



aviv group —

AVIV Housing market report

Q3 2022

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Housing market report

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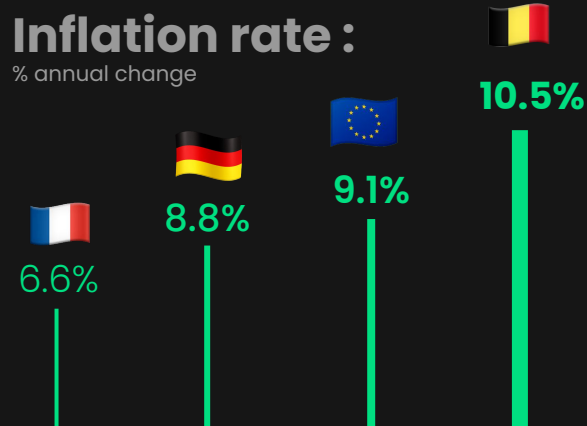
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01 European economic situation

According to August figures, **inflation remains significantly higher than the European Central Bank (ECB) target at 2%**, setting its highest level in the Euro Area in the last two decades.



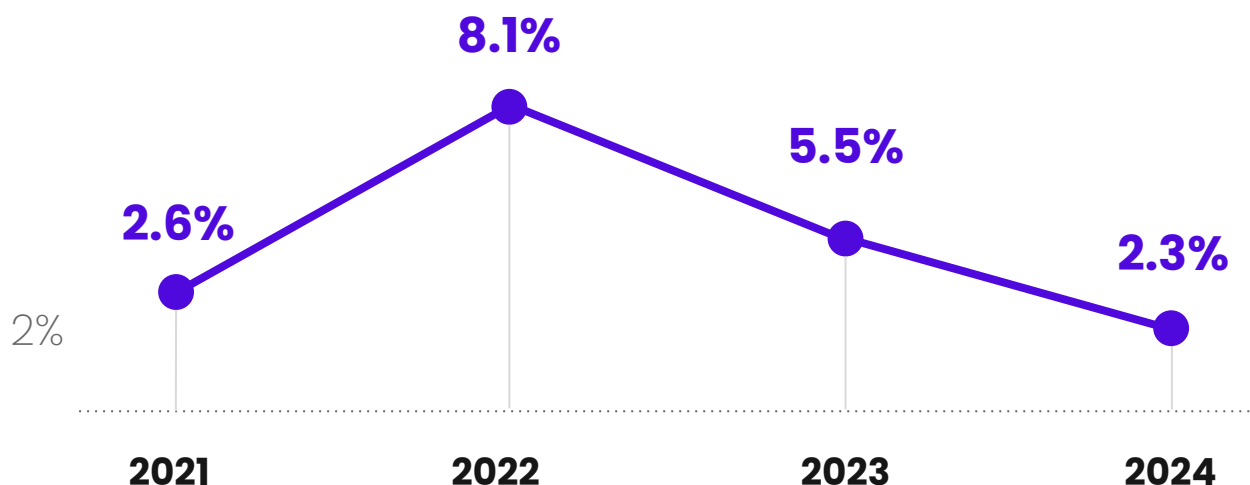
Source : European Central Bank, August 2022

According to forecasts, **inflation will remain high** for European countries throughout the upcoming year and beyond. ECB staff has significantly revised their inflation projections upwards and it is now expected to average 8.1% in 2022,

5.5% in 2023 to finally return to 2.3% in 2024. However, as forecasts by the ECB have proven to be too optimistic over the last months, the European economies will continue to face a highly uncertain environment as long as inflation is not under control.

