

Press Release

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Pfandbrief banks expand mortgage lending and sales in 2025 financial year

- **Increases in residential and commercial property prices**
- **Growth in new and outstanding Pfandbriefe**
- **Basel III: vdp calls for targeted adjustments**

For member institutions of the Association of German Pfandbrief Banks (vdp), the 2025 financial year was a positive one. Despite a challenging market environment, they succeeded in expanding both new property lending and Pfandbrief sales. This was principally the result of a sustained recovery in property markets, but investor demand for Pfandbriefe also remained buoyant.

“Given the numerous crises and geopolitical conflicts, vdp member institutions successfully navigated the 2025 financial year.”

Gero Bergmann

At the Association’s annual media conference today, **vdp President Gero Bergmann** stressed that the challenges facing the economy as a whole had increased sharply in recent years, and that this also applied to the financial sector. In light of this, he said that vdp member institutions had successfully navigated the 2025 financial year, benefiting from the positive development of Pfandbrief-related markets. According to Bergmann, the German property market continued the recovery that began in 2024 following the abrupt turnaround in interest rates. Prices, he said, rose steadily – albeit at a substantially lower rate than during the period of very low interest rates. In 2025, the real estate finance business recorded significant growth, Bergmann added, while it was also a good year for the Pfandbrief market: “Both the sales and outstanding circulation of Pfandbriefe increased noticeably.”

Turning to the most recent geopolitical escalation, Bergmann struck a cautious note on the outlook for 2026 as a whole: The war in Iran had not only intensified an already elevated level of uncertainty in the market but was also having a negative impact on inflation and economic growth. “Just as our member institutions weathered the crises of recent years successfully, they are also well equipped to manage the current challenging environment.”

“From today’s perspective, prices are still expected to rise slightly in 2026.”

Gero Bergmann

In his view, how property prices and new property lending develop depends on changes in construction costs and interest rate conditions going forward. “From today’s perspective, prices are still expected to rise slightly in 2026.” The business outlook for Pfandbrief banks remains fundamentally encouraging in the current year, too, he said.

- **Trends on the real estate market**

Residential property prices approach 2022 peak

2025 saw consistent quarterly increases in German property prices: In the final three months, the vdp’s Property Price Index indicated growth of 4.0 % compared with the same period a year earlier. Once again, the main driver was residential property prices, which rose by 4.2 % nationwide over the course of the year; in the top seven cities, the increase amounted to 4.7 %. In contrast, prices for commercial property, comprising the office and retail segments, grew somewhat less sharply – by an average of 3.5 % across Germany as a whole.

“The price correction in bank-financed office properties was completed in 2025 and prices have since edged up again.”

Gero Bergmann

Bergmann underlined the fact that the upward trend in property prices in Germany that began in 2024 continued last year. “Meanwhile, residential property prices are close to their peak of summer 2022.” Given an ever-growing shortage of housing, he said, further increases in residential property prices and rents are inevitable. An upward trend in commercial property prices is also underway, Bergmann added, although this remained more subdued than in the residential segment. To explain this, he pointed to the much greater dependence of the office and retail property markets on the broader economic environment. “The price correction in bank-financed office properties was completed in 2025 and prices have since edged up again.”

In respect of future developments on the office property market, Bergmann stressed that this would hinge crucially on how the share of employees working from home and the growing use of artificial intelligence (AI) tools affect demand for space. “At present, we expect further differentiation in the office market, with top-tier properties in prime locations and with high energy efficiency continuing to attract rising prices and rents. Older properties in peripheral locations with greater energy consumption will find it

increasingly difficult to appeal to buyers and tenants,” Bergmann said. “A uniformly negative view of the office market ignores the strong demand for modern properties in prime locations with excellent energy efficiency.”

Sharp increase in loan commitments

Pfandbrief banks granted significantly more property loans in 2025 than in the previous year, with total mortgage lending rising by 15.7 % to € 148.6 bn. This growth was mainly related to the positive development in residential mortgage lending. While commitments for commercial property loans increased by 12.9 % to € 56.0 bn in 2025, residential property finance increased by 17.5 % to € 92.6 bn. At 79 %, the vast majority of property finance was once again related to properties in Germany.

“The increase in residential property lending is gradually feeding through to the crucial segment of new housing construction.”

