

PRESS RELEASE

Survey shows that majority of German tenants currently have no plans to buy a property

- **56 per cent of respondents do not intend to buy a property in the foreseeable future**
- **Rising rents and costs for energy-related refurbishment reduce the supply of affordable housing**
- **Many tenants focus on sustainability standards when choosing a home; almost half would accept higher costs for energy-efficient housing**
- **Many decision-makers in the housing industry are looking for simpler regulations**
- **Lars Ernst, Managing Director, Banking & Digital Solutions at Aareal Bank AG: “We need a more pragmatic approach to regulation and implementation of refurbishment aimed at energy efficiency in order to relieve pressure on the rental and housing markets.”**

Wiesbaden, 21 October 2024 – Many tenants in Germany express concern about the current trend in rental pricing in conjunction with necessary refurbishment measures aimed at improving energy efficiency of the existing housing stock. This is shown by the **Aareal Trend Barometer**, a representative online survey* of around 5,000 tenants conducted by YouGov on behalf of Aareal Bank. A clear majority of respondents (83%) believe that rising rents put a strain on social coexistence. Likewise, a majority also express criticism over refurbishments designed with energy efficiency in mind to reduce carbon emissions in buildings. Nearly three-quarters of respondents (70%) fear that such measures will further reduce the already scarce supply of affordable housing.

Furthermore, 76 per cent of respondents criticise a lack of willingness amongst politicians to find innovative solutions. These developments unfold in an environment where demand for housing is high while supply is limited – and in addition, where construction costs for residential properties have increased by 8.5 per cent year-on-year (data for 2023 published by the German National Statistical Office).

“We need a more pragmatic approach to regulation and implementation of refurbishment aimed at energy efficiency in order to relieve pressure on the rental and housing markets”, said Lars Ernst, Managing Director, Banking & Digital Solutions at Aareal Bank AG. “Possible solutions may include involving tenants in investment projects, the conversion of commercial properties to housing space or targeted measures to promote the acquisition of property.”

Refurbishment aimed at energy efficiency: joining forces with tenants

Tenants can also gain something positive from refurbishment measures aimed at increasing energy efficiency. Sustainability continues to be deemed important when choosing a new rented apartment: fully half of all respondents (50%) pay particular attention to insulated walls, energy-saving heaters and well-insulated windows. In fact, this criterion attracted more

responses than the desire for a fast internet connection (49%). Nearly half (45%) say they are even prepared to accept higher rental costs for an energy-efficient apartment. And around four in ten tenants (38%) would also be willing to share the investment in energy efficiency for their rented apartment, provided that the landlord guarantees a stable rent for a longer period of time.

"Tenants are quite willing to play their part in finding solutions for the challenges the housing market is facing", Mr Ernst commented on the results. "The willingness of many tenants to get involved in the creation of sustainable housing should be an incentive for companies to carry out refurbishment aimed at energy efficiency since this would reduce the business risk involved." According to tenants, housing companies have even more options to help improve the situation: almost one in two (49%) would like to see commercial properties converted into residential space, with even higher approval ratings recorded for the creation of suitable housing offers for the elderly (60%) and social housing (60%).

Yet many tenants believe politicians should do their part to raise the attractiveness of buying residential property. Specifically, more than half of respondents see the reduction of ancillary purchase costs (56%), the abolition of property tax (50%) or the reduction of construction costs through less regulation and specifications (53%) as appropriate measures.

Majority of tenants currently have no plans to buy a property

Comparatively few respondents see a purchase as the option of fulfilling their desire for sustainable housing: the Aareal Trend Barometer shows that 56 per cent of those interviewed have no plans to move into their own property in the foreseeable future. For many tenants (61%), moving to another property is not an option either. This reflects the scarce supply and the tense situation on the residential property market in Germany. A look at what's happening with building permits provides further supporting evidence: only around 300,000 apartments were completed in 2023 instead of the planned 400,000. The Munich-based ifo Institute expects that by 2026 this annual figure will have dropped below 200,000.

Housing sector burdened by the regulatory framework

In parallel to the tenant survey, around 150 decision-makers from the housing industry were also surveyed on the rental market situation. Two thirds (64%) assume that tenants are dissatisfied with the supply situation and cost developments on the housing market. According to respondents, the industry can meet demand from the numerous tenants seeking energy-efficient housing only to a limited extent: only four in ten decision-makers (38%) consider the industry well positioned to offer sustainable buildings. Looking at the implementation of modern housing concepts such as shared spaces, the situation is even worse: just 7 per cent of decision-makers surveyed believe their own sector to be well-prepared for this.

In the context of discussions surrounding the German government's "Faster Construction Act" ("*Schneller-Bauen-Gesetz*"), tenants and housing industry decision-makers alike highlighted the importance of political measures to deal with the tense situation. Decision-

makers pointed towards an acceleration of planning and approval procedures (86%), the reduction of construction costs (98%) and lower construction standards (69%) as effective levers. A clear majority (81%) would like to see a clear and simplified regulatory framework – and hence, greater planning security – in the housing market.

The results of the survey on the future of housing have been summarised in the Aareal Trend Barometer 2024, and can be downloaded [here](#).

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About Aareal Bank Group

Aareal Bank Group, headquartered in Wiesbaden, is a leading international property specialist. The Bank uses its expertise to identify trends, challenges and opportunities at an early stage, and to exploit them for the benefit of its stakeholders. Aareal Bank Group provides financings, banking services and payments solutions for the property sector and related industries, and is present across three continents, Europe, North America and the Asia/Pacific region. Aareal Bank Group's business strategy focuses on sustainable business success, with environmental, social and governance (ESG) aspects as an integral part of this strategy.

Aareal Bank AG comprises the business segments Structured Property Financing and Banking & Digital Solutions. The Structured Property Financing segment encompasses all of Aareal Bank Group's property financing and funding activities. Here, the Bank supports its clients in making large-volume commercial property investments. The investment properties mostly comprise office buildings, hotels, shopping centres, logistics and residential property, as well as student apartments. In the Banking & Digital Solutions segment, Aareal Bank Group supports businesses from the housing, property management and energy industries as a digitalisation partner – combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking.

***Information on the methodology**

On behalf of Aareal Bank, YouGov surveyed 5,042 tenants across Germany on the rental market situation during the period between 14 and 20 June 2024. The survey was conducted in the form of online interviews with members of the YouGov Panel Germany. Responses were weighted according to gender and generational affiliation. The results are representative for tenants in Germany aged 18 and over. In some cases, the two highest response categories to a question were aggregated for the presentation of results.

The decision-makers' survey was conducted with 150 of Aareal Bank's housing industry clients during the period between 12 and 26 August 2024. This part of the survey is an opinion poll, and does not purport to be representative.