
2017 IBB Housing Market Report

Summary

Foreword

Berlin is a very special city with a diversity that must be preserved and nurtured long into the future. To achieve this, it is essential that tenants be protected and real-estate speculation combated so that the city can continue to offer a high quality of life for everyone who lives here. It is the good living and housing conditions in the city that have earned Berlin its good reputation around the globe.

The challenges that face housing policy in Berlin are manifold and should not be merely measured by the number of new homes built. What Berlin needs is a housing policy tailored to the city's needs. The key parameters for this policy are the affordability and suitability of housing as well as the provision of social, medical and cultural infrastructures. This calls for smart concepts if we are to make the best possible use of the limited space and buildings available. In view of the lack of publicly owned space, the Federal State of Berlin now needs a land acquisition strategy. The necessary financial groundwork has already been laid. The lack of space requires taking a closer look at the metropolitan area of Berlin-Brandenburg. The capital city region should now be systematically developed along the existing settlement axes - a development that would benefit Brandenburg too. The key topic in the following report focuses on the links between the city and the greater Berlin area.

In recent years, the volume of construction carried forward was in the range of 50,000 building permits. What we now need to do is to build housing quickly because speculators also have their eyes set on properties that are ready for development. To counteract this in future, preliminary planning permissions and building permits will be valid for only two rather than three years and approved buildings are to be completed within a period of six years. Other measures designed to accelerate needs-based new housing construction were already launched in 2018: A three-stage decision process was set up to accelerate housing construction, the district alliances for new housing construction and tenant support in Berlin were signed for the period from 2018 to 2021 and social housing support was improved at the beginning of the year. What's more, there are plans to introduce a new funding segment for co-operatives for social housing as well as public funding for housing refurbishment.

Last year, a new co-operation agreement entitled "Affordable rents, new housing construction and social housing" was entered into with the federal state's own housing associations. At the same time, Berlin is promoting these housing associations by making publicly owned properties available to the associations. This is encouraging the public housing associations to invest more in urgently needed, affordable housing.

Between 2013 and 2016, 2,800 new apartments were completed. In 2017 alone, around 3,000 apartments were already completed and many more are under construction. This year, more than 4,000 apartments are likely to be built. The number of apartments completed by municipal housing associations is hence rising continuously, as in other areas too. And that's good news for the city.

The current IBB Housing Market Report 2017 clearly shows that the above housing policy measures are taking effect and will safeguard the quality of housing and life for households in Berlin in the future.



Katrin Lompscher

Senator of Urban Development
and Housing in Berlin

Foreword

Less than ten years ago, reports on Berlin's housing market were dominated by topics such as vacancies or stagnating population figures - something that is very hard to believe today. Growth is not just the norm, it has become a decisive factor on Berlin's housing market. By the end of 2016, the city's population totalled 3,575,000 and there is no sign of a slow-down in this dynamic growth.

Around 13,700 new apartments completed marks the highest new construction figure since the late 1990s. Building permits for new housing in 2017 totalled 21,562 and were also up a good two percent against the previous year. It must be said, however, in this context that 24,743 fewer building permits were issued in 2016. This is without doubt a problem because fewer new apartments are being built in conversion projects, for instance, roof-top conversions, than was the case one year ago.

Despite dynamic developments in new housing construction, rented housing is not growing at the same rate. In 2016, the number of rented apartments converted to home ownership was just as high as the number of new occupier-owned apartments built that same year.

With a view to the development of purchase and rent prices in the city, the situation on the housing market remains tense. Purchase prices for owner-used properties are rising. Asking rents are also rising, especially for existing buildings. At the same time, the affordable rent segment is shrinking. In 2017, only ten percent of all asking rents were below EUR 7 per sqm.

But it is not just Berlin that is growing, the same applies to the greater Berlin area. Migration and commuter patterns paint a clear picture: The housing market does not end at administrative borders. This year's key topic "Berlin and greater Berlin" takes a look at the joint housing market region and asks where is housing being built and what additional, joint potential exists when housing is built.

Berlin's housing market still has enormous challenges to face. It is not just the huge lack of additional apartments, but more importantly the lack of affordable rented homes. Due to its popularity as a place to live, work and study, the city is certain to continue growing. Since the number of residents and households is growing faster than new residential buildings are being built, tension on the market is unlikely to abate in the near future.

