
2020 IBB Housing Market Report

Summary

Foreword

The coronavirus pandemic has had a dramatic impact on life in Berlin. The containment measures have slowed down many areas of life while at the same time creating a need for rapid, far-reaching change processes. This has presented major challenges both for the population and Berlin's Senate. In order to support tenants living in Berlin during this difficult time, the Senate has enacted comprehensive measures to improve tenant protection and prevent housing losses. The municipal housing associations are therefore temporarily waiving rent increases and finding fair solutions for rent arrears.

In 2019, Berlin continued to draw people to the city and the population continues to grow albeit at a much slower pace than in previous years. Berlin still needs more affordable housing in order to secure the quality of life and housing for the households of the future. One of the most important challenges for Berlin's Senate is to continue its pursuit of sustainable and community-oriented urban development that is already underway. In February 2020, the rent cap was launched, limiting rent increases and new rental contracts for 1.5 million rental apartments. The second stage of the rent cap came into force in November 2020, forcing landlords to lower excessive rents. These moves have lessened the burden on tenants in Berlin. In 2020, rather than rising, asking rents actually fell for the first time in many years. At the same time, new construction remains one of the most important measures to relieve the housing market. In 2019, as in previous years, more than 20,000 new apartments were approved. The number of completions has been steadily increasing since 2010, reaching a new high of 18,999 completed homes in 2019.

The main topic of this report is the '30th anniversary of Berlin's united housing market'. It addresses the unique merger of two major cities with very different housing markets since German reunification, forming today's federal capital. In the early 1990s, Berlin had to contend with a pronounced housing shortage. As a result of people moving out to the surrounding area of a country that is far away from cities and many new buildings going up, there was an oversupply of housing until the turn of the millennium, leading to high vacancy rates in many districts. Due to a strong growing economy and a sharp rise in the number of people moving to the city, the situation on Berlin's housing market has once again heated up considerably.

The 2020 IBB Housing Market Report highlights many of the challenges facing the housing market today, but also takes a look back at the eventful developments Berlin has experienced over the past 30 years. The figures for the last ten years confirm that the measures adopted by the Senate to ease the burden on Berlin's housing market are urgently needed and are beginning to take effect.



Sebastian Scheel

Senator for Urban Development
and Housing of the Federal State
of Berlin

A handwritten signature in blue ink that reads 'Sebastian Scheel'. The signature is written in a cursive style on a light-colored background.

Foreword

Major challenges continued to shape Berlin's housing market in 2020. The Covid crisis and the resulting containment measures have affected both demand and supply in the market. Since February 2020, Berlin's new 'Law on Rent Limitation in Housing', in short: 'rent cap', has also led to a cap on new and re-letting rents. Since November 2020, this has also applied to existing rents, leading once again to reductions on a considerable scale. The 2020 Housing Market Report has therefore been produced in the context of these special times.

The fact that the number of homes completed reached a peak of 19,000 apartments in 2019 is an encouraging sign. Just once in the past 30 years, i.e. in 1997, were more homes completed within a single year. Accordingly, the strong construction activity of recent years is continuing, with an average of around five homes being built for every 1,000 inhabitants. The trend for building permits is somewhat worrying and we hope that the numbers there will rise again.

In recent years, asking rents on Berlin's housing market rose unabated. This development was triggered by an increasingly scarce supply of housing. Following a short breather in 2019, the average asking rent in Berlin fell for the first time in several years in 2020, reaching a level of EUR 10.14 per sqm (EUR -0.31 per sqm). At the same time, a significant decline was recorded in the number of listings, which particularly affected existing homes.

In extraordinary times, in particular, it makes sense to take a look back. That's why this year's main topic of the report addresses the developments that have taken place since reunification of the housing market in the German capital in 1990. For 41 years, the two housing markets were shaped by different political, economic and social conditions in the Federal Republic of Germany and the German Democratic Republic. The fall of the Berlin Wall and the merging of the two halves of the city called for a multitude of adjustment and response processes that no other housing market in reunified Germany had to face. All the more reason to pay attention to what has been achieved on the capital city's housing market, which has seen increasingly positive developments.

