

# P R E S S   R E L E A S E

## **HOUSING MARKET REPORT BERLIN: FURTHER INCREASE IN THE GAP BETWEEN SUPPLY AND DEMAND**

- **Asking rents for apartments increase in 2015 by 5.1 per cent to almost € 9.00 per square metre**
- **Influence of rent control hitherto limited**
- **Slight increase in new apartment build volume fails to meet demand**
- **Burden of housing costs in outskirt locations continues to be moderate, but has increased further in inner-city locations**
- **Strongest rent and price increase in upper market segment and in periphery locations**
- **Condominiums appreciate in value by 10.1 per cent on average**

**Berlin, 27 January 2016** – The influence of rent control measures introduced in the summer has hitherto been limited. Although the increase in asking rents was slightly lower than in the previous year (6.6 per cent), it nevertheless still amounted to 5.1 per cent. 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 advisors CBRE. The Housing Market Report analyses current developments on the Berlin housing market and evaluates more than 110,000 recorded rent offers as well as more than 67,000 advertisements for condominiums for a total of 190 postcode districts of Berlin in the first three quarters of 2014 and 2015. The data density means that even small-scale developments can be recorded and reliable results achieved.

### **Population, economy, income and rents: Berlin continues to grow**

As in preceding years, Berlin's population increased by around 40,000 residents in 2014. In addition to this, an official report of the Senate Administration for Health and Social Affairs shows that 57,500 asylum seekers were registered in 2015 alone, in addition to the unregistered refugees and the regular immigration of workers, students and family members who follow to join them. In Autumn 2015, the Berlin Senate estimated economic growth of 2.2 per cent for 2015, 0.4 per cent above the federal average. The number of employees in jobs subject to social security

contributions increased by 3.1 per cent between mid-2014 and mid-2015. Berlin has outperformed all other German federal states in this development.

“In many spheres, Berlin is now swiftly catching up with other major German cities,” comments **Dr. Henrik Baumunk**, Head of Residential Valuation at CBRE. “Berlin is extremely attractive and is luring a huge number of people into the city. Housing market investors are also profiting from this.” At the same time, there is still further room for future growth. “Berlin is the only city amongst the top seven major cities in Germany in which the purchasing power per capita is below the federal German average. However, if the positive trends in the development of the economy and the labour market continue further, this will enable a housing situation improvement for many people and offer corresponding development opportunities on the housing market,” explains **Baumunk**.

### **Rapid development in Mitte**

A comparison of the individual districts reveals a differentiated picture. There has especially been increased development in the district of Mitte. Around 8,400 of Berlin’s newly registered residents have settled in Mitte, causing the district to grow by 2.4 per cent. There was more new construction in Mitte than in any other Berlin district, both in terms of building permits and of completed apartments. If single- and two-family homes are included in the calculation, the district of Pankow accounts for the highest number of new homes. One reason for this is the already very dense construction in large parts of several inner-city districts, including, for example, Charlottenburg-Wilmersdorf and Friedrichshain-Kreuzberg.

### **Market differences in rent increases between the districts**

There were considerable differences between the districts as regards asking rents, which increased on average by 5.1 per cent in Berlin. Mitte (+7.0 per cent), Friedrichshain-Kreuzberg and Reinickendorf (+5.9 per cent each) are the three districts with the highest percentage growth, whereas Lichtenberg (+0.9 per cent), Charlottenburg-Wilmersdorf (+1.8 per cent) and Marzahn-Hellersdorf (+2.4 Prozent) recorded the lowest. “For one thing, the strong growth in Mitte is based on the continuing popularity of Mitte, Wedding and Tiergarten, which is evidenced by the considerable growth in population figures,” says **Gero Bergmann**, Member of the Board of Management of Berlin Hyp. “Another reason is the large number of new construction projects in Mitte, which tend to involve higher rents.” The Housing Market Report also shows differences

between the top and bottom market segments. It becomes clear that asking rents in the top market segment have increased more than those in the bottom market segment in almost all districts. Neukölln and Spandau are the only districts excluded from this.

