

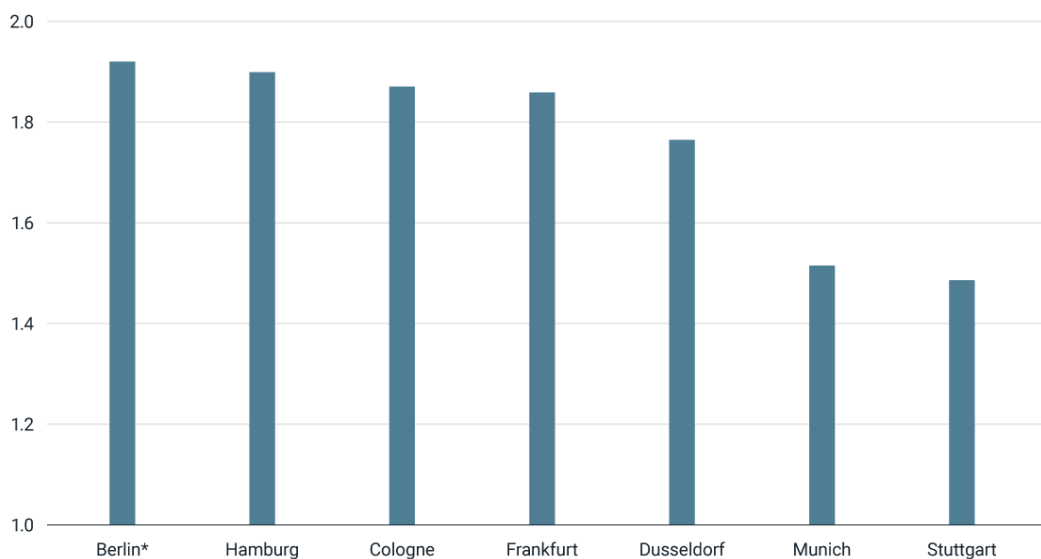
Prices in central locations fall particularly strong during downturn since 2022

Kiel, 3rd of April 2025 – The price gap between the cheapest and most expensive, often central, neighborhoods in German cities remains very large. However, the price gap between city centers and outskirts is decreasing. This is because prices in central areas have fallen much more sharply since 2022. During the boom years, the trend was different: central locations benefited overproportionally. These insights are based on the latest evaluations of the German Real Estate Index (GREIX), a joint project of the local expert committees for property values (Gutachterausschüsse für Grundstückswerte (GAAs)), ECONtribute, and the Kiel Institute for the World Economy (IfW Kiel).

Price differences within cities. There are significant price differences within cities between the cheapest and most expensive neighborhoods in the 7 largest cities. These differences vary considerably from city to city.

