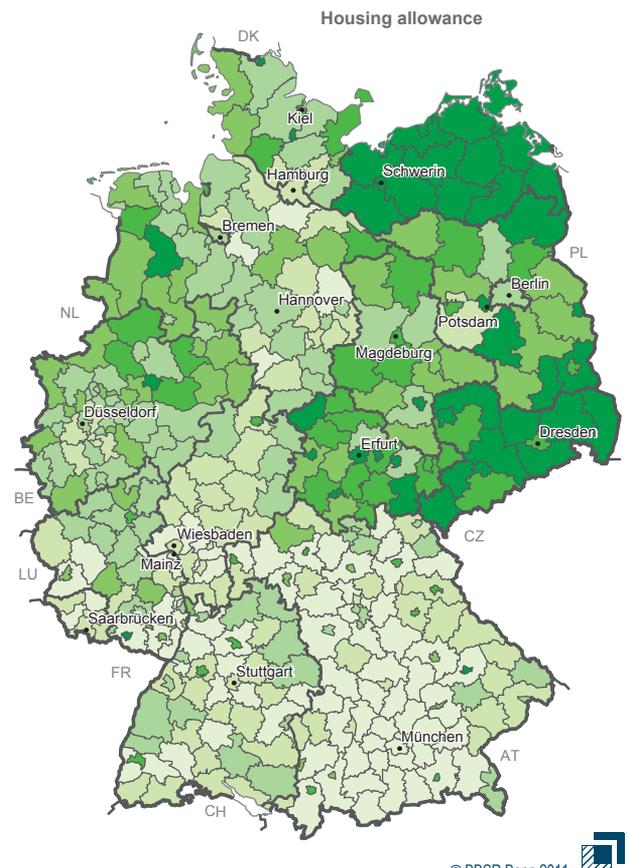
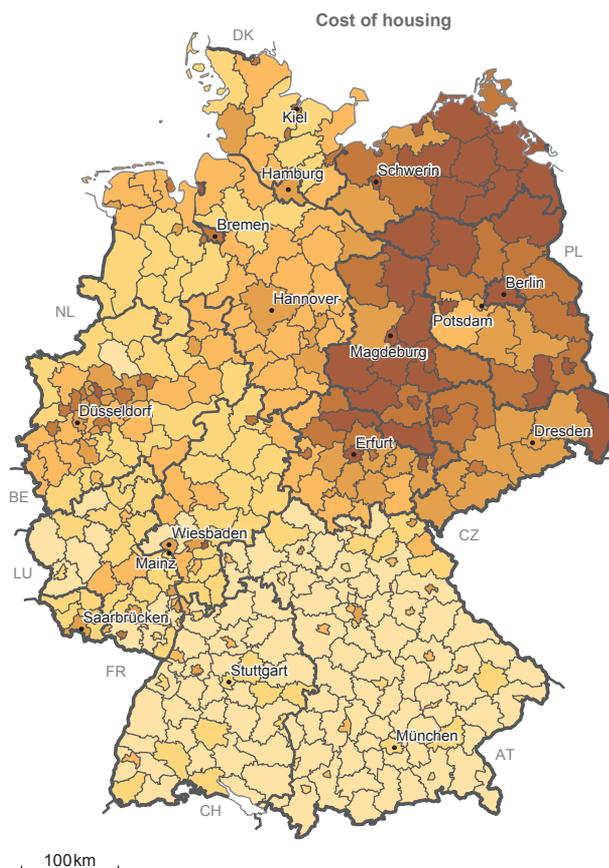
Not all households are able to independently shoulder their housing and utilities costs. Households with low or no independent income thus receive public support so that they can afford an appropriate home suitable for a family. The most important social security mechanisms

in this area are the housing allowance and providing for housing and heating costs as part of basic welfare for job seekers and those on social assistance.

The government instruments providing housing assistance in Germany are used by 12 % of all the private households in the country. In 2009 the government provided housing allowance or the housing and heating costs for 5 million households using €17 billion for housing costs. Of these, 1 million

Map 6

Social security for housing 2009 – Varying regional needs



Share of shared households ("needs units") according to the Social Code (SGB II) among private households in December 2009 in %



Share of private households relying solely on housing allowances in December 2009 in %



Data sources: BBSR Housing Market Monitoring System; Federal Labour Office: Statistics on basic welfare for job-seekers according to the Social Code (SGB II), December 2009; German Federal Statistical Office: Housing allowance statistics 2009  
Geometric basis: BKG, administrative districts, 31.12.2009



households received a housing allowance and 4 million shared households (“needs units”) received housing and heating cost assistance - 3.4 million shared households as defined in the Second Social Code (SGB II) and 0.6 million shared households as defined in the SGB XII.

