

Residential City Profile

Berlin | 2nd half of 2017
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Berlin



Socio-economic trends Berlin

2nd half of 2017

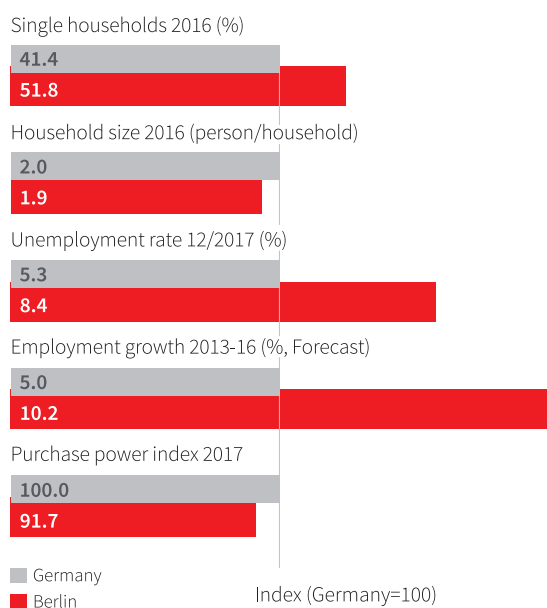
Population and households 2016							
District	Population				Households		
	Total	Development since 2011 (%)	Migration balance*	Natural population growth*	Total	Development since 2011 (%)	Single-person households (%)
Mitte	371,407	11.5	12,752	1,412	212,349	n/a	60.8
Friedrichshain-Kreuzberg	281,323	6.0	5,955	2,007	164,719	n/a	61.4
Pankow	397,406	8.9	4,655	1,657	214,895	n/a	52.0
Charlottenburg-Wilmersdorf	336,249	6.8	7,935	-300	182,509	n/a	54.4
Spandau	239,942	8.7	4,263	-368	124,387	n/a	48.3
Steglitz-Zehlendorf	304,086	3.5	3,014	-773	152,014	n/a	46.1
Tempelhof-Schöneberg	346,108	5.1	6,614	386	183,535	n/a	51.5
Neukölln	327,522	4.6	2,107	740	169,842	n/a	52.7
Treptow-Köpenick	259,524	7.5	3,343	-42	134,622	n/a	45.7
Marzahn-Hellersdorf	262,015	5.1	-151	352	132,847	n/a	41.8
Lichtenberg	283,121	10.5	5,242	607	159,506	n/a	51.2
Reinickendorf	261,919	7.0	3,485	-351	133,032	n/a	46.7
Berlin	3,670,622	7.1	59,214	5,327	1,964,258	n/a	51.8

* Net migration is the difference between inward and outward migration – natural balance is the difference between the number of births and deaths.

Population growth expected to slow down

While the population of Berlin grew by more than 60,000 in 2016, population figures for the first half of 2017 point to a moderate slowdown in the upward trend. Although the tendency towards increasing birth rates with a resulting rise in natural population balance continued, the influx of new arrivals to Berlin was significantly less in the first half of the year with a population growth of just 18,500. It had been well in excess of 20,000 in the preceding years. Assuming this population trend continued throughout the second half of 2017, the full year growth would still likely remain under 40,000, which is well below the average of 47,000 new arrivals p.a. in the years since 2011. This weaker population growth is partly due to the decreased influx of refugees and particularly to the lower level of inward migration of people arriving to work from other European countries. The overall improvement in economic conditions across Europe has decreased the motivation for people to migrate.

Economy and demographics by comparison



Housing Market in Berlin

2nd half of 2017

Stock data 2016						
District	Residential buildings		Housing units		Housing completions*	
	Total	Multi-family buildings (%)	Total	Development since 2011 (%)	Total	thereof in multi-family dwellings
Mitte	13,139	93.9	194,023	3.2	2,022	2,019
Friedrichshain-Kreuzberg	9,585	95.9	150,177	3.0	801	801
Pankow	36,709	44.3	214,136	4.1	1,395	1,163
Charlottenburg-Wilmersdorf	17,860	73.7	183,897	1.4	410	400
Spandau	27,851	32.5	118,602	1.3	201	96
Steglitz-Zehlendorf	40,519	37.4	156,696	1.9	1,019	805
Tempelhof-Schöneberg	28,539	49.2	181,149	0.6	262	189
Neukölln	27,875	38.7	162,842	0.7	296	196
Treptow-Köpenick	37,071	31.4	138,723	5.4	2,252	1,986
Marzahn-Hellersdorf	31,124	22.5	134,887	2.3	460	75
Lichtenberg	16,789	56.2	150,845	3.6	1,178	920
Reinickendorf	35,583	28.6	130,540	1.2	485	386
Berlin	322,644	42.8	1,916,517	2.4	10,781	9,036