Ratio most expensive / cheapest city district

Apartments, Top-7 Cities, Square meter prices, nominal



*Latest data 2023

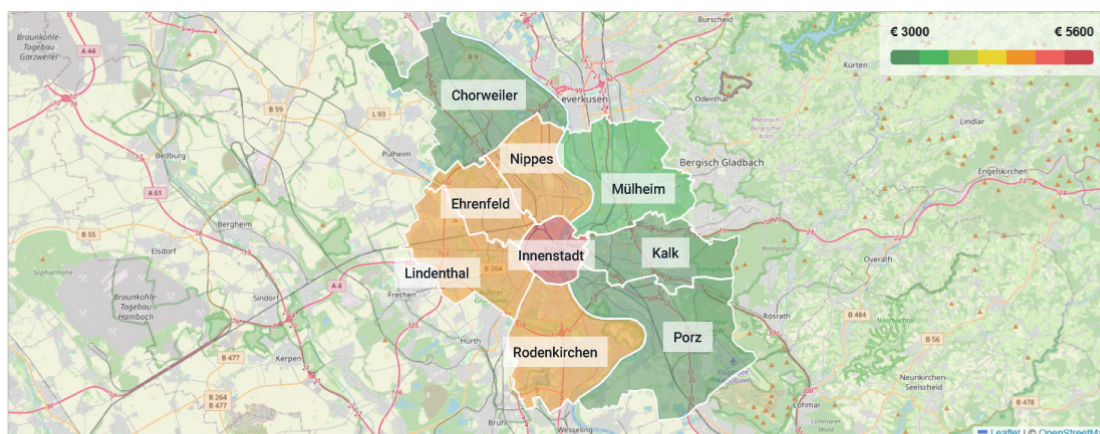
» 2024, as of April 3rd, 2025

» greix.de

Price differences for apartments are particularly pronounced between the most and least expensive districts in Hamburg (Nord vs. Bergedorf) and Cologne (Innenstadt vs. Chorweiler). In 2024, buyers paid almost twice as much per square meter for properties in the more desirable neighborhoods - around €5600/m² in Cologne's district Innenstadt and €3000/m² in Chorweiler. Frankfurt saw a similar premium of almost 90% (Westend/Innenstadt vs. West/Autobahn). Berlin also has large price differences (Mitte vs. West), although the latest data is from 2023. The closest prices are in Stuttgart, even though a noticeable gap remains. In 2024, square meter prices in the most expensive area, Mitte-Nord, were about 50% higher than in the cheapest, Neckar-Ost (€5300/m² vs. €3600/m²).

City districts Cologne

Apartments, price per square meter, 2024, nominal



» 2024, as of April 3rd, 2025

» greix.de

Nearly all of Germany's seven major cities have neighborhoods where prices per square meter are below the GREIX average for 20 cities and regions - offering affordable alternatives to expensive, central, and highly demanded areas.

Neighborhoods Stuttgart

Apartments, price per square meter, 2024, nominal



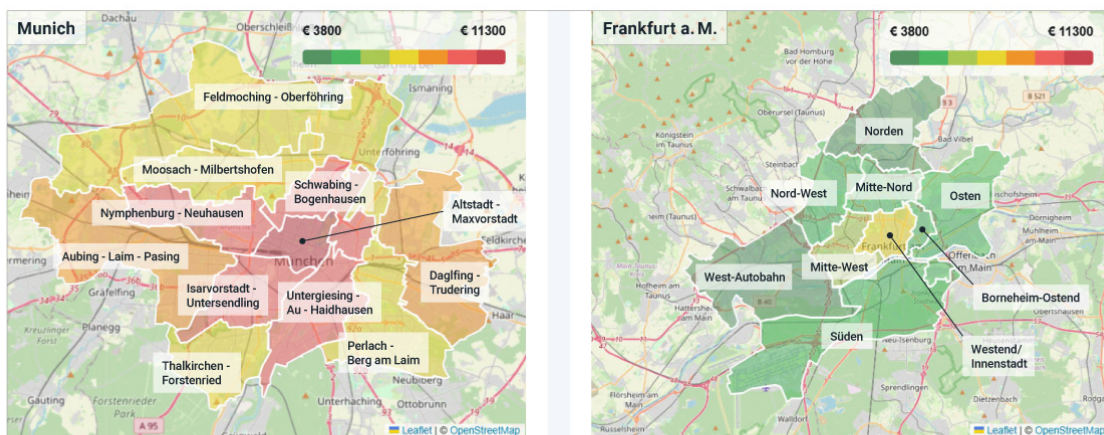
» 2024, as of April 3rd, 2025

» greix.de

The one exception is Munich. In 2024, the cheapest neighborhood, Moosach-Milbertshofen, had prices of about €7500/m² - higher than the most expensive neighborhoods in all other major German cities. Outside of Munich, the highest prices per square meter are around €7000/sqm in Hamburg, Frankfurt and Berlin. The lowest prices in major cities are in Cologne, where apartments in Chorweiler, Porz and Kalk cost around €3000/sqm.

Neighborhoods Munich vs. Frankfurt a. M.

