



European Housing Insights

Your Quarterly
Market Update



Q2 2023

RE/MAX
Europe

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Dear Reader,

Here at RE/MAX Europe, we closely monitor the latest trends and developments in the European residential housing market. With a network represented by over 30,000 agents in 40 countries, our insights cover a vast and complex landscape shaped by various factors. The provided insights are derived from comprehensive data across Europe. For a more profound understanding, certain data points have been computed focusing on specific markets.

The end of the low-interest phase is significantly impacting the residential property market, posing affordability challenges for many consumers. The higher rates are causing a ripple effect, resulting in diverse pricing trends across Europe.

Overall, the number of listings on the market is increasing, while transaction numbers are declining. This shift signals a return to a buyer's market, offering more choices and better negotiating leverage. At the same time, country-specific differences in property prices are becoming more evident, impeding the ability to draw broad generalisations. Foreign buyers acquiring properties in certain areas lead to a subsequent rise in purchase prices. This trend creates affordability challenges for local consumers, compelling them to opt for renting instead of owning homes.

The influence of the construction industry also cannot be understated. Slowed development or localised booms are affecting both pricing and availability. We are also noticing changes in buyer behaviour, with first-time buyers now waiting until a later age before making this significant purchase.

The market is slower, but not slow. For small scale investors, buy-to-let properties appeal considering the strength of rental demand. In many cases, this represents a path to a healthy retirement income. For homeowners who took out a long term portable

// The number of listings on the market is increasing, while transaction numbers are declining . This shift signals a return to a buyer's market . //



mortgage and have managed to save up to cover moving costs, slightly lower house prices offer the opportunity to trade up to a higher standard of living without increasing monthly expenses.

In this dynamic environment, experienced investors are finding profitable opportunities by leveraging their experience and market knowledge. Real estate agents continue to play an increasingly crucial role, assisting both buyers and sellers in navigating these demanding market conditions. Their expertise contributes significantly to balancing the European real estate market, providing vital guidance during this time of change.

Europe's housing market remains vibrant and diverse, presenting both challenges and opportunities. The end of the low-interest period, coupled with country-specific trends, foreign influences, and evolving buyer behaviour, makes for a unique and ever-changing landscape. As a multinational organisation with vast reach and understanding, RE/MAX Europe is well-positioned to support all stakeholders in this dynamic market. Our commitment to data-driven insights and professional expertise continues to empower buyers and sellers alike, ensuring a smooth and successful real estate experience.

Michael Polzler
CEO of RE/MAX Europe

A New Era for European Property: Unpacking the Price Shift

Since the end of the financial crisis in 2009, real estate prices have risen constantly across much of Europe. Significant price increases have not been uncommon and the demand for residential property has been resilient in the past. Especially in European metropolitan areas, pressure on residential space has increased due to an influx of people and a lack of new construction activity. In addition, increasing numbers of private (international) investors recognised the opportunities of the residential property market. However, the era of quick decisions is over. Since the second quarter of 2022, we have seen a new market situation that has its own challenges, but also new opportunities for both prospective buyers and property owners. RE/MAX Europe has examined the circumstances and identified factors influencing property price changes across the continent in order to forecast future developments.

End of the low-interest phase

The European real estate market is facing heightened challenges due to inflation and increasing interest rates on property purchases. In June 2023, consumer price inflation in the EU dropped compared to the previous year from 9.6 to 6.4 percent¹, marking the lowest rate since February 2022, mainly due to reduced energy costs. However, it's essential to note that the core rate, which excludes volatile items such as food and energy, experienced an increase, rising from 4.59 to 6.19 percent during the same time period. This indicates a deeper underlying inflationary pressure affecting the market. Moreover, this development led to speculation that policymakers at the European Central Bank (ECB) may raise interest rates further in the coming months. Most recently, the ECB made it clear at its 27 July 2023 meeting that inflation can only be countered by raising interest rates in Europe too and revised the main refinancing rate upwards, to stand at 4.25 percent overall.² What sounds like good news for savers across Europe, is a challenging scenario for home buyers, private investors and property developers.

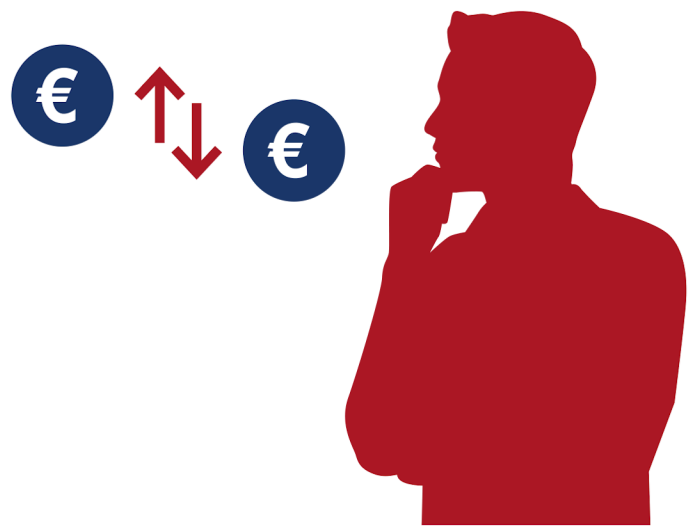
1 <https://de.tradingeconomics.com/european-union/core-inflation-rate> und https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR__custom_3761882/bookmark/table?lang=de&bookmarkId=4ad27e6f-358a-4a3d-82a0-587d69a833eb
 2 <https://www.euribor-rates.eu/de/ezb-leitzins/>
 3 <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/w/ddn-20230705-3>

Understanding the impact of interest rates

Observing mortgage interest rates after a significant rise at the beginning of 2023, it is evident that they are now stabilising. This anticipated development was previously hinted at by ECB representatives, and as a consequence, the current interest rate level has already factored in these trends.

