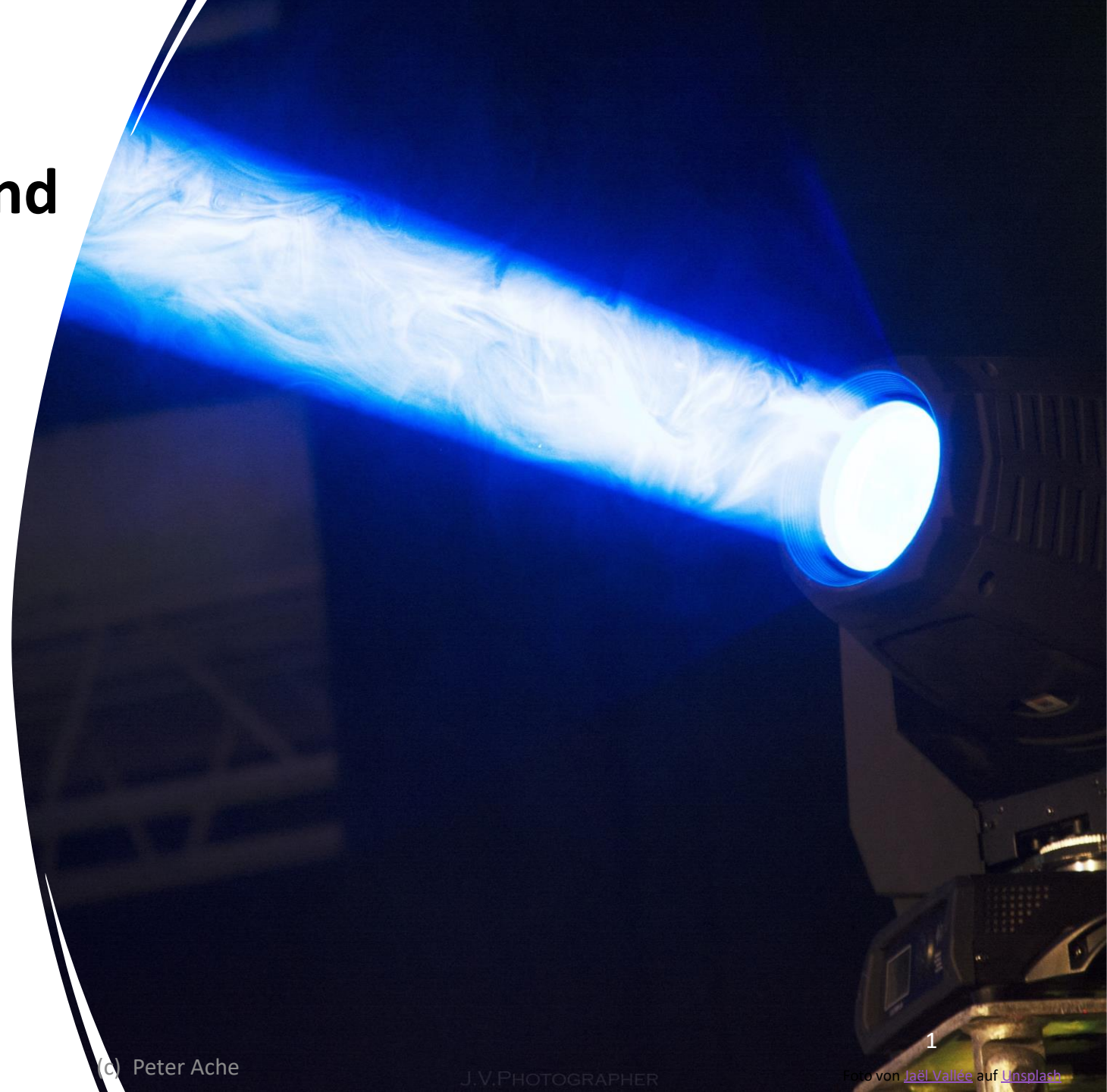


The impact of the war in Ukraine on property prices and revenues

..... is it the war or is it the fear of insecurity?

von Peter Ache



The impact of the war in Ukraine on property prices and revenues

.... Is it the war or is it the fear of insecurity?



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Head of the editorial office for the Real Estate Market Report Germany of the official expert committees

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Where do I put the spot?

1. **What do we talk about, when talking Real Estate?**
2. **Shocks, economy and dealing with it.**
3. **What about prices?**
4. **How predict values without knowing the effect?**
5. **Actual most urgent topics of the real estate industry in Germany**
6. **Conclusion**



Foto von Patrick Pahke auf Unsplash

1

Intro

**..when we talk about Real Estate,
...we are not just talking about money!**

We are talking about living

Residence stability

Quality of Life and Work

Responsibility for the living environment

Health and wealth

Security

Old-age provision

Foto von [Kate Darmody](#) auf [Unsplash](#)

We are talking about people's basic needs



Quality of Life and Work

Residence stability



Responsibility for the living environment

Security

Old-age provision

Health and wealth



Foto von Peter Ache

Foto von [Niki Sanders](#) auf [Unsplash](#)

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Foto von [Esther Ann](#) auf [Unsplash](#)

Foto von [Brooke Cagle](#) auf [Unsplash](#)