Apartments, price per square meter, 2024, nominal



» 2024, as of April 3rd, 2025

» greix.de

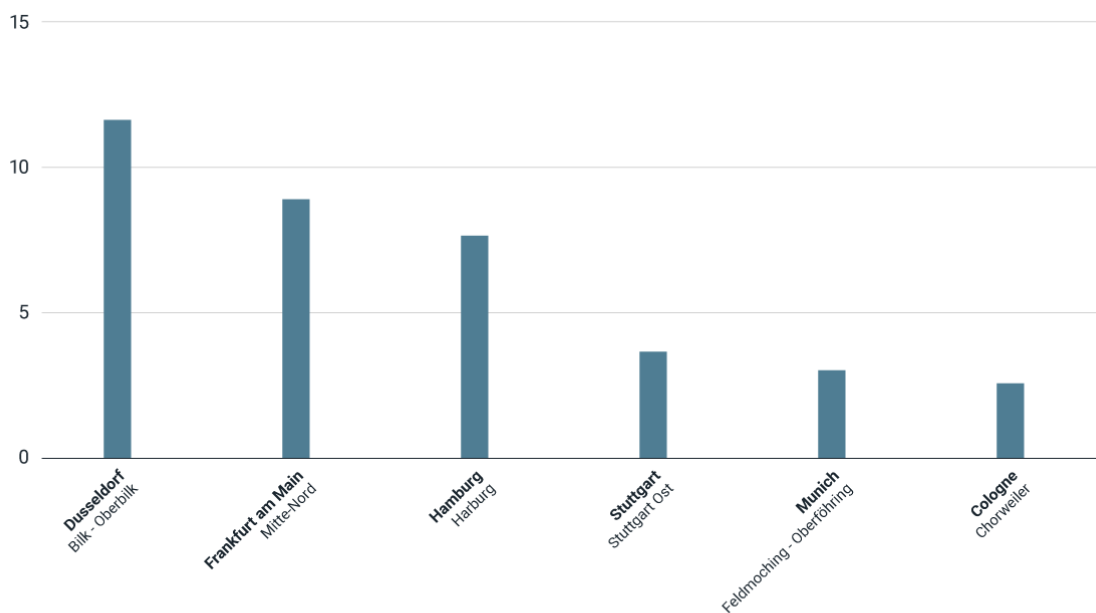
Largest increases and decreases in neighborhood prices. In large cities, prices rose particularly in non-central areas. For example, Bilk-Oberbilk in Düsseldorf (+11.6%), Mitte-Nord in Frankfurt (+8.9%) - despite its name, located outside the center - and Hamburg-Harburg (+7.6%).

In Hamburg (Hamburg-Mitte: -16.5%) and Düsseldorf (Altstadt-Stadtmitte: -10.4%), prices in central areas fell the most. Other areas with sharp declines include West-Botnang near downtown Stuttgart (-6.7%) and the central neighborhood in Munich Altstadt-Maxvorstadt (-%).