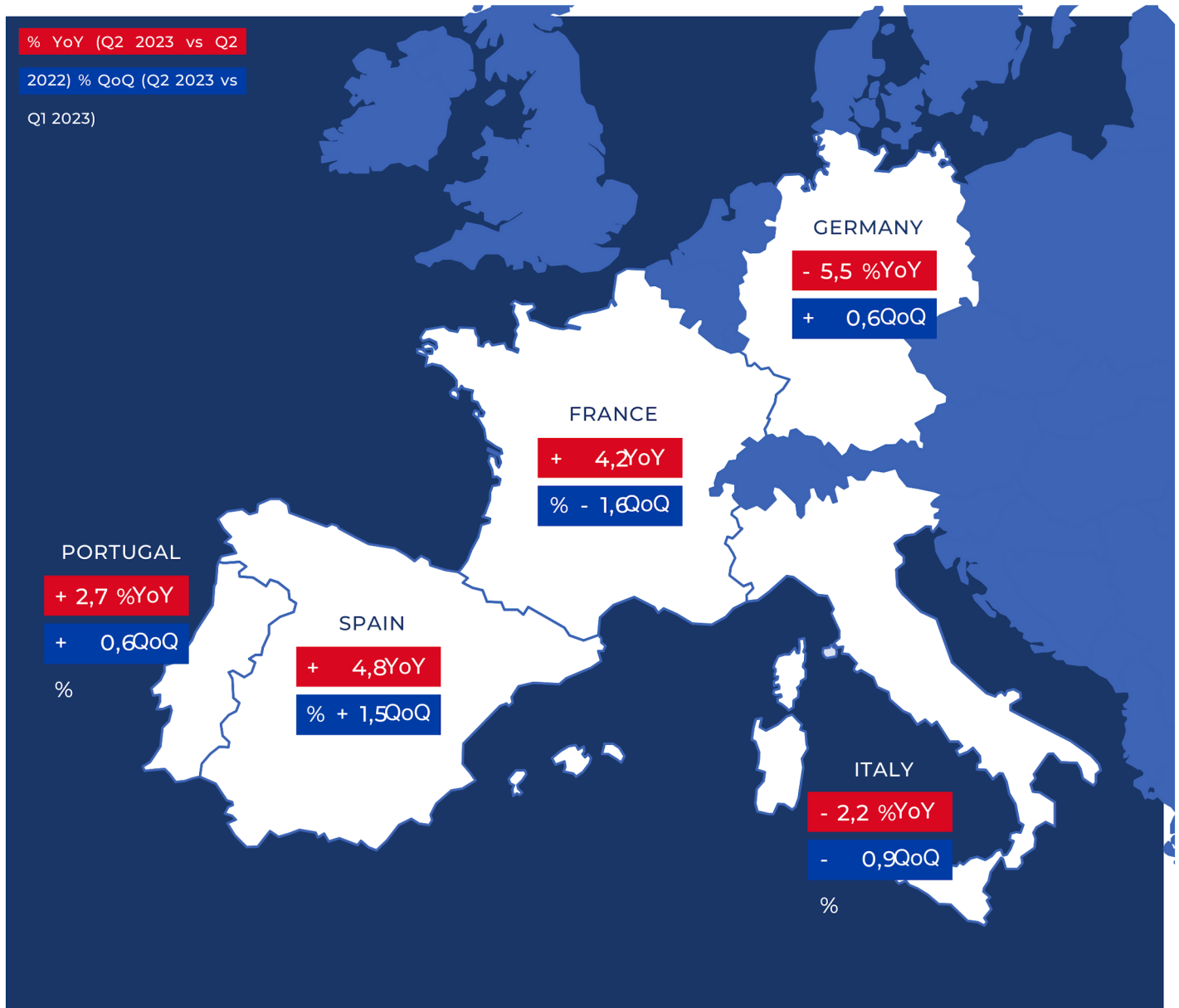
If the ECB does not make the desired progress in its fight against inflation, it may be forced to maintain its restrictive course for longer than currently expected by the market. This scenario is not currently factored-in to construction interest rates — and this would create potential for further mortgage interest rate hikes. Should this happen, rates of over four percent on ten-year mortgages would be possible by the Autumn.

In the last three months of 2022, property prices declined for the first time following 30 quarters of growth (-1.4 percent). This trend continued into the second quarter of 2023 in large parts of continental Europe. This resulted in prices in the EU falling by 0.7 percent in the first quarter of 2023 compared to the fourth quarter of 2022.³ However, when comparing average listing prices per square metre (sqm) for apartments and houses in France, Germany, Italy, Portugal and Spain, significant regional differences emerge. Analysing property listing prices in major European metropolises across key markets reveals that, although they experienced a marginal year-on-year decrease of 0.7 percent, they exhibited an average increase of 2.51 percent during the second quarter of 2023⁴. This fluctuation is indicative of a slightly volatile market, with the decline in sales attributed to high costs of living and rising mortgage costs.