Our IBB Housing Market Report 2017 can help you to gain your own insight into the situation and challenges of Berlin's housing market, and I hope you have a thoroughly enjoyably read.



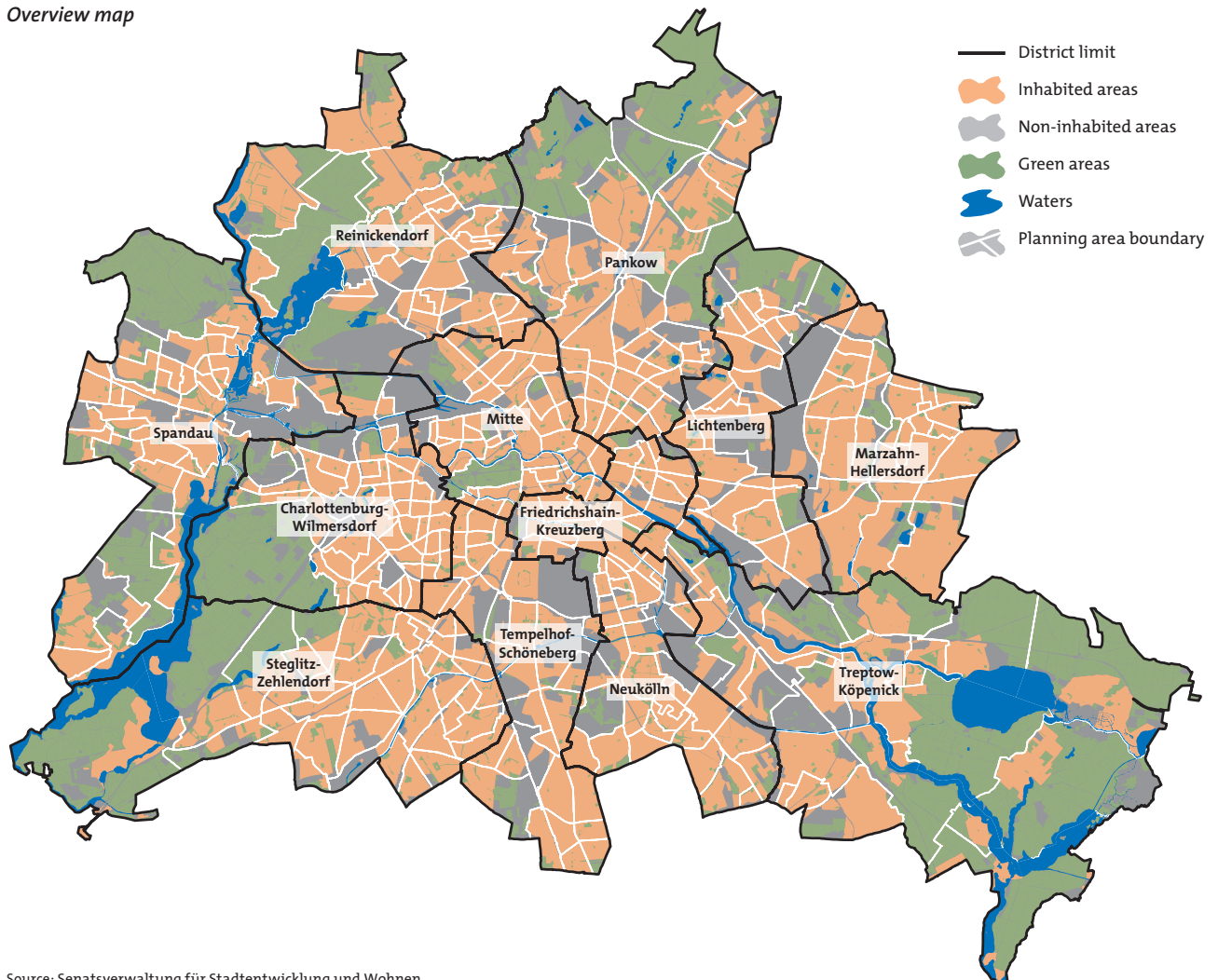
Dr. Jürgen Allerkamp

Chairman of the Board
of Management of
Investitionsbank Berlin (IBB)

A handwritten signature in blue ink, appearing to read "C. Allerkamp".


