Largest price increase city districts



Apartments, Top-7 Cities, Change compared to 2023 in %, Index, nominal



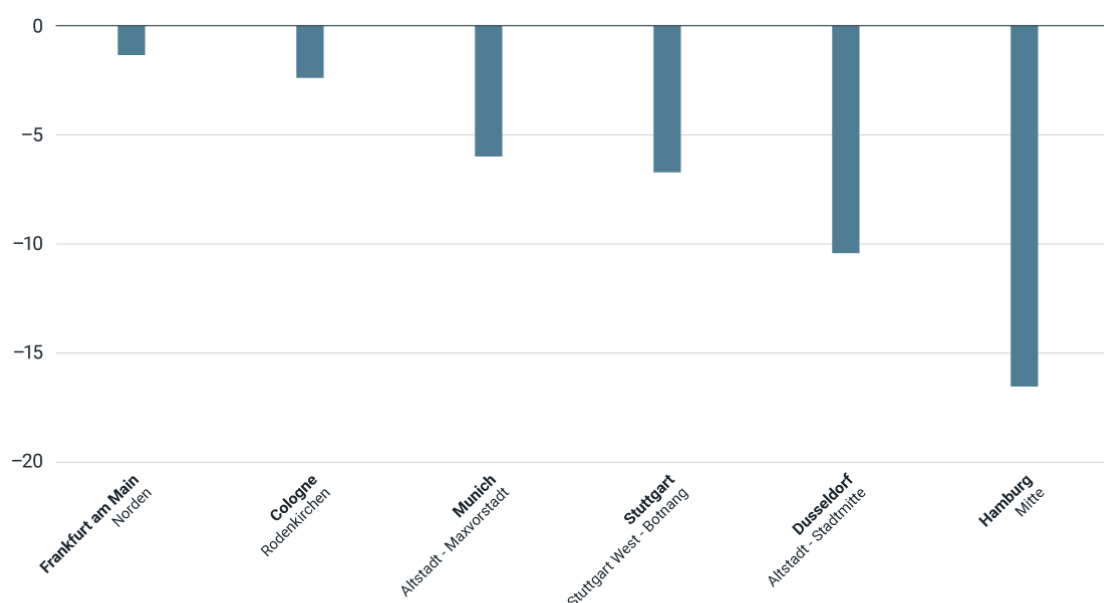
» 2024, as of April 3rd, 2025

» greix.de

Largest price decline city districts



Apartments, Top-7 Cities, Change compared to 2023 in %, Index, nominal



» 2024, as of April 3rd, 2025

» greix.de

Adjusted for inflation, the price declines are even steeper. Taking last year's inflation into account, prices in Hamburg-Mitte fell by about 18.5% and in Düsseldorf's Altstadt-Stadtmitte by about 12.5%.

Price trends in neighborhoods outside the top-7 cities. In cities outside the top-7 cities, there is no uniform pattern between central and non-central locations.

In some cities, the trends are similar to those in the top-7 cities. For example, Bonn's Zentrum-Süd neighborhood experienced the largest decline, about 6.5%. In Dortmund, prices in the city center fell by around 6.5%. But this trend is not universal. Münster's city center experienced the highest growth in 2024, with prices increasing by about 15%. In Chemnitz, prices fell about 5.5% in Mitte-West, but rose about 4% in the also central Mitte neighborhood. The steepest decline outside the top 7 was in Karlsruhe East (around -10%), while the central areas of Karlsruhe saw smaller declines.

Note: Transaction volumes in the neighborhoods of smaller cities are often lower than in the Top-7 cities, leading to greater statistical uncertainty.

Historical evolution of price differences within cities. In order to better understand the current trend, it is worth taking a look at the long-term evolution of price differentials within cities, comparing central and non-central locations¹. For this analysis, the first available nominal price per square meter is used and rolled forward with the respective hedonic index. We then calculate the average price per square meter for central and non-central locations and compute the ratio for each city. For the calculation, the ratio is averaged across the top 7 cities. By rolling forward with the hedonic indices, we can rule out the possibility that the developments are due to other characteristics of the housing stock in the respective zones.

A historical analysis of the average price difference between central and non-central locations in the top 7 metros shows that the gap has widened significantly. In 1990, the ratio was just over 1, at about 1.03, meaning that central locations were on average only 3 percent more expensive than non-central locations.