2020 was an exciting year for Berlin's housing market, and the structural conditions suggest that the challenges ahead will not be any fewer in 2021. Apart from the effects of the Covid crisis, which are almost impossible to estimate in any way up to now, the rent cap will undoubtedly continue to be a topic for stakeholders on the housing market. As long as the legal decisions pending here are not final, the law will continue to be fraught with uncertainty. It therefore remains important to keep a close eye on developments in Berlin's housing market in 2021. New housing construction must be promoted, especially the construction of affordable housing. We at IBB will continue to work to achieve this, for instance, through IBB's New Housing Fund.

We hope that this new 2020 IBB Housing Market Report provides you with plenty of useful information. Find out for yourself about current and future developments as well as the challenges facing Berlin's housing market, and – above all – stay healthy!



Dr. Jürgen Allerkamp

Chairman of the Board of
Investitionsbank Berlin (IBB)

A handwritten signature in blue ink, appearing to be 'C. Allerkamp'.

Selected data at a glance

Key figures for Berlin	Berlin 2019	Change compared 2018	Trend arrow 2021
Economic factors			
Gross domestic product (GDP) (2015 = 100%), price-adjusted	123.5	+3.1 %	
Unemployment rate (related to all members of the civilian working population – in %)	7.8	-0.3 % percentage points	
Consumer price index (2010 = 100)	105.3	+1.4 % percentage points	
Construction costs per sqm of living space (new building) (EUR)	1,646	+4.9 %	
New residential building price index (2015 = 100)	118.9	+5.4 %	
Housing demand			
Population (at the main place of residence)	3,669,491	+0.7 %	
Number of households	2,033,700	+0.4 %	
People per household (average household size)	1.8	+0.3 %	
Number of one-person households (%)	52.9	±0.7 % percentage points	
Needy households within the meaning of German Social Security Code II	12.1	-0.9 % percentage points	
Average monthly household income in EUR	2,175	+3.6 %	
Housing supply			
Housing stock	1,968,315	+1.0 %	
- of which leasehold flats	1,658,300	+0.8 %	
- of which council housing (pursuant to housing law)	95,723	-2.2 %	
Number of apartments completed (total)	18,999	+13.7 %	
- of which new-build apartments	16,769	+17.0 %	
Building permits (total)	22,524	-7.0 %	
- of which building permits for new construction	19,499	-6.0 %	
Rents and housing market			
Occupancy density (residents per housing unit)	1.9	-0.4 %	
Living space per residential unit (in sqm)	73.2	±0.0 %	
Living space per resident (in sqm)	38.2	+0.4 %	
Rent index, net rent without heating costs (2015 = 100)	107.1	+1.4 %	
Ancillary rent costs index (2015 = 100)	103.4	+0.7 %	
Asking rent prices (in EUR net, without heating, per sqm of living space)*	10.14	-3.0 %	
Asking purchase prices (commonhold apartments) (in EUR per sqm of living space)*	4,975	+7.4 %	

*Evaluation period: 2020, change compared to 2019; data basis: VALUE Marktdatenbank Sources: Statistical Office for Berlin-Brandenburg; Senate Department for Urban Development and Housing; VALUE Marktdatenbank

Supplementary and detailed data can be found in the list of tables for the Housing Market Report at www.ibb.de/wohnungsmarktbericht

Housing policy in the city in 2020

Housing policy in 2020 was shaped by a number of events.

