



# European Housing Insights

Your Quarterly  
Market Update



Q1 2023

**RE/MAX**  
Europe

# Introduction

## Letter from Michael Polzler

At RE/MAX Europe, our network of over 30,000 real estate professionals engages daily with buyers and sellers across 40 European markets. This direct interaction provides us with a detailed understanding of market trends and a reliable prediction of future developments. Although we usually utilize these insights internally, we've recognized a need for such expertise in the broader public discourse. We felt that sharing these insights and putting them in the context of publicly available data, could prove invaluable to property stakeholders throughout Europe.

The European housing market has seen a range of developments this quarter. Property asking prices and demand have surged in countries such as France (15.3%), while Germany has seen a noticeable decrease of -7.2%<sup>1</sup>. The market has been significantly affected by the post-pandemic environment, with a construction slowdown in some countries. Furthermore, demographic shifts, migration patterns, and urbanization trends have influenced the balance between supply and demand. Europe's housing market remains vibrant, full of opportunity, and open to a variety of influences – but people should move forward with caution as it's a mixed picture with local nuance.

In the first quarter of 2023, four major trends emerged, albeit with regional variations. Based on these trends and our comprehensive data insights, we anticipate the following developments in the European real estate market:



**A rise in rental demand and rental prices**

–

**A decrease, on average, in the number and price of properties for sale but with high degrees of local variety**

–

**Properties may stay on the market for longer – giving more leverage to buyers than has historically been the case**

–

**More buyers will focus on properties with a lower value, perhaps choosing smaller properties or less urban locations**



While the property market is broadly cyclical, trends such as these have not happened in a while. In some areas, average prices have fallen quite a bit. This means there is more variety and better opportunities on the market for some buyers, but it has not been a rosy time for sellers in many places.

As part of a huge multinational organisation with more than 144,000 agents in over 9,000 offices and a presence in over 110 countries and territories, RE/MAX Europe is well placed to observe that the continent is an outlier in one important aspect. In most advanced economies, both buyers and sellers typically employ a real estate professional to represent them in this, one of the biggest transactions of their lives – whereas in Europe, normally only the seller hires an agent.

At times like this, skilled real estate advisors can accurately price and market real estate and manage transactions for mutual benefit. Their access to data and market trends further empowers buyers and sellers and makes the process flow more smoothly for all parties involved. In 2023, the role of the real estate professional in the European market has never been more crucial.

**Michael Polzler**  
CEO, RE/MAX Europe



# European Industry Insights

**The best time to buy real estate is always now, as mortgage rates are expected to increase further.**

## First things first: Has the real estate bubble burst?

European real estate experts have raised concerns over a potential real estate bubble. The prices of residential properties in many cities and regions of Europe have increased significantly in recent years, leading to affordability issues for many potential buyers.

A historically interest rate environment and accessible mortgages ignited a strong interest in real estate investments, leading to a remarkable surge in demand and a substantial increase in property prices. However, we have entered a new phase as mortgage interest rates have risen. While this shift may have some implications for the affordability of annuities, it also opens doors for those that can adapt to a dynamic market.

2022 was a pivotal year for Europe and its real estate development markets. Inflation rates across Europe had risen sharply due to years of loose central bank monetary policy, the aftermath of the Coronavirus crisis in the form of supply chain issues, increasing material prices, labor costs, and staff shortages as people moved away from the construction industry and into other fields.

The current energy crisis, triggered by the war in Ukraine and rising energy costs due to European energy policy has caused inflation rates to rise strongly reaching 9,2% in 2022<sup>2</sup>.

As a consequence, the ECB announced a turnaround in interest rates. For the real estate markets, rising interest rates not only mean that real estate loans become more expensive for buyers, but rising borrowing costs also limit the supply of real estate properties, as construction projects are postponed or cancelled altogether.

This mix of inflation, rising construction interest rates, war, and energy crisis has consequences on the real estate industry.

In Germany's three biggest cities, the mix has caused the average asking prices for houses to fall significantly. In Munich, the prices fell by 18.5%, in Berlin by 6.6% and in Hamburg by 4.9%. Location is the most important criterion for valuing a property. In Lisbon, for example, the average asking price for houses rose by 15.5% and in Madrid by 12%<sup>3</sup>.

Today, we have another factor that comes as a top consideration for buyers: the energy efficiency of a property. The proclaimed energy turnaround has also caused the demand for energy-inefficient real estate to decrease.

In March 2023, the mortgage rate was 3.85%. Mortgage rates are expected to continue to rise slightly or move sideways throughout the next months.

One of many reasons is the stricter minimum capital requirements for banks as part of the lending processes (Basel III). For consumers with a low credit rating and little equity who need a mortgage loan, Basel III can mean that either interest rates are high or – even worse – loans will get rejected. On the other hand, borrowers with a good credit score and a sufficient equity ratio usually benefit from better conditions.

Therefore, for prospective real estate buyers there is currently no cause to wait. For tenants with a stable income situation, it is advisable to look into buying a property regardless of the short-term interest rate situation.

<sup>2</sup> <https://ec.europa.eu/eurostat/de/web/products-eurostat-news/w/ddn-20230309-2>

<sup>3</sup> Casafari

## Mortgage interest rates: Upward potential and fluctuations

Extreme nervousness due to the banking crisis in March caused strong interest rate movements within the first quarter of 2023. We are seeing some relative stability now – but it is unlikely to continue. Uncertainties are increasing in the financial markets – the forecasts for the development of key interest rates have been corrected downwards. Interest rates for construction loans reflect this with a sideways movement, which could only be short-lived.