% Average Price Change

per sqm per country, houses and apartments combined



Nations in contrast – a closer look at EU property prices

Our data shows contrasting trends across EU Member States. In some cases, house and apartment listing prices are also developing differently at national level.

The Italian real estate market is stable, with a slight decline of 2.2 % overall compared to last year. This decreasing trend is particularly affecting apartments. In Germany, overall listing prices fell by 5.5 % compared to the previous year, with a slight upwards trend for houses in the second quarter of 2023⁴. In Spain, the market recorded listing price increases, indicating robust demand for residential real estate. A similar trend can also

be observed in Portugal, with asking prices for houses, in particular, rising in the second quarter. Property listing prices in France increased overall compared to last year, but over the first two quarters of 2023, the country saw a decline in average apartment asking prices per square metre moving from EUR 5.700 to EUR 5.600, resulting in a fall in overall market listing prices. Comparing the average sqm listing prices to the previous year, house prices rose in France, Portugal and Spain, while they fell in Germany and remained unchanged in Italy.

This indicates that property sellers have acknowledged the new scenario and that the high asking prices that were still being obtained at the beginning of 2022 are no longer achievable everywhere. While in previous years it was possible to make general statements on the basis of area-wide price increases, in

the coming months it will be necessary to look more closely at the micro-location and the property.

Even within countries there are regional differences, as Răzvan Cuc, Regional Owner of RE/MAX Romania, reports: "The price developments in major cities such as Bucharest, Cluj, and Braşov demonstrate substantial growth, showcasing the complex interaction of local factors. These include the presence of metropolitan areas with high-paying jobs and specific geographical conditions, which contribute to the significant price increases in these urban centres."⁵

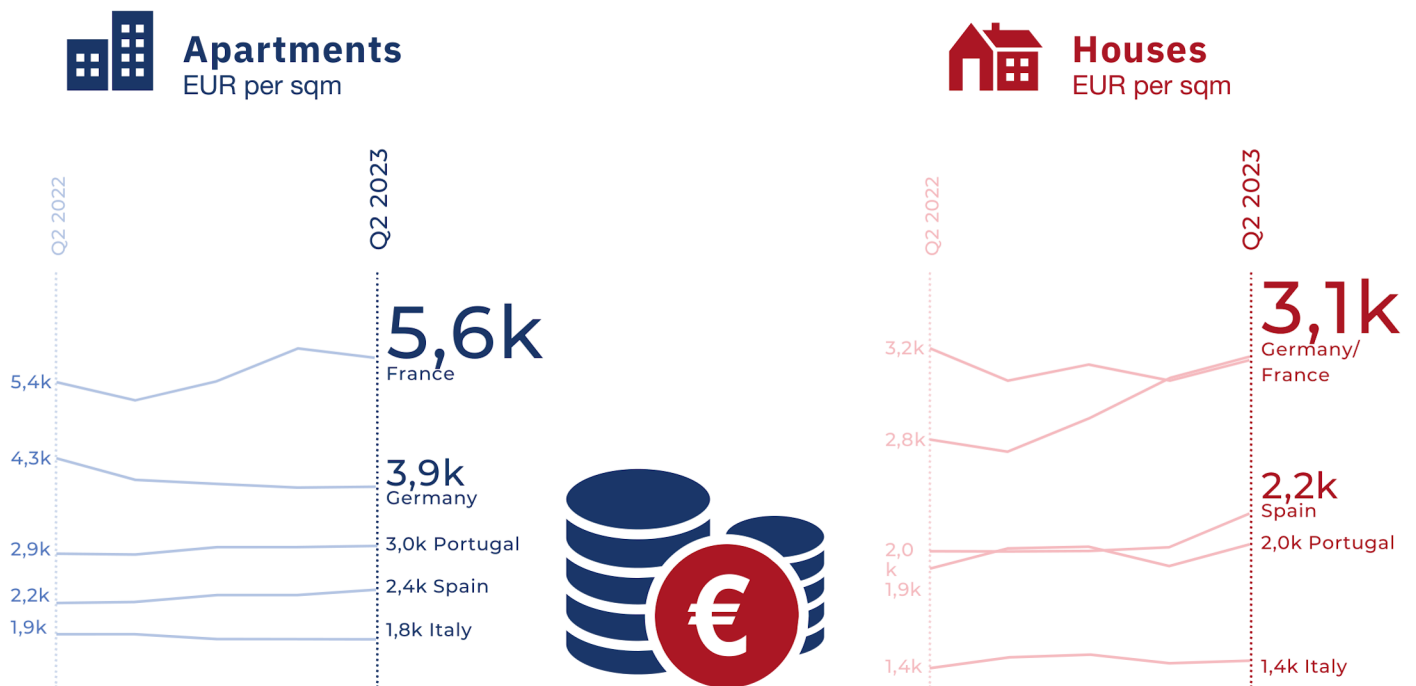
Contradictory listing price development trends can be observed this quarter, for example, in Germany in cities such as Hamburg (-2.2 percent) and Berlin (+0.18 percent), in France in Paris (-0.09 percent) and Lyon (+1.24 percent), or in Portugal in Lisbon (+1.55 percent) and Porto (-0.45 percent).⁶

Local markets, global investors: Foreign influence on European real estate dynamics

The significant influence of non-European investment buyers can be observed particularly within Portugal's real estate market, where currently 23 percent of transactions are carried out by foreign investors.⁷ This offers potential especially for sellers, who continue to make sales at a stable level. While investors, particularly from North America, are benefiting, locals are suffering from the high price pressure. This phenomenon is particularly evident in more tourist areas and larger cities. Dario Castiglia, Regional Co-Owner of RE/MAX Italy, has also reported growth in investments from abroad: "Milan has seen a surge in foreign tourists in recent years and prospective buyers and renters, primarily from the United States, despite the city's comparably high cost of living."⁸

Foreign influence on European real estate dynamics offers great potential for sellers .