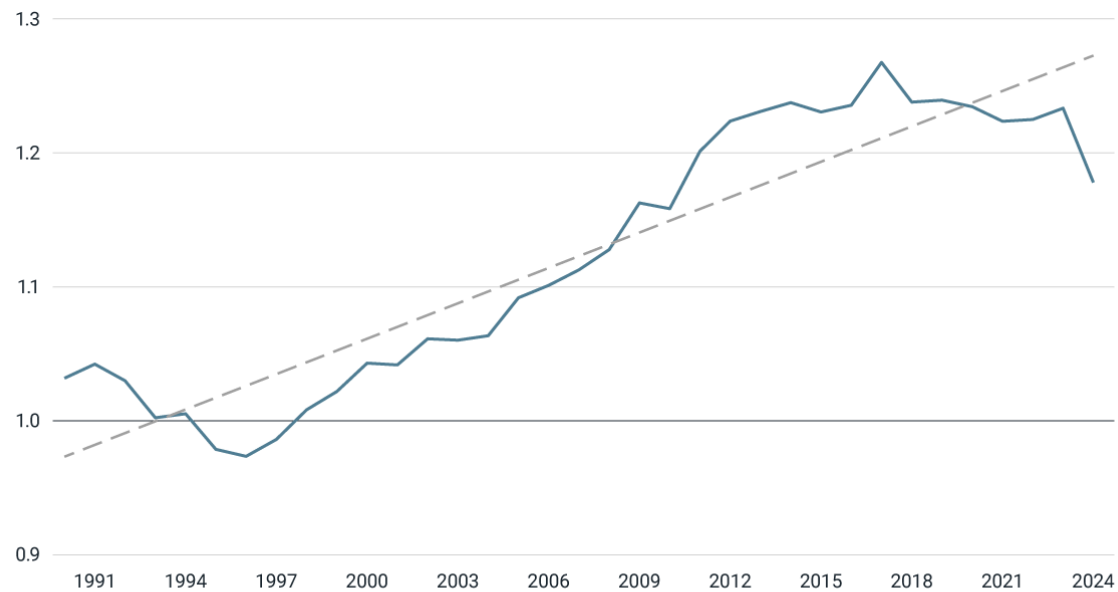
The ratio fell to about 0.97 by 1996 and then stabilized at about 1.05-1.06. Especially during the real estate price boom, the ratio increased significantly, reaching a peak of around 1.27 in 2017. This is mainly due to the fact that the price boom started in the more expensive central locations, widening the gap between central and non-central locations. The other locations followed later in terms of price development. This is illustrated by the fact that the ratio is relatively stable after the peak, with a slight downward trend.

Only at the beginning of the downturn could a significant decline in the ratio be observed, indicating a different price development between central and non-central locations. At the end of the period in 2024, the ratio is just under 1.18. The difference has thus increased about sixfold over the entire period.

¹We have defined the following districts or neighborhoods as central locations (see website or documentation). Berlin: Prenzlauerberg, Charlottenburg, Friedrichshain, Mitte, Neukölln-Kreuzberg; Düsseldorf: Altstadt - Stadtmitte; Frankfurt: Mitte-West, Westend/Innenstadt; Hamburg: Mitte, Altona; Cologne: District Innenstadt without Deutz; Munich: Altstadt - Maxvorstadt, Isarvorstadt - Untertending, Schwabing - Bogenhausen; Stuttgart: Mitte-Nord. We tested other definitions of central locations for the respective cities and the results were not sensitive to the specific selection

Ratio central / non-central city districts

Apartments, Historical development, Top-7 cities, Index, Nominal



» 2024, as of April 3rd, 2025

» greix.de

Differences in price development: central vs. non-central areas. As the chart on the historical average ratio shows, central locations have performed better overall since 2007, with the gap narrowing considerably, particularly during the downturn. However, this analysis masks the different price trends for the top 7 cities in central and non-central locations.

Between 2007 and 2022, a phase of sharply rising real estate prices, central locations benefited more than average. A comparison of the price indices of the central locations with those of the other areas analyzed shows, for example, that prices in central locations in Berlin have risen by around 47 percentage points more than the other areas. The difference is similarly large in Munich. There, prices in central locations rose by around 34 percentage points more than in the other areas. The difference was smallest in Stuttgart. However, price increases in the center were still more than 13 percentage points higher than in the other locations. The difference in Hamburg is also rather small at just under 20 percentage points.

Since the peak, this relationship has been reversed. Prices have fallen particularly sharply in central locations. The difference is greatest in Hamburg, where prices in