The European markets expected three smaller increases in key interest rates which were then revised further to three smaller increases of 0.25% each. The interest rate forecast was revised downwards due to the reactions in the banking sector: the markets are hoping that the central banks will not raise interest rates much more to avoid further strain on the financial system.

Yet, fighting inflation is still a significant challenge for the ECB. According to Eurostat, in October 2022, consumer price inflation in the European Union reached its highest peak in 25 years at 10.6%. This situation has eased slightly, remaining at 6.9% in March 2023<sup>4</sup>. Core inflation remains high in many regions.

Although we may expect it to settle towards early 2024, it is becoming increasingly clear that inflation cannot be dampened down as quickly as assumed – and as priced in by the market<sup>5</sup>. We see high volatility in mortgage rates for the coming months. The current state of the market is relatively uncertain with significant fluctuations apparent, and depending on which scenario the new data points to – significant interest rate increase or a slowdown pace – there could be noticeable swings that sometimes go below the expected levels. The potential for construction interest rates to rise temporarily but significantly above 4% is also possible.

The challenge of fighting inflation while avoiding further strain on the financial system is a delicate balancing act that will likely continue to impact the real estate market across Europe. As such, industry stakeholders must remain vigilant and adaptable in the face of ongoing market fluctuations.

For buyers and sellers who can be adaptable and respond to the market appropriately, there is a great opportunity to position themselves for long-term success.



**For buyers and sellers who can be adaptable and respond to the market appropriately, there is a great opportunity to position themselves for long-term success.**



4 <https://de.statista.com/statistik/daten/studie/72328/umfrage/entwicklung-der-jaehrlichen-inflationsrate-in-der-eurozone/>

5 <https://www.euro-area-statistics.org/bank-interest-rates-loans?cr=eur&lg=en&page=1&template=1>

## Construction industry under pressure

The European real estate market experienced a dramatic turnaround in 2022, and the consequences will become even more visible in 2023. The vulnerability of the housing construction supply chain exposed by the pandemic has led to a material shortage and sharp price increases in building materials, combined with increasingly poor financing conditions. This will significantly impact real estate construction development in the future. In Germany, Europe's strongest economy, building permits decreased by 20.6% in February (vs Q1/22)<sup>6</sup>. This is already the tenth monthly decline in a row.

In residential construction, a significant decrease is expected for 2022 and 2023. The delayed increase in material costs greatly impacts the capacity for new buildings and, thus, the market supply. The price of lumber was subject to great volatility, rising by 300% at its peak.<sup>7</sup>

Structural steel is lacking because the Mariupol steelworks, one of the largest in Europe, was destroyed in the Russian-Ukrainian conflict. Construction costs increased so quickly that serious planning or quotes have been nearly impossible. As a result, many construction projects have been postponed or cancelled. The increase of interest rates, explosion of construction costs, and subsidy cuts will likely lead to a downward trend, especially in residential construction.

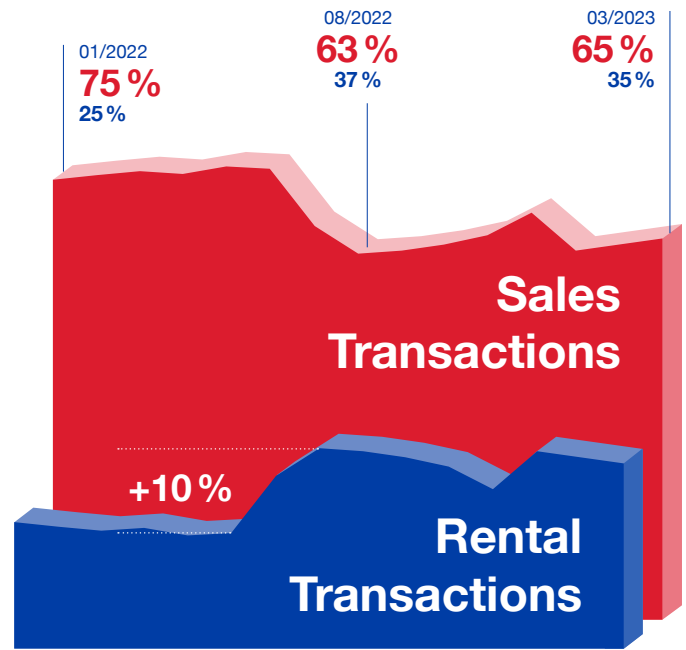
However, the demand for affordable housing, the need for a reliable transport infrastructure, and the implementation of measures for energy efficiency and climate change will remain high in the medium and long term.

For private builders, the general conditions have deteriorated drastically, but this will likely have a limited impact on construction activities because of their long realization times. Nevertheless, we will see capacity bottlenecks in refurbishment projects in the coming months. As a result, prospective buyers who have the luxury of waiting are choosing to hold off on purchasing until they

find sellers who are unable to invest in home renovations, leading to a reduction in their asking prices.

