

PRESS RELEASE

HOUSING MARKET REPORT BERLIN 2018: NO END IN SIGHT TO PRICE UPTREND

- **Asking rents for apartments rise 8.8 percent to €9.79 per sq m and month in 2017**
- **Focus of new construction shifts from condominium segment to rental segment**
- **Further supply shortage and steady price uptrend for condominiums and multi-family housing**
- **Residential investment volume continues to center around the Berlin market**

Berlin, February 15, 2018 – The increase in rents and prices held steady on the Berlin housing market in 2017. Asking rents rose by an average 8.8 percent compared with 5.6 percent in 2016. Consequently, rents advertised in Berlin have currently settled at €9.79 per sq m on average, with a great deal of variation in individual city districts. The purchase prices for condominiums climbed by 12.6 percent to an average of €3,706 per sq m. The findings are the result of the latest Berlin housing market report published jointly once a year by Berlin Hyp AG and global real estate service provider CBRE. The Housing Market Report analyzes current trends on Berlin's housing market and, to this end, evaluates more than 85,000 **rental** housing offers for a total of 190 postcode districts of Berlin. The data density allows even small-scale developments to be observed and reliable results to be achieved.

No end in sight to the dynamic trend

“The most important factor driving rents and prices is Berlin's dynamic development. The population, economic performance and jobs have been on the rise for years – and there is no end in sight,” says **Dr. Henrik Baumunk**, Head of Residential Services at CBRE Germany. “Consequently, there is also no foreseeable end to the uptrend in rents and purchase prices in Berlin”. An increase in the population of more than 60,000 people in 2016 set a new record that was largely attributable to the influx of non-native population and the backlog effect from registering refugees. In the foreseeable future as well, all forecasts indicate further growth for the city. The Senate Administration's latest population prediction assumes an increase of 7.5 percent in the number of residents over the period from 2015 through 2030. Along with demographic

growth, the development of the capital city's economy and the labor market are both also above average. In 2016, the number of gainfully employed in the city rose by 48,800. At the same time, the jobless rate of the city as a whole (annual average) dropped below 10 percent for the first time in decades.

Asking rents rising faster again

In the first three quarters of 2017, average asking rents increased by 8.8 percent to €9.79 per sq m. The rents advertised differ widely in the various districts, mainly influenced by the geographical location: In Friedrichshain-Kreuzberg, Mitte and Charlottenburg-Wilmersdorf, the three districts that take up the largest part of the city center, the average asking rent exceeded €11.00 respectively. Only four districts registered averages below €9.00, all of them to a large extent on the city fringe. In city fringe locations as well, however, asking rents rose across the board as a consequence of the city's general supply shortage.

Current rental development. Rental price range for new lettings, 2017

District	Number of rental offers	Middle market segment ¹ price range in €/m ² /month					Bottom market segment		Top market segment		All market segments			
		4 6 8 10 12 14 16					Median in €/m ² /month	Change from 2016 in %	Median in €/m ² /month	Change from 2016 in %	Median in €/m ² /month	Change from 2016 in %		
		4	6	8	10	12	14	16						
Charlottenb.-W.	4,278							8.18–15.55	7.19	+3.9	17.20	+10.9	11.23	+10.0
Friedrichshain-K.	3,332							8.14–15.60	6.99	+5.7	17.04	+9.6	11.91	+7.9
Lichtenberg	2,291							6.89–11.90	6.25	+5.9	13.05	+6.4	9.10	+7.2
Marzahn-H.	2,364							5.58–10.00	5.30	+1.9	11.10	+11.0	7.34	+9.6
Mitte	5,321							7.61–17.03	6.72	+7.2	18.51	+6.0	11.83	+12.9
Neukölln	2,757							6.74–13.90	6.18	+4.6	15.11	+10.5	9.83	+3.8
Pankow	5,295							7.16–14.21	6.50	+2.2	15.48	+6.9	10.06	+5.1
Reinickendorf	2,383							6.66–11.11	6.21	+6.7	12.41	+15.3	8.62	+9.1
Spandau	3,016							6.00–10.00	5.61	+3.3	11.00	+9.9	7.95	+9.1
Steglitz-Z.	3,410							7.42–12.97	6.99	+7.5	14.07	+7.4	9.80	+5.9
Tempelhof-S.	2,946							6.94–13.51	6.47	+6.4	15.00	+13.6	9.70	+10.2
Treptow-Köpenick	3,723							6.80–11.87	6.35	+5.7	12.51	+4.3	8.98	+10.6
Berlin total	41,125							6.82–14.29	6.17	+5.7	16.00	+10.7	9.79	+8.8