* Completions of units through new buildings

Berlin housing policy is having a negligible effect to date

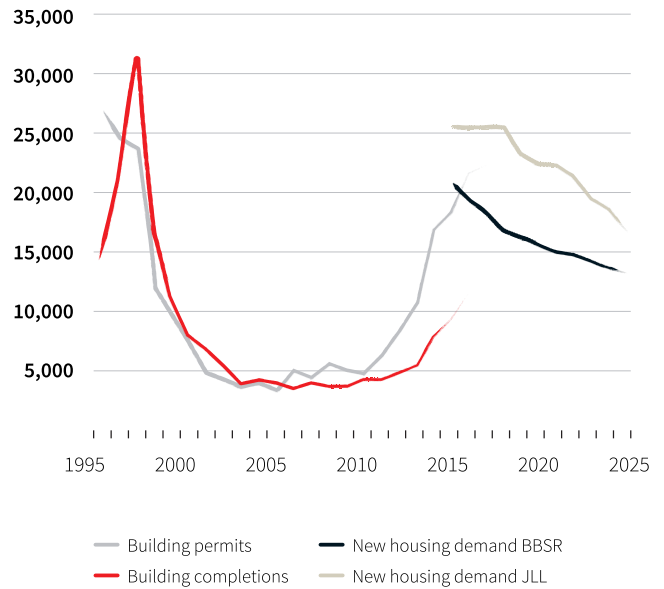
The six state-owned municipal housing companies in Berlin are currently planning and constructing approximately 37,000 additional apartments, which are scheduled for completion over the next five years. Around a third of the targeted new residential completions of 20,000 p.a. will be provided by the public sector. The red-red-green Senate has mandated the public-sector companies to construct at least 50% of their new-build projects as social housing to be made available at a maximum rent of €10.00/sqm/month. This makes the economic feasibility of new-build projects increasingly difficult, even for the state's own housing companies. Two thirds of all new-builds are developed by private investors. These find the current housing construction policy less investor-friendly and therefore Berlin cannot fully realise its new-build potential at present, despite the significant appeal of its residential property market for inves-

tors. Instead of new-builds, for many players there is an economically more attractive investment scenario in releasing the potential offered by existing buildings in the form of refurbishments, adding extra floors and increasing development density onsite. The Senate is meanwhile attempting to prevent the transformation of rental apartments to condominium apartments by designating new conservation areas. This has only prevented a small number of conversions to date. More than a fifth of these apartments are located in conservation areas, where they may only be sold as condominium apartments after a period of 7 years. Rising purchase prices will also serve to drive the number of conversions. However, politicians must also consider the fact that condominium apartments produce a fragmented ownership structure and a considerable proportion of these will subsequently be offered for reletting at a later date.