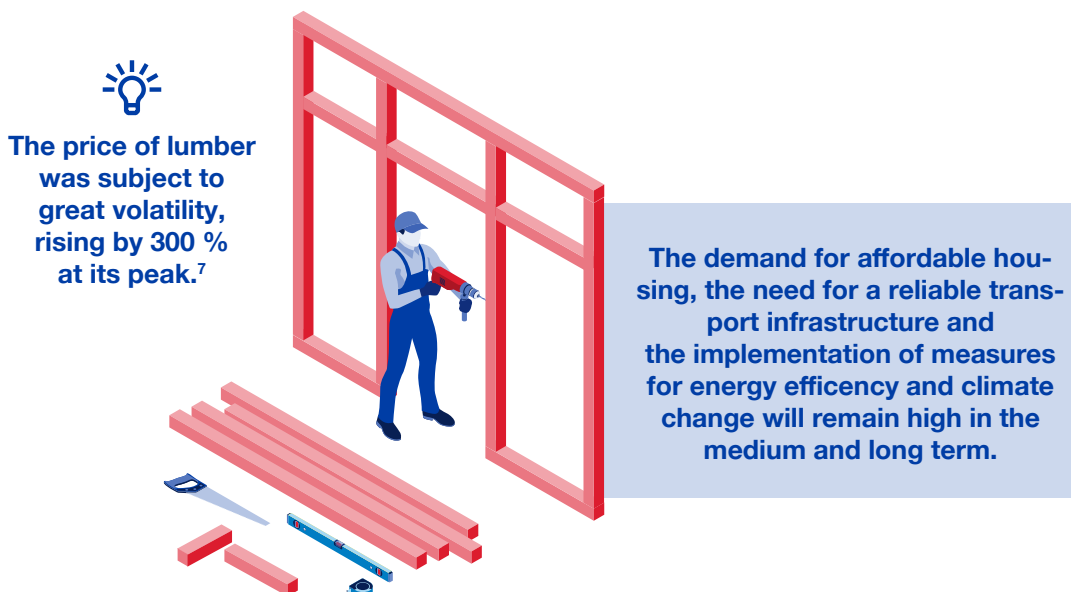
Those developments in the purchasing market also have consequences on the rental market.

### % Share of sales vs rental transactions



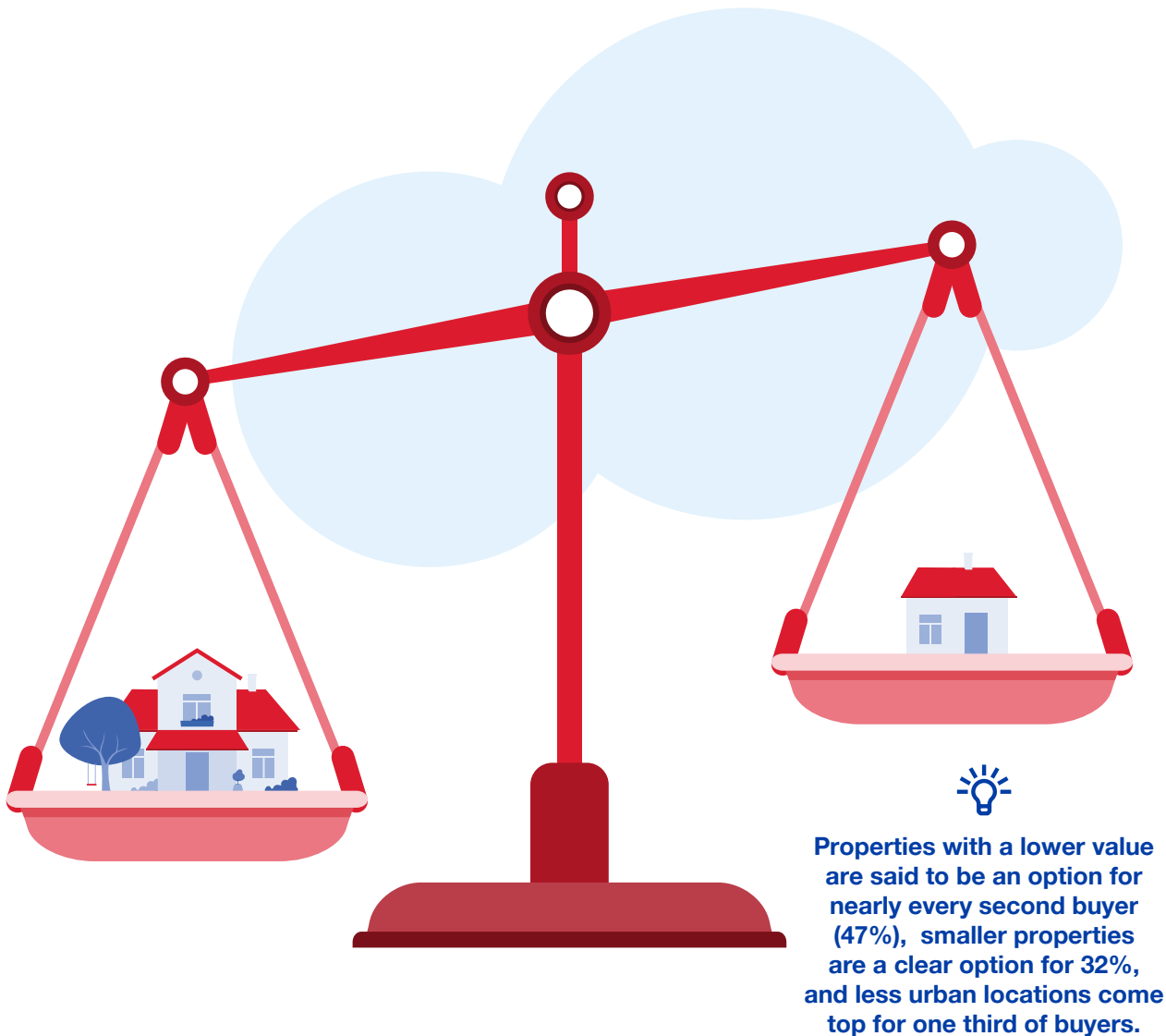
Buyers who have to back out of their ownership plans due to rising mortgages are now beginning their search for rental offers. As a result, demand for rentals is growing.