The most important of these are listed below in chronological order:

February 2020	Conversion Ordinance 2020 enacted. According to this regulation, title splits are not possible without approval for buildings that are intended to be used entirely or partly for residential purposes and which are located in milieu protection areas.
	Berlin law to limit rents comes into force (so-called 'rent cap'): Beginning 23 February , the rents of around 1.5 million rental apartments are frozen. When re-letting a property, only the rent on the reference date may be demanded and may not exceed the stipulated rent ceiling.
March 2020	'Measures to Improve Tenant Protection and Prevent Housing Loss' adopted: Due to the Covid crisis, Berlin's Senate enacted comprehensive tenant protection measures. Until the end of March 2021, municipal companies will refrain from rent increases. Similarly, no notices of termination may be given for arrears and no evictions may be carried out. These measures may be extended beyond March 2021.
	2020 rent concept adopted: Scheduled rent increases in subsidised housing, which were due on 1 April, have been suspended for 2020 and 2021.
April 2020	Procedural simplifications for housing benefits agreed: In order to support households in Berlin during the Covid crisis, the Senate recommended an automatic six-month extension of the approval periods for expiring approvals.
	Berlin passes bill to amend the Building Code.
May 2020	The Senate extends Berlin's rent control until May 2025.
August 2020	Katrin Lompscher declares her resignation from the office of Senator for Urban Development and Housing. She is succeeded by Sebastian Scheel. Wenke Christoph is the new State Secretary for Housing.
September 2020	State-owned housing stock has increased by 70,000 homes since 2011.
November 2020	The Senate Department for Urban Development and Housing publishes guidelines for dealing with problem properties.
	Rent cap: From 23 November , landlords are required to reduce existing rents to the set ceilings. The rent cap calculator and an extended information package are available for this purpose.
December 2020	Joint declaration for an axis development concept for Pankow-Wandlitz signed.
	First public report on the economic situation of the six state-owned housing companies in Berlin presented by (WMB) – a public-law institution.
	3,764 apartments approved as part of efforts to promote new social housing (IBB New Housing Fund).

General situation and important trends

The construction industry continues to run at full capacity

The Covid crisis is severely impacting the economy of the federal capital too. The containment measures – in the form of closures, working from home and home schooling – have halted the city's long-running economic recovery, causing GDP to fall by about 5% in 2020. The solo self-employed and companies with a staff of less than 100, which are key to Berlin's attractive employment mix, are facing major existential problems and extensive aid packages were needed to cushion this blow. It will take some months before we can see the extent to which the pandemic can take pressure off the housing market. The significant decline in population growth may limit additional demand, but at the same time the construction industry is working at full capacity, recording its highest order volume in 20 years in 2020, i.e. EUR 1.7 billion, which is a record level. This situation is being compounded by rising construction costs, more complex building regulations, and land that is more difficult to develop. However, the real estate market continues to show a slowdown in momentum, particularly in terms of take-up.

Trend in demand

Berlin's population continued to rise in 2019 too. However, with an increase of only 24,665, this figure was well below the more than 30,000 mark that has been recorded for many years. By the end of 2019, Berlin recorded a population of 3,669,491. The main reason for this continues to be the influx from outside, although a natural birth surplus has also been responsible for the capital city's population growth since 2007. The external migration balance, which results from the difference between outbound and inbound migration, has been positive since the turn of the millennium, reaching a peak of well over 50,000 in 2016, a year marked by special effects. Since 2017, the capital city has again recorded declining external migration gains. This trend continued in 2019 with a significant drop to just 23,231 people compared to a figure of close to 30,000 recorded just one year earlier.

A differentiated view of migration balances illustrates the importance of foreign countries for Berlin's population development. In 2019, Berlin's population increased primarily through inbound migration from abroad (+30,104). The majority of these people came from India, Turkey, the US, the UK, Italy and Russia. Further net gains were also recorded compared to the west German federal states. In relation to the area surrounding Berlin and the new federal states, the city did record losses.