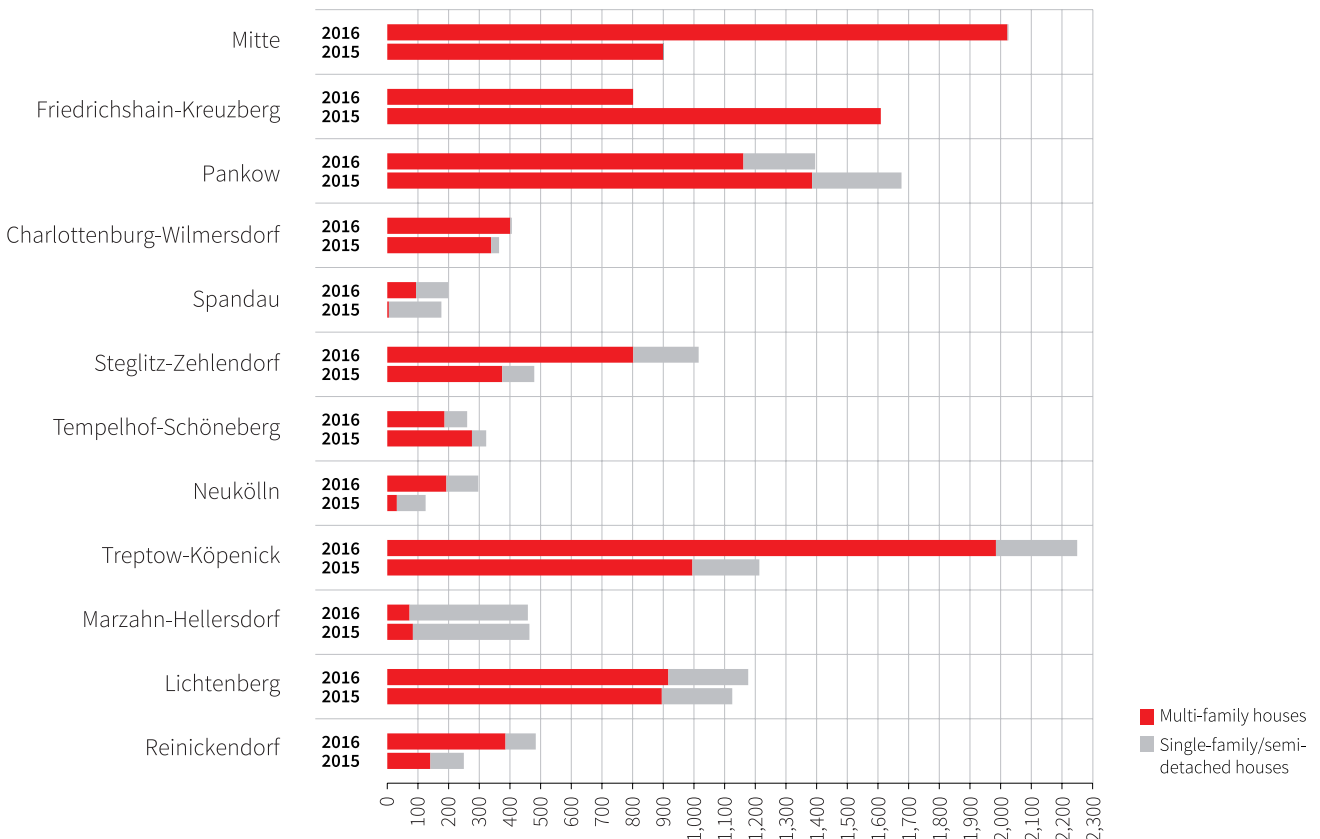
Still just a marginal increase in the number of building permits

It is expected that the number of permits for new-build apartments granted in 2017 was around 22,000, which is a new high point in the current development cycle. However, this is only a marginal increase compared to the previous year. Due to the increasing scarcity of zoned development land in Berlin and the resulting increase in land prices, there is unlikely to be a further increase in the number of new building permits in the foreseeable future. By contrast, the number of completions increased noticeably in 2017, and a further increase is expected for 2018 which is likely to subdue rental growth. Nonetheless, the demand for rental apartments will not be satisfied over the next few years, as there is a requirement in the market for significantly more than 20,000 new residential units p.a. over the coming years.

Housing supply and demand for new buildings



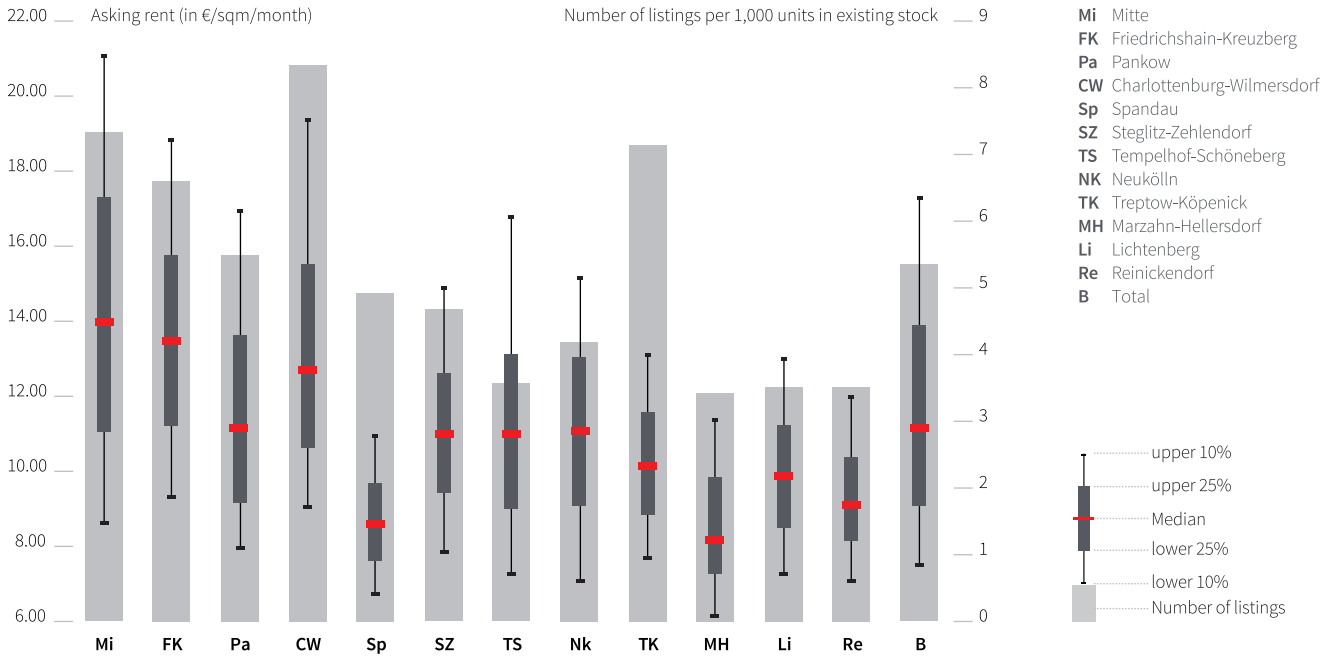
Residential building completions 2015 and 2016