Our data shows a noticeable increase in rental transactions across RE/MAX Europe starting in July/Aug 22 (approximately +10%) and still prevailing.



6 <https://de.statista.com/statistik/daten/studie/1340287/umfrage/baugenehmigungen-fuer-wohnungen-in-deutschland/>

7 <https://www.agrarheute.com/energie/holz/holzpreise-fallen-drastisch-preis-crash-weltmarkt-6041354>



## Is modesty a new trend when it comes to real estate?

There is a growing trend towards modesty in real estate, with buyers and renters seeking more practical and functional homes over grandiose properties. The focus has shifted from luxury and opulence to simplicity and sustainability, with a preference for smaller homes that are energy-efficient and environmentally friendly.

This trend is partly driven by economic factors, such as increasing housing costs and a desire to reduce living expenses. Additionally, changing lifestyles and priorities, such as the desire for more flexible work arrangements and a greater emphasis on work-life balance, have also influenced this shift towards modesty.

Overall, the trend towards modesty in real estate will likely continue, with more people seeking homes that align with their values and lifestyle choices.

### The new modesty shows up in three ways.

Nearly half of our pan-European network expects properties with a lower value to be an option for potential buyers, approximately one third of our professionals predict that smaller properties are an option for potential buyers.

Regarding location choice, two major trends could be identified. Nearly 30% of our network expects potential buyers to prefer more rural areas, whereas 20% predict a movement to more urban locations.<sup>8</sup>

## Will it be harder to sell real estate?

The real estate market is at a crossroads. High inflation rates, combined with a still pressing demand and an increasingly scarce supply due to limited construction activity, will make financing conditions more difficult and reduce construction. These conditions lead to price reductions, but not in every country and not in every region.

Germany has already seen a decrease in average prices for apartments by -4.4% in Q1/23 vs Q4/22 and -10.6% in Q1/23 vs Q1/22<sup>9</sup>. Average prices for houses are decreasing as well by -3.1% in Q1/23 vs Q4/22 and by -4% in Q1/23 vs Q1/22<sup>10</sup>.

For France, the market data shows a different picture. The average price for apartments rose by 4.8% in Q1/23 vs Q4/22 and by 9.4% in Q1/23 vs Q1/22. The average price for houses rose by 3.6% in Q1/23 vs Q4/22 and by 15.3% in Q1/23 vs Q1/22.

While for the first time, more people moved out of Paris than moved to Paris after the pandemic, we do not expect prices to change significantly. This is because the state's administrative apparatus is run centrally from Paris, and the Ile de France region – which mainly comprises the Paris metropolitan area – is among the largest economic regions in the European Union.

Apart from this, rising mortgage interest rates will slow down the acquisition process of real estate and, as a result, properties

