

EXPO REAL: 'Constellation of challenges' certain to dominate discussions at Fair

The EXPO REAL will take place next month against a sombre backdrop. As interest rates and the cost of materials rise, the war in Ukraine continues unabated and investor interest in some sectors remains sluggish, what topics will dominate the fair? 'Uncertainty' is the word most likely to prevail, according to those in the industry: As Konstantin Kortmann, country leader JLL Germany told REFIRE: 'The long-term issues of sustainability, digitalisation and pandemics have now been joined by the interest rate turnaround, inflation and war in Europe,' he said.

'The industry has never been confronted with such a constellation of challenges before - which makes the personal, trust-based exchange at EXPO REAL all the more important. In such a market situation, there are no simple truths, but many options - we just have to think more strongly in scenarios and include more factors such as inflation and indexation in the calculations. I therefore hope that EXPO REAL will again provide more orientation, clarity and optimism.'

For **Einar Skjerven**, CEO of **Skjerven Group**, this year's fair 'marks a milestone': 'After a twelve year boom, the German real estate markets face serious economic challenges again,' he said. 'This means some business models need to be reconsidered and some projects need to be relaunched, especially those where steady increases in value were already priced in. However, this correction also offers opportunities. Players who predominantly finance their investments with equity can obtain residential portfolios comparatively cheaply due to refinancing bottlenecks. Plus, there are now entry opportunities in project developments, in the role of a financing partner and also as a white knight, if projects are endangered by the insolvency of important partners.'

Rising inflation and energy costs – navigating a recession

Rising inflation and energy costs will be one of the biggest topics, according to **Nicolai Baumann**, country manager of **Avison Young in Germany**: 'The main topic will be the coming recession and its impact on our industry,' he said. 'How will we deal with it and what are the scenarios? Despite all the challenges - such

as inflation, interest rates and energy costs - I am positive. Real estate is and will remain an important asset, both from an investor's point of view and for users.'

The lending market will also come under the microscope: 'We expect the biggest topics for this year to be the actual debt and capital markets and the future development of exit yields,' said **Curth-C. Flatow**, managing partner of **FAP Group**. 'The classic bank financing market is in trouble. Several banks have stopped new business activities for the time being or significantly changed their lending policies, meaning lower leverage and more or tighter covenants. On the other hand, alternative debt providers can cherry pick. Everyone is unsure about the impact on yields due to rising interest rates and inflation. This not only affects the debt markets but also causes delay or show-stops in transactions. Many investors will wait until they see more light at the end of the tunnel.'

Uncertainties regarding issues such as the lack of skilled workers and regulation will also be up for debate, according to **Karin Barthelmes-Wehr**, managing director of the **Institute for Corporate Governance** in the German Real Estate Industry (ICG): 'EXPO REAL this year will certainly be characterized by the many uncertainties currently affecting the real estate industry - interest rate turnaround, supply bottlenecks, energy problems and shortage of skilled workers,' she said. 'In addition, there is the EU regulation, where much is still unclear, especially in the area of ESG. This makes it all the more important for the industry to engage in intensive exchange with and amongst each other. I am convinced that a crisis is always an opportunity and now is the time to realign processes and business mod-

HIGHLIGHTS

Threat of further property price corrections looms

Further price cuts seem inevitable as Germany's real estate woes continue and its economy remains sluggish. Germany has been through the wringer this year ... **See page 3**

Hypoport stock price crashes as full-year forecast withdrawn

Listed real estate fintech Hypoport shocked the market when weak demand for its services led to it suspending its annual targets. It said its current forecast for the year would be 'significantly missed', and it could no longer ... **See page 10**

80% of vacant office space 'no longer rentable' under ESG guidelines

Eighty percent of the office space that is vacant and available for lease today is no longer rentable under European ESG regulation requirements, according to **Hazelview Investments**

See page 11

Surge in rent prices for German shared student accommodation

Rents for student accommodation in Germany have risen significantly over the past year, as many students returning to university this semester are finding out.

See Page 15