

Press release

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Home buying more affordable again

vdp study analyzes structure of residential property finance over time

Buying one's own home is considerably more affordable today than it was immediately after the beginning of and during the 2022 turnaround in interest rates. This is the outcome of a recent study conducted by the Association of German Pfandbrief Banks (vdp) and published today under the title "vdp Spotlight: Structures of residential property finance 2025". The main driver of the improved affordability is the combination of positive income developments and stable financing conditions.

This study is the latest in a series of surveys the vdp regularly carries out on the structure of the financing of owner-occupied houses and condominiums. Based on data provided by vdp member banks actively engaged in this business field, the study analyzes the proportion of borrowed funds, debt burden, loan durations and terms and conditions for home ownership financing in Germany.

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Jens Tolckmitt

“The residential property market is continuing its recovery from the abrupt turnaround in interest rates in 2022. Prices and financing volumes have returned to an upward trajectory since mid-2024 – in small steps, but continuously,” vdp Chief Executive Jens Tolckmitt pointed out. “Real incomes are on the rise; the phase of interest rate increases is over for now. Thus, buying one's own home is more affordable today than it was two to three years ago.” Tolckmitt added that rents under new contracts have been rising steadily. “As the rental housing market grows increasingly tight, buying one's own home has again become more attractive. This is reflected in the growth in demand for loans.”

Long fixed-rate periods remain popular

The average interest rate payable on a residential property loan has dropped from 3.96% in 2023 to 3.50% in 2025. Moreover, the vdp study illustrates that the average debt burden ratio has remained virtually unchanged over the last two years (26.7% compared with 26.2%), and that the duration of loans has risen moderately from 26.6 years to 28.1 years on average. The average fixed-rate

period was last calculated at 12 years. As in the past, borrowers are mainly choosing long fixed-rate periods.

Many potential property buyers were forced to withdraw from the market in the years 2022/2023 because the substantial increases in interest rates pushed financing costs significantly higher. At the same time, high inflation reduced households' scope for spending. This is reflected in the structure of homebuyers' incomes. The average income of households that bought and financed a property for their own use rose significantly between 2021 and 2023, whereas it recently fell again slightly. This indicates that at least some of the households in income brackets that withdrew from the market two years before were active again as homebuyers in 2025. The stabilization of interest rates, the curbing of inflation and the, in some cases, marked increase in incomes played a part in this development.

High transaction costs reduce households' own funds

The ratio of borrowed funds to purchase price decreased from around 80% in 2021 to 76% in 2023 and rose again to stand most recently at around 83% in 2025. The level is due, not least, to high ancillary purchase costs. Since borrowers have to finance these costs out of their own funds, a higher property transfer tax, for example, reduces the maximum share of own funds that buyer households can put towards the financing. The borrowed funds ratio goes up as a result.

“A lower property transfer tax for self-users would make it easier for young families in particular to get a foot on the property ladder.”

Thomas Hofer

“To reduce the financial burden for households and thus facilitate access to home ownership, it would make sense to lower property transfer tax, especially for self-users. This would reduce appreciably the borrowed funds needed when buying a home, and young families in particular would benefit from this,” Thomas Hofer, Head of Real Estate Market and Domestic Real Estate Finance at the vdp and author of the study, emphasized. He added that banks attach great importance to borrowers having an adequate proportion of own funds and sufficient financial capacity. Moreover, in line with the requirements of the EU Mortgage Credit Directive (MCD), banks examine whether the borrower household can afford a potential loan.

Lending standards are not being relaxed

In this context, Tolckmitt took a positive view of the current situation on the market for residential property finance. “The Bank Lending Survey conducted by the Bundesbank illustrates that banks are not relaxing their lending standards. The debt burden ratio shows itself to be correspondingly stable.” The duration of loans has expanded moderately, and the proportion of borrowed funds has grown due to the fact that more threshold households are again entering the market.

“Lenders and borrowers continue to put safety first.”

Jens Tolckmitt

Households, moreover, tend to choose loan terms that are locked in for long time periods. These are still favourable in the long run. “All of these factors are evidence that lenders and borrowers continue to put safety first,” Tolckmitt remarked.

The publication “vdp Spotlight: Structures of the residential property finance 2025” is available for download free of charge on the vdp’s website under this [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 finance for residential and commercial property, governments and public-sector institutions. The vdp advocates for the continued success of the Pfandbrief and represents the specific, Pfandbrief-related interests of its member institutions vis-à-vis lawmakers, regulators and markets at national and international level.

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