

# Dreaming of a home: The Regional Divide in Housing Affordability

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# Overview

- The rise in total upfront cash requirement has become the main obstacle to homeownership in Germany. Between 2015 and 2024, the average household needed a median of 9.37 years to save the necessary funds for a home purchase.
- A substantial share of this burden comes not from the price itself, but from the closing costs incurred at purchase. For the real estate transfer tax and notary and land registry fees alone, the median saving time amounts to 1.46 years.
- Regional inequality is considerable: the time needed to save for the total upfront cash requirement varies sharply across districts and exceeds 20 years in Munich and its surrounding area, as well as in other particularly expensive growth regions.
- A comparison shows that high overall burdens primarily reflect high prices. In the case of closing costs, however, additional differences arise from the variation in real estate transfer tax rates across the German states.
- This entry barrier hits those who lack wealth and family support especially hard. Access to homeownership, and thus also the opportunity to build wealth, is unevenly distributed across regions.
- If policymakers want to broaden access to homeownership, they should focus in particular on one-off closing costs. This is a policy lever that can be influenced more readily in the short run than the price level itself.

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**JEL classification** R21, R31, D31, G51

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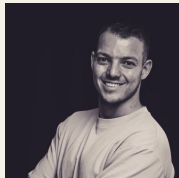
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# 1 Introduction

For many households, access to homeownership depends less on monthly mortgage payments than on the total upfront cash requirement at the time of purchase (Amaral et al., 2025a; Amaral et al., 2025b). Households that cannot cover these initial costs are effectively excluded from homeownership, even if they could afford the ongoing mortgage. This entry barrier matters because homeownership is not only a consumption good, but also a key vehicle for long-term wealth accumulation and closely linked to the distribution of wealth (Bach et al., 2021; Biewen et al., 2025).

Against this backdrop, this study examines the regional dimension of housing affordability in Germany. We ask how long households in different districts need to save in order to accumulate the required equity for a home purchase. We distinguish between two parts of this entry barrier: the total upfront cash requirement and the share accounted for by closing costs. This makes it possible to identify which part of regional inequality is mainly driven by high property prices and which part is additionally shaped by taxes and fees.

From a policy perspective, closing costs are especially relevant. They include the real estate transfer tax and notary and land registry fees and are due immediately at the time of purchase. Since the real estate transfer tax differs substantially across German states, regional cost differences arise that cannot be explained by market prices alone. Empirical studies show that transaction taxes affect market outcomes and access to ownership (Best and Kleven, 2018), and that variation in real estate transfer taxes across German states creates substantial differences in acquisition costs (Fritzsche and Vandrei, 2019). Our analysis therefore shows not only where homeownership is generally hardest to access, but also where tax-related closing costs raise entry barriers even further. This brings into focus the question of how unevenly opportunities for homeownership and wealth accumulation are distributed across space in Germany.

## 2 Where homeownership is least affordable

How long do households need to save in order to accumulate the equity required to buy a home? To answer this question, we first calculate the total upfront cash requirement in

terms of annual household income. This indicates how many years of income an average household would need to cover the costs that are due immediately at the time of purchase. These consist of the portion of the purchase price that cannot be debt-financed, the real estate transfer tax, and notary and land registry fees.<sup>1</sup> From this, we derive the saving period: the number of years a household would need to accumulate this amount if it saved 20 % of its disposable income, taking into account compound interest at an average risk-free rate of 1.7 % per year.<sup>2</sup>

Unlike our earlier long-run analysis of housing affordability (Amaral et al., 2025a; Amaral et al., 2025b), this study uses listing price data from VALUE AG, which provide full coverage for all German districts.<sup>3</sup> For those cities where both transaction and listing data are available, the levels and trends align closely. For the regional comparison, we use a combined average price across apartments and single-family homes, weighted by the number of listings in each segment. The resulting average price therefore reflects regional differences in the composition of listed properties and captures the affordability of an average owner-occupied home in each district.<sup>4</sup> To calculate the total upfront cash requirement relative to income, we combine district-level disposable household income<sup>5</sup> with regional mortgage financing conditions, including mortgage interest rates, loan-to-value ratios, and amortization rates.<sup>6</sup>

