

Press release

Berlin, 27 March 2024

Real estate financing activity down in 2023, but stabilisation recognisable

Volume of new loan commitments by vdp member banks was higher in the fourth quarter of 2023 year on year

In the 2023 business year, the banks which together make up the Association of German Pfandbrief Banks (vdp) issued loan commitments totalling EUR 110.0 billion for the construction and acquisition of residential and commercial properties (previous year: EUR 160.0 billion). This represents a decline of 31.3%. The drop in commercial property loans was, at -23.8%, less pronounced than in loans for residential properties (-35.8%).

Between January and September 2023, financing volumes increased gradually from quarter to quarter at a moderate level. In the fourth quarter, when new real estate financing activity is traditionally lowest, a volume of EUR 26.2 billion was recorded, matching the result for the first quarter of 2023. Compared with the corresponding quarter one year before, this meant an increase of 5.2% (Q4 2022: EUR 24.9 billion).

“We expect new real estate financing activity to pick up slightly in 2024.”

Jens Tolckmitt

“The property market downturn in 2023 also had an impact on new loan commitments by banks providing real estate finance. The vdp member banks issued a considerably lower volume of real estate loans in 2023 than one year before. However, one should bear in mind that the first half of 2022 was still characterised by a years-long market upswing and benefitted from anticipatory effects in the shape of a large volume of forward loans. “This then had a dampening effect on business in subsequent quarters,” the vdp’s Chief Executive Jens Tolckmitt emphasised. “The fact that more real estate loans were granted in the fourth quarter of 2023 year on year indicates that financing activity is beginning to stabilise. Given that interest rates on loans appear to have peaked and planning security has increased with regard to financing conditions, we expect new real estate financing activity to pick up slightly in the current year 2024.”

New commitments in residential property financing: one- and two-family houses predominate

In the months October to December 2023, vdp member banks extended **residential property loans** totalling EUR 15.2 billion. This represents a decline of 11.6% compared with both the third quarter of 2023 and the fourth quarter of 2022 (Q3 2023 and Q4 2022: EUR 17.2 billion in each case).

With a total of EUR 7.2 billion, one- and two-family houses accounted for somewhat less than half of residential property loans extended in the fourth quarter of 2023. Thus, the volume was almost unchanged year on year (Q4 2022: EUR 7.3 billion). Total loans for condominiums came to EUR 2.9 billion in the fourth quarter of 2023. This represented an increase year on year (Q4 2022: EUR 2.5 billion). By contrast, the volume of loans for multi-family houses totalling EUR 4.2 billion showed a decline (Q4 2022: EUR 6.6 billion).

Considerably more commercial property loans than in the fourth quarter of 2022

New commercial property loans totalling EUR 11.0 billion were issued in the fourth quarter of 2023. Thus, loan commitment activity dropped by 20.3% compared with the immediately preceding quarter (Q3 2023: EUR 13.8 billion). At the same time, however, it exceeded by 42.9% the volume achieved in the months October to December 2022 (Q4 2022: EUR 7.7 billion).

The vdp member banks' **commercial property financing activity** was again chiefly accounted for by loan commitments for office properties, which made up a 51.0% share. The volume of office property loans extended was, at EUR 5.6 billion, down on the previous quarter (Q3 2023: EUR 6.1 billion), but well above the corresponding figure one year before (Q4 2022: EUR 3.4 billion). New loan commitments for retail properties, totalling EUR 2.7 billion, were likewise down on the previous quarter of 2023 and up on the corresponding quarter one year before (Q3 2023: EUR 3.5 billion / Q4 2022: EUR 1.2 billion). New loan commitments for hotels and industrial buildings totalled EUR 1.1 billion and EUR 0.2 billion respectively in the quarter under review – levels similar to those achieved in both corresponding periods.

Amounting to EUR 1,004.1 billion, the **portfolio** of real estate loans extended by the vdp member banks remained stable quarter on quarter (30 September 2023: EUR 1,003.9 billion).

The complete real estate financing statistics as well as tables and charts are available for free use on the vdp's website under the following [link](#).

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 Pfandbriefbanks

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