The regional structures to provide support for utilities and housing allowances are characterised, in particular, by the economic situation in the districts and cities (see Map 6). Regions with high unemployment, such as the Ruhr area or large parts of eastern Germany, also have high levels of social assistance recipients. Economically prosperous regions in southern Germany, however, generally have very low numbers of recipients.

## Urban restructuring programmes involve removal and reevaluate measures

The programmes „Urban Restructuring East“ and „Urban Restructuring West“, jointly financed by the Federal Government and the Federal States, have a direct and indirect impact on the development of housing stock due to the subsidisation of removal and reevaluate measures. They assume the leading role in programmes for urban development and in the interaction with municipalities and other actors on the housing market. The federal, state and local governments finance the programmes jointly.

As part of the Urban Restructuring East programme, which has been in place since 2002, more than 270,000 residential units were removed from the market by the end of 2010. It thus helped to reduce the number of residential vacancies drastically. The second phase of the programme, which started in 2010, will also require the removal of units from the market – measures subsidised by the programme.

## Housing policy adapts key areas of responsibility

As part of Federalism Reform I, the responsibility for housing policy was newly adjusted by transferring social housing support entirely to the states in 2007. In 2010 the Federal States provided €1 billion in housing support along with compensation from the Federal Government. The German government further expanded its activities with respect to energy-efficiency improvements, social security for housing and home ownership using the so-called Riester allowance scheme. In addition, the Federal Government continues to support urban development and urban restructuring as well as measures to support age-appropriate living and drafts regulatory standards such as those concerning energy-efficiency improvements and new construction.

# Commercial property markets in times of economic change

Following substantial declines during the 2008/2009 crisis, office and retail properties are seeing an upward trend in demand and rents again. This upward trend, however, is focused significantly on prime or, at least, central locations in prosperous cities. New commercial properties seem attractive to investors only in demographically and economically well-placed regions.

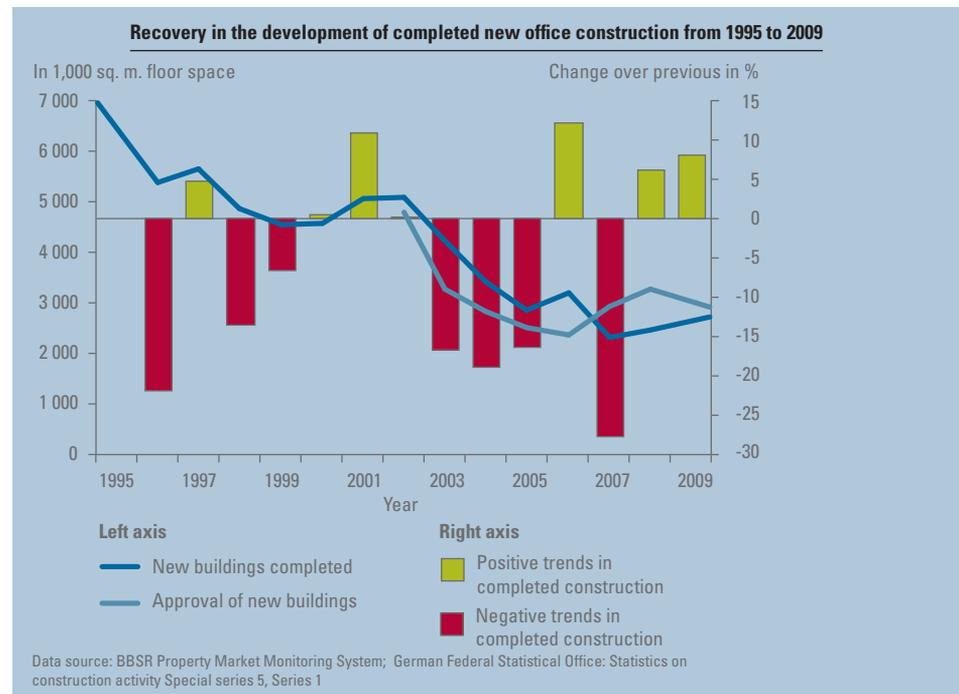
## Office properties in central locations are in demand