Berlin at a glance

Overview map



Source: Senatsverwaltung für Stadtentwicklung und Wohnen

Selected data at a glance

Key figures for Berlin	Berlin 2016	Change compared 2015	Trend arrow 2018
Economic factors			
Gross domestic product (GDP) (2010 = 100%), price-adjusted	111.9	+2.8 %	
Unemployment rate (related to all members of the civilian working population - in %)	8.9	-1.8 % percentage points	
Consumer price index (2010 = 100)	108.2	+0.5 % percentage points	
Construction costs per sqm of living space (new building) (EURO)	1,470	+4.5 %	
New residential building price index (2010 = 100)	114.7	+2.5 %	
Housing demand			
Population (at the main place of residence)	3,574,830	+1.6 %	
Number of households	1,964,300	-1.7 %	
Inhabitants per household (average household size)	1.80	+2.9 %	
Number of one-person households (%)	51.7	-2.8 % percentage points	
Needy households within the meaning of German Social Security Code II (per 100 households)	14.9	-0.2 % percentage points	
Average monthly household income in EURO (median)*	1,950	–	
Housing supply			
Existing housing	1,916,517	+0.7 %	
- of which commonhold flats	1,626,700	+0.6 %	
- of which council housing (pursuant to housing law)	114,915	-5.8 %	
Completed apartments (total)	13,659	+27.4 %	
- of which new apartment buildings	10,608	+21.9 %	
Building permits (total)**	24,743	-1.2 %	
- of which building permits for new buildings**	21,562	+2.2 %	
Rents and housing market			
Occupancy density (residents per housing unit)	1.9	0.0 %	
Living space per residential unit (in sqm)	73.2	+0.1 %	
Living space per resident (in sqm)	38.2	-0.8 %	
Rent index, net rent without heating costs (2010 = 100)	110.4	+1.2 %	
Ancillary rent costs index (2010 = 100)	94.0	-4.0 %	
Asking rent prices (in EURO net, without heating, per sqm of living space)**	10.15	+11.9 %	
Asking purchase prices (commonhold apartments) (EURO per sqm of living space)**	3,800	+11.4 %	

* Note: For the Microcensus 2016, significant structural changes were implemented to reflect a change in methodology concerning the sample basis (new clustering based on the results of the 2011 census). Comparison with 2015 is therefore not possible.

** Review period: 2017, change compared to 2016

Additional detailed data in the statistics volume for the Housing Market Report can be found at: www.ibb.de/wohnungsmarktbericht

General situation and important trends

Berlin's economy – growth once again above the national average

The global economy is in upswing. This positive economic development is also reflected in Germany and its capital city. Berlin's good economic development can be best seen in the labour market figures. The number people in regular jobs rose by 59,000 to 1.46 million in 2016, an increase of 4.2% against 2015.

Berlin's construction industry has reached capacity and order books are full. The order backlog in the main construction trades had meanwhile reached a 16-year high of EUR 1.3bn in 2017. At EUR 607m, the housing market accounted for a large proportion of these contracts, which have already been agreed but not yet executed. At the end of 2017, sales in housing construction were 18% above the previous year's level.

Trend in demand

Berlin's population continues to grow. With a population of 3,574,830 in 2016, Berlin recorded its highest level since the end of the World War II. The city's population has been growing for over ten years. Since 2011, the city's population gains have stabilised at a high level. Since then, almost 250,000 people have come to the city as new residents. This population growth alone corresponds roughly to the population of a city like Kiel.

The city's population growth is primarily due to the positive ratio between new citizens and citizens leaving the city. In addition to the low positive birth balance, this positive migration balance determines Berlin's population development. Since 2011, the balance of external migration has become increasingly dynamic. Totalling 54,150, the increase in population in 2016 was mainly due to gains from external migration. Inflows from abroad once again accounted for the largest share of migration gains. Berlin also recorded net migration gains (around 16,000) compared to the old federal states. After several years of declining migration gains from these regions, 2016 marked a turnaround. In return, the greater Berlin area benefited for the third year in a row from emigration from the German capital. In 2016, Berlin's migration loss to surrounding municipalities in the greater Berlin area amounted to around 10,000 inhabitants.