**Residence stability
?**

**Quality of Life and Work
?**

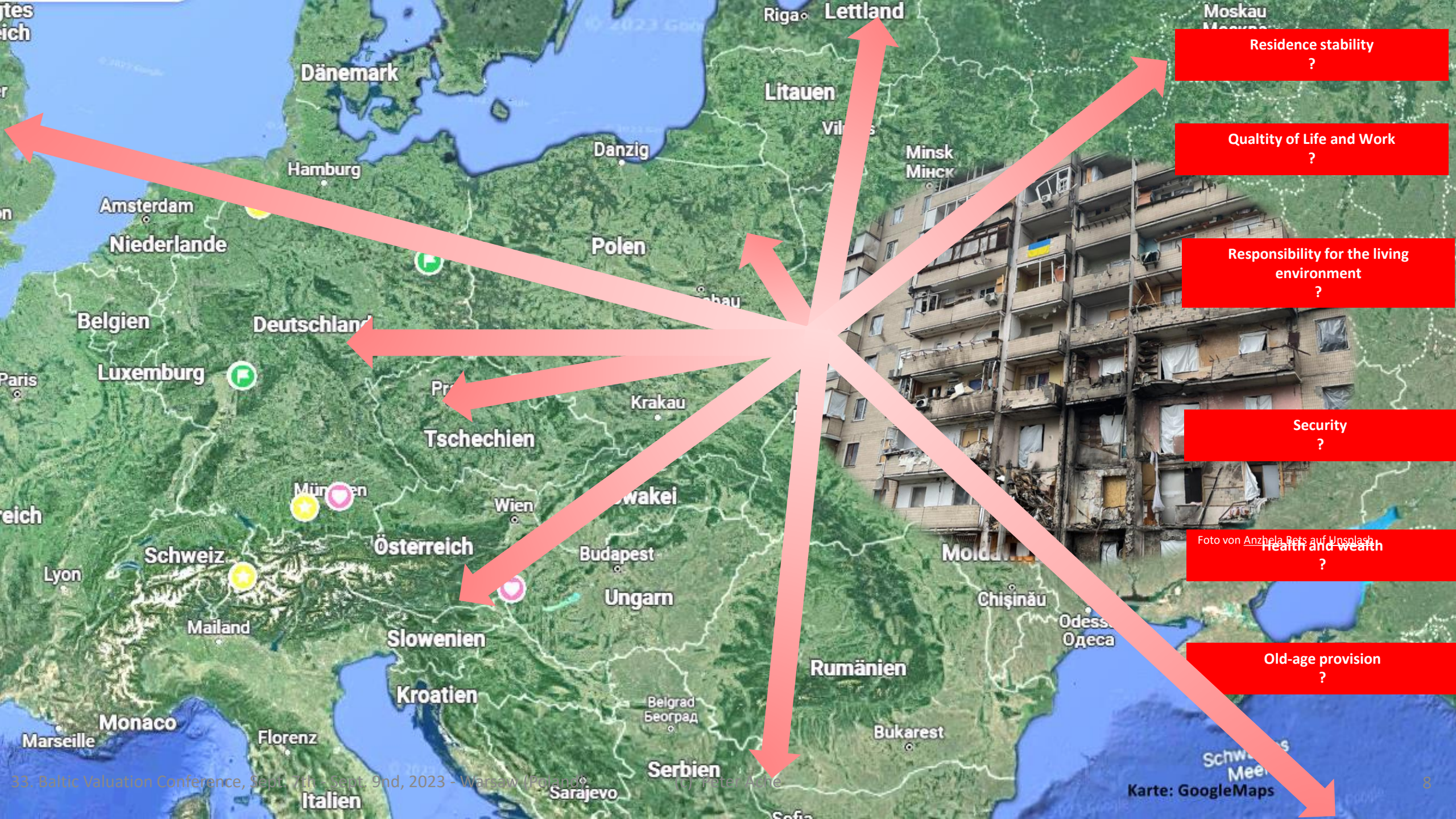
**Responsibility for the living
environment
?**

**Health and wealth
?**

**Security
?**

**Old-age provision
?**

Foto von Anzhela Bets auf [Unsplash](#)



Residence stability ?

Quality of Life and Work ?

Responsibility for the living environment ?

Security ?

Health and wealth ?

Old-age provision ?

Foto von Anzhela Bets auf Unsplash

Such situations scare and unsettles people



Englische Polizei,
„Spanische Grippe, 1918



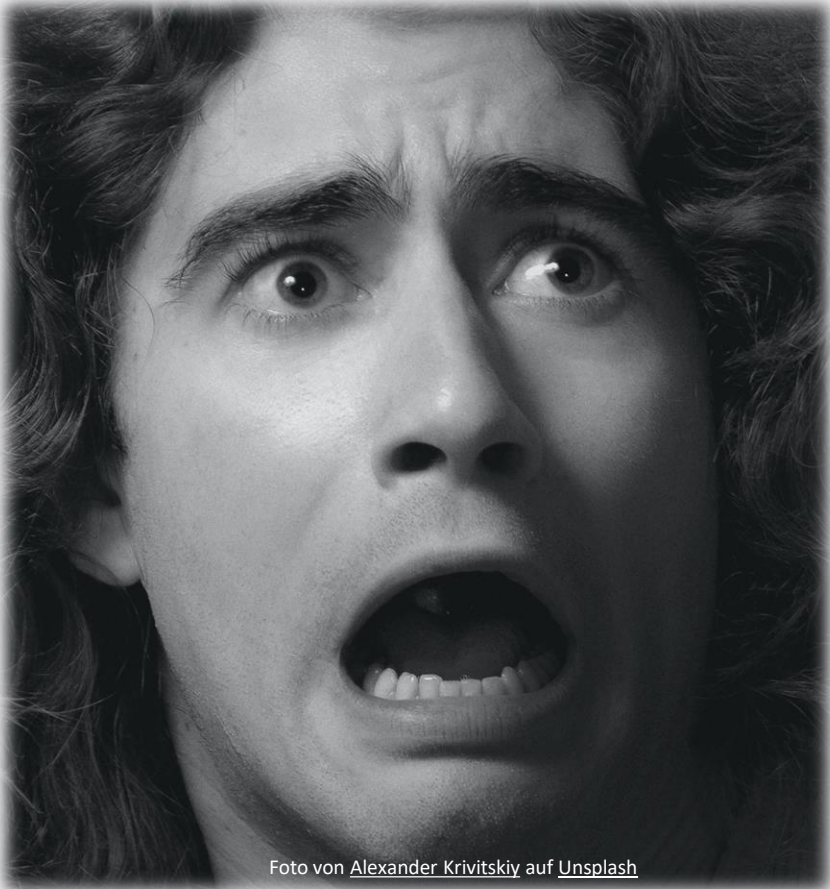
Von File:165-WW-269B-25-police-1.jpg, Gemeinfrei,
<https://commons.wikimedia.org/w/index.php?curid=88908241>



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...at a first glance: It a shock

2



Explosion disaster in Beirut (Lebanon) 2020



Types of shocks

- Exogenous or endogenous
- Positive or negative
- Symmetrical or asymmetrical
- Temporary or permanent

Effects of shock

- Short term or medium / long term
- On the offer side or the demand side, or both
- Change of basic condition of society or parts of it

Process of dealing with shocks



Foto von [Desiray Green](#) auf [Unsplash](#)

1. Emergency management

- e.g. Lockdown
- Advice from science
- Decisions ,reviews new decisions
- Freeze, no activities, waiting

2. Uncertainty and Fear

- Panic sales, panic purchases
- Estimates of future developments based on comparable expertise