Prices for Apartments vs Houses per sqm per quarter⁹



5 Răzvan Cuc, Regional Owner of RE/MAX Romania

6 Casafari

7 Manuel Alvarez, Regional Co-Owner of RE/MAX Portugal

8 Dario Castiglia, Regional Co-Owner of RE/MAX Italy

9 Casafari

Residential Real Estate Listing Prices

sqm price main cities (Q2 2022 vs Q2 2023)⁹



Barcelona

-0.4 % change YoY price	+4.9 % change YoY price
82 sqm average size	200 sqm average size
3,147.7 € price per sqm	2,785.4 € price per sqm
292,050.2 € asking price	626,393.6 € asking price
337,480.6 € average asking price	



Berlin

+0.8 % change YoY price	-5.3 % change YoY price
73 sqm average size	140 sqm average size
6,028.9 € price per sqm	5,170.0 € price per sqm
553,347.9 € asking price	879,080.5 € asking price
665,608.2 € average asking price	



Budapest

-18.9 % change YoY price	-5.1 % change YoY price
60 sqm average size	201 sqm average size
2,807.2 € price per sqm	2,5042.0 € price per sqm
125,230.8 € asking price	510,977.2 € asking price
318,103.9 € average asking price	



Lisbon

-0.3 % change YoY price	+9.6 % change YoY price
92 sqm average size	180 sqm average size
5,371.2 € price per sqm	5,564.5 € price per sqm
605,352.6 € asking price	1,300,536.6 € asking price
636,574.3 € average asking price	



Lyon

+3.4 % change YoY price	+1.6 % change YoY price
68 sqm average size	140 sqm average size
5,770.3 € price per sqm	5,353.4 € price per sqm
414,568.4 € asking price	806,091.6 € asking price
430,134.7 € average asking price	



Madrid

+8.6 % change YoY price	+8.7 % change YoY price
86 sqm average size	260 sqm average size
3,668.2 € price per sqm	2,897.5 € price per sqm
417,500.3 € asking price	935,759.7 € asking price
479,428.2 € average asking price	



Milano

+4.6 % change YoY price	+22.7 % change YoY price
83 sqm average size	177 sqm average size
4,071.3 € price per sqm	3,306.4 € price per sqm
413,399.4 € asking price	726,165.6 € asking price
427,652.5 € average asking price	



Munich

-9.1 % change YoY price	-10.8 % change YoY price
68 sqm average size	150 sqm average size
9,298.0 € price per sqm	9,568.1 € price per sqm
715,484.0 € asking price	1,812,698.9 € asking price
929,132.1 € average asking price	



Paris

+1.7 % change YoY price	+2.1 % change YoY price
53 sqm average size	145 sqm average size
11,913.6 € price per sqm	8,919.9 € price per sqm
809,619.1 € asking price	1,757,930.9 € asking price
830,575.0 € average asking price	



Porto

+15.8 % change YoY price	+17.7 % change YoY price
97 sqm average size	235 sqm average size
3,488.9 € price per sqm	2,940.2 € price per sqm
375,375.5 € asking price	708,454.4 € asking price
445,030.1 € average asking price	



Rome

-4.0 % change YoY price	-5.1 % change YoY price
87 sqm average size	130 sqm average size
3,065.7 € price per sqm	2,148.3 € price per sqm
304,184.4 € asking price	335,980.2 € asking price
309,738.4 € average asking price	

Changing Dynamics of Supply and Demand

Longer listing durations in a cautious buying climate

In an environment of rising interest rates and cost of living, more and more families are finding it difficult to buy a home. As a result, properties are staying on the market for longer. Portugal reports houses being on the market for up to nine months, leading to an overall increase in listings supply. This is also reflected in the Austrian property market. "The number of transactions decreased during the first three months of 2023 compared to the same time period in 2022, with 20 percent fewer apartments and 15 percent fewer single-family houses. However, the number of properties for sale increased during the first quarter of 2023 by 78 percent. This increase can be attributed, among other factors, to properties staying on the market longer," explains Bernhard Reikersdorfer, Regional Co-Owner of RE/MAX Austria.¹⁰

In Finland, the real estate market also experienced a challenging first half of the year, with transactions down 35 percent compared to the first half of 2022. "Nevertheless, there are signs of stabilisation and resilience," says Pasi Aalto, Regional Co-Owner of RE/MAX Finland. "In particular, the number of listings for small one- or two-bedroom apartments has increased. In contrast, transactions for holiday homes have decreased by about 25 percent in the last year, indicating a possible shift in investment trends."¹¹ Furthermore, Romania has also reported a decline in transactions.

Rising interest rates and increased cost of living are leading to properties staying on the market for longer.

Is the buyer's market back?