1) Excl. bottom and top tenth percentile of quotes. Source: CBRE, based on data from empirica-systeme

Source: Berlin Hyp & CBRE Housing Market Report Berlin 2018

On balance, 60,466 newcomers to Berlin, i.e. around 30,000 households, juxtapose with only 10,781 finished apartments in 2016, 8,863 of which in multi-storey buildings. The increase in permit figures suggests a higher rate of completion in 2017 that is, however, unable to

accommodate the high influx. “Berlin is attractive, and the influx is big. Residential construction cannot keep up,” says **Gero Bergmann**, member of Berlin Hyp’s Board of Management.

While demand increased, the number of apartments available for rent on the open market declined, with the primary cause likely to be lower fluctuation. “Supply shortage and rapidly increasing asking rents mean that the jump in rent incurred by a move is often especially big, so that this is often a no go,” **Bergmann** says.

Rents also on the rise in surrounding region

Housing providers and prospective tenants have been looking beyond the city boundaries for some time now. The regional capital of Potsdam is the leading residential real estate market in the area surrounding Berlin, in terms of the volume of offers and completions as well as the amount of asking rents. For those moving away from Berlin, Potsdam is therefore not an alternative as far as price is concerned. In 2016, the average asking rent in Brandenburg’s capital was higher than the comparable figure in Berlin and, in 2017, somewhat lower for the first time in many years. By contrast, the purchasing power of Potsdam residents, which averaged €21,874 per resident in 2017, exceeded that of Berlin by 4.3 percent. At the top of the purchasing power league in Greater Berlin is Kleinmachnow (€31,474 per resident) that also takes first place in terms of the asking purchase price of just under €4,000 per sq m for a one/two-family house in the surrounding area of the capital city.

Considerably more rental apartments under construction than condominiums

Following a long period when Berlin’s construction activities were dominated by condominiums, the construction of rental apartments is picking up pace. Of the 267 property developments analyzed for the Housing Market Report, more than half of just under 35,000 units planned are to be built as rental apartments. In fact, this proportion will be even bigger as part of the condominiums being built have been bought for let by buyers. Another important trend is the increase in construction activities by municipal companies. In the case of around 9,600 of the apartments analyzed, they are developing projects themselves or have agreed takeovers by private individuals upon completion.

Half of all the homes planned are to be built in the districts of Mitte, Lichtenberg and Friedrichshain-Kreuzberg. At the same time, Neukölln, Steglitz-Zehlendorf and Reinickendorf altogether account for less than 10 percent of all planned units. The good locations and selling

potential are the key factors determining the boom in the inner city. To the east of the city, there are many large and relatively reasonably priced plots of building land. “Plots on the city fringe to the west are harder to come by as these areas were already more heavily built up at the time of partition,” explains **Michael Schlatterer**, Team Leader Market Intelligence at CBRE in Germany.

New apartment construction: 267 projects in development

District	Projects	Total number of apartments	Total number of condominiums	Total number of rental apartments	Quoted purchase price in €/m ²	Apartment size in m ²
Charlottenb.-W.	24	2,700	1,960	740	3,500–15,200	19–203
Friedrichshain-K.	22	3,390	1,270	2,120	3,100–12,000	24–350
Lichtenberg	32	5,440	1,750	3,690	3,100–7,900	15–175
Marzahn-H.	13	2,650	660	1,990	1,900–4,200	30–180
Mitte	45	8,510	4,040	4,470	3,500–19,800*	19–470*
Neukölln	12	1,100	310	790	3,100–6,500	37–130
Pankow	38	1,980	1,470	510	3,100–7,700	31–201
Reinickendorf	7	670	430	240	3,000–4,800	34–140
Spandau	10	1,930	850	1,080	2,900–6,100	28–201
Steglitz-Z.	17	820	710	110	3,700–11,500*	32–310*
Tempelhof-S.	17	2,020	650	1,370	3,300–9,700	24–256
Treptow-Köpenick	30	3,260	790	2,470	1,600–5,800	27–230
Berlin total	267	34,470	14,890	19,580	1,600–19,800*	19–470*