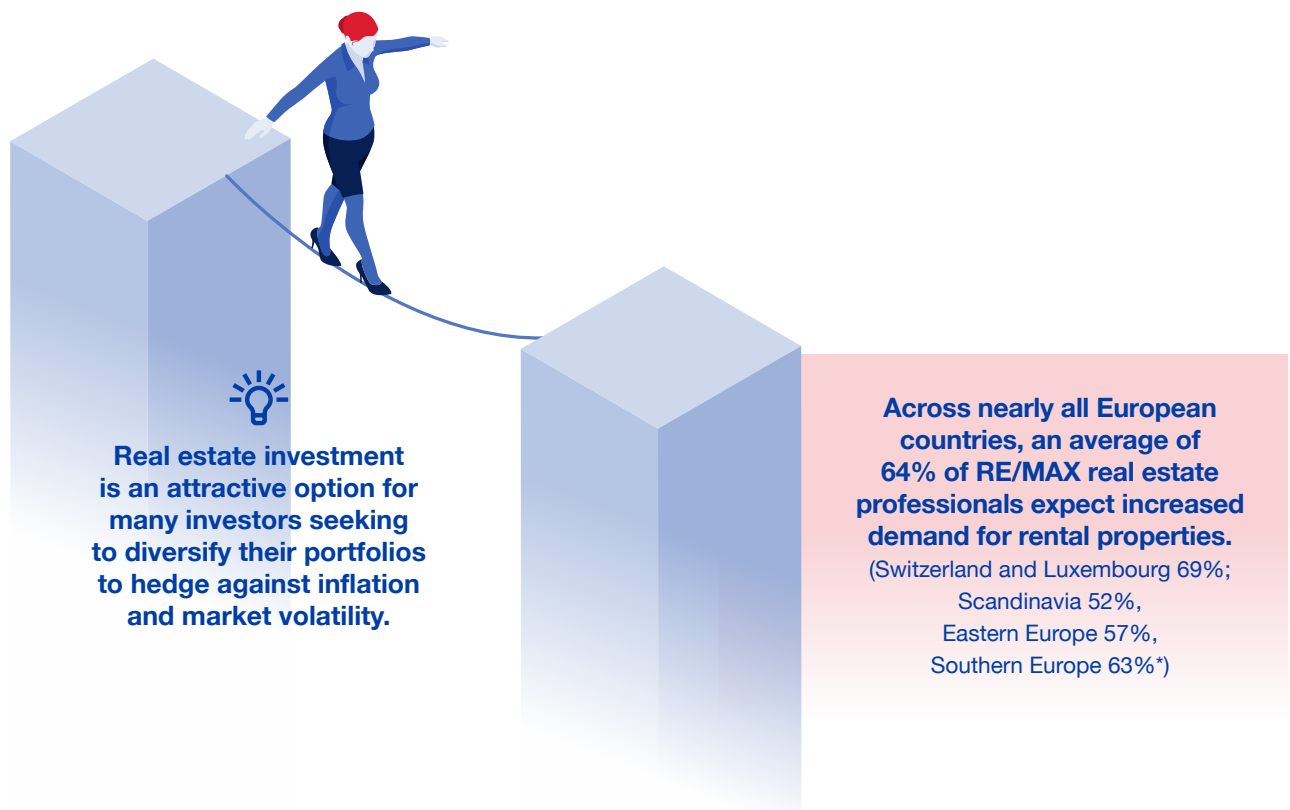
will stay on the market longer, according to estimates from our network.

Even with decreasing prices, real estate is considered a stable and profitable long-term investment, with the potential for capital appreciation and steady rental income. Additionally, real estate investment is an attractive option for many investors seeking to diversify their portfolios to hedge against inflation and market volatility. Furthermore, investors may see residential real estate as a safe investment, particularly during economic uncertainty.

Across nearly all European countries, an average of 64% of RE/MAX real estate professionals expect increased demand for rental properties. (Switzerland and Luxembourg 69%; Scandinavia 52%, Eastern Europe 57%, Southern Europe 63%\*)

At the same time, RE/MAX Europe real estate professionals estimate that purchases will continue to be made as an investment.

Expectations vary from region to region. While Scandinavian real estate professionals expect 84% fewer investment buyers this year, professionals in Southern Europe expect 47% more. This means that the market could be lucrative for those looking to invest and for those who can be flexible regarding the region they invest in.



\*Central Europe:

Austria, Switzerland, Germany, France, Netherlands, Belgium, Luxembourg

**Northern Europe:**

Denmark, Norway, Sweden

**Southern Europe:**

Italy, Portugal, Spain, Greece

**Eastern Europe:**

Czech Republic, Romania, Slovakia, Bulgaria, Slovenia, Poland

# Residential Real Estate Prices

## per cities

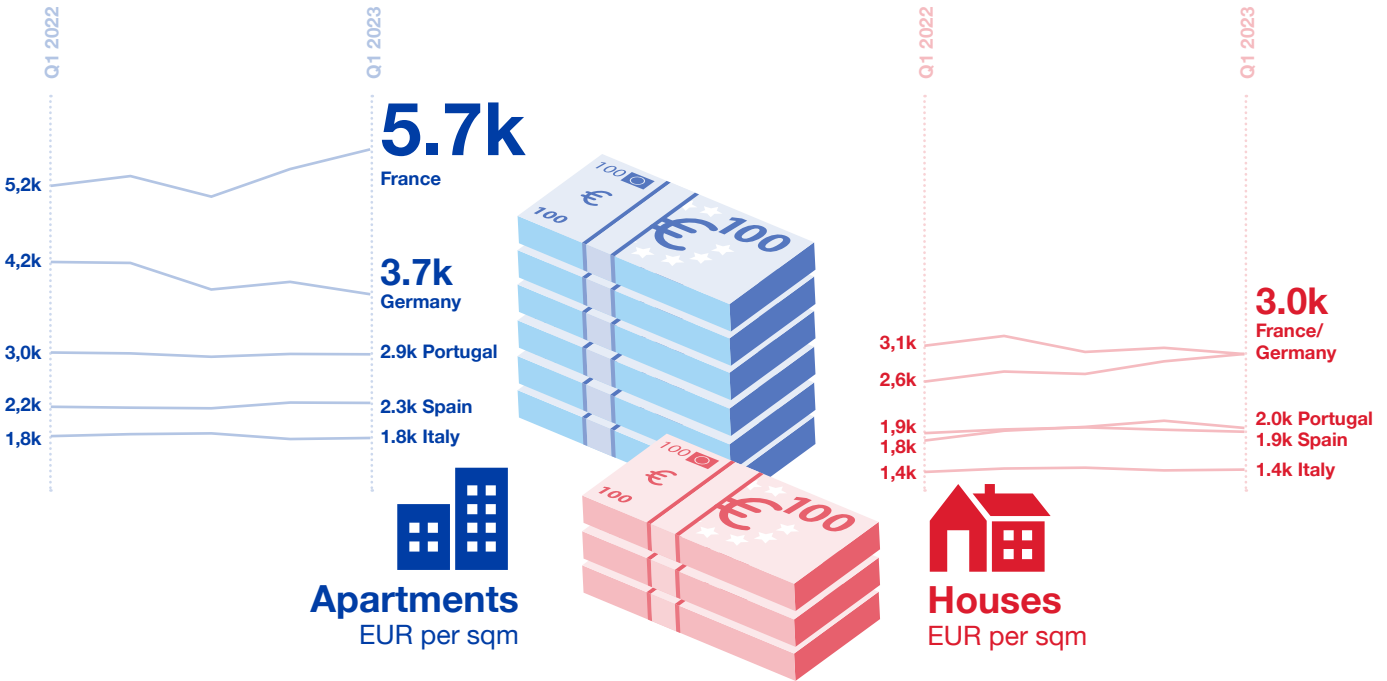
One trend stands out among the development of asking prices in the European metropolises. The downturn in Germany's real estate market is visible even in German metropolises like Berlin, Hamburg, and Munich. The most significant upward trends are seen in cities like Porto (18.5%), Madrid (10.4%), Milan (4.7%), and Lyon (4.6%). Other eternal hotspots in Europe, like Paris (2.7%) and Rome (-1.7%), expected moderate changes in asking prices.<sup>11</sup>