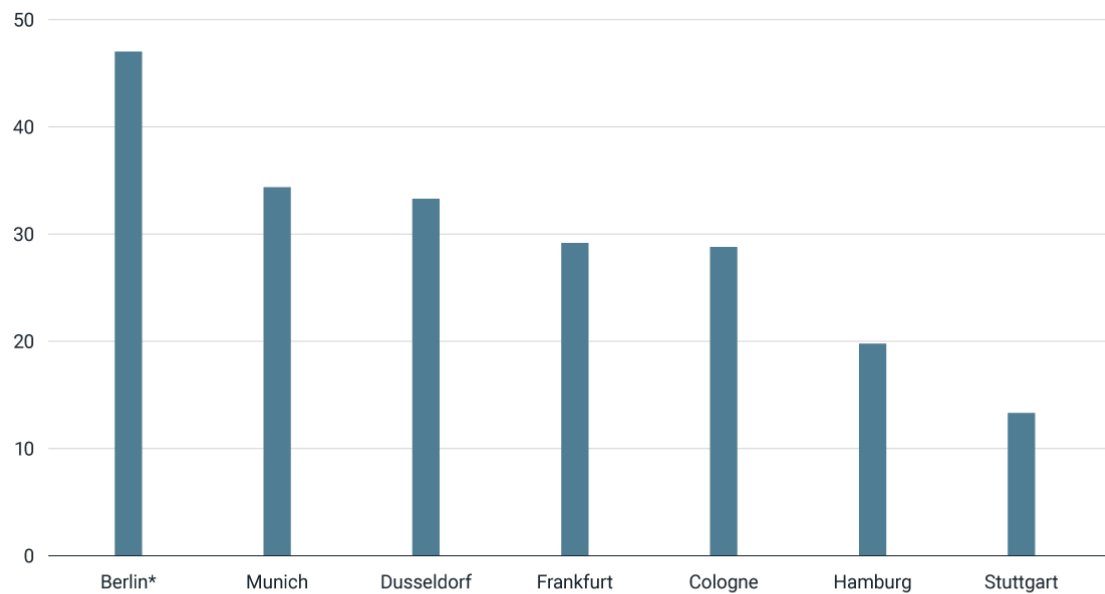
the city center fell by around 6.0 percentage points more than in other locations. In Düsseldorf, the price decline in central locations was also significantly higher than in non-central locations at 5.1 percentage points.

In Munich and Cologne, the price trend was also more negative in central locations, but the difference is the smallest at around one percentage point.²

Difference central / non-central city districts



Apartments, Top-7 cities, Change from 2022 compared to 2007 in %, Index, nominal



*Latest data 2023

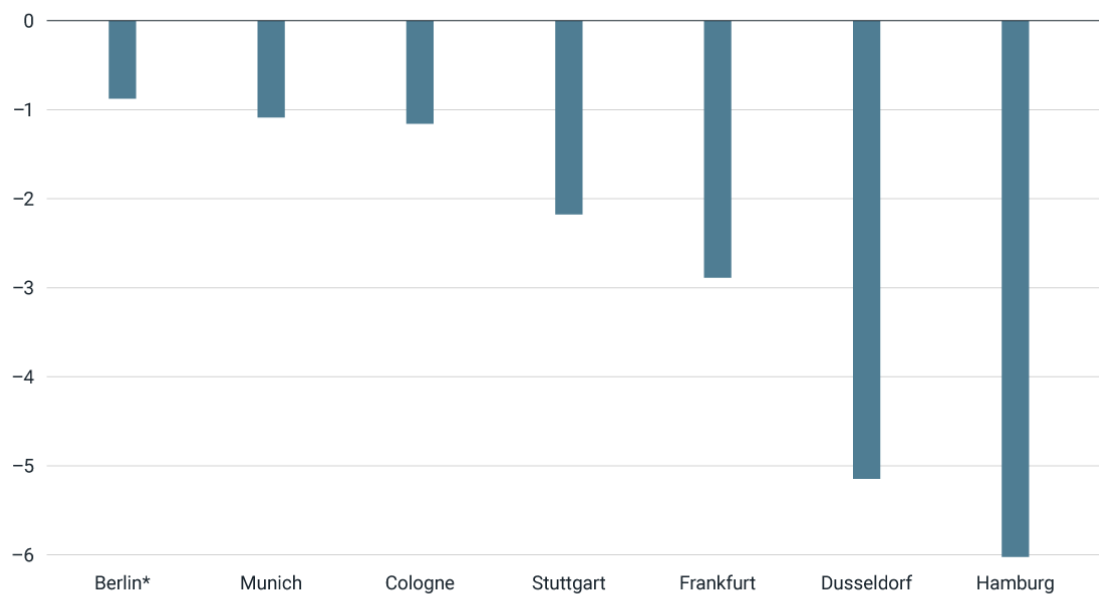
» 2024, as of April 3rd, 2025

» greix.de

²No results are currently available for Berlin for 2024, so the comparison only relates to the change from 2022 to 2023.