Euro Area inflation and projections

Target 2%



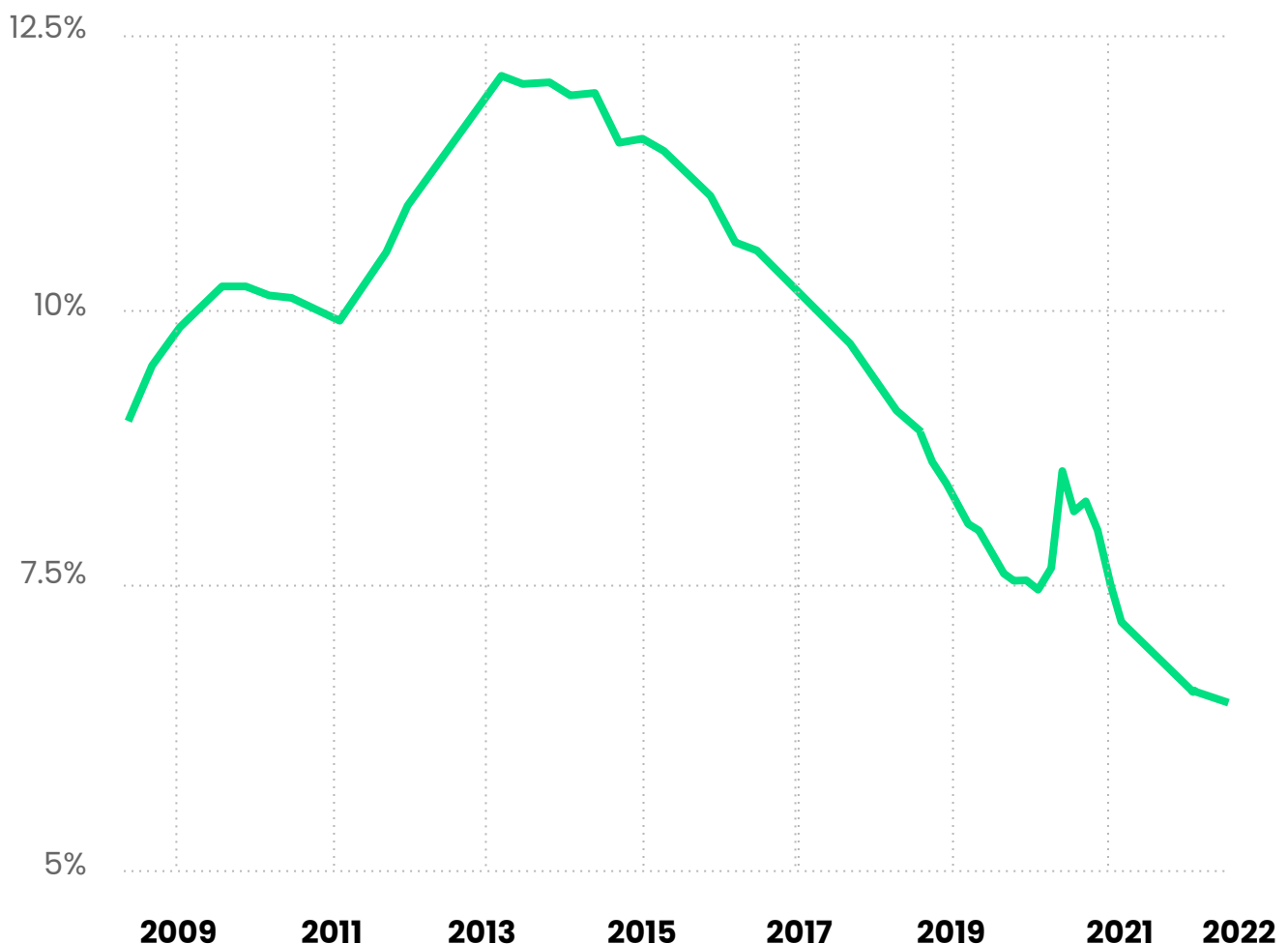
Source : European Central Bank, August 2022

High energy prices (mainly gas), **supply issues for firms and the boom in demand following the post-COVID reopening of the economy** have been pushing prices up and will continue to do so.

For now, the economy is holding up:

- In the Euro Area, **unemployment rate is at a historically low level**
- **Services consumption increases**, supported by tourism since borders reopened