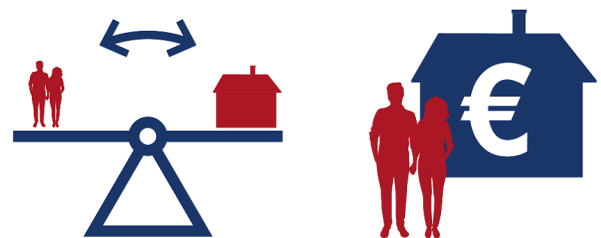
Many buyers realise that home ownership is more than just an investment. Buying property to meet personal requirements fulfils lifelong dreams. Due to the new market situation, some prospective buyers now have the chance to purchase their dream property without the bidding war between many interested parties that was the case last year: Buyers often have the opportunity to choose between several properties again.

The residential property market has become more challenging, but market participants will also increasingly come to terms with the new situation. Part of the demand will shift to lower price ranges as a result, as some buyers will no longer be able to buy in the same price range as a few months ago.

In Italy, the property market is reacting to rising interest rates, as Italians adjust to a new reality after years of affordable mortgages. Nevertheless, demand remains strong, especially in big cities such as Milan and Rome, indicating a resilient market underpinned by a strong cultural emphasis on home ownership.¹² In the Netherlands, higher interest rates have led to a slight decline in property transactions overall. However, it seems that the Dutch are already adapting to the changes, as evidenced by the increasing demand for lower-priced properties.

Buyers currently often have the opportunity to choose between several properties

The Romanian real estate market faces its own challenges, describes Razvan Cuc: "Demand is down by 20 to 30 percent in the first semester of 2023, which puts pressure on sellers. Where there is demand, it is for modern and new buildings."¹³ While it may seem beneficial that property prices currently remain at consistently high levels, the widening affordability gap is excluding a growing proportion of the population from home ownership. "The number of transactions fell by around 25 percent last year," says Manuel Alvarez, Regional Co-Owner of RE/MAX Portugal.¹⁴



¹⁰ Bernhard Reikersdorfer, Regional Co-Owner of RE/MAX Austria

¹¹ Pasi Aalto, Regional Co-Owner of RE/MAX Finland

¹² Dario Castiglia, Regional Co-Owner of RE/MAX Italy

¹³ Răzvan Cuc, Regional Owner of RE/MAX Romania

¹⁴ Manuel Alvarez, Regional Co-Owner RE/MAX Portugal

Affordability barriers within the local housing market

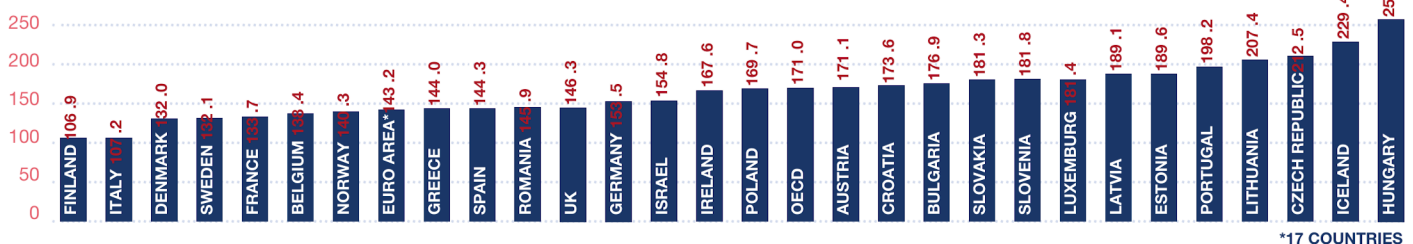
These developments mean that home ownership is becoming a luxury for the majority of people. Many potential buyers will have to save for longer or use additional financing options to cope with rising property prices or increasing interest rates. Others may be forced to postpone their plans to buy a property or consider alternatives such as renting. Property markets in Europe face complex challenges and developments during the past 1.5 years. Purchase prices, inflation and wage levels will continue to have a significant impact on people's decisions to buy a home, as outlined by Martijn Groot, Regional Owner of RE/MAX Netherlands.

Over the past seven years, the price-to-income ratio for real estate purchases by consumers increased by 71 percent in the OECD comparison.¹⁵ This intensifies the financial burden on consumers, makes lending more difficult and can delay the purchase process. There has even been an increase of 112% in Czechia, 98% in Portugal, and 81% in Slovenia. "Portugal has comparatively low wage levels. But property prices in Portugal have significantly increased compared to the wage level in the period from 2015 to 2022 — one of the most striking changes on the European mainland. As a result, the housing market is becoming increasingly inaccessible for locals," says Manuel Alvarez.¹⁶

Austria ranks 14th on the list with around 71 percent. According to Bernhard Reikersdorfer, a price correction in the local real estate market is to be expected in the near future: "In Austria, we are forecasting that prices for properties in need of renovation will fall by up to 10 percent in the coming year, which will particularly affect properties in the mid-range segment. The reason for this can be partly attributed to a reduced demand for middle-class properties, specifically affecting family homes priced between €400,000 and €800,000. This decrease in demand is primarily linked to increased interest rates and stricter credit limitations being in place. The luxury segment is currently proving more resilient though, and we expect prices to remain stable here."¹⁷

Price-income ratio

¹⁵ based on Q1 2023 (OECD)



15 OECD

16 Manuel Alvarez, Regional Co-Owner RE/MAX Portugal

17 Bernhard Reikersdorfer, Regional Co-Owner of RE/MAX Austria

18 Casafari

Choosing to Rent: A new era

Looking at the rental market in Europe, particularly in countries such as Germany, Italy, Portugal and Spain, it is clear that the higher cost of borrowing and the overall increased living expenses have led to a strong increase in demand for rental properties. This shift is shown in the numbers for Q2 2023, where 36 percent of individuals rent a property, increasing from 33 percent recorded in Q2 2022. As potential buyers who were previously interested in purchasing properties are now turning to the rental market due to the prevailing deterioration in financing conditions, the rental market has high competition.¹⁸