Gero Bergmann

Bergmann stressed that nearly all property classes had recorded stronger demand for lending last year. A particularly encouraging sign, he said, was the fact that “the increase in lending for residential properties is not only related to existing buildings but is gradually feeding through to the crucial segment of new housing construction.” The number of building permits had also risen, he noted, and more private households took the decision to purchase residential property. In his view, another positive aspect was that policymakers had launched the first initiatives aimed at deregulating and accelerating housing policy. What matters now, he said, is how quickly these reforms are implemented in practice – and how quickly municipalities, as local decision-makers, embrace these changes.

However, Bergmann emphasised that more measures would be required to deliver a substantial boost to the housing market. “Support for owner-occupier homebuyers and state guarantees for companies building large volumes of new housing have the potential to become genuine game changers.” Bergmann described the idea of a new federal government-owned housing company as misguided. “Instead of creating a new institution that would face the same challenges as private-sector players, the regulatory reforms that have long been discussed to revitalise the housing market should now finally be implemented consistently and swiftly.”

- **Current regulatory issues**

“The tide is turning on regulation”

The vdp welcomes the fact that calls for less bureaucracy and for simpler or more unified regulation have recently been growing louder in both politics and supervision. “Now that the first corrections have been made, for example in sustainable finance

rules, the tide is turning on regulation,” said **vdp CEO Jens Tolckmitt**. So far, however, its effect has remained limited, he added.

“Regulatory requirements are often excessive, complex and inconsistent in themselves.”

Jens Tolckmitt

In view of the many regulatory requirements, which are often excessive, complex and inconsistent in themselves, he stressed that “banks and borrowers continue to be heavily burdened by overregulation, making loans more expensive.”

Basel III: Freeze in output floor urgently needed in Europe

While Europe continues to pursue a strict implementation of the Basel III rules, the United States is relaxing its banking regulation in a deliberate break from the Basel III framework. According to the US Federal Reserve’s (Fed) published implementation proposal, lower capital requirements and less complex rules are intended to strengthen lending and support economic growth in the United States. The Fed’s proposed capital relief ranges from around 5 % to just under 8 %, depending on the size of the institution. “The United States is therefore effectively abandoning the goal that European supervisors, in particular, have consistently championed: a uniform, global regulatory standard. Instead, the US is now prioritising the competitiveness and performance of its banks in the interests of its economy,” Tolckmitt stressed.

He added that other jurisdictions, including the UK and Canada, were also diverging from the Basel III framework. In light of this, Europe’s insistence on maintaining the capital requirements is difficult to understand, he said. “Political leaders and supervisors have repeatedly underlined the resilience of the banking system and the solid capitalisation and liquidity of European banks,” Tolckmitt said. He pointed out that, despite this, Basel III threatens to impose significant additional capital burdens of up to 20 % by 2032 – and even more in individual cases. Remarkably, Tolckmitt said, this would especially impact lower-risk business areas.

“The output floor must be frozen at its original level of 50 %.”

Jens Tolckmitt

In his speech, Tolckmitt was clear about what needs to change: “Pfandbrief banks are not calling for a fundamental departure from Basel III, but for targeted adjustments.” A continued increase in capital requirements over a further six years, as currently envisaged, would be counterproductive, he said. Of particular concern to the vdp is the floor for banks’ capital requirements: “The output floor must be frozen at its original level of 50 % to prevent further unwarranted capital burdens.” In addition, Pfandbrief banks are calling for demonstrably low-risk residential mortgage loans to retain their preferential treatment on a permanent basis, and for project development financing – known as

acquisition, development and construction (ADC) financing – such as funding for new housing construction and energy-efficient refurbishments, not to be subject to prohibitively high risk weights.

These targeted adjustments to the Basel III framework would enhance banks' capacity to provide finance and, in this way, facilitate urgently needed investment in housing, climate action and infrastructure, Tolckmitt noted. He called for a more pragmatic approach to regulation along US lines – one that is commensurate with the facts and the risks involved, while also taking banks' operational capacity into consideration. Otherwise, he said, even more business now handled by banks could move into less regulated sectors – a trend that supervisors themselves are increasingly recognising and viewing with concern after 17 years of one-sided, continuous regulation.