Rental Housing Market in Berlin

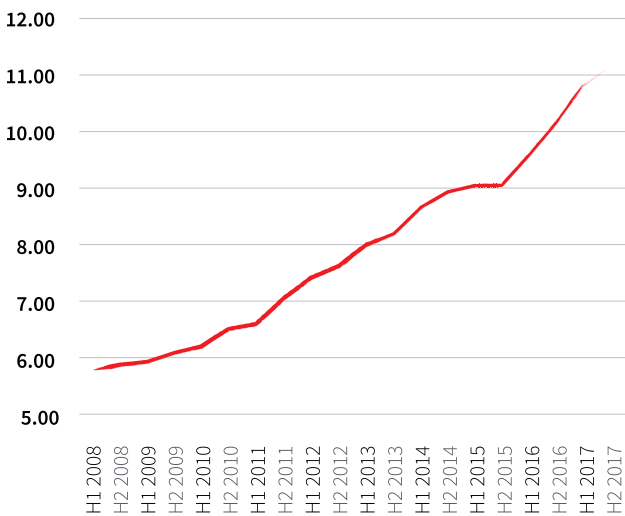
2nd half of 2017

Rental price bands for offered apartments



Development of rental prices

Median in €/sqm/month



More subdued upswing in the rental market

Asking rents in Berlin grew by 9.1% year-on-year to their current level of €11.10/sqm/month in the second half of 2017. This is a slower half-year growth rate than in the preceding half years. Rents have risen by 2.8% since mid-year 2017, compared to the approximately 6.0% p.a. over the last three half years. Nonetheless, rental growth is still in excess of the average of 2.3% p.a. over the entire period under review since 2004. In view of the current slowdown in population growth and the increased supply of apartments, there may now be slower medium-term growth rates than in the past, but these will still exceed the inflation rate.

Rental price bands for offered apartments (2nd half of 2017 in €/sqm/month)

District	All apartments				New build (since 2013)	
	10%	Median rent* (50%)	Development since H2 2016 in %	90%	Median rent* (50%)	Development since H2 2016 in %
Mitte	8.65	13.95	7.7	21.05	16.75	2.5
Friedrichshain-Kreuzberg	9.30	13.45	6.5	18.85	14.90	6.5
Pankow	7.95	11.10	1.6	17.00	11.55	-6.9
Charlottenburg-Wilmersdorf	9.10	12.65	7.4	19.40	15.50	6.2
Spandau	6.80	8.55	9.8	11.00	9.90	-9.4
Steglitz-Zehlendorf	7.90	11.00	9.2	14.90	13.05	2.4
Tempelhof-Schöneberg	7.30	10.95	8.7	16.80	10.65	-21.6
Neukölln	7.10	11.05	9.4	15.15	11.10	5.9
Treptow-Köpenick	7.75	10.15	10.5	13.10	11.50	3.8
Marzahn-Hellersdorf	6.15	8.15	11.5	11.40	10.20	-12.1
Lichtenberg	7.25	9.85	7.4	13.05	10.65	-2.1
Reinickendorf	7.10	9.10	6.7	12.00	11.35	6.0
Berlin	7.55	11.10	9.1	17.30	13.00	-1.4

* Median rent: 50 per cent of the listings are above 50 per cent below this figure