As a consequence, rent prices remain notably high, especially in major cities. In the first quarter of 2023, rental prices in the EU as a whole rose by 0.9 percent in comparison to the fourth quarter of 2022. Compared to the first quarter in the previous year, they surged as much as 2.9 percent.¹⁹ A closer look at some key markets reveals particularly high rental listing price increases from Q2 2022 to Q2 2023, including 67 percent in Italy, 54 percent in Portugal, 41 percent in Spain, and 27 percent in Germany. These dynamics create a complex landscape for both buyers and renters in the European real estate market.¹⁸

In Italy, the rental market has also tightened due to short- and medium-term rental platforms. "The tightening of the rental market due to the rise of short-term rental platforms such as Airbnb is particularly noticeable in cities like Milan, Verona, Florence, Venice and Rome."²⁰ In these metropolises, it is becoming more difficult and more expensive to find long-term rentals," said Dario Castiglia describing these developments.

The Portuguese Government has implemented significant measures to assist low-income families facing increasing mortgage costs and seeking more affordable rental options. "These measures include the abolition of golden visas to reduce pressure from foreign buyers. Additionally, the government has adopted an ambivalent landlord role that aims to protect tenants by regulating rents while also safeguarding landlords' returns," explains Manuel Alvarez, describing the initiative to address the current challenges.

But Portugal is also an example of how new policies can lead to a reluctance to invest. "Lower rents are beneficial for families but less attractive for investors. To counter this, the government is offering tax breaks and lower risks for those who rent to them. It has become part of a real estate agent's job to support consumers with navigating through these exceptional market conditions,"²¹ stated Manuel Alvarez describing the day-to-day work of real estate agents.

19 <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/w/ddn-20230705-3>

20 Dario Castiglia, Regional Co-Owner of RE/MAX Italy

21 Manuel Alvarez, Regional Co-Owner RE/MAX Portugal

European Construction Industry Dips, with Varied Outcomes Across Nations

Supply of new builds will slow down

Amidst macro-economic developments, the construction industry plays a pivotal role in shaping the present state of the real estate market. In the EU as a whole, there was a 3.0 percent increase in civil engineering and a 0.9 percent decrease in building construction. But, across Europe, the construction sector has developed in different directions over the past year.²²

While numerous European countries are affected by reduced construction output, this phenomenon is particularly observed in Portugal where, despite high demand, only few real estate projects have been completed in the last decade.

According to Manuel Alvarez, the current situation in Portugal suggests an enormous housing shortage in light of a growing population. Despite a rising demand, the completion of real estate projects has been meagre over the past decade, posing additional challenges for many Portuguese individuals seeking homeownership. Moreover, the scarcity of skilled building companies and project developers further compounds the difficulties in addressing the housing needs of the population.

Portugal is just one example of the decline in construction activity, whereby experts are attributing that decrease to the speed at which developments are moving at throughout the country.

Elsewhere, other EU countries have also witnessed a reduction in construction, namely because of inflationary developments such as increasing material and labour costs over the past few years, as well as rising interest rates. Many projects continue to be delayed by tighter financing conditions.



Slowdown in construction activity prevents prices from dropping

Comparing figures from May 2023 with those from May 2022, countries such as Hungary (-12.0 percent), Italy (-6.5 percent) and Sweden (-6.3 percent) recorded sharp declines in construction completion within the last year.²² Northern Europe struggled particularly, reports Pasi Aalto: "The construction sector was hit hard and saw a dramatic drop in activity last year. This downturn has led to several companies going bankrupt." Also, the Netherlands are affected by housing shortage challenges, as pointed out by Martijn Groot. "A shortage of 330,000 homes is causing prices to surge and the market to stagnate due to limited options."²⁴

Moreover, in Germany, almost a third fewer projects were approved for construction in April 2023 compared to the previous year. This is despite the German federal government's commitment to completing 400,000 residential units per year. Uncertainties regarding the upcoming Building Energy Act and its possible modernisation requirements also contribute to the cost uncertainty of construction projects throughout the country.

In contrast, Slovenia (+24.6 percent), Romania (+10.6 percent) and Spain (+7.1 percent), experienced increased construction output.²²

Strong expectations for renovations and sustainability

While new construction is declining, renovations of existing buildings are gaining importance. "Thinking long term, a pressing problem is the high demand for new houses with a low volume of new construction, as the quality of the existing stock is often poor," says Răzvan Cuc.²³ Existing standards represent a major challenge, especially in connection with the high degree of customisation, but also hold great potential for the construction sector, especially in Southern and Eastern Europe. "About 75 percent of the housing stock in Romania was built during the communist era, often lacking quality standards," says Răzvan Cuc.²³

²² <https://ec.europa.eu/eurostat/web/products-euro-indicators/w/4-19072023-bp>

²³ Răzvan Cuc, Regional Owner of RE/MAX Romania

²⁴ Martijn Groot, Regional Owner of RE/MAX Netherlands

In Italy, with its historic building stock, the renovation market has also seen an upswing. "This upswing is a response to new regulations that require all properties to meet Level D efficiency standards by 2035 before they can be sold or rented.²⁵ This is a clear move towards sustainability," says Dario Castiglia.