Sustainable finance regulation: Practical implementation remains inadequate

Pfandbrief banks acknowledge that the European Commission has followed up its announcement that it intended to streamline European sustainable finance regulation with concrete action. The simplification of disclosure requirements agreed by Brussels was an important first step, Tolckmitt acknowledged. However, inconsistencies between the reporting obligations of companies in the real economy and banking regulations are leading to gaps in data provision, he said. Tolckmitt stressed that the criteria for classifying “green” buildings need to be made much more workable in practice so as not to obstruct investment, particularly in the existing building stock.

“The taxonomy criteria must become much more workable in practice.”

Jens Tolckmitt

Commenting on the recent consultation on the EU taxonomy, he said the objective of promoting broader use and greater market acceptance of the framework in property finance had still not been met. Among the reasons for this, he cited the taxonomy's failure to take account of data availability and banks' lending processes.

He called for targeted adjustments to the criteria: “The taxonomy criteria must become much more workable in practice.” One key requirement, he said, was to maintain the 2030 deadline for implementation of new-build standards laid down in the Energy Performance of Buildings Directive (EPBD) rather than bringing it forward to 2027. He argued that regulatory and audit requirements should be aligned more closely with the principles of materiality and proportionality. For Pfandbrief banks, another decisive issue is that taxonomy assessments should be possible as a one-time review when the loan is granted, on the basis of the documents available at that point, such as the energy performance certificate or renovation passport.

- **Developments on the Pfandbrief market**

Total Pfandbrief circulation rises to € 410.9 bn

In 2025, the Pfandbrief market once again proved resilient and served as a stable funding source for vdp member institutions throughout the year. Total Pfandbrief circulation increased in 2025 by € 11.4 bn, or 2.9 %, to € 410.9 bn; that of mortgage Pfandbriefe rose above the € 300 bn mark for the first time (€ 304.1 bn versus € 298.4 bn in 2024). Total public Pfandbriefe in circulation also increased, growing by 5.6 % to € 106.8 bn.

Pfandbrief sales grew in 2025 from € 57.3 bn to € 66.8 bn – an increase of 16.6 %. This growth was driven by both mortgage and public Pfandbriefe, sales of which increased by 10.1 % and 35.1 %, respectively. With a volume of € 31.0 bn, issuance of benchmark Pfandbriefe – with volumes of at least € 500 m – reached its third-best level of the past 10 years, Bergmann said.

Sustainable issues: Shortage of eligible cover pool assets

Developments in the sustainable Pfandbrief segment were mixed. While total sales fell from € 7.1 bn to € 4.7 bn, overall circulation rose from € 30.5 bn to € 33.0 bn. Interest among vdp member institutions in issuing sustainable Pfandbriefe remained strong, Bergmann noted. However, he added that there was a shortage of cover pool assets that meet the high standards required for the issuance of Green and Social Pfandbriefe.

“By raising the loan-to-value limit to 80 %, the Pfandbrief could play an even greater role in supporting housing construction and home ownership.”

Gero Bergmann

Bergmann underscored the Association’s view that “the Pfandbrief continues to demonstrate its traditional crisis resilience.” The product had once again underlined its role as an anchor of stability for Pfandbrief banks and for property finance, he said. He concluded his speech by announcing that, in the forthcoming amendment to the Pfandbrief Act, the vdp would advocate raising the loan-to-value limit for residential mortgage loans to 80 % – as has long been the case in many other European countries. This would enable the Pfandbrief to play an even greater role in supporting housing construction and home ownership, he stressed. “Our wider aim with the amendment is to make the Pfandbrief even safer and more attractive, to strengthen the competitiveness of German issuers and, at the same time, to improve its potential for housing finance.”

Finally, Bergmann noted that he was satisfied with developments in the Pfandbrief market at the start of 2026, even though it had not matched the previous year’s strong performance. At € 20.8 bn, Pfandbrief sales by vdp member institutions in the first three months of the year was 11 % below the volume recorded in the exceptionally robust period a year earlier.

- **vdp membership development**

The vdp maintains a total of 52 member institutions, which together account for a market share of almost 96 % of all Pfandbriefe in circulation. An overview of all member institutions can be found here:

<https://www.pfandbrief.de/site/de/vdp/verband/mitgliedschaft/mitglieder.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 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.

**Association of
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