Young people in particular are flocking to Berlin. For years, the city's high migration gains have been mainly found in the younger age group of between 20 and under 30 years. In 2016, this age group accounted for around two thirds of migration

gains. Berlin's strong population growth can be felt everywhere in the city. Almost all districts reported net migration in 2016 to be higher than in 2015, with Lichtenberg and Mitte recording the highest net migration gains. Only Neukölln recorded a negative migration balance in 2016.

A look at future demand is important for market and investment activities. There are indications that population growth will continue. The mean variant of the population forecast by the Senate Administration for Urban Development and Housing expects a further increase of 4.5% or around 160,000 people by 2030 for Berlin. All twelve districts can therefore expect positive population development.

The situation and structure of private households is crucial for the demand side of the housing market. The majority of households in Berlin are single and two-person households. In 2016, 81% of the 1,964,300 households were small households with one or two persons.

Besides household size, the financial situation of households is crucial for their demand. In 2016, the average monthly net household income totalled EUR 1,950. Average net household incomes were lowest in Neukölln and Spandau. Around a quarter of all households in Berlin had a net household income of less than EUR 1,300 per month in 2016. 25.3% of households had monthly incomes of between EUR 1,300 and EUR 2,000.

The unemployment rate averaged 8.9% in 2017, down 1.8 percentage points from the previous year. All districts benefited from positive developments on the labour market. However, significant differences were once again evident between the former western and eastern parts of the city. While high values prevailed in the west, unemployment rates in east Berlin were generally below average.

Trend in supply

Construction activity in Berlin has been clearly dynamic since 2011. With 13,659 residential units completed in 2016, the previous year's figure was exceeded by a significant 27.4%. Multi-storey buildings accounted for nearly two thirds of the residential units completed. Treptow-Köpenick came out tops with 2,741 residential units completed. By contrast, the lowest number of residential units completed was recorded in the districts of Tempelhof-Schöneberg, Spandau and Neukölln.

The number of building permits granted provides an indication of Berlin's future construction activities and completion figures. Since 2010, there has been a dynamic increase in building permits. Since then, more than 100,000 residential units have been approved throughout Berlin. The dynamic development of approval figures continued in 2016 with 25,052 building permits granted. This figure roughly corresponds to the number of permits issued in the mid-1990s. Similar to the situation of completed residential units, most permits were issued for multi-storey residential buildings, with three quarters of all units for which permits were issued belonging to this segment. In 2017, the number of building permits (24,743 apartments) was only slightly below the 2016 figure. Most apartments were approved in Mitte and Treptow-Köpenick in 2017.

For the first time since 2010, fewer rented apartments were converted to commonhold apartments than in the previous year. Although the conversion process is still at a high level with 13,225 apartments converted, the figure was down 24% against 2015.

The number of rental units in social housing continues to shrink. In 2017, the city had 103,700 publicly subsidised social rental apartments (without new construction).

Market for detached and semi-detached homes

Prices for detached and semi-detached houses (including land) continued to rise in 2017. Since 2010, average asking prices for detached and semi-detached houses (including land, new construction and existing buildings) has risen by a total of EUR 180,000 or around 70.6%. The average purchase price in the fourth quarter of 2017 totalled EUR 435,000. This corresponds to a 16% increase against the fourth quarter of 2016. The price trend in the (larger) sub-segment of used owner-occupied homes was significantly more dynamic in 2017 than in new construction. The average annual value for new homes in 2017 totalled EUR 399,000.

The acquisition of detached and semi-detached houses was particularly important on the outskirts of the city, whereas this segment plays almost no role within Berlin's urban rail ring. The highest prices of over EUR 450,000 were mainly seen in Steglitz-Zehlendorf and parts of Charlottenburg. In addition, the high price level outside Berlin's city limits continued.

Comparatively low average offer prices for homes – mainly below the Berlin average (EUR 399,000) – were found primarily in the northern planning areas of Pankow and in the large single-family home areas of Marzahn-Hellersdorf and in the peripheral regions of Neukölln and Tempelhof-Schöneberg.

Market for commonhold apartments

Until mid-2015, asking prices for commonhold apartments in Berlin increased steadily. Following a short decline until the beginning of 2016, asking prices have been rising continuously. The average asking price for commonhold apartments in the fourth quarter of 2017 totalled EUR 3,924 per sqm (new construction and existing properties), marking a new record high. Compared to the previous year, the price per square metre rose by EUR 386.