This trend can additionally be observed within the Netherlands. In that regard, Martijn Groot points out that "In the longer term, the focus is on the energy efficiency of buildings, with banks only financing properties in energy efficiency class A, B or C."²⁴ With a growing demand for more comfort, better facilities, and the need for energy efficiency, orders for construction companies will increase in relation to the existing stock.

Additionally, there is a growing trend in the industry towards sustainable construction, reflecting a social and legislative shift towards environmental considerations. The Dutch government's response to environmental challenges involves prioritising urban housing construction over building additional properties in rural areas. This approach may lead to a shortage of houses in the countryside, potentially resulting in significant price increases. As the government simultaneously focuses on expanding urban housing projects, the real estate market appears to be in a state of transition.

Shifting preferences: Germany's move from apartments to houses

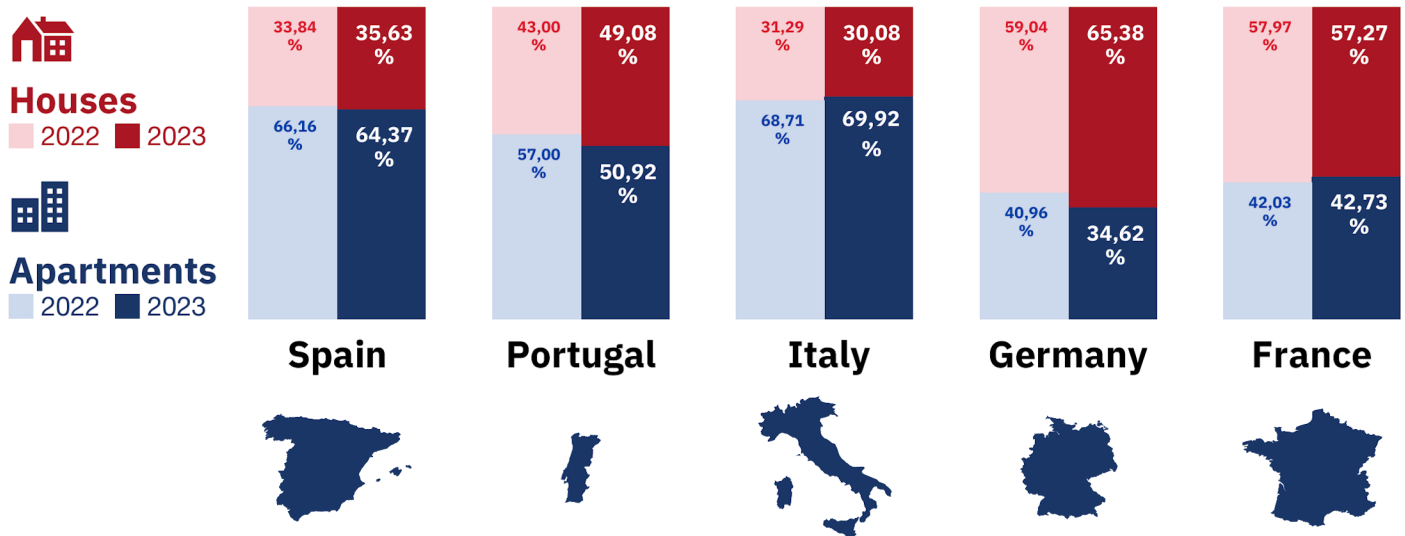
The housing stock in Europe is almost evenly split between apartments (52.88 percent) and houses (47.12 percent).²⁶ Interestingly, more houses are owned than apartments in Germany and France – the difference is particularly significant in Germany. In addition, there was a clear shift from apartments to houses in Germany over the past year: While the share of apartments in real estate remained at 40.96 percent in 2022, it fell to just 34.62 percent in 2023²⁶ – the share of houses rose accordingly from 59.04 percent to 65.38 percent. In countries such as Italy, Portugal and Spain, on the other hand, apartments are much more popular. The sizes of apartments are not changing, at least in the largest European metropolises. On average, residents in cities like Porto, Milan or Hamburg live in around 80 square metres, as they did last year.



Numerous European countries are affected by reduced construction output .



Property types per country²⁶



²⁵ Dario Castiglia, Regional Co-Owner of RE/MAX Italy

²⁶ Casafari

New Buyer Behaviours and Attitudes

Young home buyers: rising age and equity challenges

Young people in particular are still interested in buying their own home. As first-time home buyers, they are primarily looking for affordable housing, which is driving demand in the lower price segment of the market. "Given the large supply, especially of smaller homes, and the rising popularity of first-time buyer loans, the opportunities are plentiful.²⁷ However, it should be noted that first-time buyers are getting older as they need more equity," says Pasi Aalto. In Italy, owning a home is deeply ingrained in the culture, and it often relies on the support of parents and grandparents, a trend notably observed in the country. Dario Castiglia highlights that the rising mortgage rates and the necessity for higher equity have made family assistance essential for many young individuals striving to achieve homeownership in Italy.