|   |   |  |  |   |   |  |  |
|---|---|--|--|---|---|--|--|
|                                      |   |                                       |  |                                     |   |                                       |  |
| <b>Barcelona</b>  |   | <b>Berlin</b>  |  | <b>Hamburg</b>  |   | <b>Lisbon</b>  |  |
|  <b>-0.6 %</b><br>change YoY price   |  <b>+3.9 %</b><br>change YoY price   |  <b>-0.9 %</b><br>change YoY price    |  <b>-6.6 %</b><br>change YoY price    |  <b>-11.8 %</b><br>change YoY price  |  <b>-4.9 %</b><br>change YoY price    |  <b>-3.4 %</b><br>change YoY price    |  <b>+15.5 %</b><br>change YoY price   |
| <b>81 sqm</b><br>average size   | <b>199 sqm</b><br>average size  | <b>72 sqm</b><br>average size  | <b>139 sqm</b><br>average size   | <b>66 sqm</b><br>average size   | <b>122 sqm</b><br>average size  | <b>94 sqm</b><br>average size  | <b>180 sqm</b><br>average size   |
| <b>3,101.6 €</b><br>price per sqm   | <b>2,659.8 €</b><br>price per sqm   | <b>5,896.5 €</b><br>price per sqm  | <b>5,039.9 €</b><br>price per sqm  | <b>6,981.0 €</b><br>price per sqm   | <b>5,321.6 €</b><br>price per sqm   | <b>5,437.8 €</b><br>price per sqm  | <b>5,607.2 €</b><br>price per sqm  |
| <b>284,626.5 €</b><br>asking price  | <b>611,527.1 €</b><br>asking price  | <b>537,942.0 €</b><br>asking price   | <b>839,925.7 €</b><br>asking price   | <b>586,474.8 €</b><br>asking price  | <b>774,503.3 €</b><br>asking price  | <b>619,964.9 €</b><br>asking price   | <b>1,334,259.9 €</b><br>asking price   |
| <b>328,049.1 €</b> average asking price   |   | <b>643,203.2 €</b> average asking price  |  | <b>649,753.6 €</b> average asking price   |   | <b>651,679.6 €</b> average asking price  |  |
|                                    |   |                                     |  |                                   |   |                                     |  |
| <b>Lyon</b>   |   | <b>Madrid</b>  |  | <b>Milan</b>  |   | <b>Munich</b>  |  |
|  <b>+4.5 %</b><br>change YoY price |  <b>+5.1 %</b><br>change YoY price |  <b>+10.0 %</b><br>change YoY price |  <b>+12.0 %</b><br>change YoY price |  <b>+3.9 %</b><br>change YoY price |  <b>+35.5 %</b><br>change YoY price |  <b>-10.4 %</b><br>change YoY price |  <b>-18.5 %</b><br>change YoY price |
| <b>68 sqm</b><br>average size   | <b>139 sqm</b><br>average size  | <b>85 sqm</b><br>average size  | <b>257 sqm</b><br>average size   | <b>82 sqm</b><br>average size   | <b>179 sqm</b><br>average size  | <b>68 sqm</b><br>average size  | <b>150 sqm</b><br>average size   |
| <b>5,814.5 €</b><br>price per sqm   | <b>5,457.6 €</b><br>price per sqm   | <b>3,586.7 €</b><br>price per sqm  | <b>2,843.8 €</b><br>price per sqm  | <b>4,032.5 €</b><br>price per sqm   | <b>3,343.5 €</b><br>price per sqm   | <b>9,354.5 €</b><br>price per sqm  | <b>9,500.0 €</b><br>price per sqm  |
| <b>415,620.6 €</b><br>asking price  | <b>809,918.4 €</b><br>asking price  | <b>402,495.6 €</b><br>asking price   | <b>909,810.9 €</b><br>asking price   | <b>407,735.9 €</b><br>asking price  | <b>748,627.2 €</b><br>asking price  | <b>717,650.9 €</b><br>asking price   | <b>1,804,770.4 €</b><br>asking price   |
| <b>429,914.9 €</b> average asking price   |   | <b>460,359.2 €</b> average asking price  |  | <b>421,857.7 €</b> average asking price   |   | <b>932,509.3 €</b> average asking price  |  |
|                                    |   |                                     |  |                                   |   |                                     |  |
| <b>Paris</b>  |   | <b>Porto</b>   |  | <b>Rome</b>   |   | <b>Apartments</b>  |  |
|  <b>+2.5 %</b><br>change YoY price |  <b>+7.1 %</b><br>change YoY price |  <b>+17.9 %</b><br>change YoY price |  <b>+16.7 %</b><br>change YoY price |  <b>-1.4 %</b><br>change YoY price |  <b>-3.9 %</b><br>change YoY price  |                                     |  |
| <b>53 sqm</b><br>average size   | <b>140 sqm</b><br>average size  | <b>96 sqm</b><br>average size  | <b>34 sqm</b><br>average size  | <b>87 sqm</b><br>average size   | <b>130 sqm</b><br>average size  | <b>Houses</b>  |  |
| <b>11,844.0 €</b><br>price per sqm  | <b>8,516.9 €</b><br>price per sqm   | <b>3,541.6 €</b><br>price per sqm  | <b>2,963.4 €</b><br>price per sqm  | <b>3,038.3 €</b><br>price per sqm   | <b>2,100.7 €</b><br>price per sqm   |  |  |
| <b>779,759.0 €</b><br>asking price  | <b>1,595,666.9 €</b><br>asking price  | <b>376,474.3 €</b><br>asking price   | <b>706,294.6 €</b><br>asking price   | <b>300,559.1 €</b><br>asking price  | <b>330,020.6 €</b><br>asking price  |  |  |
| <b>794,555.7 €</b> average asking price   |   | <b>446,138.8 €</b> average asking price  |  | <b>305,577.1 €</b> average asking price   |   |  |  |