3. Orientation

- Data-based analyzes and forecasts
- Short- and medium- term forecasts on science-based methods with determination of the probability of occurrence

4. Develop and implement solutions

- Middle- and longterm-Forecastig with probability of occurrence
- Support or prevent effects (e.g. in Corona-Pandemic: Support virtual conferences, prevent right-wing populism)
- Beginning of catch-up effects



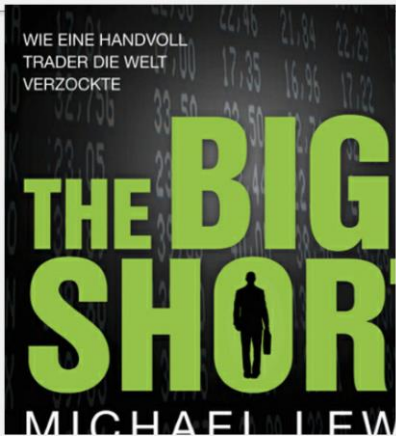
Bild: Sumanley xulx auf Pixabay

**2020 - 2022
Corona Pandemic**



Photo by Austin Distel on Unsplash

**Today's
Increase in interest rates**



Buchvorderseite, Campus-Verlag: The big Short v. Michael Lewis

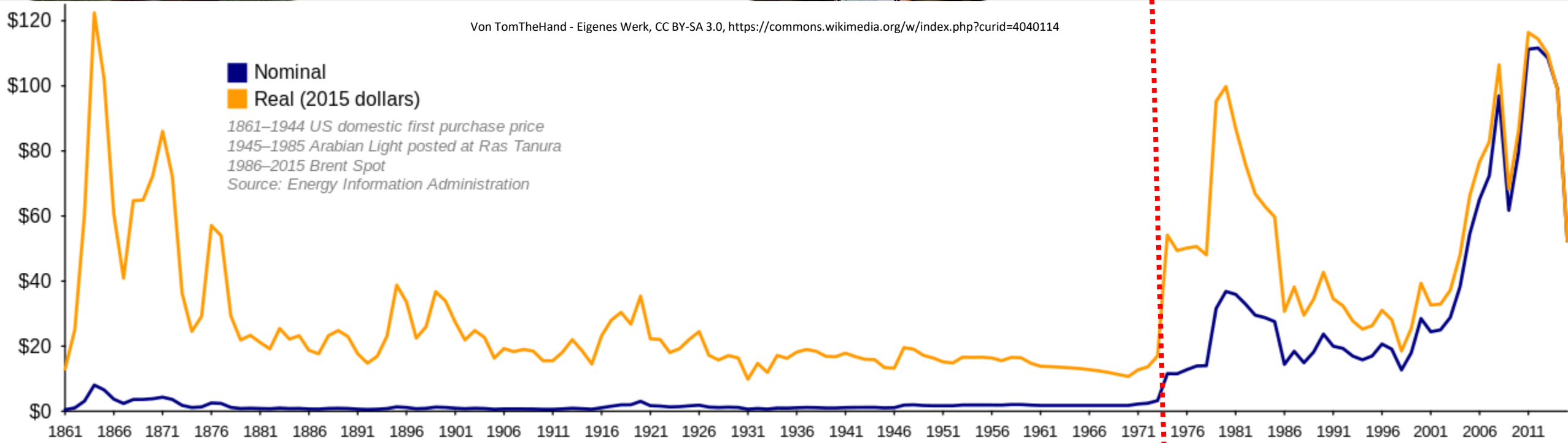
**2008 – 2009
Financial Crisis and Real
Estate Bubble in the US**



**World Trade Center
2001**

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Oil Price Crisis 1973



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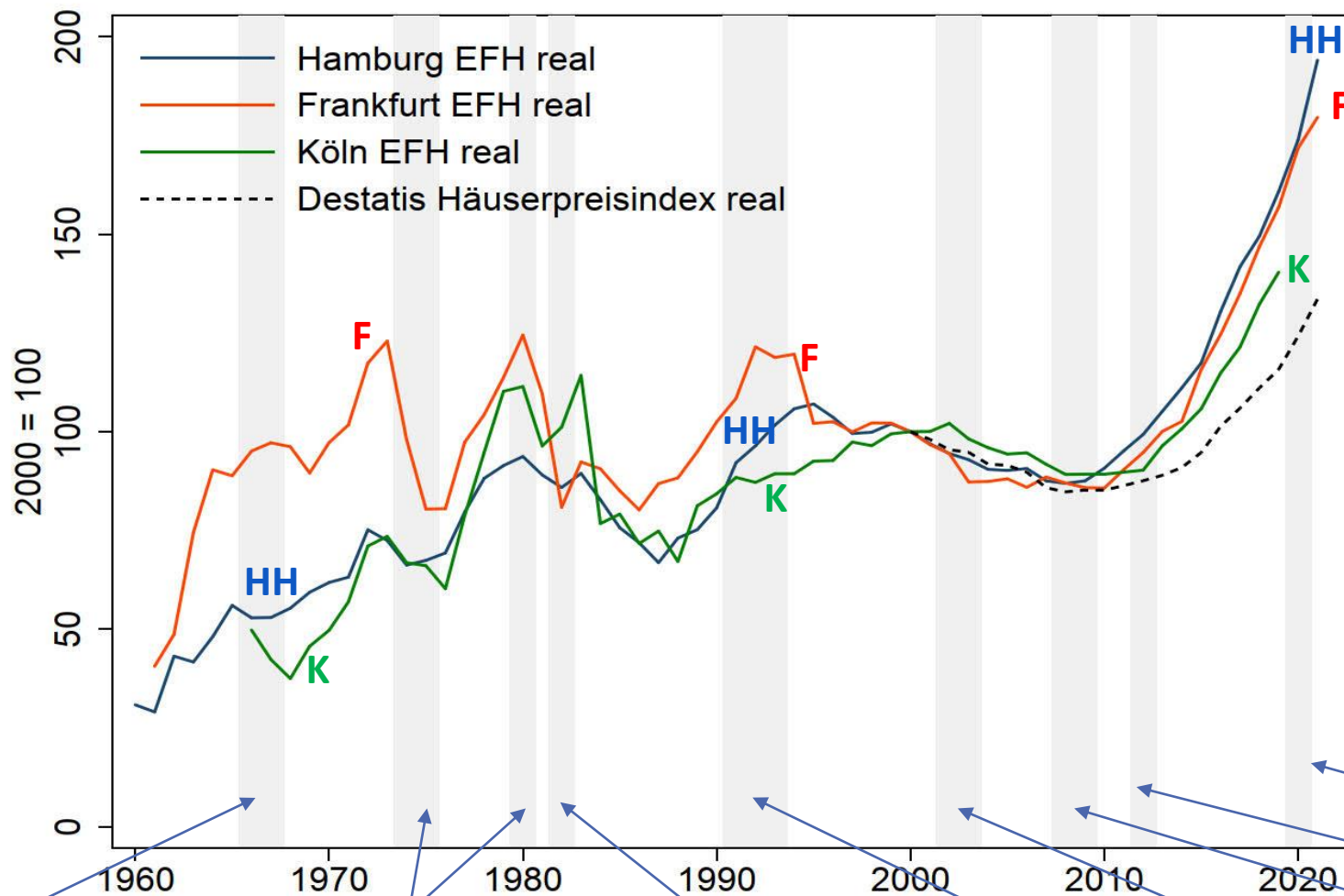
Foto von [Markus Spiske](#) auf [Unsplash](#)