Euro Area Unemployment rate



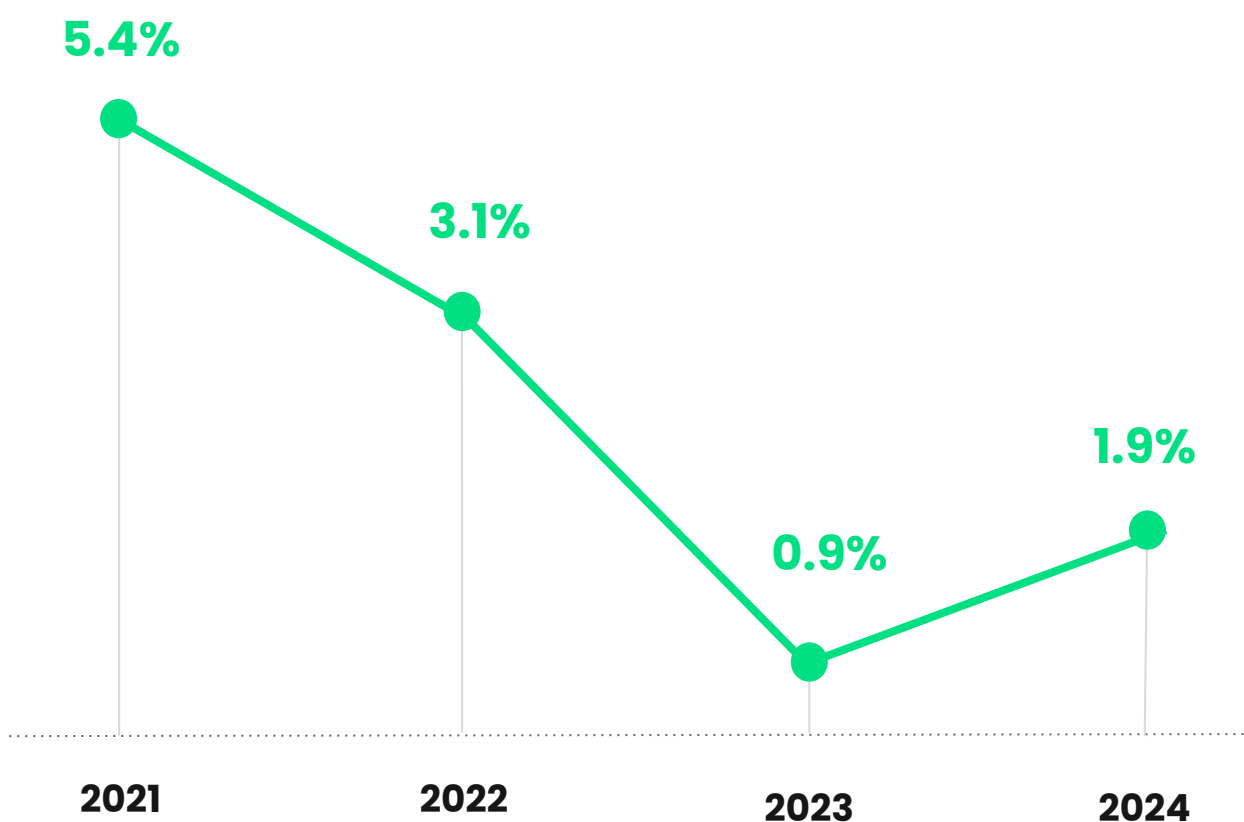
Source : Eurostat

Still, **inflation is taking its toll on firms' production and people's spending.** Businesses are suffering from high energy prices and shortages of materials and equipment. Additionally, households' purchasing power is worsening as a weaker euro drives prices up on imports. Lastly, all economic actors' confidence suffers from the uncertain environment.

As a consequence, **the economic outlook for the coming months is worsening.** The ECB is expecting economic growth to slow down considerably this year and throughout 2023.

Euro area economic growth in 2021 and projections for this and the coming years

Projections from September 2022



Source : European Central Bank

Reducing inflation remains the main focus of the ECB for the upcoming months.

The Governing Council raised its key policy rates by 0.75 percentage points in September, a substantially higher rise than

expected, in order to reach its inflation target. **This change in the monetary policy results in a major transformation in housing markets: rising interest rates make it more difficult for many borrowers to qualify for a loan.**







As a consequence of the substantial decline in affordability, **we expect a drop in the housing demand in the upcoming months.** Our housing markets in Europe will slow down and we expect less transactions. However, prices should not drop significantly, as some of our markets remain characterized by a limited number of properties available for sale.

The price adjustment will be larger in expensive cities where households' purchasing power is more sensitive to higher interest rates.

Interest rates by country :

20 years fixed interest rate housing loans

As these rates don't fully reflect the latest ECB's decisions, we expect significant rises in the upcoming weeks.

	Jan 22	July 22	Oct 22
	1.5%	3.7%	 3.8%
	1.4%	2.8%	 3%
	1%	1.7%	 1.9%

Source : Empruntis, Immotheker Finotheker, Interhyp

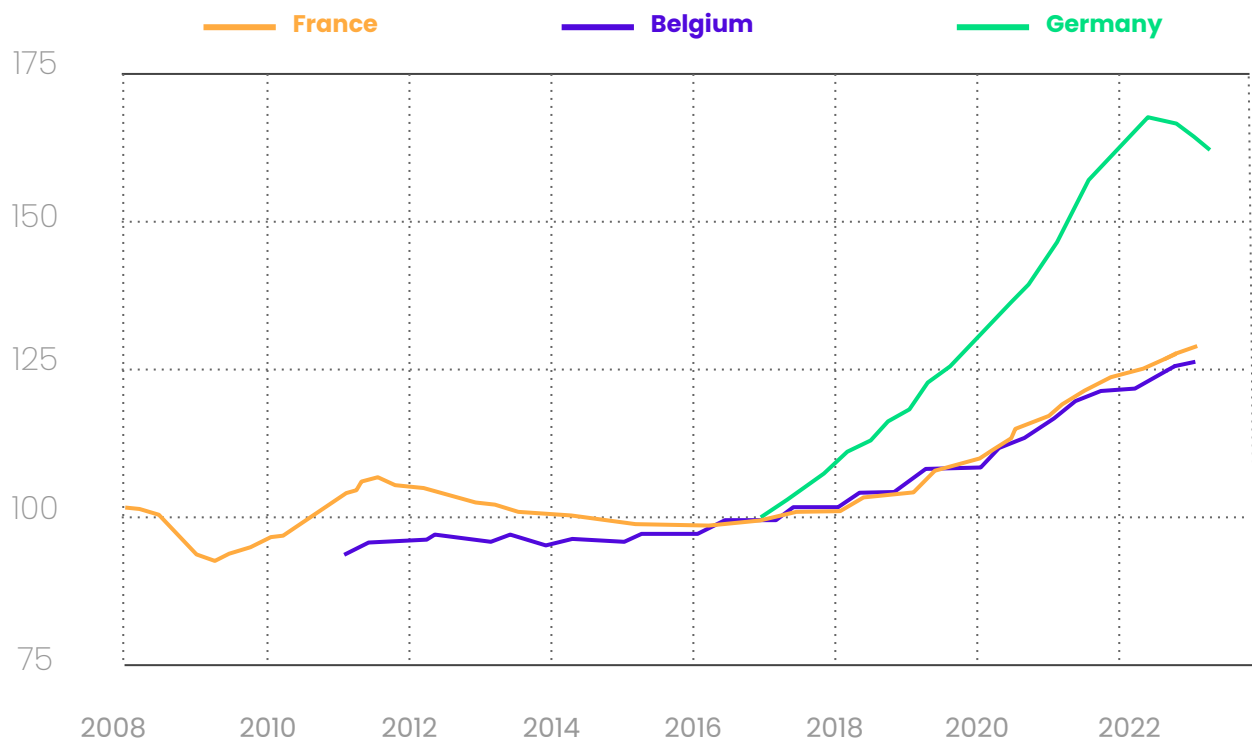
02 Housing Markets

Despite the rise of interest rates in all AVIV countries, which has significant consequences for lowering demand, **we observe different reactions in the housing**

market depending on the country. Whereas France and Belgium still present an upward trend, German housing prices started to decrease during the last 3 months.