* Considerably higher in some cases Source: CBRE, own research, as per October 2017

Source: Berlin Hyp & CBRE Housing Market Report Berlin 2018

A look at the latest data shows that the number of completed buildings is also rising steadily. In 2016, for instance, 2.4 units per 1,000 residents were finished in apartment blocks in Berlin compared with only 1.9 units in 2015. A comparison of Germany’s seven largest cities shows that Berlin, along with Cologne, is still bringing up the rear. At 4.5 units per 1,000 residents, the highest number of units in 2016 was built in Frankfurt am Main, along with Munich that was very active with 3.9 units.

Home ownership to become more expensive

Rising prices and growing supply shortage characterized Berlin’s market for condominiums. The average asking price per sq m was 12.7 percent higher in the first three quarters of 2017 than in the previous year and recently settled €3,706. “For owner-occupiers, buying often works out cheaper than paying rent provided that interest on loans remains low and no benefit is derived from an existing favorable rental agreement,” **Bergmann** says. In percentage terms, asking prices in the bottom market segment have risen especially sharply. The price advertised in this segment climbed by 17.2 percent on average, and in some districts by as much as 25 percent and more. A

closer look shows that this growth is less spectacular since the starting point was partly very low and, in absolute amounts, turns out to be lower than the increase on the market as a whole. The supply shortage also impacts prices. During the period under review in 2017, the number of condominiums advertised dropped 12.5 percent below that of the same period in 2016. “Given the lack of investment alternatives and the hope of the value increasing further, many owners are reluctant to sell,” **Baumunk** says. Moreover, several districts in Berlin attempt to limit the change from rental apartments into condominiums through environmental protection bylaws. Ultimately, the emphasis on new construction is shifting away from home ownership towards the rental sector.

Current price development, condominiums. Purchase price range, 2017

District	Number sale offers	Middle market segment ¹ price range in €/m ² /month				Bottom market segment		Top market segment		All market segments	
		1,000	3,000	5,000	7,000	Median in €/m ² /month	Change from 2016 in %	Median in €/m ² /month	Change from 2016 in %	Median in €/m ² /month	Change from 2016 in %
		Charlottenb.-W.	5,066				2,771–6,611	2,373	+17.9	7,560	+3.4
Friedrichshain-K.	3,052				3,022–6,563	2,657	+19.4	7,460	+18.4	4,359	+11.0
Lichtenberg	1,210				1,854–4,704	1,523	+19.7	5,050	+4.2	3,474	+21.1
Marzahn-H.	374				1,539–3,939	1,381	+24.9	4,100	+16.6	2,442	+27.4
Mitte	3,399				2,500–7,645	1,992	+13.2	8,645	+14.7	4,688	+13.3
Neukölln	1,310				2,177–5,169	1,889	+29.0	5,500	+15.4	3,314	+19.3
Pankow	3,272				2,485–5,504	2,181	+18.8	6,250	+10.0	3,874	+12.5
Reinickendorf	1,190				1,807–3,560	1,689	+20.4	3,926	+9.4	2,425	+7.7
Spandau	1,208				1,613–3,643	1,445	+31.5	4,235	+14.6	2,185	+12.7
Steglitz-Z.	2,504				2,286–5,428	1,932	+15.9	6,122	+8.6	3,649	+17.9
Tempelhof-S.	2,750				2,100–5,509	1,837	+12.7	6,314	+9.3	3,514	+12.6
Treptow-Köpenick	1,711				1,812–4,350	1,667	+12.0	4,744	+5.8	2,780	+4.9
Berlin total	27,046				2,100–6,000	1,832	+17.2	6,960	+11.4	3,706	+12.7

1) Excl. bottom and top tenth percentile of quotes Source: CBRE, based on data from empirica-systeme

Source: Berlin Hyp & CBRE Housing Market Report Berlin 2018

Housing cost ratio climbs to 29 percent

The average housing cost ratio (calculated from the average asking rent plus ancillary costs, the average apartment size and the average household purchasing power) stood at 29 percent in Berlin but varies widely depending on the district. Residents in the area of Chausseestraße in the Mitte district report the highest housing cost ratio in the city – almost 50 percent, as opposed to the lowest ratio of 17 percent in Biesdorf in the Marzahn-Hellersdorf district.