Looking at migration movements by age group clearly shows that 18 to under 30-year-olds account for the biggest share of Berlin's population growth. For several years now, increases of between 32,000 and 36,000 have been recorded, as was also the case in 2019. Small increases were also seen in the six to under 18 age group. That being said, however, losses were re-

corded across the board in 2019 in the 30+ age groups. The 45 to under 65 age group as well as the youngest and oldest age groups accounted for the biggest losses. Children under six years of age leave the city with their families before starting school.

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 4.7% or around 176,900 people by 2030. Pankow is most likely to benefit, with growth of 11%, while Tempelhof-Schöneberg, Steglitz-Zehlendorf and Charlottenburg-Wilmersdorf are only expected to grow by under 1%. The other districts are positioned within this range.

The number of households in Berlin rose to 2,033,700 in 2019, putting the brakes on the dynamic increase seen in recent years. One and two-person households once again accounted for the lion's share, coming in at just under 81%. Only around one in ten households was made up of three people, and a similar proportion was found among households with four or more people.

The level of net household income has a decisive impact on options on the demand side of the housing market. In 2019, the average monthly net household income in Berlin totalled EUR 2,175. But when looked at from a district level, clear differences can be seen. The highest monthly net household income of EUR 2,550 was to be found in Pankow, followed by Steglitz-Zehlendorf with EUR 2,500. Below-average mean values were recorded in Neukölln, Lichtenberg, Mitte, Spandau and Friedrichshain-Kreuzberg. The district peak in 2018 was recorded in Pankow with EUR 2,400. Around a fifth of all households in Berlin had a net household income of less than EUR 1,300 per month in 2019. A quarter of households had a monthly income of between EUR 1,300 and EUR 2,000.

Berlin's unemployment rate reached 10.2% in October 2020, marking a significant increase compared to the previous year (+2.4 percentage points). This should be seen primarily in the context of the Covid crisis and thus reflects the initial effects of the pandemic. From a geographical perspective, unemployment rates of over 13% were found primarily in Berlin's Neukölln and Mitte districts, which means that those districts that had already had high average unemployment rates were particularly hard hit by the pandemic. In contrast, below-average unemployment rates were recorded in the eastern districts of Pankow, Lichtenberg, Marzahn-Hellersdorf and Treptow-Köpenick as well as in Steglitz-Zehlendorf. In order to put the impact of the pandemic into a better context, the number of people on short-time work was also evaluated. While only 7,600 people were on short-time work in February 2020, this figure had risen to 240,300 in April 2020.

Trend in supply

Every year since 2015, more than 20,000 apartments are approved for construction in Berlin. In 2019, the number of approved homes totalled 22,524, reaching almost the same level as in 2015. Compared to the previous year, this figure was once again slightly lower. In 2019, multi-storey residential construction once again accounted for the lion's share, i.e. 80.3%. The number of apartments completed has been rising steadily since 2010 and in 2019 reached a level of 18,999. This was the highest level since 1997. Here, too, apartments in multi-family buildings dominated, accounting for around 81% (15,376) of residential construction. The high level of construction activity is also reflected in the completion rate: In 2019, about five apartments per 1,000 residents were completed for the first time since the turn of the millennium. Housing construction is also on the rise in the greater Berlin area with around 7,000 new apartments built in 2019. With around 26,000 apartments completed, construction in the capital region in 2019 reached a new all time high.

In 2019, the stock of apartments with rent and occupancy restrictions in Berlin totalled 186,906. This corresponds to a share of 11.3% of rented housing stock (2018: 11.7%). At district level, subsidised housing stock was primarily located in the south-east, as well as in Mitte and Friedrichshain-Kreuzberg, with shares of at least 12%, and even more than 17% in Marzahn-Hellersdorf and Lichtenberg. In contrast, Charlottenburg-Wilmersdorf, Steglitz-Zehlendorf and above all Reinickendorf recorded below-average shares of less than 7%.

