

Press release

Berlin, 23 November 2023

More real estate loans granted than in previous quarter

Volume of new loan commitments by vdp member institutions still clearly lower year on year, up again quarter on quarter

The institutions which together make up the Association of German Pfandbrief Banks (vdp) recorded a slight upturn in new real estate financing activity in the third quarter of 2023. Totalling EUR 30.7 billion, loan commitments for residential and commercial properties rose by 15.8% on the previous quarter (Q2 2023: EUR 26.5 billion). Year on year, on the other hand, they again reported a drop of 21.5% (Q3 2022: EUR 39.1 billion).

“Demand for real estate finance is picking up again slightly.”

Jens Tolckmitt

“Compared with previous years, new business in real estate financing remains at subdued levels. That said, we are now seeing an increase for the third quarter in succession. Commitments given for both residential and commercial real estate loans are on the rise, which indicates that the financing market is stabilizing slightly,” commented **Jens Tolckmitt**, the vdp’s Chief Executive. He went on to say that the framework conditions for real estate investments remain challenging, and many factors such as the geopolitical tensions, uncertainty about economic developments and low construction activity in the housing sector are putting a strain on the market. However: “The end of the rapid rise in interest rates seems to be giving back investors and households more and more planning security.”

LOAN COMMITMENTS vdp MEMBER INSTITUTIONS	Lending volumes Q3 2023	Δ year on year (Q3 2022)	Δ quarter on quarter (Q2 2023)
Total	€30.7 bn	-21.5%	+15.8%
Residential properties	€16.9 bn	-22.5%	+13.4%
Commercial properties	€13.8 bn	-20.2%	+19.0%

Residential and commercial real estate loans see rather similar development

In terms of the asset classes, new business in real estate financing by the vdp member institutions experienced a rather similar development in the third quarter of 2023. Compared with the immediately preceding quarter, loan commitments were up for both residential properties (+13.4%) and commercial properties (+19.0%). By contrast, both asset classes recorded a significant decline compared with the corresponding quarter one year before: 22.5% for residential real estate loans and 20.2% for commercial real estate loans.

Of the **residential real estate loans** that were extended in the third quarter of 2023 totalling EUR 16.9 billion, somewhat less than half was accounted for by the financing of one- and two-family houses (EUR 8.0 billion compared with EUR 7.5 billion in the second quarter of 2023). Loans for condominiums and multi-family houses likewise rose on the quarter, namely to EUR 3.1 billion and EUR 4.8 billion respectively. However, they were still clearly below the corresponding figures for the third quarter of 2022.

RESIDENTIAL PROPERTIES	Lending volumes Q3 2023	Δ year on year (Q3 2022)	Δ quarter on quarter (Q2 2023)
1- and 2-family houses	€8.0 bn	-31.0%	+6.7%
Condominiums	€3.1 bn	-26.2%	+6.9%
Multi-family houses	€4.8 bn	-4.0%	+41.2%
Others	€1.0 bn	0.0 %	-9.1%

New business in commercial real estate lending by the vdp member institutions, which totalled EUR 13.8 billion in the third quarter, was again dominated by loan commitments for office buildings. These accounted for a share of 45%. However, the volume of office property loans extended totalling EUR 6.2 billion was appreciably lower than the corresponding figures for both the previous quarter and the previous year. New loan commitments for retail properties totalled EUR 2.9 billion. Thus, they were up on the second quarter of this year, but fell clearly short of the corresponding figure year on year. New business in real estate financing for hotels and industrial buildings reached volumes of EUR 1.2 billion and EUR 0.2 billion respectively in the quarter under review.

COMMERCIAL PROPERTIES	Lending volumes Q3 2023	Δ year on year (Q3 2022)	Δ quarter on quarter (Q2 2023)
Office properties	€6.2 bn	-37.4%	-10.1%
Retail properties	€2.9 bn	-34.1%	+61.1%
Hotels	€1.2 bn	+50.0%	-14.3%
Industrial buildings	€0.2 bn	0.0%	-50.0%
Others	€3.3 bn	+65.0%	> +100.0%

At EUR 1.004,0 billion, the **portfolio** of real estate loans extended by vdp member institutions remained stable quarter on quarter (30.06.2023: EUR 1,004.2 billion). Year on year, the portfolio increased slightly by 1.1% (30.09.2022: EUR 993.0 billion).

The complete real estate financing statistics together with charts are available for free use on the vdp's website [under the link](https://www.pfandbrief.de/site/en/vdp/press/News/press_releases/20231123_real_estate_financing_business.html) below:
https://www.pfandbrief.de/site/en/vdp/press/News/press_releases/20231123_real_estate_financing_business.html

About the Association of German Pfandbrief Banks (vdp)

The Association of German Pfandbrief Banks is one of the five associations that make up the German Banking Industry Committee. It represents the sector's most important providers of financing for residential and commercial property construction, governments and public-sector institutions.

**Association of German
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