AVIV Housing Indices (AHI)

100 = janvier 2017



Source : AVIV - Immowelt, Immoweb and Meilleurs Agents

The **AVIV Housing Indices** are objective indicators for **understanding housing market dynamics, anticipating changes, and making informed decisions** in AVIV countries. They are updated monthly based on the latest data collected during the previous month. Therefore, they reflect as closely as possible the reality of the evolution of the real estate markets.

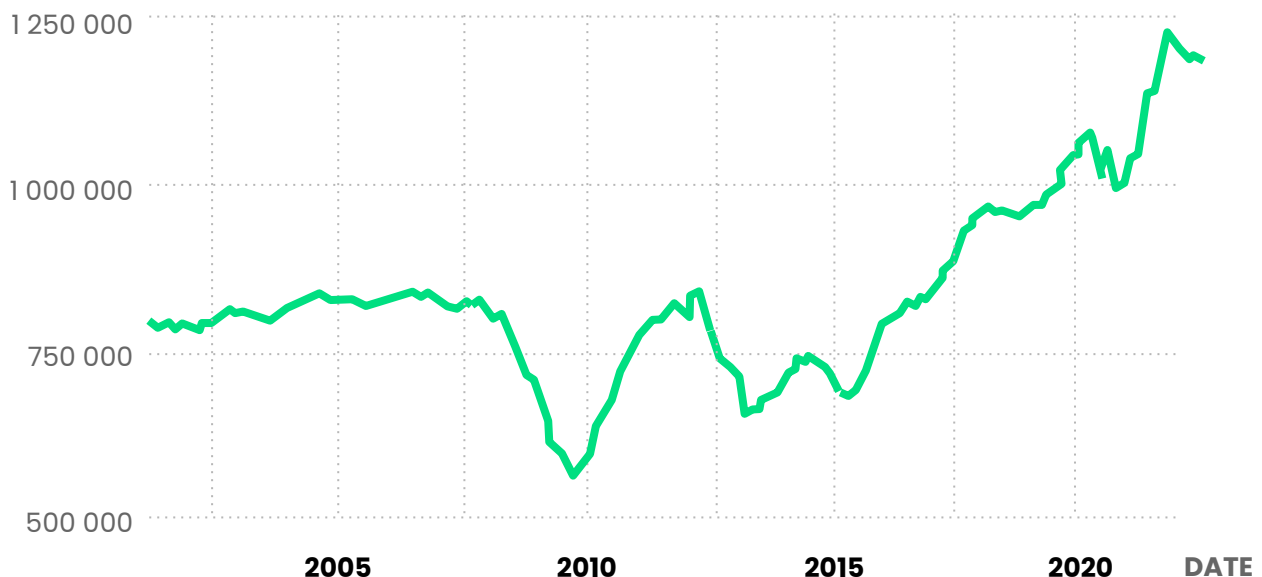


France : The property market is still holding up well

We expect 1.1 million annual transactions for France at the end of the year. **Consequently, 2022 should be the second-best year in history in terms of volumes**, behind 2021. Resulting of the high dynamism of the french market during the last year, we observe a significant rise of house prices in France : +5.6% in 1 year. This trend is particularly robust in the

rural areas, which increased by +8% during the same period. In contrast, Paris prices continue to fall (-3% since August 2020), a victim of the urban loss of attractiveness that took place during the last 2 years. **This highlights post-covid trends that continue to drive the housing prices dynamics in the country.**