The highest housing cost ratio

Postcode	District	Area	Housing cost ratio ¹ in %
10115	Mitte	Chausseestrasse	49.4
10178	Mitte	Hackescher Markt	47.0
10117	Mitte	Unter den Linden	46.6
10179	Mitte	Jannowitzbrücke	45.7
10785	Mitte	Potsdamer Platz	45.6

The lowest housing cost ratio

Postcode	District	Area	Housing cost ratio ¹ in %
12683	Marzahn-H.	Biesdorf	16.7
12681	Marzahn-H.	Bitterfelder Strasse	17.6
12689	Marzahn-H.	Ahrensfelde	18.0
12619	Marzahn-H.	Kaulsdorf-Nord	18.1
12355	Neukölln	Rudow-Süd	18.8

¹) Average asking rent (incl. utilities) in relation to household purchasing power Source: CBRE

Source: Berlin Hyp & CBRE Housing Market Report Berlin 2018

Berlin as a highly desirable investment location

The market for multi-family housing was even more strongly impacted by price increases and supply shortage than the market for condominiums in 2017. On average, parties willing to sell were wanting 16.4 percent more per sq m than in the previous year. In this case as well, the prices demanded and their actual increase are clearly connected with how central the properties are – in the inner-city districts, average asking prices have partly already exceeded the threshold of €3,000 per sq m. While prices increased, supply continued to dwindle overall in 2017. The number of properties advertised in Lichtenberg and Marzahn-Hellersdorf, as well as in centrally located Friedrichshain-Kreuzberg and Spandau, was particularly low. In this instance, the low number of properties on offer only permits limited conclusions to be drawn about the price level and changes.

According to CBRE research, investments upward of 50 residential units were made in an amount of around €3.4 billion in 2016. The volume therefore fell marginally short of the previous year's level of €3.6 billion, although the overall total also includes the former Gagfah portfolio that was taken over by Deutsche Annington (Vonovia). "Even though the record volume of 2016 was just missed, there is no end in sight to the investment boom in the capital city: All in all, around one quarter of the investment volume in Germany was channeled into portfolios upward of 50 units in Berlin. In terms of size, price trend and liquidity, Berlin's housing investment market is unique in Germany, which makes it very attractive for many investors," **Schlatterer** comments. As regards the largest transactions in the first three quarters of 2017, Deutsche Wohnen AG, the ADO Group and the public housing association of the city-state of Berlin were active as buyers, with the latter primarily acquiring property developments.

Current price development, apartment buildings. Purchase price range, 2017

District	Number sale offers	Middle market segment ¹⁾ price range in €/m ²				All market segments		Top and bottom segment: In the apartment building segment, different quality levels and locations have a substantial impact on price development. There were relatively few purchase offers at the district level during the observation period, meaning that in the top and bottom segments, prices and price comparisons with the previous year are not significant. For this reason, they are not represented in this report.
		1,000	3,000	5,000	7,000	Median in €/m ²	Change from 2016 in %	
Charlottenb.-W.	104					1,000–7,143	3,385	+18.6
Friedrichshain-K.	46					1,696–5,368	3,323	+32.7
Lichtenberg	26					–	2,184	+12.0
Marzahn-H.	27					–	2,192	+20.9
Mitte	97					547–4,887	2,667	+29.9
Neukölln	64					2,000–3,559	2,738	+25.3
Pankow	92					1,774–4,133	2,686	+14.9
Reinickendorf	88					978–3,721	2,509	+13.7
Spandau	52					748–2,815	1,943	+6.6
Steglitz-Z.	114					1,506–4,926	2,776	+5.3
Tempelhof-S.	66					1,093–4,138	2,348	+7.0
Treptow-Köpenick	81					1,570–3,716	2,441	+23.9
Berlin total	857					1,170–4,483	2,621	+16.4

¹⁾ Excl. bottom and top tenth percentile of quotes. Source: CBRE, based on data from empirica-systeme

Source: Berlin Hyp & CBRE Housing Market Report Berlin 2018

The full Housing Market Report can be downloaded from the homepage of the publisher: www.cbre.de / www.berlinhyp.de

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