Difference central / non-central city districts

Apartments, Top-7 cities, Change since 2022 in %, Index, nominal



* Latest data 2023

» 2024, as of April 3rd, 2025

» greix.de

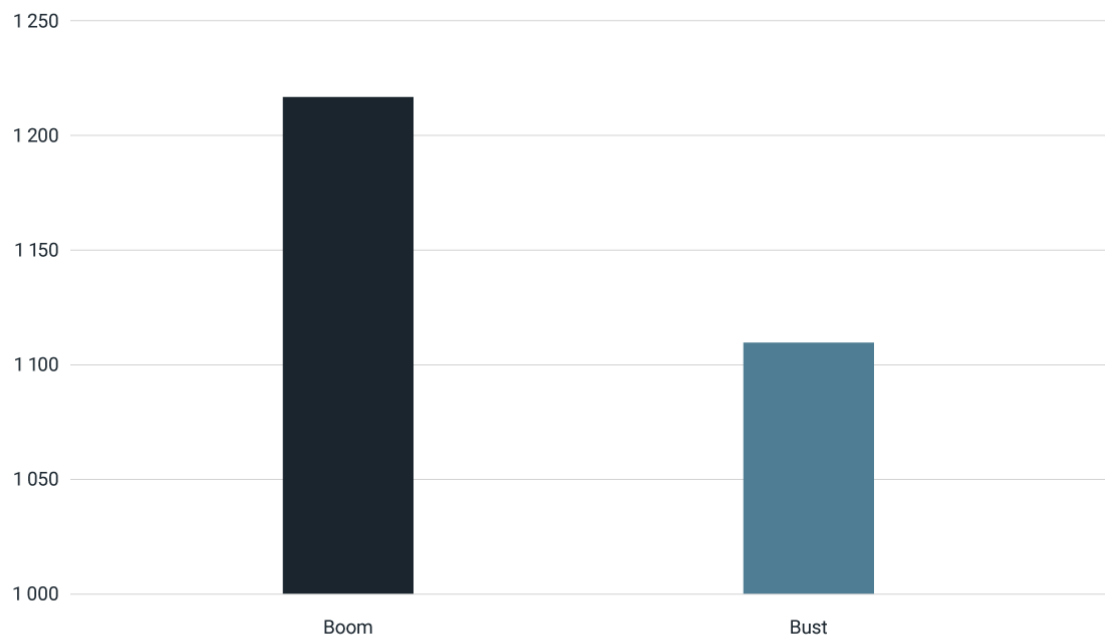
Development of the price premium for central locations. This analysis focuses on the evolution of the price premium of central locations compared to non-central locations, measured by the price per square meter (€/m²). In contrast to the previous analyses, we define central locations as apartments whose distance from the city center is at most 15% of the longest distance of all apartments sold within a city during the period under study.

The analysis shows that during the upswing from 2012 up to and including the first quarter of 2022, buyers paid an average of around €1,220/m² more for apartments in central locations. With the general decline in real estate prices from the second quarter of 2022, this average premium will fall by 9% to around €1,110/m². This once again confirms that the price gap between central and non-central locations has narrowed significantly since the price decline in mid-2022.

