

PRESS RELEASE

BF.Quarterly Barometer Q1 2020:

Sentiment among property finance providers improves slightly but remains clearly negative

- Barometer score rises 0.6 points to -3.81 points
- Respondents feeling negative impact of Basel III/IV
- Barometer score clearly negative for fifth quarter in a row
- More large-volume financing again
- Margin decline halted for now

Stuttgart, 10 February 2020 – Sentiment among German property finance providers is improving slightly in the first quarter of 2020, but is still deep in negative territory overall. The barometer score has risen from -4.41 points in the fourth quarter of 2019 to -3.81 in the first quarter of 2020 (up 0.6 points).

Among other factors, the subdued sentiment is due to the general assessment of the state of the financing market. 92% of respondents consider the situation to be unchanged, with one single respondent seeing the market trend as more progressive. This is a first in the history of the Quarterly Barometer. Stagnant and generally rising liquidity costs at institutions are continuing to weigh on sentiment.

Many finance providers are currently grappling with the implementation of Basel III/IV. More than half of respondents are experiencing negative repercussions from the regulations in practice. Institutions are having to provide more equity for property financing, which is driving up their costs that they are unable to redistribute in the form of higher margins.

Prof. Steffen Sebastian, Chair of Real Estate Finance at the IREBS business school and scientific adviser to the BF.Quarterly Barometer, explained that “sentiment among property finance providers is negative for the fifth quarter in succession. There is no single reason for this, rather it is the result of several factors coming together, such as relatively low margins, rising regulatory requirements, tough new business and intensive competition.”

“This latter aspect can also be seen by the high share of financing that does not go through. Around a third of experts said that requests for financing came to nothing because demand was too high and the deal went to a competitor. This also means that institutions are doing a lot of work with nothing to show for it,” explains Manuel Köppel, CFO of BF.direkt AG.

Positive impact of more large financing deals and slight increase in margins

However, the score has improved slightly thanks to growth in financing volumes. Above all, financing between EUR 50 and EUR 100 million has gained in significance, and now accounts for 28% of all financing (up 3.8 percentage points).

Another positive aspect is that margins are no longer shrinking. Margins on existing financing have risen for the second quarter in a row, from 119 (Q3 2019) to 127 basis points (Q4 2019) to 131 basis points (Q1 2020). The surge in margins was even more significant in project development, where they have climbed from 201 basis points (Q4 2019) to 220 basis points in Q1 2020. Thus, banks' margins for project development business have reached a level not seen since Q4 2014.

Francesco Fedele, CEO of BF.direkt AG, said that "it is too soon to be calling this a turnaround in the margin trend. Nonetheless, it seems as though a stop has been put to the decline in margins."

BF.direkt AG, the specialist for real estate project financing, publishes the BF.Quarterly Barometer as prepared by bulwiengesa AG every quarter. The index offers a detailed insight into the sentiment and business climate among property finance providers in Germany. The quarterly barometer is calculated as the composite of various individual scores.

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/unternehmen/quartalsbarometer>

Press contact

c/o RUECKERCONSULT GmbH

Daniel Sohler

Phone: +49 30 28 44 987 49

Mail: sohler@rueckerconsult.de

Contact at BF.direkt AG

Manuel Köppel, CFO

Phone: +49 711 22 55 44 136

Mail: m.koeppel@bf-direkt.de

Contact at bulwiengesa AG

Andreas Schulten, Vorstand

Tel: +49 30-278768-0

Mail: schulten@bulwiengesa.de

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.

About bulwiengesa

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.