The stock of subsidised rental apartments in Berlin that fall under the housing law totalled 95,723 in 2019, marking a decline of 57,151 apartments since 2010. The majority of these, around 85%, were social housing with follow-up subsidies. In order to maintain the stock apartments with rent and occupancy restrictions at a level of 100,000 apartments, new subsidised apartments have been built since 2014 on the basis of the housing promotion provisions of IBB's New Housing Fund programme. In 2019, 8,329 housing units were approved in total, of which 3,764 units were rent and occupancy restricted, corresponding to an increase of 45.2%. When the new construction subsidy was introduced in 2014, this share was still 29.8%. Over the entire period under review from 2014 to 2020, Investitionsbank Berlin approved 35,785 apartments (with and without subsidies).

According to the current forecast by the Senate Department for Urban Development and Housing, around 46,600 apartments with rent and occupancy restrictions are to be subsidised by 2029 in order to counter the foreseeable decline in subsidised apartments.

Market for detached and semi-detached houses

Asking prices for single and two-family homes (including land, new and existing buildings) have been rising rapidly since 2016. Within five years, the average purchase price for a home has increased by around EUR 218,000 or 57%, respectively. In the fourth quarter of 2020, a median price of EUR 600,000 was achieved for the entire segment, corresponding to an increase of 9% or EUR 50,010 within one year. In 2020, there were once again no differences between the sub-segments of new and existing buildings. The average asking price in both segments was approximately EUR 600,000. A rapid rise in prices was recorded for second-hand homes. Within five years, the average purchase price increased by 62% or EUR 229,100, respectively. The trend for newly built owner-occupied homes was only slightly lower (51% or EUR 202,000).

Market for commonhold apartments

In contrast to asking rents, the dynamic increase in asking prices for commonhold apartments did not slow down in 2020. Coming in at EUR 5,083 per sqm (new and existing buildings) in the fourth quarter of 2020, these prices were up by EUR 307 per sqm compared to 2019. This corresponds to an increase of 6.4%, which means that the growth momentum of asking prices for commonhold apartments is slowing down slightly. Compared to 2016, buyers of a 100-sqm commonhold apartment had to pay an average of around EUR 188,000 more only five years later. The average asking price for an existing commonhold apartment in the fourth quarter of 2019 totalled EUR 4,849 per sqm, marking a rise of 62% in the purchase price for existing properties. In 2020, the price trend for newly built commonhold apartments was less dynamic than for existing commonhold apartments. Nevertheless, 2020 was again a record year in this segment, with an average asking price of EUR 5,930 per sqm.

Rental housing market

In 2020, rental prices in Berlin were also influenced by Berlin's Law on Rent Limitation in Housing (MietenWoG), or 'rent cap' for short. Since 23 February 2020, new and re-letting rents may not exceed certain upper limits, and since 23 November this has also applied to existing rents. It remains to be seen to what extent this development will be reflected in the market data analysed. The concept of 'shadow rent', i.e. stating additional rent which will be charged if the rent control law is overturned, can be found not just when a rental agreement is concluded, but also in property listings on the usual rental portals. This year's analysis of asking rents thus includes 'shadow rents' to a large extent, rather than the rent permitted under the rent cap.

In 2020, the average asking rent in Berlin totalled EUR 10.14 per sqm, corresponding to a decline of EUR 0.31 per sqm. After years of steady increases in asking rents and a brief breather in 2019, 2020 thus marked the first decline in average asking rents. However, the decline was only reflected to a limited extent in the two sub-segments of new and existing buildings. While the average asking rent in existing stock fell below EUR 10.00 per sqm for the first time since 2017, asking rents for new builds rose significantly by EUR 1.22 per sqm compared to 2019 (2020: EUR 15.26 per sqm). The asking rents recorded must be interpreted in the context of a significant decline in listings. While more than 50,000 listings were evaluated in 2019, this figure was down to around 33,000 in 2020.