The development of office space is highly dependent on economic and financing factors. It has been very volatile over the last few years. Due to the safety-oriented focus on top locations as a consequence of the crisis, demand for office space has been particularly high for inner cities and on the edge of inner cities. After sharp drops over the last few years office rental prices have recently seen positive trends again. Since the trough in 2007 office rents have recovered most strongly in the upper segment in large cities and metropolitan regions. The different rent levels between good and less optimal locations came together slightly with the start of the financial crisis, however, since 2009 they have drifted further apart again. A shift in

the trend towards positive growth expectation for the office markets was observed only after mid-2010 at the latest. Since 2008, after the long-term low in 2007, more offices have been completed again (see Figure 11). However, there is some insecurity over the short and medium term, such as concerning the financial markets or loan issuance for the numerous pending bridge financings.

Measured against the cumulative value of property assets in Germany, the office properties come in second to residential housing, making them an important economic factor.

Figure 11



## The transactions for retail properties are very dynamic

Retail properties are now traded with significant growth rates after the collapse during the financial crisis in 2008/2009. In the first half of 2010 they revived the transaction and investment market enormously and over the course of 2010 grew to equal the transactions for office properties. The growing demand is shared among both international and institutional investors. The noticeably positive industry mood can be felt in a combination of the export boom, the recovery on the labour market and improvement in private consumer sentiment. The rent development of retail shops has been quite diverse, depending on region and location (see Figure 12). While leases in prime (1a) locations (main shopping streets) only shrank marginally between 1998

and 2010 (adjusted for inflation), the slightly-less-than-prime (1b) locations (adjacent side streets) suffered losses in rental income between four and five times as large. In the West and East of Germany, the 1a and 1b locations diverged to a greater degree than in northern Germany or even southern Germany.

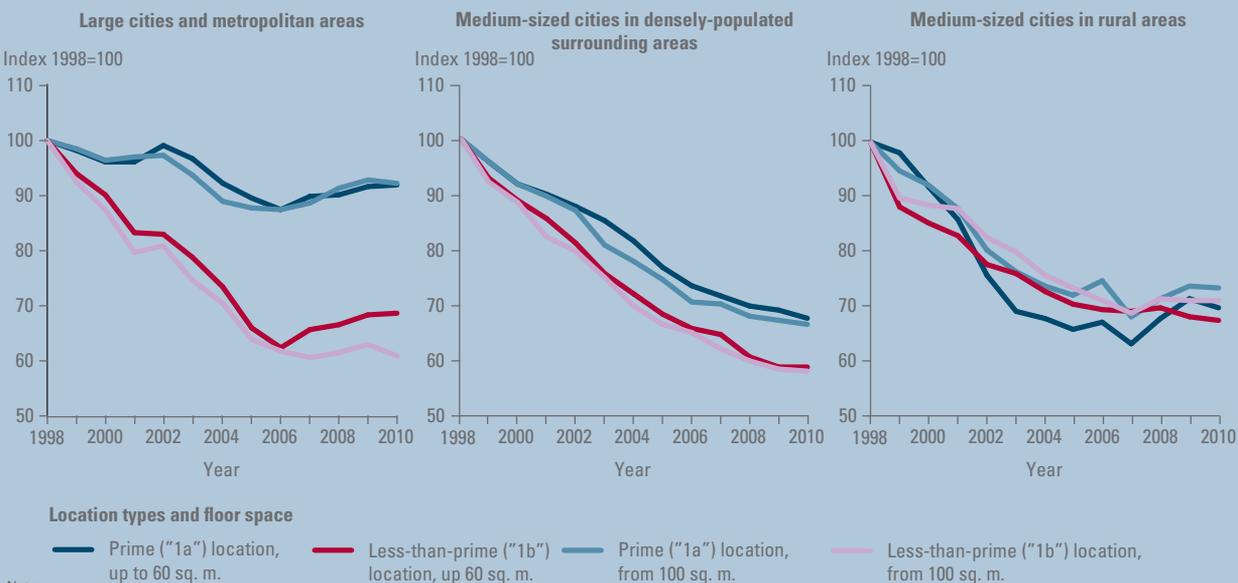
Shopping centre development has progressed since 1990 with varying regional focal points. Over the last few years inner city locations have grown in importance, and now this trend is also observed increasingly in smaller large cities and medium-sized cities. One trend affecting this new generation of shopping centres is pointing towards a better integration of those centres with the surrounding structure of inner cities.