Government subsidies tend to focus on insulation, heating and energy efficiency, for example in Austria and Germany. However, they are seen as insufficient by many, leading to calls for more policies to support the younger generations. This is also the case in the Netherlands, where despite government initiatives such as tax deductions for new builds and the abolition of land transfer tax for first-time buyers, first-time buyers are getting older: they are now around 28 years old, when buying their first home, compared to 25 years old some years ago.²⁸



²⁷ Pasi Aalto, Regional Co-Owner of RE/MAX Finland

²⁸ Martijn Groot, Regional Owner of RE/MAX Netherlands

Skilled investors leverage current market for optimal returns

"Not only newcomers, but experienced investors also benefit from the current market situation." Pasi Aalto points out that there are good prospects for investors to secure favorable deals in the current climate.²⁹ Bernhard Reikersdorfer categorizes investors into two groups: those who have always seen real estate as a stable investment and continue to rely on it, and others who previously bought real estate due to a lack of alternatives, but are now exploring other investment options.

Although construction is set to increase again, the reduced building activity in 2023 is creating an interesting opportunity for investors across various parts of the EU. "Developers are completing existing projects but are reluctant to start new ones, which will lead to bottlenecks in housing supply that we will feel in 2024/2025," says Bernhard Reikersdorfer. Consequently, this development could result in a shortage of available homes, potentially driving an overall increase in prices.³⁰

In some countries like the Netherlands, lower rents are discouraging investors due to environmental regulations and new rules for investment properties, which has led some to withdraw from the market. Additionally, environmental issues such as pollution are imposing restrictions on new housing construction, exacerbating the housing shortage.

// **Young people are primarily looking for affordable housing, which is driving demand in the lower price segment of the market .** //

²⁹ Pasi Aalto, Regional Co-Owner of RE/MAX Finland

³⁰ Bernhard Reikersdorfer, Regional Co-Owner of RE/MAX Austria

Looking Ahead: Unveiling Potentials and Seizing Opportunities

The evolving role of real estate agents

The role of professional real estate agents is becoming increasingly important in stabilising the market and facilitating transactions. Whether it is balancing the market in Portugal or having agents in Finland take over the tasks normally performed by notaries, professional real estate advice is more important than ever. An element that potential real estate buyers and sellers should take note of is the disparity between the listing price and the actual sales price. Again, here the guidance and support of a qualified real estate agent is crucial. Even in the Netherlands, where buyers are increasingly foregoing estate agents, the need for professional advice is underlined by the constant adaptation and evolution of the market. "Our real estate agents play a big role when it comes to the change towards greener buildings. As an instance, we offer guidance to homeowners and investors concerning energy efficiency measures, enabling the enhancement of energy labels and facilitating the sale of properties at better prices. We also provide assistance in transferring existing mortgages with favourable conditions and offer advice on implementing additional measures to enhance the value of their investment," says Martijn Groot.

"With the shift in market dynamics, you have to focus more on each potential buyer due to the sheer volume of listings. Cultivating strong networking capabilities and maintaining a solid database have become crucial in ensuring that consumers receive tailored and informed guidance throughout their property search journey," Bernhard Reikersdorfer reports from his industry experience. As a result, real estate agents in Austria are well-positioned to empower consumers and optimise their investment decisions in an ever-changing real estate landscape.

// Disparity between the listing price and the actual sales price is underscoring the increased importance of seeking guidance from a qualified real estate agent.

As the role of real estate agents is also evolving, they are expected to face stricter guidelines at national and European level in the coming year. "In Finland, real estate agents already play a crucial role in transactions, taking on tasks that are usually performed by notaries in other countries. This feature makes the Finnish real estate market a unique field for both buyers and sellers," says Pasi Aalto, describing the current situation.³¹ In this context, Finnish agents, among others, contribute to tasks such as drafting the final transaction documents and providing official validation for transactions. Overall, the European real estate landscape is undergoing a necessary professionalisation to balance the market, assist first-time buyers, attract investors and advise sellers on timescales, procedures and prices.

Balancing the European real estate market

In conclusion, the dynamic market conditions in the real estate sector present a compelling mix of challenges and great opportunities. As the market continues to evolve, it unlocks a wealth of possibilities for both buyers and sellers, making it an exhilarating time to be part of the ever-changing real estate journey.

Buyers are positioned to explore a range of promising opportunities with an abundant selection of properties to choose from. This grants them excellent negotiation power, enabling them to seize the best deals available in the market. Simultaneously, sellers can capitalise on the shifting consumer preferences towards rental properties, offering lucrative ROI opportunities. The market's evolution opens up a realm of possibilities for all parties involved, making it an exciting and transformative period in the European real estate landscape.

However, amid this exciting phase of growth, adjustments are underway, driven by the impact of government policies and international trends on market dynamics. The recent increase in the key interest rate by the European Central Bank (ECB) signifies that volatility in new construction sales prices will persist in the third quarter of 2023. As material and energy costs stabilise, and supply chains regain reliability, it becomes apparent that the main driver for the uncertainty in the construction industry is the ongoing interest rate hike.

Yet, despite these challenges, the real estate industry remains resilient and responsive, driven by an eagerness to adapt and capitalise on the opportunities that pave the way for the future of the European real estate market. Embracing these opportunities and navigating the changing landscape will be the key to success.

³¹ Pasi Aalto, Regional Co-Owner of RE/MAX Finland

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Data Sources

This edition of the "European Housing Insights" (Quarterly market update Q2 2023) is supported by internal data from RE/MAX Europe as well as external market data from Casafari, a database for real estate market professionals that aggregates and centralises all the information available online. The provided insights are derived from comprehensive data across Europe. For a more profound understanding, certain data points have been computed focusing on specific markets. Casafari is a provider of an AI- and machine learning-based metasearch platform for the real estate industry which tracks, aggregates and centralises all information available online on residential properties in Portugal, Spain, Italy, France and Germany.

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