# Property Price Development

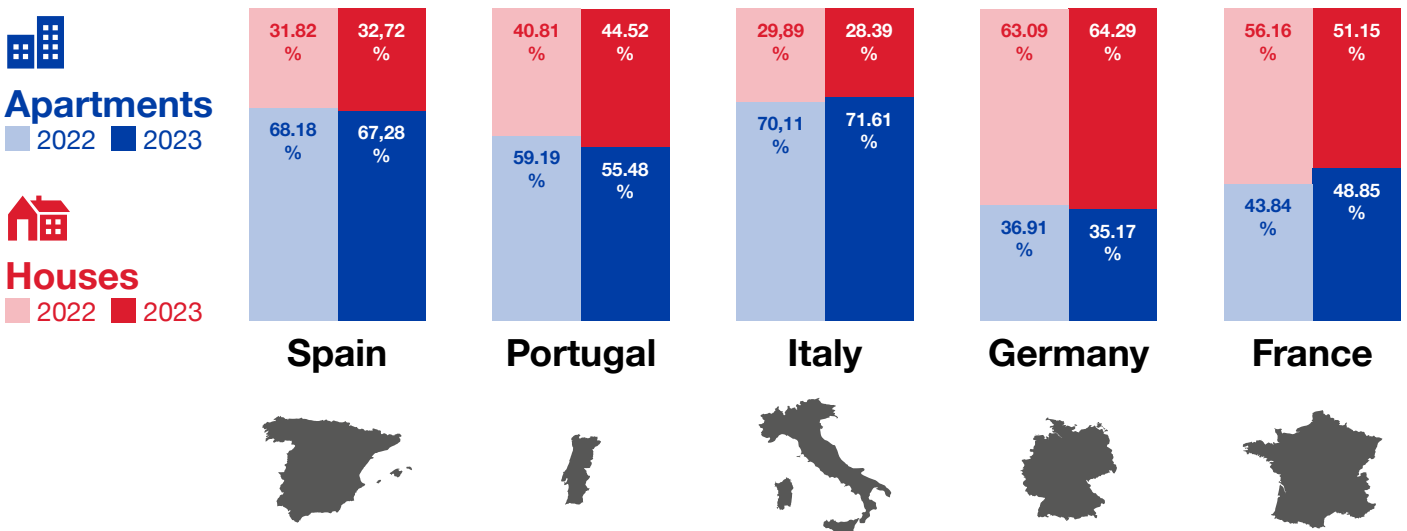
The market data shows a difference between the average price for houses and prices for apartments. Accordingly, prices for apartments are at a rather constant level. They are even rising in some regions in France (primarily on the Ile de France). House prices, on the other hand, are falling, such as the significant drop in Germany (2.978 € vs. 3.102 € per square meter, YoY).<sup>11</sup>

