

PRESS RELEASE

BF.Quartalsbarometer Q2 2022:

Sentiment among Real Estate Lenders in Free Fall

- Steepest barometer drop since the outbreak of the COVID-19 pandemic
- More than two out of three rate the terms of financing as restrictive
- Margins going up significantly, reaching all-time highs
- Large majority foresees refinancing premiums

Stuttgart, 17 May 2022 – During the ongoing second quarter, sentiment among Germany's real estate lenders has taken a nosedive: The latest barometer score plunged from -1.45 in Q1 to -12.01 by Q2. It represents the starkest decline since Q2 2020, directly after the outbreak of the coronavirus crisis. Virtually all relevant parameters polled within the framework of the BF.Quartalsbarometer showed reversals.

Professor Dr. Steffen Sebastian, tenured chair of real estate financing at the International Real Estate Business School (IREBS) of the University of Regensburg and scientific advisor of Quartalsbarometer, commented: "A situation marked by conflicting macroeconomic factors has had a clearly negative impact on the sentiment in real estate financing. These factors include the war in Ukraine, the rising commodity prices, and the high inflation rate. But the main reason for the steep decline of the barometer score is the fast-rising level of long-term interest rates. Over the past months, they experienced the biggest surges in decades. According to the Interhyp mortgage broker, building finance rates still stood at 1.0 percent as recently as January 2022. Having started to perk up in February, they reached the mark of 2.66 percent by early May, thus growing two-and-a-half-fold within a very short period of time. Borrowing rates are, of course, the definitive factor in real estate financing."

A factor weighing heavily in the preparation of the BF.Quartalsbarometer is the general assessment of the terms of financing compared to the previous quarter. By the second quarter, none of the respondents rated the terms as progressive anymore. Conversely, more than two out of three (45 pp) respondents considered the terms restrictive.

The assessment of the new lendings situation deteriorated analogously. While 15 percent of the participants (+11 pp) reported a recent drop in new lendings, 55 percent (+19 pp) perceived the new lendings business as stagnant. For what it's worth, no less than 30 percent (-30 pp) saw new lendings increase.

In the wake of the rise in interest rates, the liquidity costs and refinancing premiums charged by lenders have visibly increased. A recent or continued increase in liquidity costs was diagnosed by 77 percent of the respondents (+30 pp).

Manuel Köppel, the CFO of BF.direkt AG, added: “The margins have increased significantly, and are now, in the second quarter, at their highest level in eight years. Although this trend, in and of itself, would actually seem to be welcomed by lenders, it has done little to make up for the glum mood, as a sense of unease prevails among market players.” Margins in inventory financing climbed to 192.6 bps (Q1 2022: 168.0 bps), while those in development financing rose to 283.2 bps (Q1 2022: 245.3 bps). By contrast, loan-to-value (LTV) ratios in inventory financing and loan-to-costs (LTC) ratios in property development financing have stayed relatively stable. The former nosed up to 67.4 percent (Q1 2022: 67.53 percent), the latter to 70.3 percent (Q1 2022: 69.8 percent).

About the Methodology

The BF.Quartalsbarometer is compiled on behalf of BF.direkt AG, a specialist for real estate finance, by analytics firm bulwiengesa AG. The index provides a comprehensive picture of the sentiment and business climate among real estate lenders in Germany.

For the survey underlying the BF.Quartalsbarometer, a total of about 111 experts are polled four times a year, most of whom are directly responsible for granting loans to real estate companies. The panel is staffed with representatives of diverse banks and other types of financiers. The BF.Quartalsbarometer score is compiled from diverse questionnaire components: the assessment of changes in the terms of financing, the trend in new lendings, the amount of loan tranches granted, the risk tolerance of lenders by asset class, the level of LTV/LTC ratios, the development of margins, the importance of alternative funding options, and the trend in liquidity costs.

Download

The Quartalsbarometer for Q2 2022 is available for download under the following link:

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

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About BF.direkt

BF.direkt AG is an independent specialist for the funding of residential and commercial real estate projects. As one of Germany's leading financing advisers, the company develops innovative funding strategies and finds suitable finance partners for them. In addition, the company acts as asset manager for real estate debt investments. The BF.direkt Group is familiar with any financing component available on the market, including debt, equity and mezzanine capital. On occasion, the Group will invest in projects in its own right.

BF.direkt AG acts as holding company. The Group's operating activities are handled by its member companies BF.real estate finance GmbH, BF.capital GmbH, CoRE Solutions GmbH, BF.services GmbH and BF.solutions GmbH. Among the Group's clients are renowned contractors, property developers, listed real estate companies, real estate funds, pension funds and family offices domiciled inside and outside Germany. BF.direkt regularly arranges lending volumes of more than 1 billion euros a year, thereby facilitating an annual transaction volume of over 1.5 billion euros. The AuM in the real estate debt business add up to 500 million euros.

In addition to its head office in Stuttgart, the Group maintains branch offices in Berlin, Frankfurt and Munich, and employs a total of 40 staff.

About bulwiengesa

bulwiengesa is one of the major independent analytics firms for the real estate industry in Continental Europe. For almost 40 years, bulwiengesa has supported its partners and clients in real estate industry issues by providing location and market analyses, detailed data services, strategic consultancy and bespoke expert opinions, among other deliverables. The company's proprietary information system RIWIS online provides well-informed microdata, time series, forecasts and transaction data. The data of bulwiengesa are used by Deutsche Bundesbank for the European Central Bank (ECB) and the Bank for International Settlements (BIS), among other clients.