3

What happens to prices and turnover?

**..when we talk about Real Estate,
...we are not just talking about money!**

Long-term price trends and world crises (Hamburg, Frankfurt, Köln)



Grafik:
With the kind permission of Prof. Schularik und Martin Dohmen von der Universität Bonn, Macro Finance Lab & ECONtribute (05/2022, preliminary results)

1968
Suppression of the Prague Spring in Czechoslovakia by Warsaw Pact troops

1973 / 1980
Oil price crises

1983
Climax of the Cold War - NATO manoeuvres, deployment of Pershing II

1991
Gulf War in Iraq

2000/ 2001
Dot-Com-Krise /World Trade Center

2007-2009
Real estate/financial and economic crisis

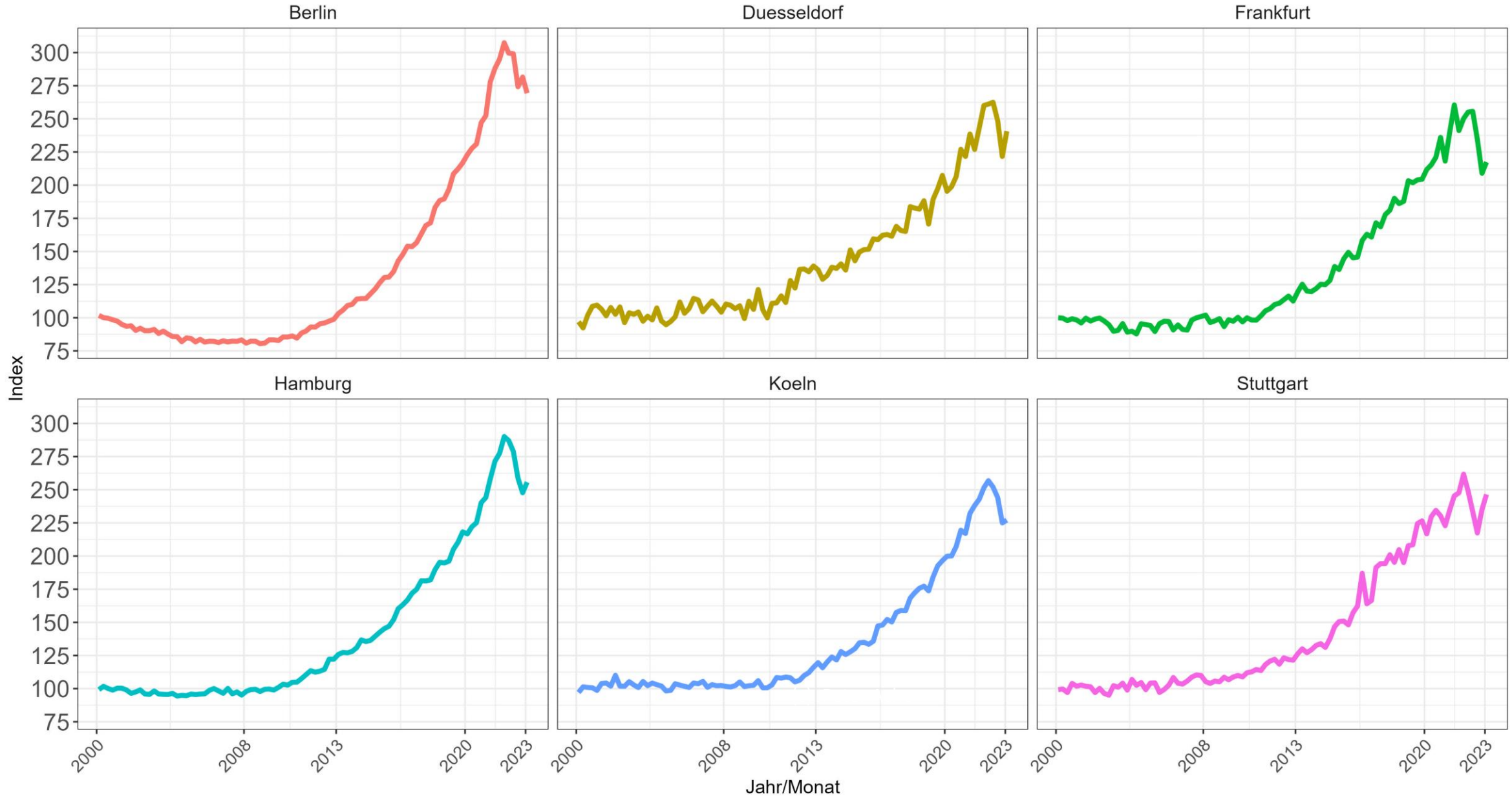
2012/2013
EU debt crisis(Greece)

