

P R E S S R E L E A S E

HOUSING MARKET REPORT BERLIN 2017: RENTS, PURCHASING PRICES AND NEW CONSTRUCTION INCREASE RAPIDLY

- **Asking rents for apartments increased in 2016 by 5.6 percent to €9.00 per sq m and month**
- **Boom of new construction projects: record number of 32,000 residential units currently under construction or planned**
- **Asking prices for condominiums (plus 9.6 percent) and apartment buildings (plus 15.7 percent) further increase considerably**
- **More offers for furnished rental apartments**
- **Around a quarter of all German development transactions recorded in Berlin**

Berlin, 25 January 2017 – The housing market of Berlin once again registered considerable price increases in 2016, the first entire year with rent control in place. Median asking rents increased by 5.6 percent, up from 2.3 percent in 2015. Asking prices for condominiums and apartment buildings even rose by 9.6 percent and 15.7 percent respectively. The increase of rents and purchasing prices continued unabatedly in Berlin, despite remarkable differences between the different parts of the city, particularly in city centre locations. This is one of the conclusions reached in this year's Housing Market Report Berlin, which is jointly published by Berlin Hyp AG and real estate advisor CBRE. The Housing Market Report analyses current developments on the Berlin housing market and evaluates more than 83,000 recorded rent offers as well as around 62,000 advertisements for condominiums for a total of 190 postcode districts of Berlin in the first three quarters of 2015 and 2016. Due to the data density, even small-scale developments can be recorded and reliable results can be achieved.

Comparison of cities shows: Housing market catching up, purchasing power not quite

Berlin's population increased by around 48,000 new residents in 2015 due to its positive economic development and attractive quality of living and thus continued the development of the previous years. Since 2005, the city's population has increased by around 270,000 residents. As a result of the population growth, the demand on Berlin's housing market is rising. However, the per capita purchasing power of other major cities is still significantly higher than the purchasing power of Berlin

(Cologne: +14.6 percent, Hamburg: +18.6 percent, Frankfurt: +23.7 percent, Munich: +42.5 percent). In spite of the higher new construction activity, Berlin’s vacancy rate has meanwhile dropped to 1.2 percent and is thus only slightly above the level of Cologne (1.1 percent) and Stuttgart (0.8 percent) but already below the vacancy rate of Dusseldorf (1.5 percent). Hence, median asking rents increased to €9.00 per sq m and month in 2016, but are still below the asking rents of the remaining top seven cities. Asking rents are currently highest in Munich with €15.11 per sq m and month.

“The ongoing development of Berlin is stunning. The dynamics on the market for rental apartments and new construction projects as well as the acceleration of purchasing prices are unique in Germany,” says **Dr Henrik Baumunk**, Head of Residential Services at CBRE in Germany. “However, in terms of rents and purchasing prices there is still a lot of potential in Berlin, particularly due to the ongoing population growth and at the same time moderate construction activity as well as the rising economic strength of the city,” explains **Baumunk**.

Berlin: Approximation in vacancies and new builds, gap in purchasing power
Key figures for Germany’s seven largest cities

City	Residents ¹⁾ 2015	Purchasing power index 2016, Germany = 100	Vacancy rate ²⁾ 2015, in %	Average asking rent ³⁾ 2016, in €/m ² /month	Average area of apartments listed ³⁾ 2016 in m ²	Newly finished apartments ⁴⁾ 2015, per 1,000 residents
Berlin	3,610,156	93.0	1.2	9.00	73.1	1.9
Dusseldorf	628,437	118.3	1.5	9.67	74.8	1.2
Frankfurt a. M.	724,486	115.1	0.5	12.41	76.9	5.4
Hamburg	1,833,930	110.4	0.6	10.46	70.1	3.4
Cologne	1,069,192	106.6	1.1	10.00	70.5	2.1
Munich	1,521,678	132.6	0.2	15.11	75.5	3.3
Stuttgart	609,154	112.9	0.8	11.11	75.7	2.7