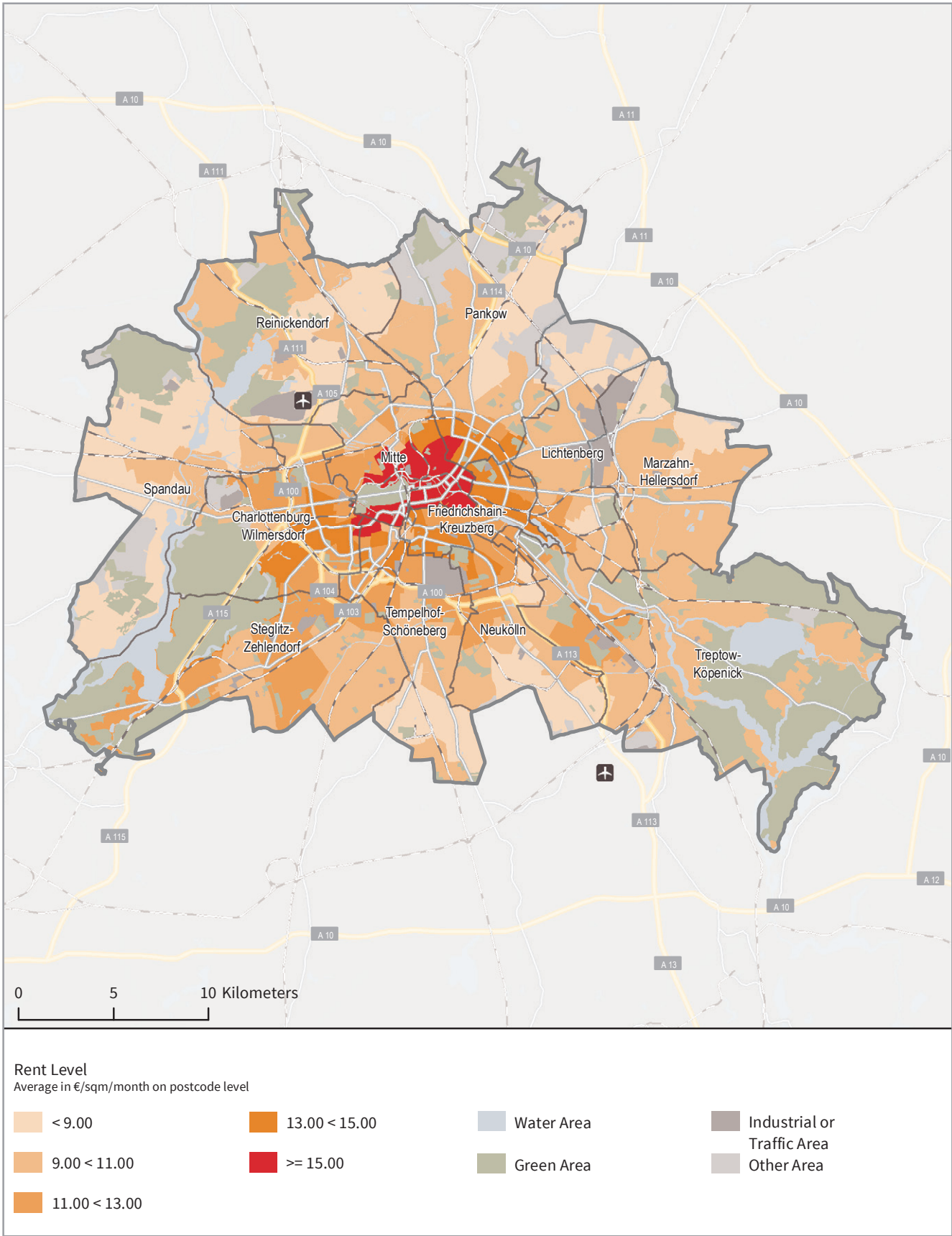
Greatest rental growth due to a shift of focus and catch-up effects

The weakest year-on-year rental growth in the second half of 2017 (approximately 7.0%) was in the lowest rental price category (10th percentile). For the first time in many years, there were even slight decreases in rents in the lowest price category over the second half of the year in the districts of Mitte and Friedrichshain-Kreuzberg, and in Lichtenberg and Reinickendorf. Together with the district of Pankow, these areas also experienced below-average year-on-year growth rates of between 2.0% and 8.0% in the mid-priced category (median) over the current half year. Looking at the growth rates over the second half of the year compared to the first, there were marginal increases of between 0.4% and 2.1%, which confirms the slowdown in the upward trend in several districts. However, there are still areas with high half year growth rates of 5.0%+, including Spandau, Steglitz-Zehlen-

dorf, Tempelhof-Schöneberg and Treptow-Köpenick. This confirms the shift of attention amongst potential tenants to apartments in less expensive districts, and the catch-up effect on rents in good locations which had previously experienced lower rental growth than central locations. The rent for new-build apartments completed since 2013 has fallen marginally by 1.4% to €13.00/sqm/month due to an increased supply of affordable apartments provided by municipal housing companies, and newly completed apartments in decentralised and more reasonably priced locations within the various districts. For example, rents for new-build apartments continued to rise to between €15.00 and €17.00/sqm/month in the districts of Mitte, Charlottenburg-Wilmersdorf and Friedrichshain-Kreuzberg with their predominantly centrally-located and expensive neighbourhoods.