2020
Corona pandemic

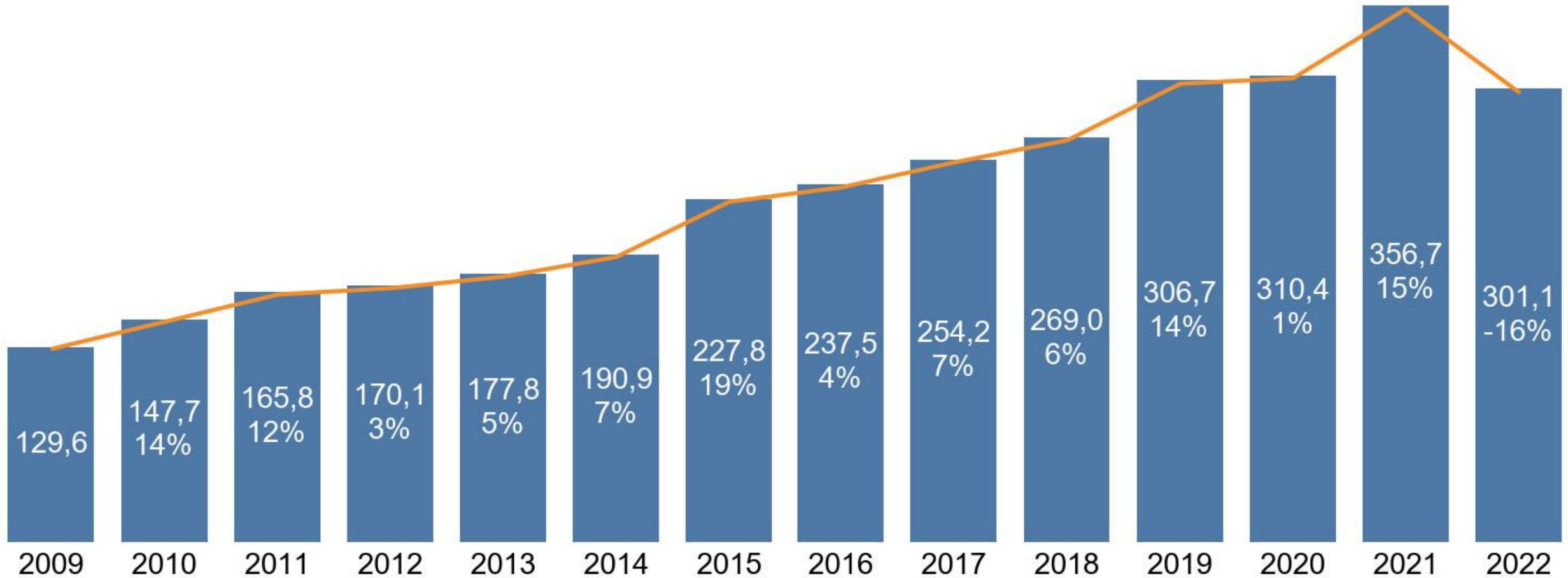
2022
Ukraine- War

Pricetrends in Germans big Cities (Quartaly 1/2000 bis 2/2023)

Single- and 2family-Homes

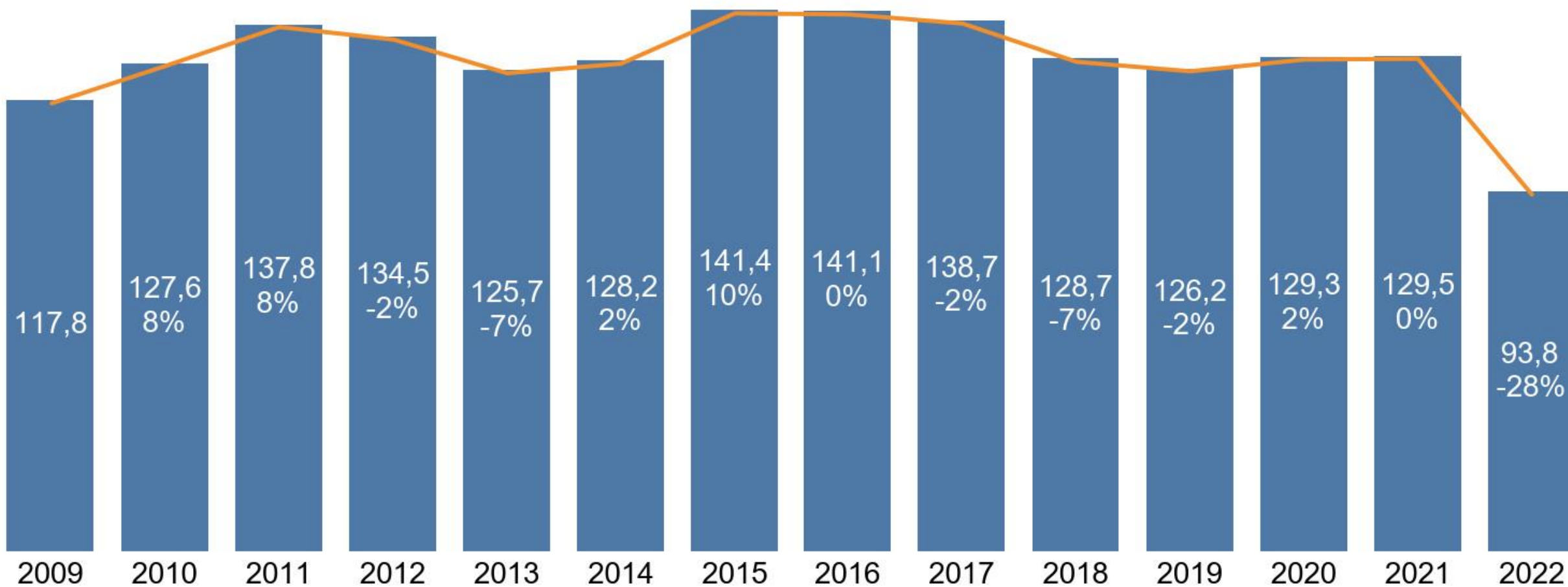


Monetary turnover across all properties in Germany (in billion of euro)
(% = Difference from previous year)



Source (preliminary, not yet published): Real Estate Market Report Germany 2023, Copyright: P. Ache

Transactions (in 1.000) for building plots for all property types all over germany

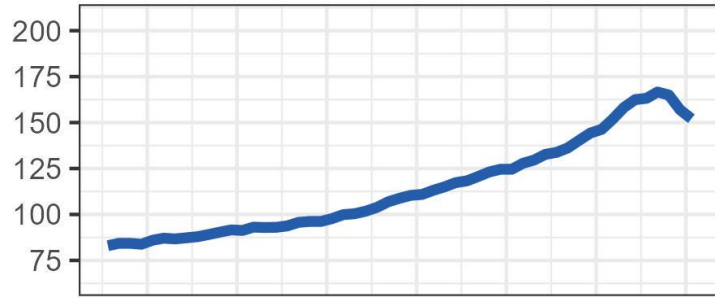


Source (preliminary, not yet published): Real Estate Market Report Germany 2023, Copyright: P. Ache