## Regions with good demographic and economic factors are attracting more business activity and investment in real estate

Due to their close economic links, commercial property markets are often subject to high levels of volatility. This trend is reinforced by the growing dependency on capital markets, particularly in the core of large urban areas. According to the findings of the BBSR panel of experts, the commercial property markets in booming regions with promising future opportunities have a clear advantage when it comes to business activity and investment decisions. The market actors surveyed see the growing regions as the almost only truly attractive regions for future business activity (see Map 7). These are usually regions that serve metropolitan functions.

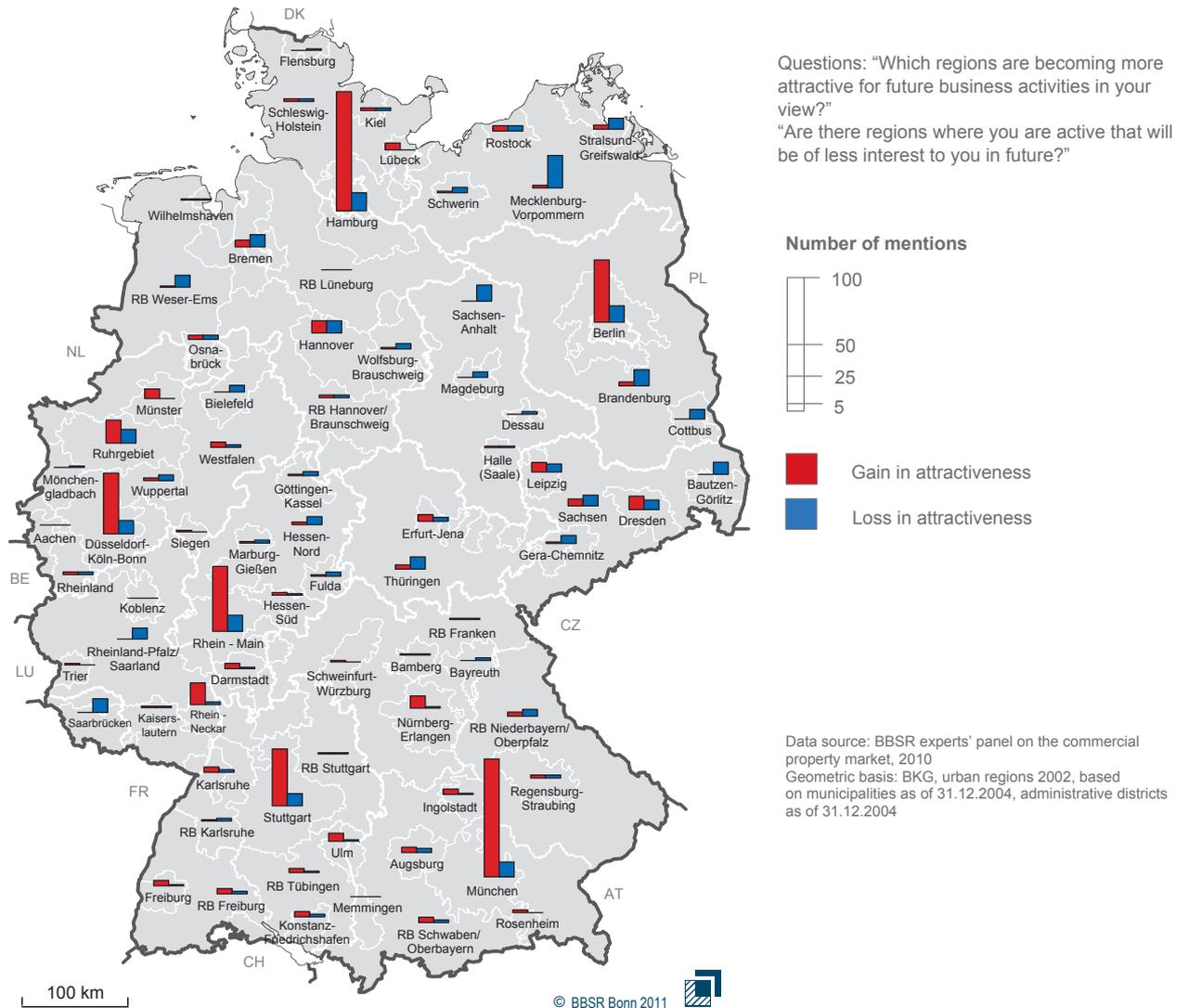
Figure 12

Large differences in the real growth of retail leases based on location and city type from 1998 to 2010