Annual volume of transactions



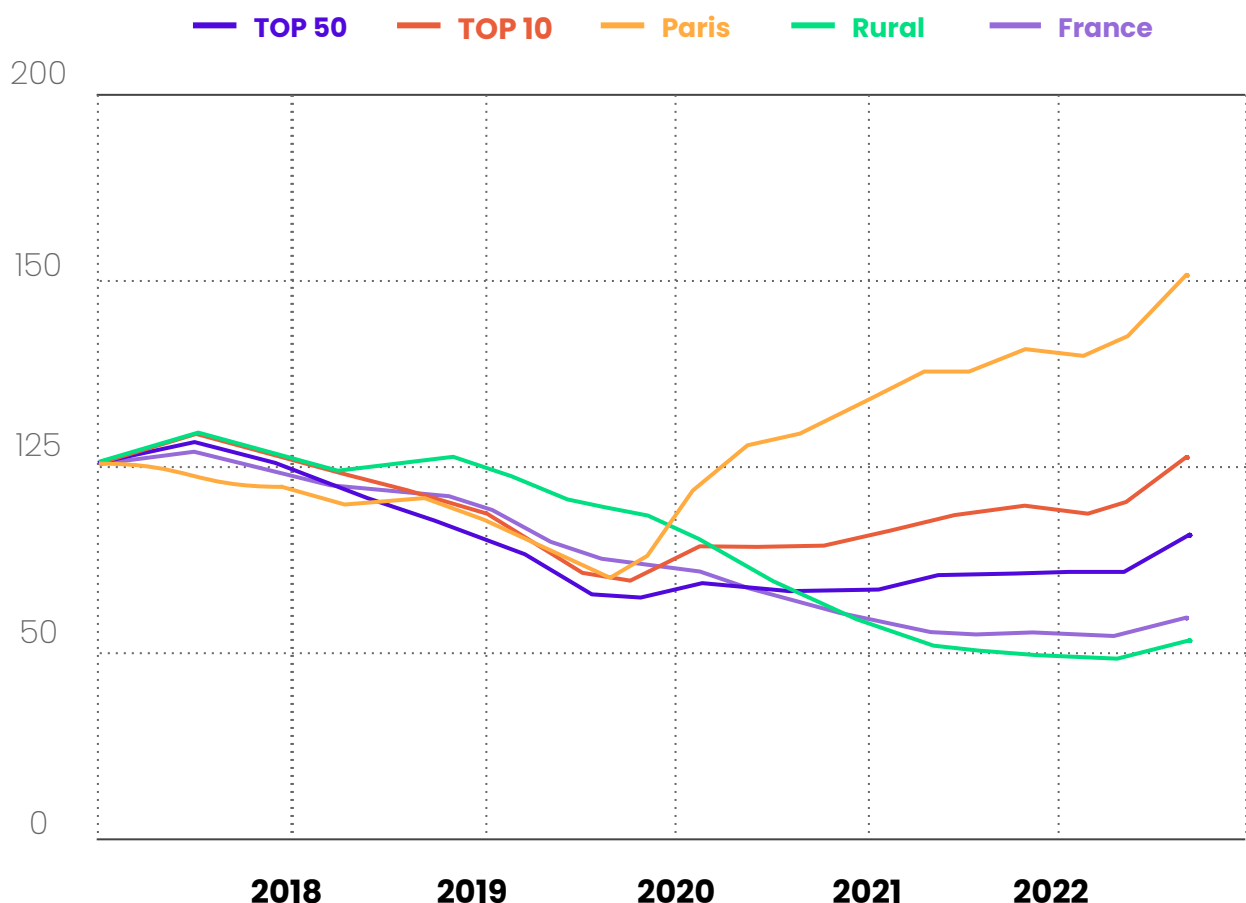
Source : DGFIP and notaries

This positive housing dynamic is today at risk due to the notable rise in interest rates. Whereas the market has not reacted yet to financial conditions changes, we expect housing demand to decrease in the following months. **Nevertheless, the fall of demand occurs in an environment of scarce property supply in the country.** Indeed, the available housing supply in the french market has been reduced by -40% compared to October 2018. This will protect the country from a significant disruption in the housing price dynamics by minimizing the effects of demand loss.

Despite the country's general lack of supply, **some markets remain vulnerable to financial changes due to their large number of properties on the market.** For instance, big cities such as Paris or Lyon (+52% and +60% stock today vs 2018, respectively) suffer from a loss of attractiveness after Covid-19, where listings accumulate and take more time to exit the market. **The impact of interest rises should be larger in these cities.**

Evolution of housing stock for sale

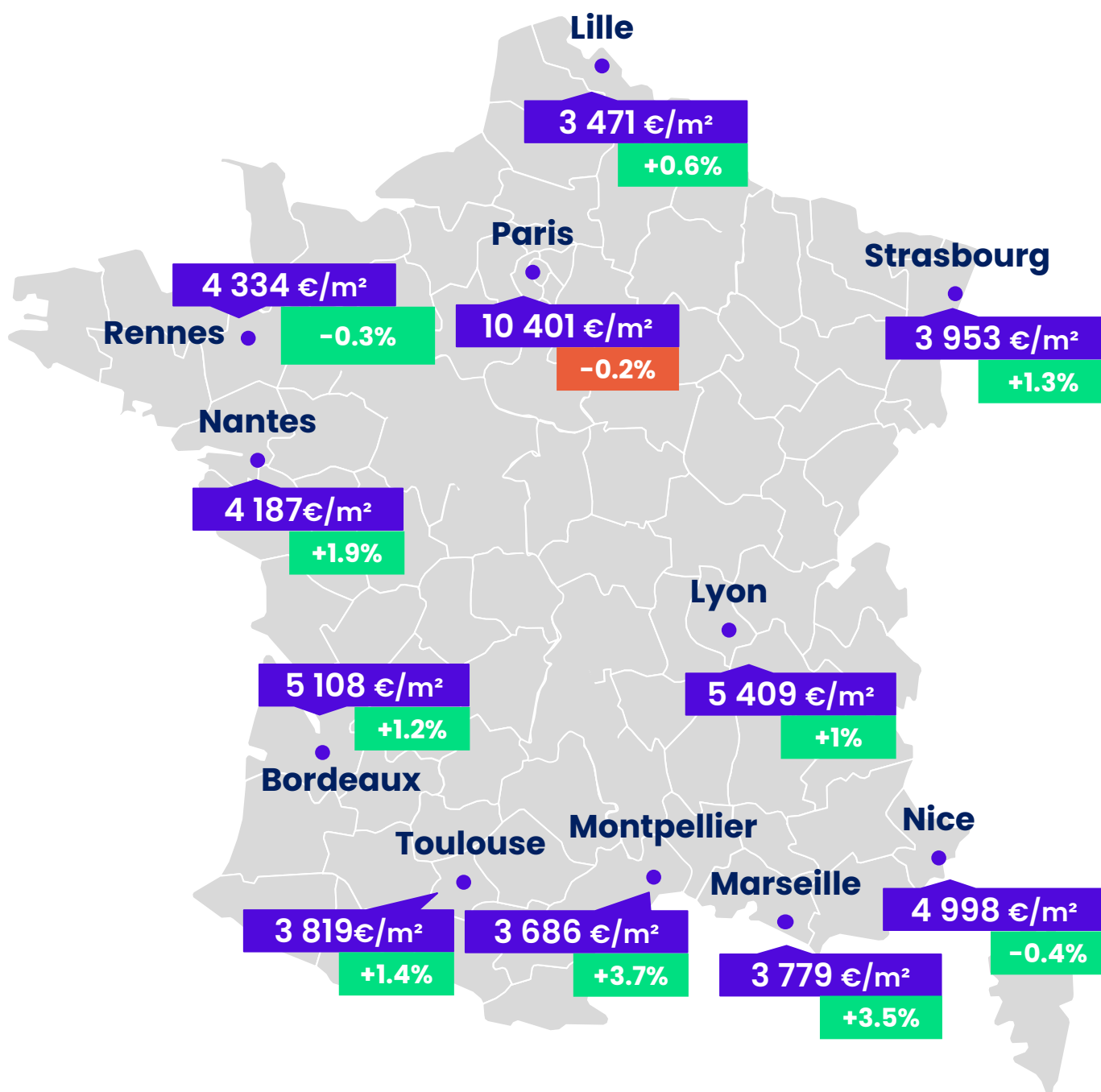
(100=2018 Q1)