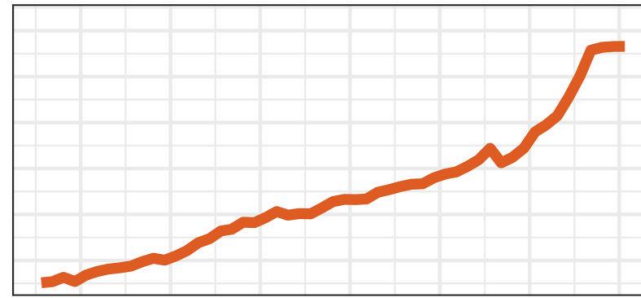
House price index, quarterly data

Some European states (Q1/2010 bis Q2/2023)

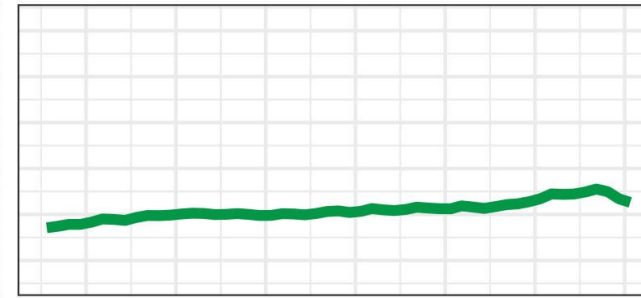
Deutschland



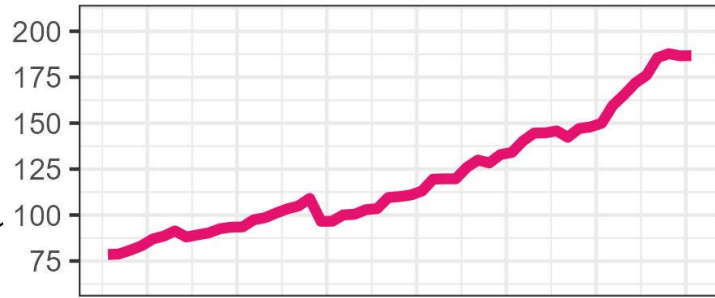
Estland



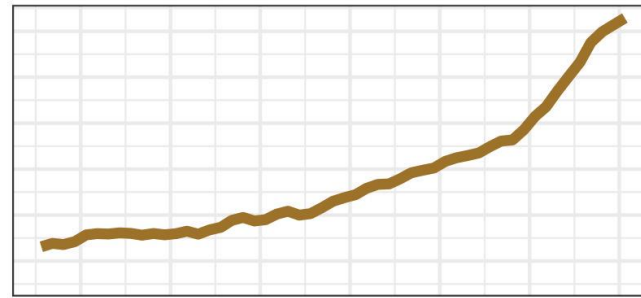
Finnland



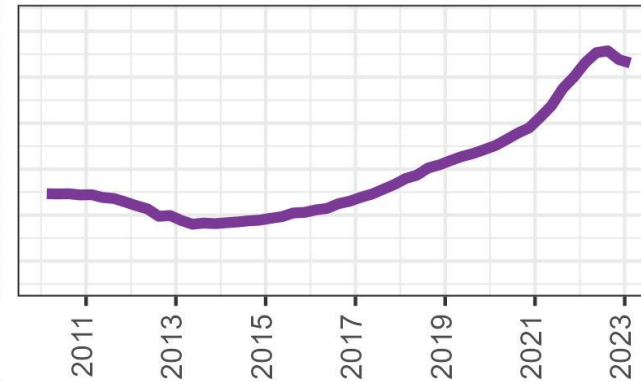
Lettland



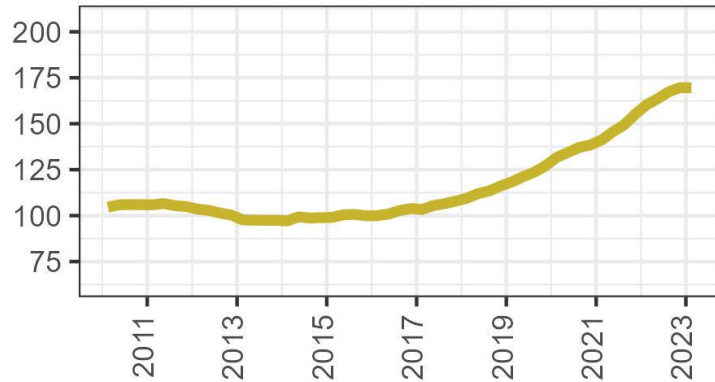
Litauen



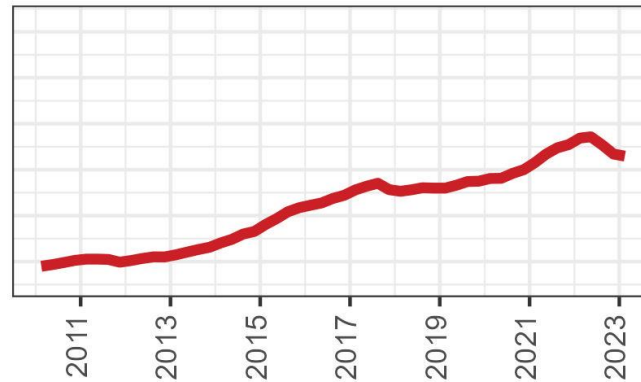
Niederlande



Polen



Schweden



But what to do, when it comes to valuation?