The regional differences in the saving period are shown in Figure 1. The left panel shows that variation in total upfront cash requirement is substantial. Across districts, saving time ranges from 3.79 years in Kyffhäuserkreis to 27.55 years in the district of Starnberg. Other very high values are observed in the districts of Miesbach (27.10 years), Munich (23.20 years), Bad Tölz-Wolfratshausen (22.14 years), and in the city of Munich itself (21.91 years). The median across all districts is 9.37 years.<sup>7</sup> The map primarily reflects a regional price gradient: in southern high-price regions and major growth centres, the entry barrier to homeownership is exceptionally high.

The picture looks different in the right-hand panel. When we focus only on closing costs,

<sup>1</sup>The methodology is described in detail in our Kiel Working Paper (Amaral et al., 2025a). The reported upfront cash requirement, and thus the implied saving time, should be interpreted as a lower bound because brokerage fees are not included in the calculations. The actual liquidity hurdle is therefore likely to be higher in many places.

<sup>2</sup>This corresponds to the average yield on ten-year German government bonds over the period 2005–2024.

<sup>3</sup>We are grateful to Sebastian Hein at VALUE AG for providing the data.

<sup>4</sup>Rather than distinguishing by property type, we construct a single average price across all listings, regardless of whether they are apartments or single-family homes. The weight of each segment is determined by its frequency in the local market. In cities, apartments tend to dominate listings, while in more rural areas single-family homes are more common. The combined indicator therefore reflects what prospective buyers actually encounter in each district.

<sup>5</sup>We use average disposable household income from the national accounts of the German states up to 2023 and gross employee compensation data from the Federal Employment Agency to extrapolate district-level disposable household income for 2024.

<sup>6</sup>We would like to thank Dr. Georg Weigert of the Interhyp Group and Thomas Hofer of the Association of German Pfandbrief Banks (vdp) for providing the regional financing data.

<sup>7</sup>An overview of district-level values is available on our website: [district-level saving-time indicators](#).

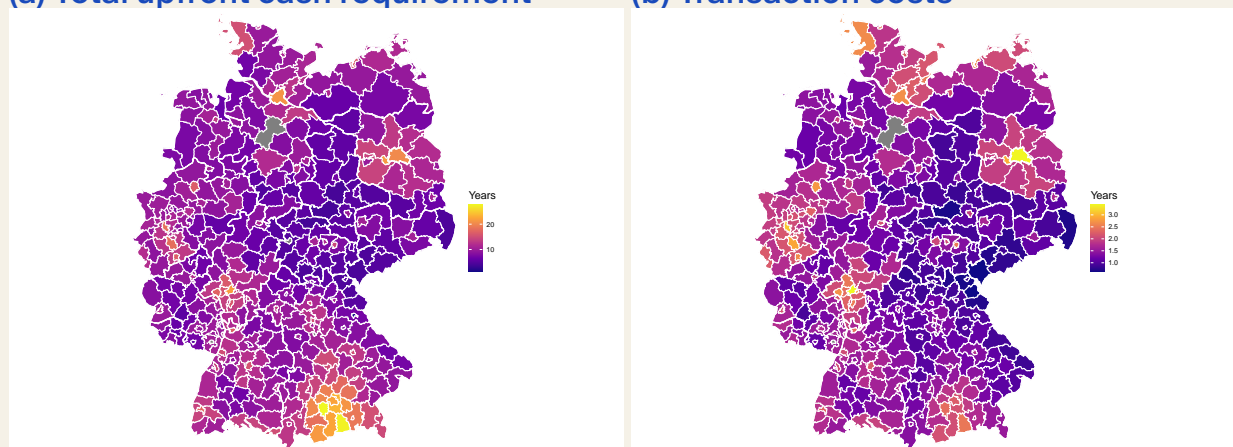
consisting of the real estate transfer tax and notary and land registry fees, saving time ranges from 0.62 years in Vogtlandkreis to 3.41 years in Frankfurt am Main. Other high values are found in Berlin (3.39 years), Düsseldorf (3.07 years), Potsdam (2.89 years), and Cologne (2.84 years). The median is 1.46 years. Differences in transaction costs are thus much less dominated by the high-price region around Munich than the total equity requirement. Instead, districts stand out where high prices coincide with high state-level real estate transfer tax rates.<sup>8</sup>