1) 31.12, based on population register 2) vacancies in apartment buildings on the active market 3) data collection period: Q1-Q3 4) in new buildings with three or more apartments, incl. residential halls
Sources: CBRE-empirica vacancy index, CBRE based on data from empirica-systeme, Michael Bauer Research, Federal Statistical Office, State Statistical Offices

Asking rents rise twice as fast as in 2015

In 2016, median asking rents rose by 5.6 percent and thus developed as dynamically as last observed in 2014, when asking rents rose by 5.8 percent. Compared to this, the increase in 2015, (+2.3 percent), was considerably lower. “Population as well as economic growth are putting a strain on the market,” says **Gero Bergmann**, Member of the Board of Management of Berlin Hyp. “The supply is getting smaller because tenants are less willing to move in view of the decreasing supply and higher asking prices.”

Not only the growth rates of median asking rents but also the growth rates of the averages of the bottom and top market segments (the most affordable and the most expensive ten percent of all offers) are markedly different when compared on a district level. Across all market segments, asking rents rose with 17.1 percent most considerably in Neukölln; the only other district with a two-digit growth being Marzahn-Hellersdorf (+10.2 percent). However, Marzahn-Hellersdorf also remains the district with the lowest median asking rents, €6.70 per sq m and month, with asking rents being as low as €5.20 per sq m and month at the bottom market segment. With €11.04 per sq m and month, the highest median asking rents were observed in Friedrichshain-Kreuzberg, where the percentage growth was again rather high (+7.5 percent). The lowest growth rate was registered in Charlottenburg-Wilmersdorf (+2.7 percent). In the top market segment, the district had also the highest median asking rents of €17.46 per sq m.

Current rental development															
Rental price range for new lettings, 2016															
District	Number of rental offers	Middle market segment ¹⁾						Bottom market segment		Top market segment		All market segments			
		price range in €/m ² /month						Median in €/m ² /month	Change from 2015 in %	Median in €/m ² /month	Change from 2015 in %	Median in €/m ² /month	Change from 2015 in %		
		4	6	8	10	12	14	16							
Charlottenb.-Wilm.	4,405								7.46 – 14.29	6.92	+2.4	15.51	+3.4	10.21	+2.7
Friedrichsh.-Kreuzb.	3,694								7.62 – 14.22	6.61	-2.4	15.55	+11.0	11.04	+7.5
Lichtenberg	2,386								6.33 – 11.29	5.90	+1.7	12.26	+6.6	8.49	+6.1
Marzahn-Hellersd.	2,837								5.49 – 9.00	5.20	+4.2	10.00	+8.3	6.70	+10.2
Mitte	5,590								6.92 – 15.20	6.27	+2.3	17.46	+6.7	10.48	+4.8
Neukölln	3,485								6.45 – 12.95	5.91	+3.7	13.67	+9.6	9.47	+17.1
Pankow	5,284								6.94 – 13.43	6.36	+4.3	14.48	+6.6	9.57	+6.1
Reinickendorf	2,695								6.14 – 10.00	5.82	+5.4	10.76	+0.2	7.90	+5.3
Spandau	2,926								5.75 – 9.12	5.43	+2.8	10.01	+0.1	7.29	+4.1
Steglitz-Zehlendorf	3,543								7.00 – 12.24	6.50	+5.7	13.10	+3.7	9.25	+5.8
Tempelh.-Schöneb.	3,284								6.52 – 12.02	6.08	+2.0	13.20	+3.5	8.81	+3.6
Treptow-Köpenick	3,820								6.50 – 11.00	6.01	+5.9	12.00	+9.1	8.12	+6.6
Berlin average	43,949								6.40 – 13.00	5.84	+4.3	14.46	+4.6	9.00	+5.6

1) excl. bottom and top tenth percentile of quotes

Source: CBRE, based on data from empirica-systeme

Taking these rents into consideration the housing cost ratio, measuring the purchasing power of local residents in relation to the median rent including heating of an offered apartment, is very different. Housing cost ratios range from slightly above 17 percent in some quarters of Marzahn-Hellersdorf to almost 47 percent at Hackescher Markt in the Mitte district.