**Current rental development**  
Rental price range for new lettings, 2015

District	Number of rental offers	Middle market segment <sup>1)</sup> price range in €/m <sup>2</sup> /month					Bottom market segment		Top market segment		All market segments			
		4	6	8	10	12	14	16	Median in €/m <sup>2</sup> /month	Change from 2014 in %	Median in €/m <sup>2</sup> /month	Change from 2014 in %	Median in €/m <sup>2</sup> /month	Change from 2014 in %
Charlottenb.-Wilm.	5,444							7.47 – 14.47	6.71	1.2	16.00	4.2	10.00	1.8
Friedrichsh.-Kreuzb.	4,833							7.69 – 15.91	6.67	2.9	18.00	3.5	11.00	5.9
Lichtenberg	2,618							6.16 – 11.33	5.78	5.1	12.57	8.7	8.05	0.9
Marzahn-Hellersd.	2,747							5.20 – 8.50	4.98	4.8	9.42	7.0	6.10	2.4
Mitte	6,784							6.89 – 16.00	6.11	4.3	18.00	9.0	10.70	7.0
Neukölln	3,297							6.17 – 14.29	5.71	3.3	16.36	2.8	8.78	3.3
Pankow	5,940							6.85 – 14.00	6.14	4.0	16.00	5.5	9.47	4.9
Reinickendorf	2,388							5.98 – 10.18	5.51	3.8	11.67	11.1	7.50	5.9
Spandau	2,757							5.65 – 9.32	5.28	8.4	10.54	8.0	7.00	3.7
Steglitz-Zehlendorf	3,495							6.70 – 12.22	6.06	-0.8	13.48	3.7	8.92	4.0
Tempelh.-Schöneb.	3,697							6.48 – 13.55	5.98	1.9	15.66	8.1	8.91	5.2
Treptow-Köpenick	3,602							6.19 – 10.53	5.65	2.7	11.67	5.0	7.77	4.9
Berlin average	47,602							6.17 – 14.00	5.61	2.0	15.91	5.7	8.99	5.1

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

### New activity is increasing

The Report is based on the analysis of 240 new housing construction projects which are due to provide a total of more than 22,000 apartments in the forthcoming years, of which almost 40 per cent will be rental apartments. The districts differ considerably as regards volume. Whereas only 220 apartments are being developed in Marzahn-Hellersdorf, 270 in Reinickendorf and 550 in Tempelhof-Schöneberg, the number of planned apartments in Treptow-Köpenick amounts to 3,300, in Lichtenberg to 3,650 and in Mitte to 4,870. “In view of the normal population increase and the refugee situation, we will need a further clear increase in housing construction in future,” **Bergmann** explains. “The development of a sufficiently high number of new projects has already been urgently necessary for years and has become even more pressing in view of current developments in order to meet constantly increasing demand.”

New apartment construction: 240 projects in development						
District	Projects	Projects with rental apartments	Total number of apartments	Quoted rents in €/m <sup>2</sup> /month	Quoted purchase price in €/m <sup>2</sup>	Apartment size in m <sup>2</sup>
Charlottenburg-Wilmersdorf	31	1	1,960	— <sup>1)</sup>	3,060–14,630	21–490
Friedrichshain-Kreuzberg	26	6	2,620	6.50–14.00	2,450–8,000	29–275
Lichtenberg	21	7	3,650	e.g. from 7.50	1,480–4,270	52–280
Marzahn-Hellersdorf	3	1	220	— <sup>1)</sup>	from 1,500	30–150
Mitte	35	11	4,870	6.50–15.00	3,300–15,000 <sup>2)</sup>	30–570
Neukölln	9	4	630	e.g. 9.00–10.00	2,900–4,000	38–200
Pankow	34	8	1,750	6.50–11.35	2,580–7,120	30–227
Reinickendorf	4	1	270	20% at 6.50	2,800–4,900	40–250
Spandau	6	2	1,050	— <sup>1)</sup>	2,670–4,500	40–120
Steglitz-Zehlendorf	19	4	1,400	11.00–15.00	3,200–7,560	25–300
Tempelhof-Schöneberg	11	1	550	avg. 7.60	2,700–7,000	35–270
Treptow-Köpenick	41	18	3,300	6.50–12.00	1,600–6,600	29–232
Berlin total	240	64	22,270	6.50–15.00	1,480–15,000	21–570