4

The fact is:

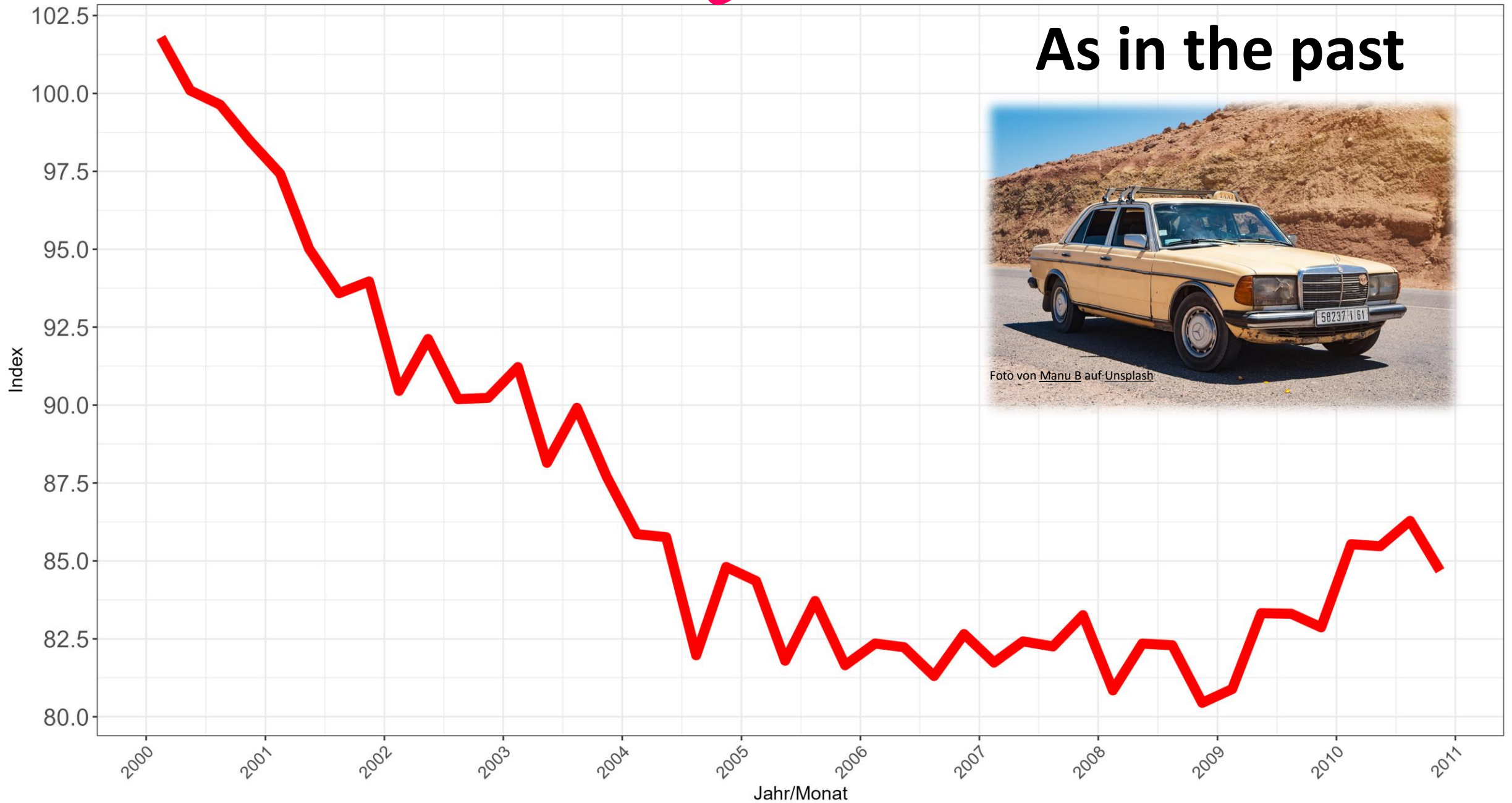
1. The data we work with are coming from a backwards view
2. Valuation usually predicts the present
3. We have to deal with uncertainties of our prediction



Foto von Tobias Tullius auf [Unsplash](#)

Pricetrends in Germany's capital Berlin (Quartaly 2000 bis 2011)

Single- and 2family-Homes



As in the past



Foto von [Manu B](#) auf [Unsplash](#)