Furnished apartments

The importance of furnished apartments in Berlin is increasing. In the first three quarters of 2016, 27.4 percent of all rental offers comprised furnished apartments, up from 23.8 percent in 2013. Overall, more than half of all offered furnished rental apartments were offered in the central districts of Mitte (21.3 percent), Charlottenburg-Wilmersdorf (15.7 percent) and Friedrichshain-Kreuzberg (15.4 percent). In each of the three districts, offers for furnished apartments accounted for almost 40 percent of all rent offers. “The increased flexibility, mobility and internationalisation on the labour market is reshaping the housing market,” says **Baumunk**. “Rents of furnished apartments mostly include all ancillary costs, fees for services, internet and other charges,” adds **Baumunk**. The increase of offers for furnished apartments however cannot be really linked to the Mietpreisbremse (capping of rents on re-letting), which also extends to furnished apartments by way of surcharges.

Construction boom - slightly more rental apartments than condominiums

Compared to 2015, the number of registered property developments only increased slightly from 240 to 247. The number of planned apartments however surged from 22,270 to 32,240 and thus the number of apartments per development from 93 to 131. For the first time slightly more new rental apartments are being built than condominiums (14,000 vs. 13,700). Moreover, many initiated developments will decide at a more advanced project stage whether the units will be let or sold (around 4,500 apartments). While in most recent years, residential construction focused on central city locations, developments are spread across the entire city nowadays. In geographical terms, construction activity is particularly focusing on the city centres as well as on areas east and southeast of it. A “new construction belt” includes Berlin-Mitte, Friedrichshain-Kreuzberg and Lichtenberg up to Treptow-Köpenick. Two thirds of all designated apartments are being planned in these four districts alone. “Despite this considerably high level of construction, activities in Berlin need to pick up further in the next years,” says **Bergmann**. “The newly created residential property is insufficient to compensate the population growth of Berlin. At the same time, the vacancy used as reserve is exhausted,” explains **Bergmann**. The scarcity of residential space is all the more pressing as less residential units per 1,000 residents were completed in Berlin (1.9) than in some of the other top 7 cities (Hamburg: 3.4; Frankfurt: 5.4; Munich: 3.3).

New apartment construction: 247 projects in development						
District	Projects	Projects with rental apartments	Total number of apartments	Quoted rents in €/m ² /month	Quoted purchase price in €/m ²	Apartment size in m ²
Charlottenburg-Wilmersdorf	20	1	1,531	14.00–19.00	3,300–12,750	19–322
Friedrichshain-Kreuzberg	27	10	3,929	6.50–14.00	2,850–7,030 ²⁾	21–296
Lichtenberg	35	16	8,027	from 6.50	1,620–5,510	20–280
Marzahn-Hellersdorf	10	5	2,034	6.50–12.00	1,730–4,140	50–180
Mitte	44	12	6,671	6.50–15.00	3,300–15,000 ²⁾	17–382
Neukölln	7	5	571	8.50–10.50	e.g. 3,560	50–120
Pankow	28	8	1,789	from 6.50	2,400–6,630 ²⁾	30–190
Reinickendorf	5	2	643	— ¹⁾	e.g. 4,640–6,820	38–250
Spandau	9	1	1,617	6.00–9.50	3,010–6,040	20–124
Steglitz-Zehlendorf	9	2	675	e.g. 8.50–10.50	3,000–5,620	30–190
Tempelhof-Schöneberg	15	4	1,031	6.50–11.00	3,300–9,710	37–255
Treptow-Köpenick	38	18	3,719	6.50–12.00	1,600–5,050	29–232
Berlin total	247	84	32,237	6.00–19.00	1,600–15,000	17–382