Map 7

Attractive future markets and regions for commercial property from the point of view of actors, 1st half 2010



## The internationalisation of commercial property markets increases their volatility

International property investments have once again recovered sharply since 2010 after the collapse caused by the financial crisis and are responsible for the 43 % of all direct investment in the global commercial property sector. Institutional investors, in particular, are increasingly turning away from their national territories and spread their investment across the markets of several countries. The main reasons for the increased internationalisation of commercial property markets are the increased focus on capital markets, the

increased professionalisation of this economic branch, the expansion of the investment spectrum and the global liberalisation and deregulation efforts at national and local levels.

The German transaction market for commercial property has changed substantially in recent years, primarily as a result of increased internationalisation. The integration in global economic processes and international investment strategies has noticeably increased the volatility of the market. In addition, an ever increasing decoupling of the property investment performance from fundamental commercial property values can be observed.

## Current key figures for the residential and property markets in Germany

Indicator	Unit	Germany	West Germany	East Germany
<b>New housing construction 2010</b>				
<i>Residential units completed in</i>				
<b>Residential and non-residential buildings</b>	<i>in units</i>	159 832	136 698	23 134
<b>of which in newly constructed residential buildings</b>	<i>in units</i>	140 096	121 062	19 034
Detached and semi-detached houses	<i>in units</i>	85 367	72 263	13 104
Multiple dwellings	<i>in units</i>	53 014	47 111	5 903
of which owner-occupied flats (condominiums)	<i>in units</i>	27 364	25 196	2 168
Rooming houses	<i>in units</i>	1 715	1 688	27
<b>Housing stock 2010</b>				
<b>Total</b>	<i>in million units</i>	39.52	30.81	8.71
in detached and semi-detached houses	<i>in million units</i>	18.63	15.63	3.00
in multiple dwellings	<i>in million units</i>	20.89	15.19	5.71
<b>Share in detached and semi-detached houses</b>	<i>Share in %</i>	47.1	50.7	34.4
<b>Residential rents and property prices 2010</b>				
<b>Quoted rents</b> (net rent excl. services)	<i>in €/sq. m.</i>	6,20	6.54	5.32
<b>Rents in existing buildings</b> (gross rent incl. services)	<i>in €/sq. m.</i>	7,73	–	–
utilities incl. heating	<i>in €/sq. m.</i>	1,14	–	–
utilities excl. heating	<i>in €/sq. m.</i>	1,63	–	–
<b>Rental burden measured by income</b>	<i>in %</i>	22	23	19
<b>Offer prices for standard detached homes*</b>	<i>in €</i>	196 400	208 000	136 200
<b>Housing vacancy rate 2009</b>				
Housing vacancy rate in multiple dwellings	<i>Share in %</i>	3.7	2.9	5.8
<b>Owners 2009</b>				
<b>Ownership rate</b>	<i>in %</i>	43.2	45.7	32.5
<b>Future residential housing demand per year 2010 to 2025</b>				
<b>Total</b>	<i>in units</i>	183 000	154 000	29 000
in detached and semi-detached houses	<i>in units</i>	115 000	98 000	17 000
in multiple dwellings	<i>in units</i>	68 000	55 000	12 000
<b>Total</b>	<i>Units /1,000 inhabitants</i>	2.3	2.4	1.9
in detached and semi-detached houses	<i>Units /1,000 inhabitants</i>	1.4	1.5	1.1
in multiple dwellings	<i>Units /1,000 inhabitants</i>	0.8	0.9	0.8

Note: \* 1st half 2010

Data sources: BBSR Housing Market Monitoring System; statistics on completed federal and state construction; continuation of federal and state buildings and housing units; IDN ImmoDaten GmbH; empirica Vacancy Index; German Federal Statistical Office: Income and Consumption Sample (EVS); BBSR Housing Market Forecast 2025 (lower variant)

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