5

The actual most urgent topics of the real estate industry in Germany

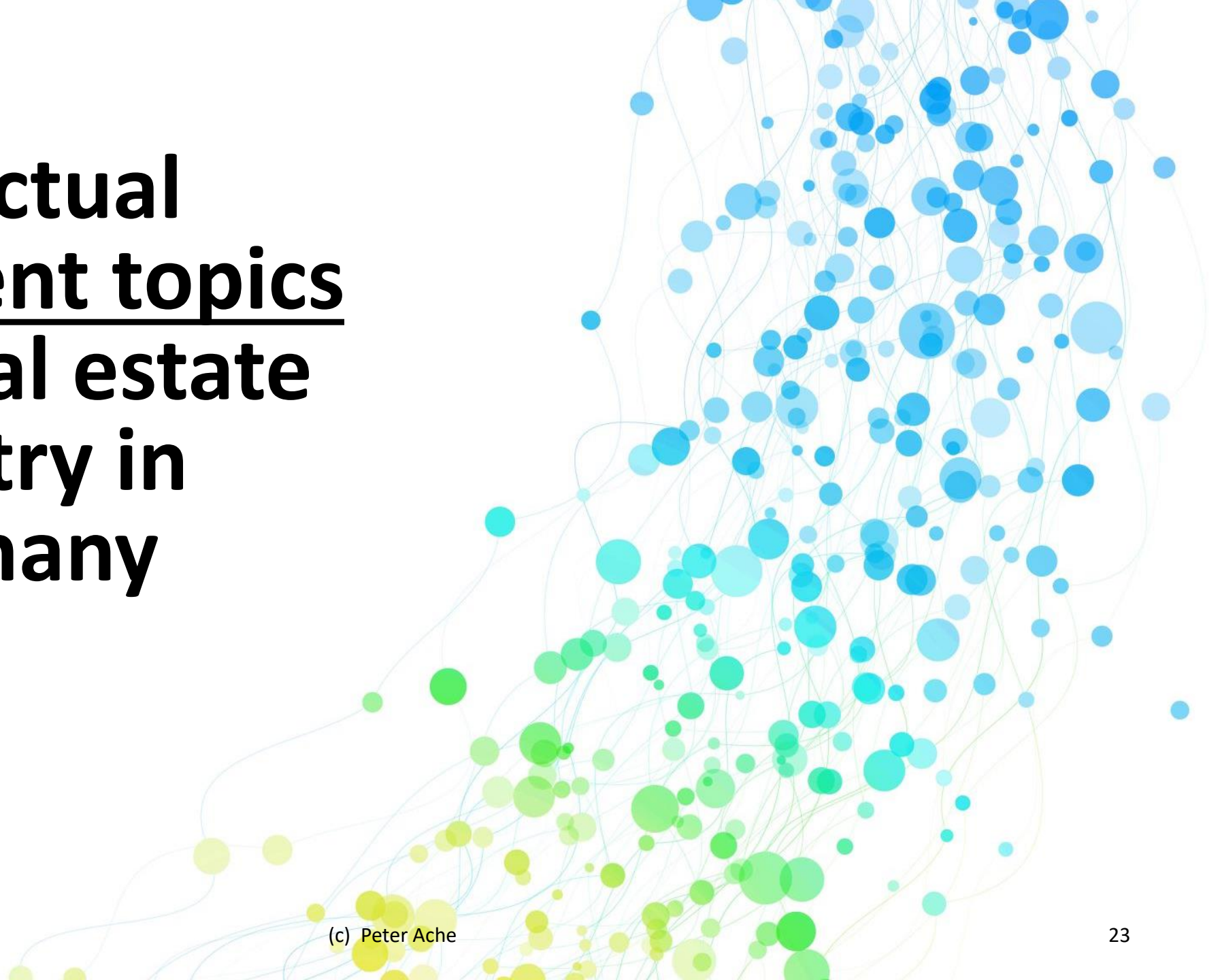




Photo by Redd on Unsplash



Foto von Li-An Lim auf Unsplash

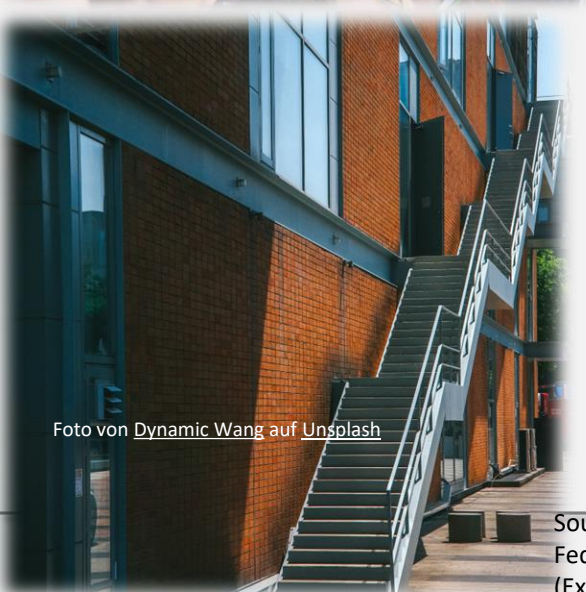


Foto von Dynamic Wang auf Unsplash

1. All Submarkets: Sustainability and ESG criteria

- In light of new regulations and expectations, the importance of energy efficiency, climate protection and ESG-compliant reporting for buildings is growing.

2. All Submarkets: Cost trends- rising

- Rising costs, especially for energy, construction and ancillary costs, are a key challenge for the entire real estate sector.

3. All Submarkets: Difficulties in financing and unattractive returns

- Lead to reluctance to invest in real estate.

4. Housing market: Uncertainties about costs

- There are concerns about rising construction and energy costs, the affordability of construction projects and the availability of affordable housing.

5. Office market: Changed utilisation behaviour

- The flexibilisation of work and the transition to hybrid working is influencing space utilisation behaviour and thus represents a central challenge for the office market.
- Future demand for space and vacancies: There is uncertainty about the future demand for space for office properties and the potential for demand deficits and vacancies.

6. Logistics market: Lack of Supply and excess of demand

- A pronounced lack of supply and an excess of demand dominate the logistics market, with energy and climate protection aspects also gaining in importance.

Source:

Federal Institute for Research on Building, Urban Affairs and Spatial Development in Germany (ExpertenPanel Real Estate Market 2022/2023, not yet published, 08/2023)

33. Baltic Valuation Conference, Sept. 7th - Sept. 9nd, 2023 - Warsaw (Poland)

e.g.: Residential Market → Ranking of the most urgent issues over time



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Foto von Dynamic Wang auf Unsplash

	2022	2020	2018
	Ranking/ Proportion of n	Ranking/ Proportion of n	Ranking/ Proportion of n
Cost developments	1 19%		5 8%
Lack of supply	2 17%	1 26%	1 30%
Interest rate trend	3 15%		
ESG, climate protection	4 12%		
Bureaucracy	5 9%	2 16%	3 11%
Rent and price trends	6 7%	3 15%	2 13%
Affordable housing	7 7%	4 11%	4 9%
Municipal urban planning		5 6%	7 5%
Location development		6 5%	6 6%
Economy as a whole		7 4%	

n = number of respondents = ca. 240 Market Players and CEO's in Real Estate Industry

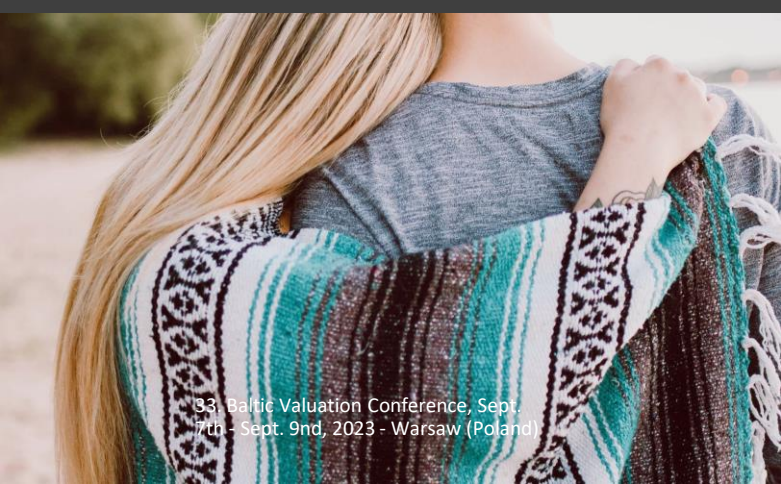
Source:
Federal Institute for Research on Building, Urban Affairs and Spatial Development in Germany (ExpertenPanel Real Estate Market 2022/2023, not yet published, 08/2023)

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6 Conclusion:

- **The Russian war in Ukraine is a terrible case and not acceptable.**
- **But it's not only the war that affects the real estate market.**
- **There are multiple issues we as Valuation Experts have to deal with.**
- **Some are influenced by challenges of the past that have not been managed well.**





Let us do well and carefully in these days

- Conclusion:
- The Russian war in Ukraine is a terrible case and not acceptable.
- But it's not only the war that affects the real estate markets.
- There are multiple issues we as Valuation Experts have to deal with.
- Some are influenced by challenges of the past that have not been managed well.