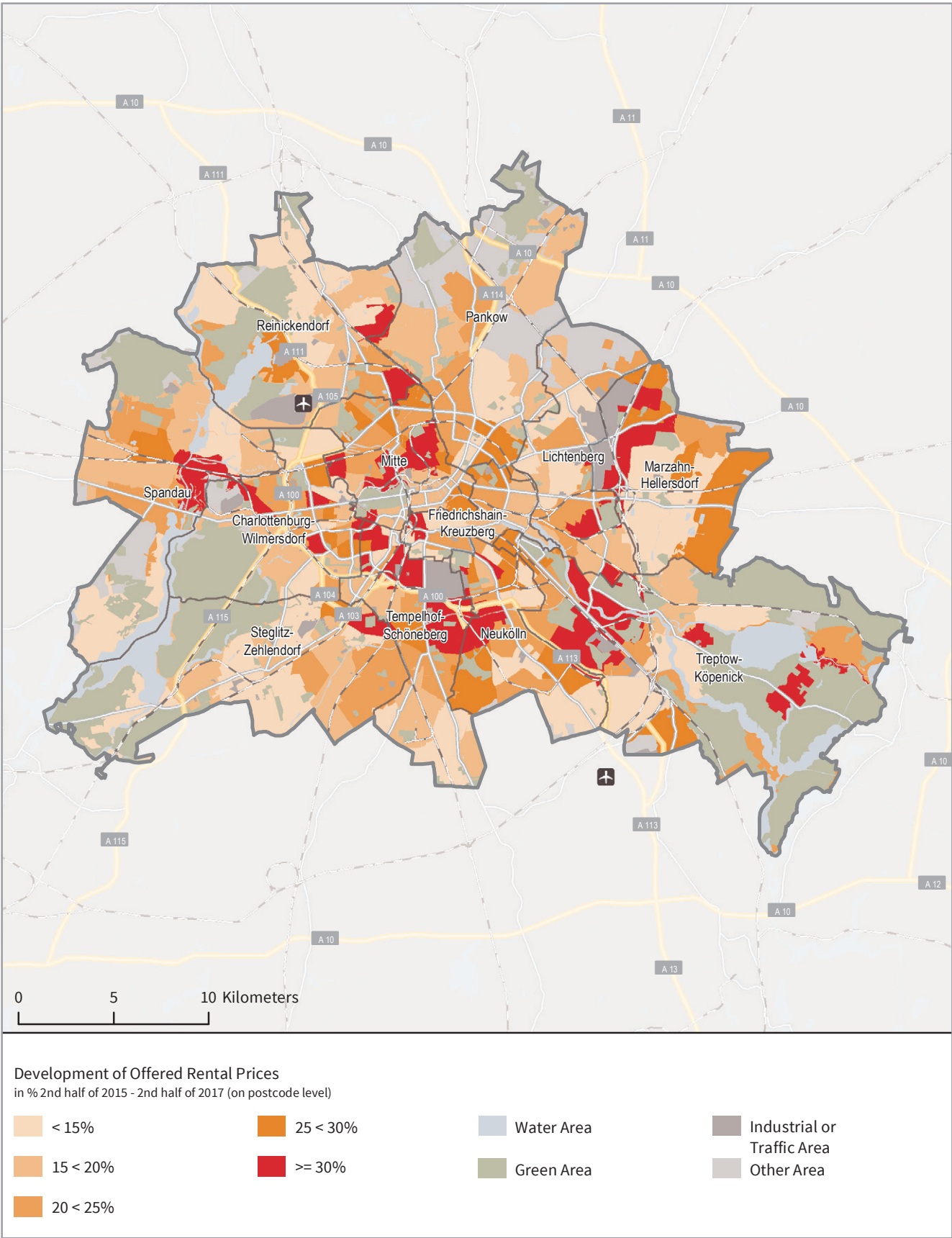
The residential property market Berlin

Asking rental prices in the second half of 2017



The residential property market Berlin

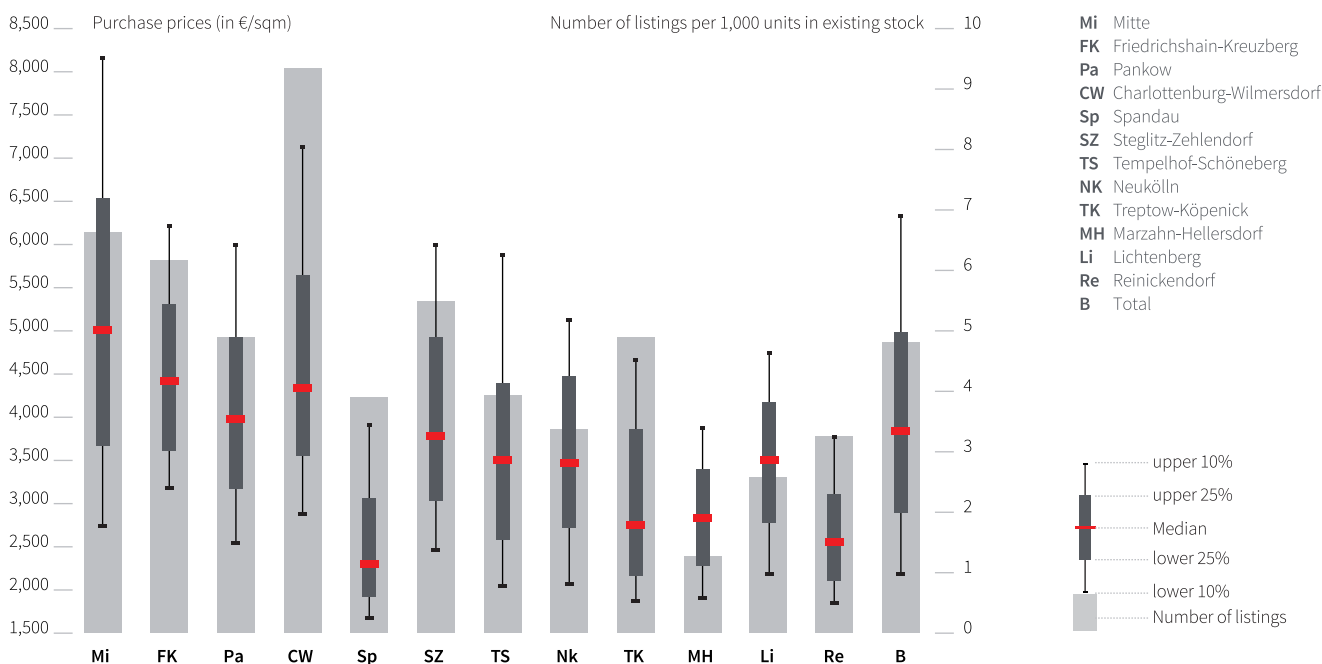
Development of asking rental prices between 2015 and 2017



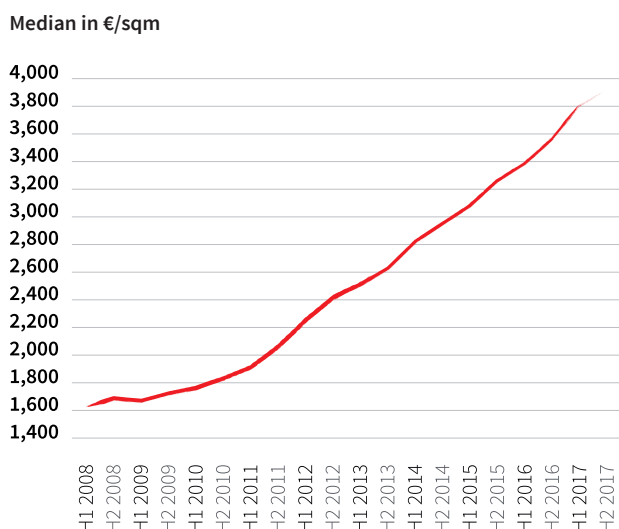
Condominium Market in Berlin

2nd half of 2017

Purchase price bands for condominiums



Development of purchase prices



Moderate slowdown in purchase price growth for condominium apartments

Purchase price growth for condominium apartments in the second half of 2017 was slightly weaker than in the preceding half years. However, the growth rate is still 9.1% year-on-year with an asking price of around €3,840/sqm. This equates to an increase of €110/sqm or 2.9% compared to the first half of the year. The upward trend in Berlin has slowed down slightly to just below the long-term half year average of 3.2%. However, the current purchase price growth is the weakest of all half years since 2010. It remains to be seen whether this is just an interim phase of reduced growth rates or whether the expected long-term slowdown in growth rates is imminent. For the time being however, Berlin is still the city with the highest purchase price growth rates for condominium apartments since 2008.