Source : Listings from Seloger

For the next 12 months we forecast a drop in number of transactions with a volume of sales around 950,000 transactions (-15% versus 2022, -22% versus 2021). The housing price growth should considerably slow down over the next year, with **a year-ahead forecast of +3% increase** (versus +5.6% this year). Trends will differ depending on the city: in Paris, we expect a decrease of -3%, approaching the symbolic threshold of 10,000€/m² in September 2023. **Whereas we forecast an average housing price growth of +1% for France's 10 next biggest cities over the next year.**

France: Housing values and trends



PRICE €/m²

3 months trends

1st October 2022



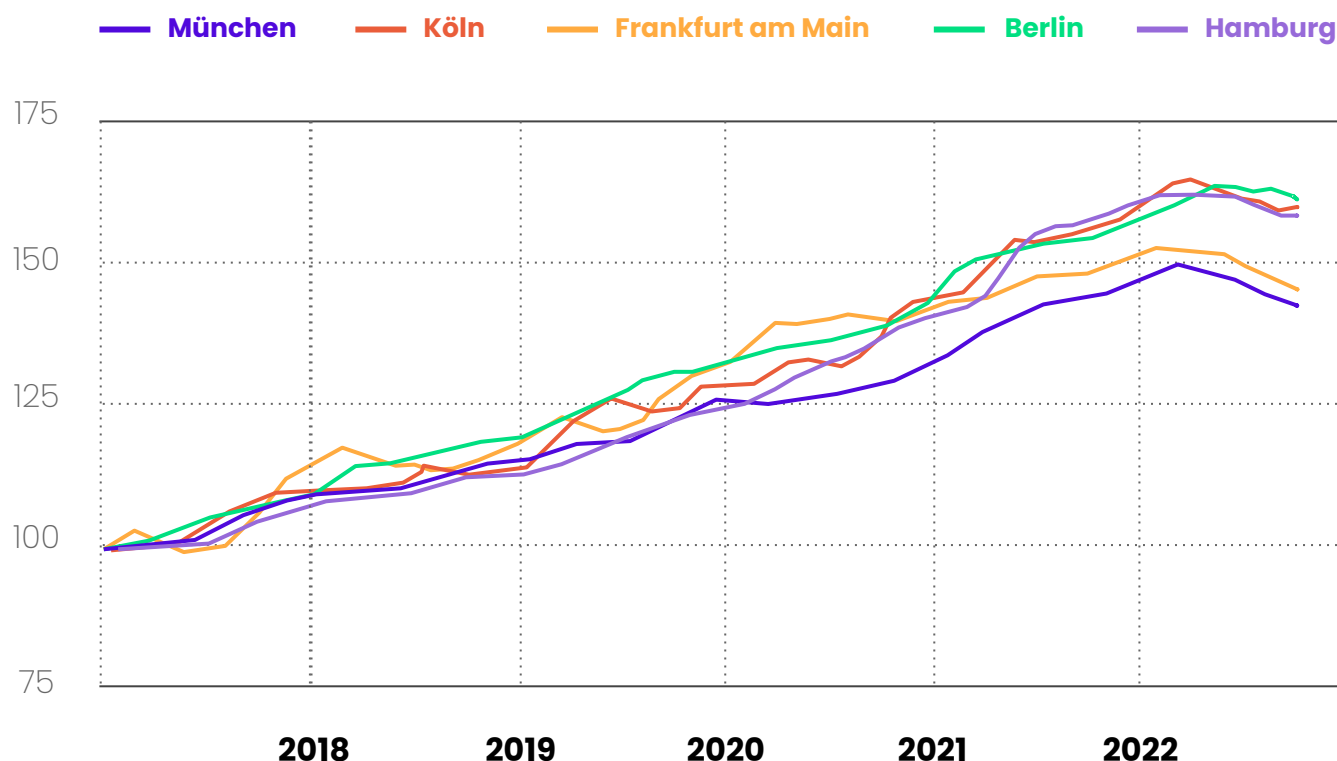
Germany: First impacts of rising interest rates

In Germany, while prices still rose dynamically in the first quarter of 2022 (+2.6%), they peaked in the second quarter (+0.2%). The first corrections started to follow and housing price fell -1.3% during the last three months. This downward trend confirms the initial bearish signs of the previous quarter, specially among the country's largest cities, where apartment prices fell in 13 out of 14 of them since July. The largest drops are found in Hanover and Essen

with a decrease of -3.7% during the last three months and -4.5% and -3.9%, respectively, from the beginning of the year. This correction did not spare the three main economic hubs : Berlin (-0.6%), Hamburg (-1.7%) and Munich (-2.4%) significantly changed their upward price trends after years of price increases. The only exception is Dresden, which still has a positive trend during the last 3 months (+3.3%).