In 2017, the price trend for existing apartments was less dynamic than that for new commonhold apartments. While the average asking price for existing apartments totalled EUR 3,612 per sqm in the fourth quarter of 2017, average asking prices for apartments in new buildings totalled EUR 4,819 per sqm during the same period, corresponding to a 13% increase for existing apartments and 26.5% for newly completed apartments.

The price level in the municipalities in the greater Berlin area was significantly lower where commonhold apartments were comparatively cheap at an average price of EUR 2,883 per sqm. Brandenburg's federal state capital Potsdam saw the highest asking prices in the greater Berlin area of 3,293 EUR per sqm.

Market for rented apartments

Asking rents in Berlin rose again in 2017. The median rent for the city as a whole totalled EUR 10.80 per sqm at the end of 2017, an increase of 12% compared to the fourth quarter of 2016. The average price level for existing apartments reached EUR 10.32 per sqm in the last quarter of 2017. Net annual rents without heating costs for newly built apartments stagnated at an average of EUR 13.00 per sqm for the fourth year in a row.

In 2017, the highest asking rents were seen almost throughout the entire city centre within Berlin's urban rail ring. With a few exceptions, the rent level was well above Berlin's median of EUR 10.15 per sqm, reaching average values of EUR 12.50 per sqm and more. Mean values of EUR 12.50 per sqm and above were seen here.

The share of affordable asking rents continued to decline compared to 2016. In the city as a whole, only one in ten apartments was offered for less than EUR 7.00 per sqm. These favourable offers were found exclusively near the city's periphery. With 44%, the share in this price segment was still strongest in Marzahn-Hellersdorf. In addition, significant shares in this price segment were seen in Spandau (27%), followed far behind by Reinickendorf (15%), Treptow-Köpenick and Neukölln (12% each).

Key topic: The “Berlin and greater Berlin” housing market region

The key topic addressed the question as to how residential construction is being realised and what additional joint potential exists for the construction of residential space in the common housing market region. In the Berlin-Brandenburg state development plan (dated 31 March 2009), the greater Berlin area, often referred to as the ‘wealthy belt’, is defined together with the federal state of Berlin as the so-called ‘Berlin-Potsdam urban-environment context’. Since Berlin and its surrounding area are closely interwoven and the housing market does not stop at administrative borders, the surrounding area must also be taken into account when considering Berlin’s housing market. The surrounding area of Berlin is also growing. Between 2012 and 2016, the population grew by 5.6%, similar to Berlin (+5.9%).

In 2016, around 962,000 people lived in the 50 surrounding municipalities. The greater Berlin area is not a homogenous space. Potsdam, with a population of around 170,000, is the largest municipality of the federal state of Brandenburg and at the same time the only major city in the greater Berlin area. In 2016, almost one fifth (18%) of all inhabitants of the ‘wealthy belt’ lived in the autonomous federal-state capital.

The growth of the surrounding communities in Berlin, which was mostly due to people leaving Berlin, also led to rising asking rents here which rose by 7% compared to 2016 to an average of EUR 8.98 per sqm. Along with rising demand, residential construction also picked up in the greater Berlin area. In 2016, around 20,000 residential units were completed in the residential market region of the greater Berlin area, including around 7,000 that were created in surrounding municipalities.

A comparison shows that construction activity in Berlin has been much more dynamic since 2007 than in the surrounding area. Since 2007, the number of apartments completed in Berlin has increased approximately 3.5 times from 3,718 to 13,659 in 2016, and in the greater Berlin area 1.5 times from 4,405 to 6,752 completed apartments. Beyond Berlin’s federal-state border, construction of owner-occupied homes accounted for the largest share of residential units completed. Over the course of time, however, it can be seen that the predominance of this market segment is increasingly diminishing compared to previous years. At the same time, the number of units completed in the commonhold segment developed very dynamically. Since 2007, the federal-state capital of Potsdam has accounted for the largest average number of units completed in the greater Berlin area, with an average of around 1,100 apartments built here every year since 2007. The municipalities of Falkensee (261) and Königs-Wusterhausen (255) lagged far behind. Most other municipalities had lower average values of between 100 and 199 completions per year. Since 2012, around 62% of all new apartments have been built in the entire greater Berlin area and in the area surrounding the German capital itself, especially in the eastern centre and north-east of the city.

Identified space potential in Berlin and the surrounding area corresponds to a maximum of 218,000 apartments by the year 2030.