1) Rents not yet released 2) considerably higher in some cases

Source: CBRE, own research

Condominiums becoming ever more expensive

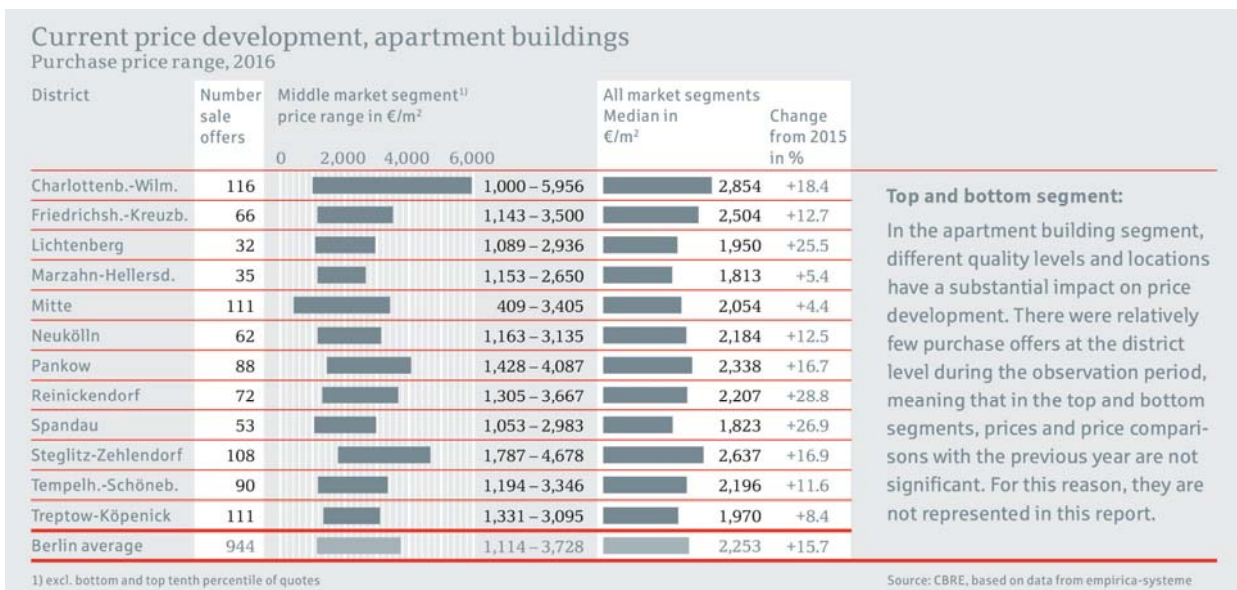
The median asking price for condominiums increased across all market segments by 9.6 percent to €3,289 per sq m. The highest average purchasing prices were recorded in Mitte (€4,139 per sq m), Friedrichshain-Kreuzberg (€3,926) and Charlottenburg-Wilmersdorf (€3,713), while the highest percentage growth was recorded in Spandau (+23.7 percent), Lichtenberg (+23 percent) and Tempelhof-Schöneberg (+21 percent). Prices only dropped in the top market segment in Marzahn-Hellersdorf (-6.3 percent).

Current price development, condominiums											
Purchase price range, 2016											
District	Number sale offers	Middle market segment ¹⁾ price range in €/m ²				Bottom market segment		Top market segment		All market segments	
		1,000	3,000	5,000	7,000	Median in €/m ²	Change from 2015 in %	Median in €/m ²	Change from 2015 in %	Median in €/m ²	Change from 2015 in %
Charlottenb.-Wilm.	5,938				2,415–5,987	2,012	+20.7	7,312	+18.4	3,713	+9.4
Friedrichsh.-Kreuzb.	3,507				2,545–5,539	2,225	+10.4	6,300	+11.7	3,926	+8.9
Lichtenberg	1,040				1,354–4,345	1,273	+3.3	4,846	+29.7	2,868	+23.0
Marzahn-Hellersd.	352				1,251–3,265	1,106	+2.0	3,517	-6.3	1,917	+15.0
Mitte	3,838				2,157–6,650	1,761	+14.2	7,534	+8.3	4,139	+5.5
Neukölln	1,280				1,642–4,155	1,464	+16.6	4,764	+20.3	2,778	+17.6
Pankow	4,142				2,090–5,032	1,835	+10.1	5,680	+6.5	3,442	+12.9
Reinickendorf	1,280				1,583–3,166	1,403	+20.6	3,588	+0.4	2,251	+12.5
Spandau	1,142				1,264–3,181	1,099	+7.5	3,695	+16.4	1,939	+23.7
Steglitz-Zehlendorf	2,954				1,885–5,002	1,667	+12.7	5,638	+2.9	3,096	+9.0
Tempelhof-Schöneb.	3,143				1,803–5,191	1,630	+19.5	5,776	+12.9	3,119	+21.0
Treptow-Köpenick	2,309				1,613–4,000	1,489	+12.2	4,486	+11.9	2,650	+5.0
Berlin average	30,925				1,824–5,417	1,563	+14.5	6,250	+10.5	3,289	+9.6

