The complexity of the world of real estate is constantly on the rise. The current challenges facing the European Union (EU) could barely be greater. The refugee crisis, out-of-control debt crisis, Brexit negotiations and right-wing populists are all calling the achievements and viability of the common economic area into question. Adding to this scenario are trouble spots on the periphery, or destabilizing influences, such as developments in the potential new EU entrant Turkey, and the Syrian conflict. The result of all this is that the volatility of (real estate) markets is rising continually. Investors already perceive an increasingly negative probability of market change and consider a renewed rise in interest rates as the most significant source of risk. At present, good economic fundamentals are (still) defying the various macroprudential objectives and other uncertainties, but for how long?

While, in some EU countries like Greece and Spain, the bottom has only recently been reached, particularly Germany has emerged more than ever as a safe haven for real estate investors. Germany is reaping the fruits of a decade of policies entailing moderate credit-granting decisions, stable (economic) conditions and consistently increasing market transparency. Given the historically low interest rate environment, the importance of real estate as a long-term, relatively high-return form of investment, is equally consistently gaining significance over time – whether as a direct investment or as a REIT or other indirect investment vehicles. In the first half year of 2017, commercial real estate to the value of almost 26 billion Euros changed hands in Germany – thus almost reaching the record value from 2007. With over 1.5 trillion Euros of foreign capital in the EU, Germany is also by far the capital export leader in Europe – of which a large proportion has stimulated the European real estate markets as a whole. With respect to cross-border capital sources, resources of German origin are in seventh place globally, and in Europe (after the UK) in second place. A look at the 30 largest transactions in Germany over the last two years reveals a similar picture: 50 per cent of the deals took place with foreign participation (cross-border acquisitions). There can be no doubt that Germany has established itself as one of the major global real estate markets.

This special issue of JPIF is devoted to this development and “emancipation” of the German real estate market. The seven papers in this edition highlight essential research aspects of the German market environment. These manifest themselves on the one hand in the value-based impact of object attributes such as sustainability, and on the other hand in the “Super Trophy” nature on the price levels. Other colleagues explore in considerable depth, the performance characteristics of indirect German real estate investment in a multi-asset context. This current edition also makes a particular contribution by considering the price implications of tourist attractions for the markets. The increasing market transparency also enables conducting empirical studies on the implications of extreme weather events (e.g. flooding) for real estate pricing in certain areas.

All papers yield profound research insights which enhance our understanding of the German real estate environment. I encourage other colleagues to expand our common research agenda, in order to provide the industry with yet more valuable studies based on German data sets. I wish you both stimulating and instructive reading of our current, and once again multifaceted publication.

Sven Bienert

International Real Estate Business School,
University of Regensburg, Regensburg, Germany