

Article | 3 November 2025

GERMANY

German housing market to gain momentum despite worsening affordability

Affordability in the German real estate market remains strained. However, the recent surge in rents and a low homeownership ratio should still support the market



Still a tenant republic

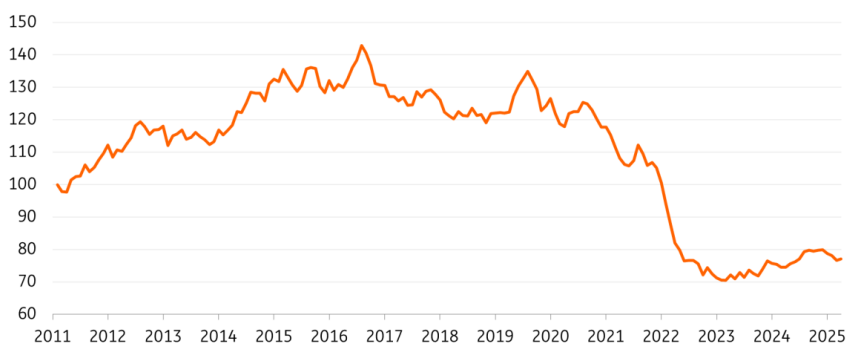
More than half of Germans lived in rental homes in 2024, making Germany the eurozone's standout tenant nation. According to our latest ING Consumer Survey, 50% of German tenants cited affordability as the main barrier to homeownership – renting, for many, is not a deliberate choice but a necessity. For the other half of the surveyed tenants, renting is the result of the desire for flexibility, including the ability to relocate easily, not having to bear responsibility for maintenance, or other financial considerations.

Between 2011 and 2020, during a decade of rapid growth in the German real estate market – marked by a 60% rise in property prices and improved affordability due to low interest rates – homeownership remained well above 50%. With affordability deteriorating again since 2020,

homeownership has now fallen back to 47%. However, it is not only interest rates and prices affecting affordability, but also high incidental purchase costs, which are holding back Germans from buying real estate.

At the same time, German rents increased by some 20% between 2011 and 2024, with almost half of the rise being recorded between 2020 and 2024, when demand for rental homes increased more sharply than in previous years due to the decline in affordability of purchasing a home. When interpreting these numbers, however, don't forget that around one third of the German rental market is regulated under the so-called "rent brake," which limits rent increases for new lettings in tight housing markets. Furthermore, the share of rental contracts where rent increases are linked to inflation is increasing, especially in major cities.

ING Affordability Index



Source: LSEG Datastream, ING

In our latest ING Consumer Survey, conducted in September, 15% of mortgage holders reported difficulty meeting monthly payments. While this is still an improvement from 2023 – when nearly one in five struggled – it marks a three percentage point increase compared to last year, showing that higher interest rates are gradually feeding through to the economy.

The “Green Renoflation”

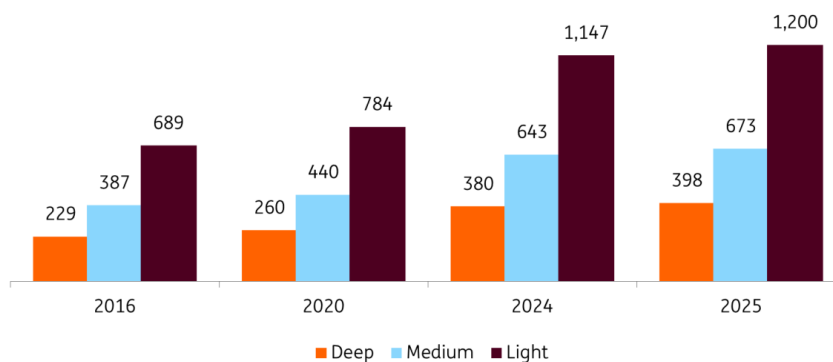
Financial constraints are not only limiting prosperity, they're also slowing the green transition. For most German homeowners, sustainability remains a financial decision. Our survey shows that those who undertook green renovations in the past three years were primarily motivated by energy cost savings. Meanwhile, those who held back cited high upfront costs and insufficient government support as the main reasons.

Yet, the urgency to act is growing. The European Commission's revised Energy Performance of Buildings Directive (EPBD) sets ambitious targets: by 2030, average primary energy consumption across the housing stock must fall by 16% compared to 2020. For Germany, this means improving the average energy efficiency class from F to E within just four years.

Going green comes at a price. Back in 2016, the estimated cost of renovating Germany's housing stock ranged from €230bn to €690bn, depending on whether energy savings were to be achieved through extensive "deep renovations" or smaller-scale "light renovations". Today, due to what we call "green renoflation" – a 75% increase in construction costs for key renovation components – those figures have ballooned to between €400bn and €1.2tr.

Development of estimated total costs for green renovation in the German housing market by depth of renovation

(in billions of euros)



Source: European Commission; Destatis; ING

In just over a decade, the price of the green transition of the housing market has gone from compact to premium car. However, inaction also carries a cost. Ancillary costs for unrenovated properties are likely to rise sharply in the coming years. Furthermore, "green renoflation" is expected to accelerate in the coming years as a result of the government's infrastructure fund and construction turbo. In short, not investing will still come at a cost.

Looking ahead, the outlook for the German real estate market remains challenging: wage growth is expected to slow amid a cooling labour market, and financing costs are likely to stay elevated. At the same time, however, the lack of housing supply and the recent increase in rents are still likely to push up prices and homeownership ratios. Even if this means that new homeowners will need to allocate a larger share of their income to housing.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.