Premium for central location



Apartments, Major Cities, Comparison Boom / Bust, in €/m², nominal



» 2024, as of April 3rd, 2025

» greix.de

For this analysis, we use the sum of all transactions in five of the top seven cities (Munich, Hamburg, Cologne, Düsseldorf, Frankfurt) between 2012 and 2024, since for these cities the distance to the city center ³, measured in kilometers as the crow flies, is available. The analysis is based on a hedonic regression that controls for other property characteristics, general price trends, and city-specific characteristics to rule out the possibility that the differences are due to other factors. To determine whether there has been a significant change in willingness to pay for central apartments, we select all central apartments that have traded since the downturn. We then estimate whether the price effect for these specific apartments differs from that for centrally located apartments at any other time. The estimated coefficient for central locations during the price decline is negative and statistically significant.

The results are robust to a modified definition of the downturn starting in the third quarter of 2022 and to a narrower definition of the center, which defines the center as a fixed radius of two kilometers around the city center.

³We defined the city center as follows: Düsseldorf: Marktplatz; Frankfurt: Konstablerwache; Hamburg: Alsterwache; Cologne: Cologne Cathedral; Munich: Marienplatz

Explanations for the price development of central and non-central locations. Several factors may explain the recent decline in central location premiums. First, housing preferences may have changed as a result of the coronavirus pandemic. The ability to work from home makes non-central properties more attractive.

Second, buyers are sensitive to rising interest rates. As central locations are less risky but also promise lower returns, they have particularly benefited from the low interest rate policy of recent years. As interest rates rise from 2022, demand may have shifted to higher-risk, higher-return properties, which are more likely to be located outside the centers.

In addition, inflation-induced real wage losses, particularly in 2022 and early 2023, may have shifted demand to the lower price segment, as fewer households can afford expensive city center apartments. Higher financing costs are likely to have exacerbated this effect.

It is likely that all of these aspects have contributed, at least in part, to the different price trends in central and non-central locations.

Methodology. The GREIX is a price index based on a hedonic regression method. This method mitigates price distortions that often arise when using average price per square meter. For instance, if a high number of large apartments in a prime location are sold in a given year, this can inflate average prices per square meter. However, such fluctuations may not reflect a general increase in real estate values. Using hedonic regression methods, specific property characteristics do not cause upward or downward distortions in the price trend.

Displaying the average price per square meter provides insight into the local price level. However, the actual value of a property depends on its unique characteristics and may deviate significantly from this indication.

Due to the time lag between the notarized purchase of a property and its recording in the purchase price collection of the expert committees, it is possible that individual purchase contracts have not yet been included in the calculation of the indices.

Before we estimate the indices, we clean the data for outliers. For more information about this, please see our documentation at www.greix.de.

Authors**Dr. Jonas Zdrzalek**

Kiel Institute Researcher

+49 160 98327770

jonas.zdrzalek@ifw-kiel.de

Steffen Zetzmann

Kiel Institute Researcher

steffen.zetzmann@ifw-kiel.de

Prof. Dr. Francisco Osswald do Amaral

Assistant Professor University of Zurich &

Kiel Institute Research Fellow

francisco.amaral@df.uzh.ch

Hanno Eckert

Kiel Institute Research Assistant

hanno.eckert@ifw-kiel.de

About

→ *What is the GREIX?*

- The GREIX is a real estate price index for Germany based on the purchase price collections of local expert committees, which contain notarially certified sales prices. It tracks the price development of individual cities and neighborhoods back to 1960 and is based on over two million transactions. With the help of this dataset, long-term trends in real estate markets can be analyzed and current developments can be placed in a historical context.

→ *What data and methods are used to create the indices?*

- The local expert committees collect data on all real estate transactions. The price index is estimated using the latest scientific standards and statistical methods (hedonic regression method).

→ *Who is funding the GREIX?*

- The GREIX is funded through public grants and is a project of the DFG-funded Bonn-Cologne Excellence Cluster ECONtribute and the Kiel Institute for the World Economy (IfW Kiel) with the goal of increasing transparency in the real estate market. Various price indexes for 20 cities and regions are freely accessible at www.greix.de. The dataset will be gradually expanded to include more cities.



MACROFINANCE &
MACROHISTORY LAB

Impressum

Kiel Institut for the World Economy

Kiellinie 66, 24105 Kiel

0431 8814-1 | greix@ifw-kiel.de