German cities housing price evolution

(100= January 2017)



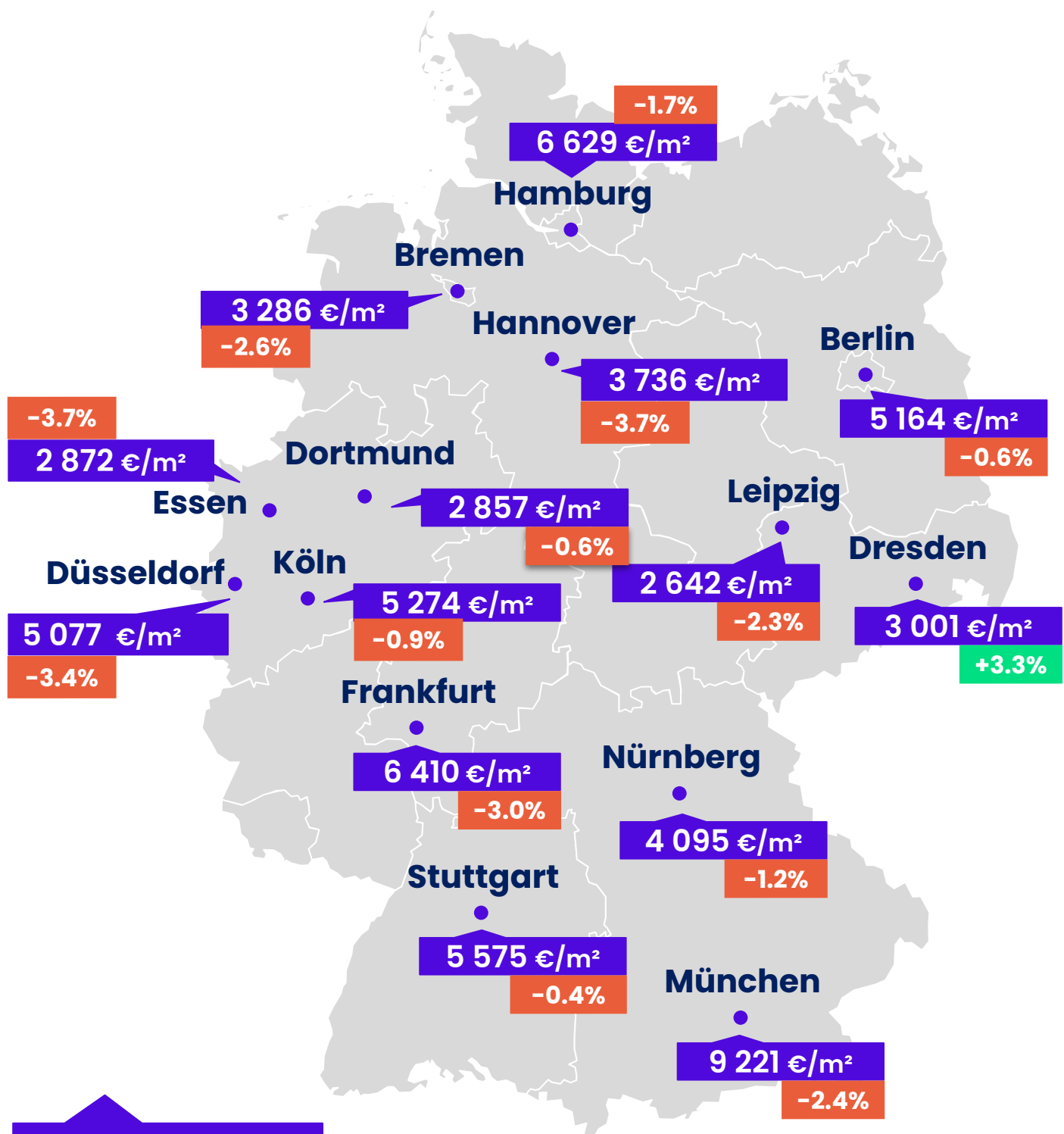
Source : Immowelt

Despite the rising prices at the beginning of 2022, most cities' performances are now negative. Year to date, only Dresden (+9.4%), Berlin (+4.4) and Dortmund (+3.5%) are still in positive growth.

The consequences of rising interest rates since the beginning of the year are now visible in the German real estate market. Demand for properties for sale is falling and the stock of available properties is rising simultaneously. **Consequently, there are downward price adjustments in most cities.**

As the ECB has recently substantially raised the key interest rates and has announced further increases of similar magnitude, **the observed falling prices trends are expected to continue.**

Germany: Housing values and trends



PRICE €/m²

3 months trends

1st October 2022



Belgium: the property market still on the rise

Property prices in Belgium continue to rise, despite a fragile context of growing economic uncertainty and rising interest rates. **In one year, prices for apartments and houses have risen by 5.8% in Belgium**, which continues its post-crisis momentum.

