

Market environment

Real Estate

Transaction market

Owing to the challenging parameters confronting institutional investors, demand remains strong for yield-producing properties and for land suitable for the development and realisation of projects. Increasing vacancy rates, continued yield compression and a possible turning point in interest rates make some market participants more cautious. The market remains characterised by high capital inflow and rising real-estate prices.

Residential rental market

Residential construction is showing signs of weakening marginally at a high level. Nevertheless, increasingly the supply of rental units exceeds demand resulting in a higher level of vacancies, decreasing quoted rents and lower yield. Significant differences can be made out, however, both in terms of region as well as location and product. Peripheral and insufficiently developed sites, mainly, are coming under pressure. In contrast, demand for affordable residential units in urban centres and in well-developed peri-urban areas remains high.

Commercial rental market

While the relatively stable economic cycle and a slight rise in total employment are insufficient to trigger a turnaround in office rentals, they generate a more lively demand, especially in central business districts. Apart from local exceptions, supply of available space continues to exceed demand. Tenants therefore take advantage of the resulting room to negotiate to their advantage. As a result, letting is connected with considerable financial and time-related expenses.

Home ownership

Residential ownership remains in demand thanks to low interest rates and a comparatively low national rate of ownership. This is primarily true for offers in the medium and lower price segments at well-developed and central locations. In contrast to the upper price segment, where the existing over-supply resulted in declining prices, high demand in the lower and medium price segments is generating stable to marginally rising prices. However, the availability of land suitable for the corresponding price segments is limited.

Projects & Development

Owing to the decreasing number of large projects, a decline in construction activity from the currently good capacity utilisation is to be expected and will even be accentuated. In a market characterised by high pressure on prices and eroding margins, competition will inevitably intensify. Therefore, general and total contractors are gradually forced to either surrender to the pressure on prices or to expand the services offered with additional products and services.