Purchase price bands for condominiums (2nd half of 2017 in €/sqm)

District	All apartments				New build (since 2013)	
	10%	Median price* (50%)	Development since H2 2016 in %	90%	Median price* (50%)	Development since H2 2016 in %
Mitte	2,740	4,990	9.1	8,180	6,560	17.1
Friedrichshain-Kreuzberg	3,190	4,410	9.1	6,230	5,680	15.6
Pankow	2,550	3,980	11.7	6,000	4,630	7.0
Charlottenburg-Wilmersdorf	2,880	4,330	5.6	7,140	6,290	16.7
Spandau	1,690	2,300	9.8	3,920	3,770	-0.5
Steglitz-Zehlendorf	2,460	3,770	14.2	6,010	5,420	5.7
Tempelhof-Schöneberg	2,050	3,490	4.7	5,890	5,240	-3.7
Neukölln	2,080	3,460	15.7	5,140	4,980	25.7
Treptow-Köpenick	1,890	2,760	0.9	4,670	4,350	32.4
Marzahn-Hellersdorf	1,900	2,830	28.4	3,900	3,300	10.8
Lichtenberg	2,180	3,510	-0.5	4,740	4,170	1.9
Reinickendorf	1,850	2,550	9.1	3,770	3,850	5.1
Berlin	2,190	3,840	9.2	6,330	5,310	11.9

* Median rent: 50 per cent of the listings are above 50 per cent below this figure

Above-average purchase price increases in the lower half of the market and the new-build segment

The current slowdown in the upward trend in Berlin is due in part to a reduction in the supply of expensive apartments. In contrast to other cities, the overall number of apartments available on the market has continued to fall dramatically and there are now around a quarter fewer apartments on offer than in the same period in 2016. However, the slowdown is also due to the lower price increase of 1.5% in the prime segment (90th percentile) compared to the first half of the year, which can be partly blamed on a lower growth in prices for new-build apartments. There was an above-average price increase in the lower half of the market over the last six months. The highest year-on-year increase of 25% across all price categories was observed in the relatively affordable district of Marzahn-Hellersdorf. However, there were not necessarily above-average price increases

in all reasonably priced areas. Asking prices fell marginally in Lichtenberg where they had risen significantly over the preceding half years. In Treptow-Köpenick, the weak price increase is due to the lack of supply of new-build apartments, which are typically priced at much higher levels than existing apartments in the same district. By contrast, there have been some significant purchase price increases for new-build apartments in peripheral locations. Condominium apartments in new-build projects are very rarely offered at prices below €4,000/sqm, even in peripheral submarkets. The highest price increases for new-build apartments were observed in the Treptow-Köpenick and Neukölln districts, where prices have risen by up to a third within one year due to increasingly highly-priced apartments on offer in the market.

Division of Berlin districts and areas

District	Area
Mitte	Hansaviertel, Tiergarten, Moabit, Gesundbrunnen, Wedding, Mitte
Friedrichshain-Kreuzberg	Friedrichshain, Kreuzberg
Pankow	Prenzlauer Berg, Weißensee, Blankenburg, Heinersdorf, Karow, Pankow, Blankenfelde, Buch, Französisch Buchholz, Rosenthal, Wilhelmsruh
Charlottenburg-Wilmersdorf	Charlottenburg, Charlottenburg-Nord, Grunewald, Halensee, Schmargendorf, Westend
Spandau	Spandau, Haselhorst, Siemensstadt, Wilhelmstadt, Gatow, Kladow, Hakenfelde, Falkenhagener Feld, Staaken
Steglitz-Zehlendorf	Dahlem, Düppel, Lankwitz, Lichterfelde, Nikolassee, Schlachtensee, Steglitz, Südende, Wannsee, Zehlendorf
Tempelhof-Schöneberg	Schöneberg, Friedenau, Mariendorf, Marienfelde, Lichtenrade
Neukölln	Neukölln, Britz, Buckow, Rudow, Gropiusstadt
Treptow-Köpenick	Alt-Treptow, Plänterwald, Baumschulenweg, Johannisthal, Niederschöneweide, Altglienicke, Adlershof, Bohnsdorf, Oberschöneweide, Köpenick, Friedrichshagen, Rahnsdorf, Grünau, Müggelheim, Schmöckwitz
Marzahn-Hellersdorf	Marzahn, Hellersdorf, Biesdorf, Kaulsdorf, Mahlsdorf
Lichtenberg	Malchow, Wartenberg, Falkenberg, Neu Hohenschönhausen, Alt-Hohenschönhausen, Fennpfuhl, Alt-Lichtenberg, Rummelsburg, Friedrichsfelde, Karlshorst
Reinickendorf	Frohnau, Heiligensee, Hermsdorf, Lübars, Konradshöhe, Märkisches Viertel, Reinickendorf, Tegel, Waidmannslust, Wittenau

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