

Article | 25 September 2025

GERMANY

German housing market: affordability pillars show signs of strain

The recovery in Germany's housing market has continued, albeit at a slower pace. A combination of somewhat rising mortgage rates, increasing house prices, and slowing wage growth has weighed on affordability and dampened demand



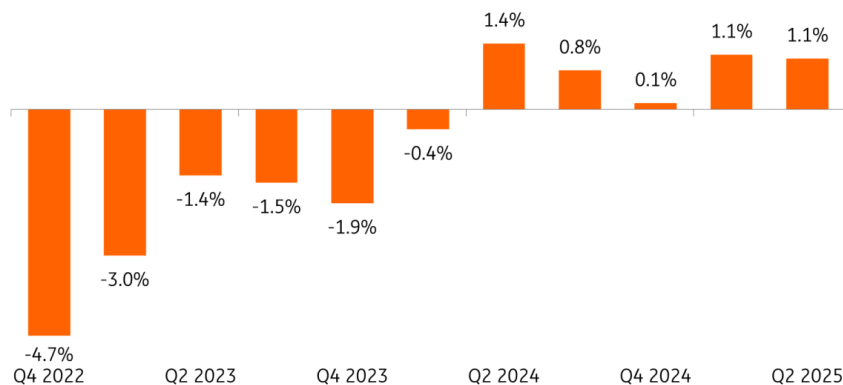
Price momentum defies market slowdown

After a decline in house prices that lasted into early 2024, the market has staged a decent recovery. However, as with most rebounds, the pace has begun to taper off in recent months though prices continued to rise in the second quarter of 2025.

Between April and June, house prices were up 1.1% quarter-on-quarter. This means that prices are now up 5% from the trough reached in the first quarter of 2024 although they still remain some 9% below the peak level reached in the second quarter of 2022.

House price index

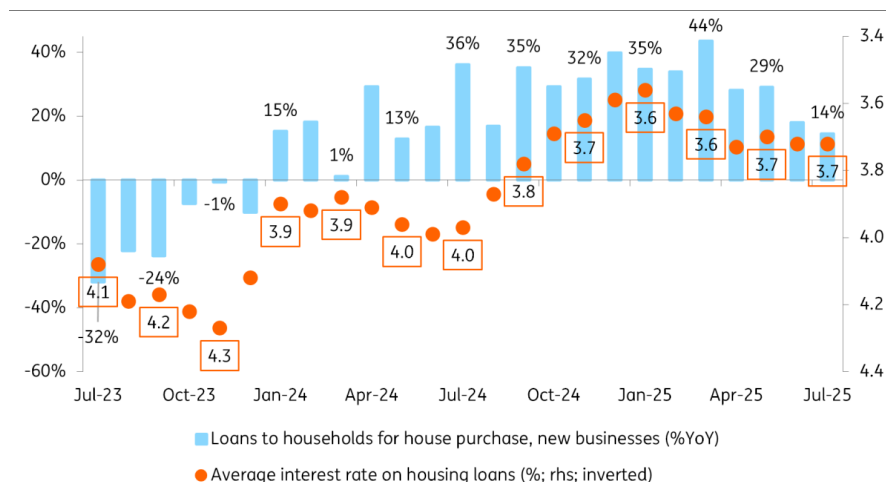
(%QoQ)



Source: German Federal Statistical Office; ING Economic & Financial Analysis

The moderate rise in house prices in the second quarter defied the trend of slowing mortgage lending growth. While mortgage lending was still up by almost 40% year-on-year in the first quarter, growth slowed to some 25% YoY between April and June. While base effects also have an impact here, the main reasons for the slowing recovery in the German housing market are rising mortgage rates, increasing house prices, and slowing wage growth. In short, weakening affordability.

Average mortgage rates and demand for housing loans



Source: LSEG Datastream; ING Economic & Financial Analysis

Mortgage rates have reached the highest level since autumn 2024, reversing the downward trend seen earlier in the year. Expectations of rising government debt pushed up long-term government bond yields, which fed through into lending rates. While the absolute increase

may seem rather limited, the psychological impact could be more significant – a mortgage rate of above 3.7% could feel markedly less affordable than one close to 3.5%. Especially when one symbolic threshold is followed by another.

In August, the number of unemployed persons registered exceeded the three million mark for the first time since 2015. Labour market uncertainty is high, not only as a result of the crossing of this symbolic number, but also because of ongoing news about restructuring, job cuts and austerity measures. Accordingly, consumers' propensity to save remains elevated, while their willingness to spend remains weak.

Moreover, wage growth, while improving, remains moderate. Nominal wages rose by 4.1% in 2Q, up from 3.6% in 1Q, translating into real wage growth of 1.9%. This is well below the levels seen during the wage catch-up phase of 2023–2024. With labour unions now probably prioritising job security over pay increases, further acceleration seems unlikely.

Meanwhile, house prices continue to rise – adding another layer of pressure on affordability.

Structural drivers to keep housing market recovery intact

Looking ahead, despite a worsening of affordability, there is still a significant mismatch between supply and demand in the German housing market. In 2024, the construction of 251,900 homes was completed, the lowest number since 2015. The construction backlog, i.e., the number of homes that have already been approved but not yet completed, also decreased, standing at 759,700 homes at the end of 2024. This is a significant decline compared to 2022, when the construction backlog still stood at around 885,000. However, this decline was driven by a simultaneous drop in building permits, not faster construction. Consequently, structural price pressures remain.

All in all, we expect the housing market to continue its modest recovery. Elevated uncertainty, weak consumer sentiment, and affordability constraints will likely keep momentum in check. The mismatch between supply and demand, high rents and low homeownership ratios, however, will be clear drivers of continued growth.

Author

Franziska Biehl

Senior Economist

Franziska.Marie.Biehl@ing.de

Carsten Brzeski

Global Head of Macro

carsten.brzeski@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.