The comparison of the two maps is especially informative. The saving period for the total upfront cash requirement shows where the combination of high prices, financing conditions, and incomes makes homeownership especially difficult. The saving period for closing costs answers a different, policy-relevant question: where do taxes and fees make market entry even more expensive? Because the real estate transfer tax varies substantially across the German states, tax- and fee-related entry costs differ more strongly across regions than price levels alone would suggest. In Bavaria, the overall saving hurdle is especially high in many places, whereas the map for closing costs gives more prominence to districts in states with higher tax rates.

## Figure 1: Combined market indicator

(a) Total upfront cash requirement

(b) Transaction costs



*Notes:* The figure shows the number of years a representative household needs to save in order to purchase a home, based on regional mortgage financing conditions. Panel (a) refers to the total upfront cash requirement; panel (b) refers only to transaction costs, i.e. the real estate transfer tax and notary and land registry fees. Both district-level values are based on a combined indicator across apartments and single-family homes, weighted by the number of listings in each segment, and are reported as averages over the period 2015–2024. Districts shown in grey have insufficient data for the analysis.

*Sources:* Federal Employment Agency, EMF (2010), EUROPACE, Interhyp Group, state-level legislation, VALUE AG, vdp, Voigtländer (2016), national accounts of the German states. Own calculations.

This regional heterogeneity is therefore not merely a cartographic finding, but one with important distributional implications. Even when two households have similar incomes,

<sup>8</sup>By the end of the observation period in 2024, the real estate transfer tax ranged from 3.5% in Bavaria to 6.5% in several states, including Brandenburg and North Rhine-Westphalia.

their chances of accessing homeownership differ substantially depending on the district in which they buy and the state-level tax regime that applies. Access to homeownership is therefore shaped not only by market conditions, but also by regional institutional settings. This matters particularly for young households without inherited wealth, for whom transaction costs alone may delay or prevent market entry. As a result, regional disparities arise not only in access to homeownership, but potentially also in the opportunity to build wealth.

### 3 Policy implications

The results suggest that the debate on homeownership should focus more strongly on the liquidity constraints that arise at the time of purchase. If the median household must save for almost ten years to accumulate the full cash contribution required to buy a home, homeownership becomes attainable primarily for those who already have wealth or family support. Of this median saving period, 1.46 years, and thus more than 15 percent, is attributable to closing costs alone. This shows that a meaningful share of the entry barrier arises immediately at the time of purchase, rather than from the ongoing burden of mortgage payments.

One obvious policy lever is the real estate transfer tax. Because it is directly linked to the purchase price and due immediately upon purchase, it raises the entry barrier particularly for first-time buyers. The higher the price level and the higher the state-specific tax rate, the longer households need to save. The comparison of the two maps in Figure 1 suggests that this constitutes a distinct policy lever: while price levels can be influenced only to a limited extent in the short run, the barrier created by taxes and other closing costs is more directly amenable to policy change.

At the same time, the maps show that the importance of the real estate transfer tax differs substantially across regions. If policymakers want to improve access to homeownership, they should therefore target these one-off transaction costs rather than focusing primarily on ongoing borrowing costs. Possible reforms include targeted relief for owner-occupying first-time buyers or broader changes that shift part of the tax burden away from the one-time real estate transfer tax and toward the recurring property tax.<sup>9</sup>

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<sup>9</sup>A recent study for the United States shows that a revenue-neutral abolition of capital gain tax on real estate transactions financed by higher recurrent property taxation could improve affordability (Coven et al., 2025). The actual relief for buyers by reducing the real estate transfer tax depends crucially on its price effects. Dolls et al. (2025) show that in tight markets, buyers may bid up prices following a cut in the real estate transfer tax. Besley et al. (2014) find, however, that in the case of a temporary tax cut around 60% of the relief remained with buyers. Even if house prices were to rise by the full amount of the tax reduction, part of the burden would still shift from upfront entry costs to recurring costs, thereby lowering the key barrier to market entry.

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# Imprint

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