

Press Release

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Public housing promotion is indispensable – especially in times of rising interest rates and high construction costs

NRW.BANK and VdW Rheinland Westfalen conduct survey on the current situation in NRW's housing sector

Many of the homes planned for this year and next are still under construction. But rising prices for building materials, higher interest rates, insufficient capacity in the construction sector and problems in the supply chain are affecting investment activity: Some new construction projects are being postponed or stopped. In this situation, public housing promotion is of particular importance. These are the findings of a recently published survey conducted by NRW.BANK and Verband der Wohnungs- und Immobilienwirtschaft Rheinland Westfalen e. V. (VdW Rheinland Westfalen) among 150 housing companies and cooperatives in North Rhine-Westphalia.

“Given the current situation in the construction industry, investments in subsidised housing construction are all the more worthwhile. High amortisation discounts, long terms and very attractive interest rates are important incentives for investors,” says Claudia Hillenherms, member of the Managing Board of NRW.BANK. “In cooperation with the North Rhine-Westphalian Building Ministry, we are using our funding to ensure that more and, in particular, affordable housing is created in North Rhine-Westphalia.”

This is also confirmed by the results of the survey: In 2022, around 6,600 dwellings were built or modernised with housing promotion funds from the State of North Rhine-Westphalia. 40 per cent of these were built or modernised by VdW members. For this purpose, the housing companies and cooperatives in the association received around 215.4 million euros in public housing promotion funds. As a result, about 1,000 more dwellings were modernised than in 2021.

“The figures speak a clear language,” says Alexander Rychter, Director of the VdW. “They show that our members are making full use of public housing promotion because the conditions for receiving subsidies for generation-appropriate and energy-efficient modernisations are good. However, the construction of new rent-controlled housing fell by around 24 percent in 2022. Especially under the current overall conditions, the state's housing promotion is

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indispensable to ensure that good, climate-friendly, energy-efficient and barrier-free housing does not fall by the wayside.”

Companies defy difficult environment

Despite the current challenges in the markets, according to the survey, one in two housing companies still expects to be able to complete the new homes planned for 2023 and 2024. 16 percent of them even report being able to complete more subsidised housing construction projects than originally planned because they switched from privately financed to subsidised housing construction.

The other half reported that planned projects had to be stopped or cancelled shortly before they were due to start. This affected a total of 3,500 and 530 dwellings, respectively. However, one in ten housing companies says it plans to restart these projects.

One reason for the companies’ reluctance is probably the current investment climate in the housing market. This is rated as ‘rather bad’ or ‘very bad’. Compared to the previous year, the investment climate in the segments of modernisation and refurbishment as well as in the purchase of existing dwellings has improved slightly, albeit at a low level. In the new construction segments, the climate continued to deteriorate.

According to the current survey, housing companies and cooperatives are concerned about the rising prices for construction materials, interest rate increases and insufficient capacity in the construction industry and trades. These are the main reasons for delays, stoppages and cancellations of construction projects. 68 percent of the companies surveyed say, for example, that they are unable to complete new construction or modernisation projects on time. This means that the situation has eased a little in comparison with the previous year. At that time, 87 percent of the companies reported delays.

Housing cooperatives, municipal and public corporations and private housing companies took part in the survey, which was conducted between July 31 and August 18, 2023.

All survey results can be found here: www.nrwbank.de/befragung-wohnungswirtschaft

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Media contact:

Birgit Kranzusch, Deputy Press Officer,
Phone: +49 211 91741-1997, e-mail: presse@nrwbank.de

Katrin Stamm, Press Officer
Phone: +49 211 16998-94, e-mail: presse@vdw-rw.de

About NRW.BANK

NRW.BANK is the promotional bank of North Rhine-Westphalia (NRW). Its mission is to support its owner – the state of North Rhine-Westphalia – in the completion of its structural and economic policy tasks. In its three promotional fields “Economy”, “Housing” and “Infrastructure/Municipalities”, NRW.BANK uses a wide range of promotion tools – from low-interest promotion loans to equity financing to advisory services. It cooperates with all banks and savings banks based in NRW on a competition-neutral basis. NRW.BANK takes into account the existing offers by the Federal Government, the North Rhine-Westphalian government and the European Union in the arrangement of its promotion.

About VdW Rheinland Westfalen

VdW Rheinland Westfalen represents the interests of and provides services for 477 member companies and cooperatives in North Rhine-Westphalia and northern Rhineland-Palatinate. Its members are housing cooperatives as well as municipal, public, church, industrial and private housing companies. They manage more than one million dwellings, which is almost 20 percent of all rented dwellings in NRW. For them, housing is first and foremost a social responsibility.

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