Property prices have risen steadily since the beginning of the year in all regions. This increase is roughly similar in Brussels (+5%), Flanders (+5.2%) and Wallonia (+5.3%). **Nevertheless, we continue to observe post-crisis trends with higher price rises in rural than urban areas.** For example, +6% from the beginning of the year in Flemish urban areas against only +4.3% in rural ones.

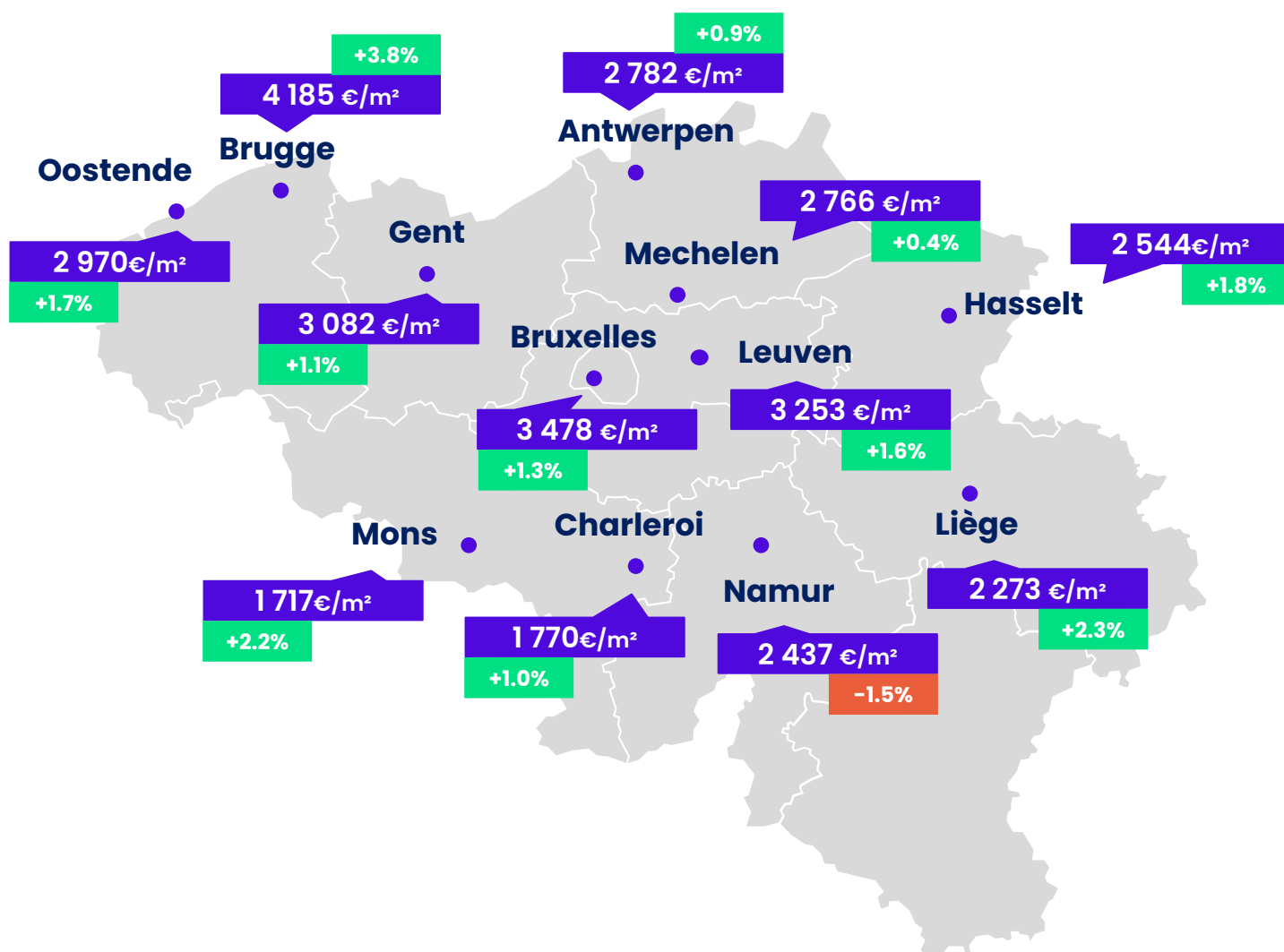
In Wallonia, in the third quarter, Liège registered the highest price increases for apartments (+2.3%), followed by Mons (+2.2%). In Flanders, Brugge (+3.8%) is in the lead, followed by Hasselt (+1.8%). Brussels, on its side, registered a price increase of +1.3% in three months.

Compared to the second quarter of 2022, the third quarter was marked by a slight slowdown, in a market that is still on the rise.

Over the last three months in Belgium, prices for apartments and houses together have increased by +1.1% on average, compared to +2.2% in the previous quarter. **But this slight slowdown can be attributed to seasonality**, as the market is often less dynamic during the summer holidays period.

Therefore, we will have to wait a little longer to determine whether prices trends are stabilizing.

Belgium: Housing values and trends



PRICE €/m²

3 months trends

1st October 2022

More details :



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house prices 2022Q3 barometer



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