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Home Purchase and Financing — Buying Real Estate in Germany

How to buy a house or apartment in Germany: financing, additional costs, notary, and tips for foreigners.

Deutsche Begriffe: Hauskauf | Immobilienfinanzierung | Baufinanzierung | Grundbuch | Notar | Eigenkapital | Grunderwerbsteuer

Can I buy a house in Germany as a foreigner?

Yes! In Germany, there are **no restrictions** for foreigners buying real estate — anyone can purchase a property regardless of nationality or residence status.

However: For **Baufinanzierung** (mortgage), banks typically require a **valid residence permit** (preferably unlimited) and **regular income** in Germany.

Buy or rent?

When does buying make sense?

Buying makes sense if...	Renting is better if...
You'll stay in Germany long-term (10+ years)	You're here only temporarily
You have enough equity (20–30 % + closing costs)	Limited savings
Rent is higher than mortgage payment + costs	Flexibility matters more than ownership
You want to build wealth	Uncertain residence status
Low interest rates (under 3–4 %)	High interest rates (over 4–5 %)

What does a house cost in Germany?

Real estate prices **vary enormously** by region:

City/Region	House (Median)	Apartment (Median, 80 m ²)
Munich	700,000–1,200,000 €	400,000–600,000 €
Hamburg	400,000–700,000 €	250,000–400,000 €
Berlin	350,000–600,000 €	200,000–350,000 €
Frankfurt	400,000–700,000 €	250,000–400,000 €
Cologne/Düsseldorf	350,000–600,000 €	200,000–350,000 €
Rural areas	150,000–300,000 €	80,000–180,000 €

Closing costs — the hidden expenses

Significant **closing costs** are added to the purchase price:

Cost item	Amount	Example (€300,000 purchase)
Grunderwerbsteuer	3.5–6.5 % (varies by state)	€10,500–19,500
Notary fees	approx. 1.5 %	€4,500
Grundbuch entry	approx. 0.5 %	€1,500
Real estate agent fee	3–7 % (split or sole)	€9,000–21,000
Total closing costs	8–15 %	€25,500–46,500

Grunderwerbsteuer by state

State	Tax rate
Bavaria, Saxony	3.5 % (lowest)
Baden-Württemberg	5.0 %
Berlin, Hamburg, Hesse	6.0 %
NRW, Saarland, Schleswig-Holstein, Thuringia, Brandenburg	6.5 % (highest)

Financing (Baufinanzierung)

Equity — how much do I need?

- **Minimum:** Closing costs (8–15 % of purchase price) from your own pocket
- **Recommended:** 20–30 % of purchase price + closing costs
- **More equity means:** better interest rates, lower payment, less risk

How does Baufinanzierung work?

- 1. Clarify financing framework** — How much can you afford?
- 2. Obtain loan offers** — from your bank, online banks, and mortgage brokers
- 3. Choose interest rate lock** — how long the rate stays fixed (10, 15, 20, or 30 years)
- 4. Set repayment rate** — how fast you pay back (minimum 2 %, better 3 %)
- 5. Sign loan agreement**
- 6. Buy the property** (Notar)

How much can I afford monthly?

Rule of thumb: Your monthly payment should be **maximum 35 %** of your net household income.

Net household income	Max. monthly payment	Possible loan (2 % repayment, 3.5 % interest)
€3,000	€1,050	approx. €230,000
€4,000	€1,400	approx. €305,000
€5,000	€1,750	approx. €380,000
€6,000	€2,100	approx. €460,000

Interest rate lock — how long?

Lock period	Advantage	Disadvantage
10 years	Lowest interest rate	Rate risk after 10 years
15 years	Good compromise	Slightly higher rate
20 years	Planning security	Higher rate

Lock period	Advantage	Disadvantage
30 years	Maximum security	Highest rate, but early termination possible after 10 years (§ 489 BGB)

The purchase process — step by step

1. Search for property

- **Online portals:** ImmobilienScout24, ImmoWelt, eBay Kleinanzeigen
- **Real estate agents:** Find properties for you (note commission!)
- **Newspaper ads** and bulletin boards
- **Foreclosure auctions:** amtsgericht.de (often cheaper, but risky!)

2. Viewing and inspection

- **At least 2-3 viewings** (at different times of day!)
- **Energy certificate** — seller's obligation
- **Have building condition inspected** — for older homes: bring a surveyor (€200-500)
- **Check Grundbuch** — liens, easements, mortgages

3. Financing confirmation

- **Obtain financing confirmation** from your bank (required for notary appointment)
- **Compare** at least 3 offers (banks, savings banks, brokers like Interhyp, Dr. Klein)

4. Purchase contract and Notar

- The **Notar** certifies the purchase agreement (mandatory in Germany)
- Both parties must be **personally present** (or have notarial power of attorney)
- The Notar **reads the entire contract** aloud (1-2 hours)
- **Reflection period:** You receive the draft contract at least **14 days** before the appointment
- **Interpreter:** If you don't speak German, a **certified interpreter** must be present (cost: €200-500)

5. Pay purchase price and Grunderwerbsteuer

1. Pay Grunderwerbsteuer (to tax office, approx. 4–8 weeks after notary appointment)

2. Pay purchase price (to seller, when notary requests it)

3. Grundbuch entry — You are registered as new owner

6. Key transfer

- Usually after **purchase price payment and Grundbuch entry** (approx. 2–4 months after notary)

- **Create handover protocol** (meter readings, defects, keys)

Funding programs

KfW support

Kreditanstalt für Wiederaufbau (KfW) offers low-cost loans and grants:

- **KfW homeownership program** — low-cost loan for owner-occupied property (up to €100,000)

- **Energy-efficient building/renovation** — grants for energy retrofits

- **Baukindergeld** — (available until 2023, currently expired — check successor program)

Wohn-Riester

- Riester subsidies and tax benefits for **home financing**

- Subsidies: €175/year per person + €300/child

- Can be used for **mortgage repayment**

Tips for foreign buyers

1. Residence permit — you need a stable residence permit for a loan (ideally Niederlassungserlaubnis)

2. SCHUFA score — a good score significantly improves your credit terms

3. Save equity — 20 % + closing costs is ideal

4. Consult a tax advisor — property purchase has tax implications

5. Don't rush — take your time, compare, have the building inspected

6. Interpreter — a certified interpreter is required at the notary if you don't understand the contract in German

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