1) excl. bottom and top tenth percentile of quotes

Source: CBRE, based on data from empirica-systeme

The already pronounced acceleration of prices for condominiums in 2016 were exceeded, as in the previous year, by the increase of asking prices for apartment buildings. Across all market segments the median asking price rose by 15.7 percent to €2,253 per sq m. Asking prices were highest in Charlottenburg-Wilmersdorf (€2,854 per sq m) and the growth rate was highest in Reinickendorf (+28.8 percent). The price increase for apartment buildings of 4.4 percent in Mitte was comparatively low.



Berlin as investment location

The interest of investors in Berlin as investment location remains high. In 2015, around €3.6 billion were invested in portfolios with more than 50 residential units. In 2016, the investment volume in Berlin amounted to around €3.4 billion, out of €13.7 billion invested across the country. “Germany, and especially Berlin, are still an attractive location for equity-rich global investors,” says **Michael Schlatterer**, Team Leader Market Intelligence at CBRE Germany. “Prices are rising due to the increasing scarcity of supply since landlords are unwilling to put their property onto the market due to the lack of alternative investment opportunities,” explains **Schlatterer**. “Investors are extending their investments in property developments as a result of the increasing shortage of existing properties,” adds **Schlatterer**. In 2015, around €2.3 billion were invested in property developments across Germany, thereof €550 million, or almost a quarter, were transacted in Berlin. According to the most recent survey of CBRE, even somewhat more than one billion euro were invested in property developments in Berlin and a total of around €3.5 billion in Germany as a whole.

The full Housing Market Report is available as a download on the publishers' homepages:

www.cbre.de / www.berlinhyp.de

Further information about Berlin Hyp:

Berlin Hyp specialises in high-volume real estate financing for professional investors and housing companies and provides them with individually tailored finance solutions. As an affiliate of the German savings banks, it also offers these financial institutions a comprehensive range of products and services. Its clear focus, almost 150 years of experience and its close relationship with the Savings Banks Finance Group make Berlin Hyp one of Germany's leading real estate banks and issuers of Pfandbriefe.

www.berlinhyp.de

Further information about CBRE:

CBRE Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, California, is the world's largest commercial real estate services provider (in terms of 2015 revenue). The company has more than 70,000 employees in more than 400 offices worldwide (excluding investment companies and affiliates). CBRE provides real estate services to owners, investors and users of commercial real estate, focusing on capital markets, letting, valuation, corporate services, research, retail, investment management, property and project management as well as building consultancy. CBRE Germany has been headquartered in Frankfurt am Main since 1973 and has branches in Berlin, Dusseldorf, Essen, Cologne, Hamburg, Munich, Nuremberg and Stuttgart. www.cbre.de

Contact partners:

Michael Schlatterer
CBRE GmbH
Team Leader Market Intelligence
+49 30 72 61 54 156
michael.schlatterer@cbre.com

Nicole Hanke
Berlin Hyp AG
Head of Communications & Marketing
+49 30 25 99 91 23
nicole.hanke@berlinhyp.de

Daniel Hosie
Dr. Zitelmann PB. GmbH
+49 40 376 44 508
cbre@zitelmann.com

Follow us on Twitter: [@cbregermany](https://twitter.com/cbregermany)