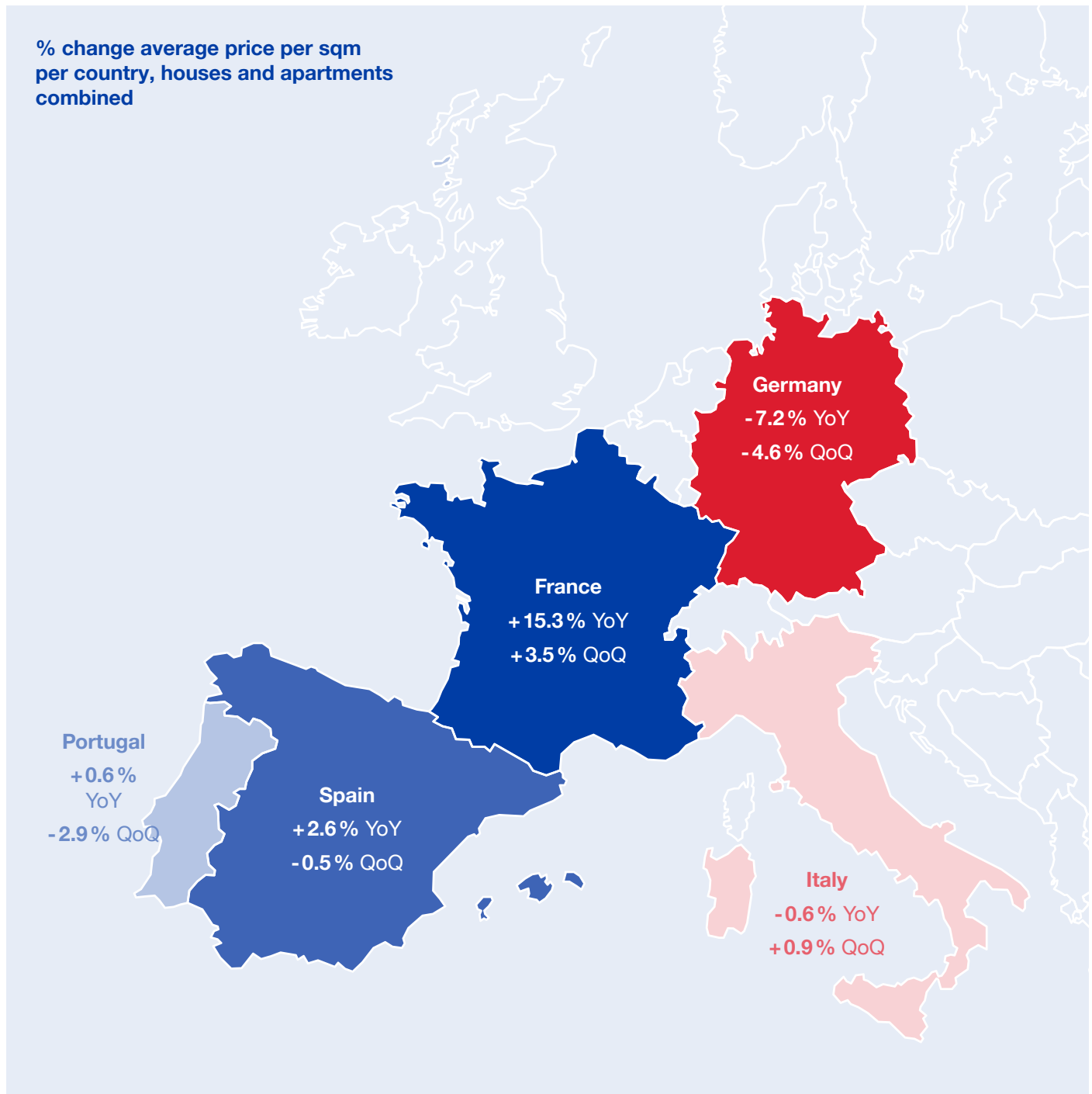


# Share of Property Types

in Europe (Q1/23 vs Q1/22)

For the first quarter of 2023, an increase in the supply of houses and apartments can be observed, especially in January and February, compared with the first quarter of 2022.<sup>11</sup>





## How did the first quarter of 2023 perform throughout Europe?

The price change for an average price per square meter for apartments and houses showcases striking results in France and Germany. In France, the average price per square meter increased by 9.4% for apartments and even 15.3% for houses. In Germany, however, the average price per square meter fell by 4% for houses and 10.6% for apartments. <sup>11</sup>



## Data Sources

This edition of the Quarterly Market Updates is supported by a survey among the pan-European network of 30,000 RE/MAX European real estate professionals conducted between March 12th and April 3rd, with 3,049 participants in 35 RE/MAX regions.

The internal survey is supported by external market data from Casafari, a database for real estate market professionals that aggregates and centralizes all the information available online. Casafari is a provider of an AI- and machine learning-based metasearch platform for the real estate industry which tracks, aggregates, and centralizes all information available online on residential properties in Portugal, Spain, Italy, France, and Germany.

Please Note: While RE/MAX Europe has compiled the information in this report diligently and to the best of its knowledge, RE/MAX Europe does not assume any liability for the accuracy of the information or for any damages resulting from the use of the information.

## About RE/MAX

The RE/MAX Europe franchise network is one of the largest in the industry. It has more than 30,000 real estate professionals across 2,400 offices in 40 countries, facilitating the transaction of more than 150,000 properties to date. With more than 50 years of experience, RE/MAX has grown into a huge global company. Never one to rest on its past successes, RE/MAX continues to build on its history of innovation to transform the way real estate is bought and sold in Europe.

**For more information,  
contact us today!**

**RE/MAX Europe**

PMSCS Real Estate Franchising Inc.  
Alpenstraße 15  
6302 Zug, Switzerland

**E** [marketing@remax.eu](mailto:marketing@remax.eu)

**W** [remax.eu](http://remax.eu)

**RE/MAX**  
Europe