<sup>1)</sup> Rents not yet released   <sup>2)</sup> considerably higher in some cases

Source: CBRE, own research

### Residential property ownership is becoming more expensive, especially on the outskirts

In 2015, the average asking price for condominiums increased by 10.1 per cent to € 3,000 per square metre. Percentage growth was therefore almost twice as high as for average asking rents. The highest percentage growth was recorded in Steglitz-Zehlendorf, at 16.3 per cent.

Current price development, condominiums											
Purchase price range, 2015											
District	Number sale offers	Middle market segment <sup>1)</sup> price range in €/m <sup>2</sup>				Bottom market segment		Top market segment		All market segments	
		1,000	3,000	5,000	7,000	Median in €/m <sup>2</sup>	Change from 2014 in %	Median in €/m <sup>2</sup>	Change from 2014 in %	Median in €/m <sup>2</sup>	Change from 2014 in %
Charlottenb.-Wilm.	6,273				2,092–5,420	1,667	12.9	6,175	12.0	3,393	8.4
Friedrichsh.-Kreuzb.	3,677				2,296–4,950	2,016	13.5	5,640	12.8	3,604	10.2
Lichtenberg	1,028				1,310–3,391	1,233	7.9	3,736	3.4	2,331	-4.2
Marzahn-Hellersd.	399				1,194–3,400	1,085	58.4	3,753	25.3	1,667	11.1
Mitte	3,989				1,877–6,050	1,542	8.5	6,957	12.5	3,921	7.6
Neukölln	1,154				1,400–3,506	1,256	12.1	3,960	18.2	2,362	13.4
Pankow	4,190				1,863–4,632	1,667	11.1	5,333	15.9	3,049	5.9
Reinickendorf	1,069				1,318–3,152	1,163	11.5	3,573	1.1	2,000	8.2
Spandau	1,096				1,100–2,709	1,022	7.2	3,174	0	1,567	12.8
Steglitz-Zehlendorf	2,999				1,730–4,792	1,478	17.2	5,479	16.4	2,840	16.3
Tempelh.-Schöneb.	2,943				1,551–4,465	1,364	11.3	5,115	27.7	2,578	14.9
Treptow-Köpenick	2,262				1,456–3,621	1,327	13.2	4,010	9.9	2,524	6.5
Berlin average	31,079				1,588–4,985	1,365	10.1	5,659	13.2	3,000	10.1

<sup>1)</sup> excl. bottom and top tenth percentile of quotes

Source: CBRE, based on data from empirica-systeme

The increase in the average asking price per square metre for apartment buildings increased even more significantly than for condominiums, increasing by 18.5 per cent in 2015. The number of apartment buildings on offer dropped considerably from 1,511 in 2014 to 930 in 2015. Sellers in

Charlottenburg-Wilmersdorf and Steglitz-Zehlendorf set the highest asking prices, averaging € 2,410 and around € 2,260 per square metre respectively.

