

## PRESS RELEASE

### **BF.Quarterly Barometer Q4 2020:**

#### **Sentiment among property finance providers defies second coronavirus wave**

- No slump in November during “lockdown light”
- Barometer score virtually unchanged but still well into negative territory at -8.08 points (Q3 2020: -7.97)
- New business and margins trending upwards again
- Lending volume declines
- Far less financing for hotels

**Stuttgart, 25 November 2020** – Sentiment among German property finance providers in Q4 2020 is virtually unchanged on par with the previous quarter. The current barometer score is -8.08 points, compared to -7.97 points in the previous quarter. The indicator thus remains in negative territory, implying poor sentiment among finance providers. Nonetheless, the ongoing coronavirus pandemic and the partial lockdown in November have not caused sentiment among property finance providers to slump again. The score is well above the record low of -15.24 points seen in spring 2020.

Reasons for the stagnation include the fact that the general assessment of the state of the financing market is virtually unchanged in comparison to the previous quarter. 63% of those surveyed say that the situation is more restrictive (up 2 pp). Just 7% (up 0.3 pp) expect more progressive conditions. Respondents are somewhat more positive about the performance of new business, with almost 27% (up 4.7 pp) of experts saying that new business is picking up. Nevertheless, a majority (50%, up 5.6 pp) still expect new business to stagnate.

Manuel Köppel, CFO of BF.direkt AG, commented: “Market players have prepared for the coronavirus pandemic. So it is no surprise that the current barometer score is practically the same as in August, when the pandemic seemed to have almost disappeared. There are also still positive signals coming from the market: new business seems to be picking up slightly and liquidity costs are at least no longer increasing. Given this, we are cautiously optimistic about year-end business and how the financing environment will develop in 2021.”

### **Margins rise, LTVs and LTCs fall**

Margins increased in the fourth quarter. For the financing of existing properties, they rose from 148 to 150 basis points, and for the financing of project developments from 226 to 234 basis points. By contrast, loan-to-values (LTV) for the financing of existing properties and loan-to-costs (LTC) for project development financing declined. The average LTV decreased to 66.7% (Q3 2020: 67.4%) and the LTC to 72.5% (Q3 2020: 73.1%).

Professor Steffen Sebastian, Chair of Real Estate Finance at IREBS, University of Regensburg, and scientific adviser to the Quarterly Barometer, said that “Overall, margins have risen by around 30 basis points since the start of the crisis. This shows that institutions believe risks are higher than before the crisis and that they are also pricing these in. The increase also indicates a decline in undercutting on the property finance market.”

There is little change in liquidity costs – the costs banks have to pay for their own refinancing. Overall, the picture is balanced. Most of those surveyed (60%, up 11.9 pp) expect stagnation. The number of respondents who expect refinancing premiums to increase has declined considerably in comparison to at the height of the crisis in Q2, falling from 83% in Q2 to 16% in Q4. A quarter (24%) of participants currently thinks refinancing premiums are dropping.

### **Market shaped by small-scale financing**

Large-volume financing is in short supply on the market at present. Major loans with a volume of over EUR 100 million are declining in importance, down -3.7 pp at 0%. Small lendings of up to EUR 10 million and medium-sized loans of EUR 10 million to EUR 50 million are the most common loan amounts (each 38.5%). In terms of usage types, there is currently very little financing for hotel properties, both for existing properties and for project developments. Only around 19.2% of institutions surveyed are financing hotels (existing properties). Before the outbreak of the coronavirus pandemic in the first quarter of 2020, about 62.5% financed hotel properties.

### **Methodology**

The BF.Quarterly Barometer surveys more than 120 experts, most of whom are directly responsible for lending to real estate companies. The panel comprises representatives of different banks and other financiers.

The BF.Quarterly Barometer score is a composite of various components of the survey. The components analysed include the respondents' assessment of changes in financing conditions, new business development, the volume of loan tranches newly granted, the risk propensity for lending by asset class, LTV/LTC scores, margin development, the relevance of alternative financing options and the development of liquidity costs.

### **Download**

The BF.Quarterly Barometer can be downloaded in German here:

<https://www.bf-direkt.de>

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### **About BF.direkt AG**

BF.direkt AG is an independent specialist for financing residential and commercial real estate projects. As a leading financing consultant, BF.direkt develops innovative financing strategies and identifies suitable financing partners. BF.direkt knows all financing components available on the market – debt, equity, or mezzanine. BF.direkt also invests in projects directly if required. Customers of BF.direkt include well-known developers and project developers as well as publicly-traded real estate companies, real estate funds, pension funds and family offices

at home and abroad. BF.direkt brokered total lending of more than €1.1 million in the past financial year and supported over €1.6 billion in transactions.

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bulwiengesa is one of the largest independent real estate analysis companies in continental Europe. We have supported our partners and clients on matters relating to the real estate industry and location and market analysis for over 30 years. We offer in-depth data services, strategic consulting and bespoke reports. Our clients include project and property developers, institutional investors, banks, municipalities and asset managers.