**Current price development, apartment buildings**  
Purchase price range, 2015

District	Number sale offers	Middle market segment <sup>1)</sup> price range in €/m <sup>2</sup>			All market segments Median in €/m <sup>2</sup>	Change from 2014 in %
		1,000	3,000	5,000		
Charlottenb.-Wilm.	114	1,277 – 4,688			2,410	8.6
Friedrichsh.-Kreuzb.	59	1,599 – 3,500			2,222	15.8
Lichtenberg	46	1,000 – 2,095			1,553	16.8
Marzahn-Hellersd.	22	1,422 – 2,543			1,720	3.6
Mitte	84	786 – 3,550			1,968	28.1
Neukölln	47	1,201 – 2,785			1,941	40.7
Pankow	121	1,200 – 3,263			2,003	14.7
Reinickendorf	83	1,224 – 2,750			1,714	13.9
Spandau	49	1,092 – 2,131			1,437	10.5
Steglitz-Zehlendorf	106	1,213 – 3,921			2,256	8.1
Tempelh.-Schöneb.	86	1,449 – 2,781			1,967	18.5
Treptow-Köpenick	113	976 – 2,747			1,818	34.5
Berlin average	930	1,200 – 3,306			1,947	18.5

1) excl. bottom and top tenth percentile of quotes

Source: CBRE, based on data from empirica-systeme

### Detailed analysis in housing cost atlas

In addition to purchasing power and prices per square metre, apartment sizes and ancillary costs are relevant. The interrelation between the indicating factors makes the calculation of the housing cost ratio possible, showing the percentage of household purchasing power which has to be spent on housing on average in case of new letting. “For the sake of simplicity, the Berlin housing market can be divided into three types of area,” explains **Michael Schlatterer**, Residential Valuation Team Leader at CBRE. “City and villa locations with high purchasing power and a high housing cost ratio, trendy neighbourhoods in which the housing cost ratio is high but the purchasing power low, and finally the city outskirts which are characterised by average purchasing power and low housing cost ratios. In the Hackescher Markt quarter, households pay an average of 47.3 per cent of their income for housing when they sign a lease. The opposite situation arises in Marzahn-Hellersdorf, where asking rents are in some cases below € 6 per square metre and the housing cost ratio is relatively low, almost always less than 20 per cent.”

**Refugee influx: unclear influences on the housing market**

It is undisputed that the refugees who arrived in Berlin in 2015 present the city with an enormous challenge, amongst other things with regard to accommodation. However, the medium- to long-term influence of this on the housing market currently cannot be assessed with certainty, because it remains unclear how many refugees will actually continue to be resident in Berlin and to what extent families will follow to join them. It is also doubtful to what extent the Königstein Key can continue to be practicably applied to the distribution of refugees.

Rent control is currently considered to have an insignificant influence. “Although rents are increasing slightly more slowly than last year, this is mainly due to developments other than rent control,” says **Baumunk**. “The reason is rather that tenants have reached the limits of their ability and willingness to pay, resulting in a decline in fluctuation. Berliners are moving less frequently and there is again increasing migration to the surrounding areas of Brandenburg.”

**Berlin as a reliable investment location**

“The stable growth of the local economy and the population secures Berlin’s attractiveness as an investment location,” explains **Bergmann**. “In addition to inner-city districts, ordinary locations and large housing estates on the outskirts of the city are increasingly becoming attractive. This is also reflected in significant price increases in these locations.” Overall, the Berlin Committee of Experts (Gutachterausschuss Berlin - GAA) reports average price increases in excess of 10 per cent for residential and commercial rental buildings. In addition, the GAA also registered a decline in the monetary sales volume and the number of properties sold. The main reason for this is that real estate supply in attractive locations is becoming increasingly scarce.

“We recorded portfolio transactions to the value of € 3.6 billion for Berlin,” comments **Schlatterer**. “This accounts for around 15 per cent of the transaction volume in Germany.” The types of investors are very diverse: in addition to listed companies with their existing portfolios, there are also real estate special funds and family offices investing in existing real estate. Pension funds, insurance companies and the companies owned by the State of Berlin currently tend to concentrate on new construction projects. Strong demand means that a further price increase is likely.

The full Housing Market Report is available as a download on the publishers' homepages:  
[www.cbre.com](http://www.cbre.com) / [www.berlinhyp.de](http://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. Headquartered in Berlin, it has branches in Dusseldorf, Frankfurt am Main, Hamburg and Munich as well as representative offices in selected international locations. [www.berlinhyp.de](http://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 2014 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](http://www.cbre.de)

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