The highest average asking rents according to building age were achieved with apartments that were built after 2011. Broken down according to apartment size, the most expensive apartments were the smallest, followed by the largest apartments. In a comparison of districts, Mitte (EUR 13.70 per sqm), Friedrichshain-Kreuzberg (EUR 13.11 per sqm) and Charlottenburg-Wilmersdorf (EUR 12.38 per sqm) stood out from the other districts with average asking rents that were higher than in the rest of the city. The lowest average asking rent was recorded in Marzahn-Hellersdorf (EUR 8.02 per sqm).

Significant differences were also evident in the price structure in 2020. Around 27% of listings were advertised for less than EUR 8 per sqm, and 6% were even listed for less than EUR 6 per sqm. At district level, above-average shares of up to 49% were recorded in Marzahn Hellersdorf, Spandau, Lichtenberg and Reinickendorf. This price segment, however, was underrepresented in the inner city districts. On the other hand, around 15% of apartments listed in 2020 were offered for at least EUR 16.00 per sqm. In the inner city districts of Mitte, Friedrichshain-Kreuzberg and Charlottenburg-Wilmersdorf, this applied to up to 37% of the apartments listed.

In 2020, the highest asking rents were to be found almost throughout the entire city centre within Berlin's urban rail ring. The average rent level here was EUR 12.00 per sqm across the board, and in areas around Kurfürstendamm, in Mitte, in Prenzlauer Berg, rose to at least EUR 13.00 per sqm in many cases. Dynamic developments in the German capital also impact the greater Berlin area. In 2020, average asking rents rose to EUR 9.89 per sqm, with concentrations in the municipalities in the south-west of the city.

Key topic: 30th anniversary of Berlin's united housing market

The main topic of the 2020 IBB Housing Market Report is dedicated to market developments since German unification which took place 30 years ago. The analysis of long time series broadens the perspective to the sometimes completely differ-

ent challenges that affected Berlin's housing market in this era. The consequences of this unique situation of two major cities with two very independent housing markets growing together can at times still be felt today. No other housing market in Germany underwent such a multitude of adjustment and response processes after reunification.

On the whole, the past 30 years were marked by a strong migration trend and at the same time growing integration with the surrounding area. Developments in the early 1990s were initially influenced by orientation and reorganisation due, among other things, to a pronounced housing shortage throughout the city. At the same time, a veritable wave of catch-up suburbanisation began in the surrounding areas. Beginning at the end of the 1990s, a phase of consolidation with increased new construction activity led to a de facto oversupply with considerable housing vacancies and population losses. The early 2000s, when the housing market was largely relaxed, were followed by initially moderate and then sharp influxes of new residents, which have recently shaped the housing market. Apart from the brief phase at the end of the 1990s, Berlin has evidently become increasingly attractive – not just for Germans, but above all for people from all over Europe and beyond.

This attraction is drawing younger people in particular to the city. Nevertheless, the number of people of retirement age living in Berlin has increased by more than 250,000 compared to 1990/1991. On the other hand, the group of six to under 18 year olds, which experienced a low between 2005 and 2015, has almost returned to its initial level at the beginning of the 1990s, with around 378,800 people, while the group of 25 to under 45 year olds has increased steadily since 2010.

The rent index values for Berlin's housing market as a whole have risen continuously since 1990. Starting from a very low average value equivalent to EUR 3.11 per sqm, an average value of EUR 6.72 per sqm was achieved in 2019.

Where does Berlin's housing market stand today?

Berlin still faces considerable challenges, but significant improvements can be seen, such as the growing number of completions and the levelling off of price dynamics. The decline in property listings generally associated with special effects parallel to a stagnation in asking prices will have to be carefully monitored. Consideration must also be given to the market adjustments in response to the introduction of the rent cap as well as the effects of the coronavirus pandemic on the housing market, which cannot as yet be conclusively assessed. It therefore remains to be seen how lasting the effects of these strong external influences will be on supply and demand structures in Berlin over the coming years.

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The summary of the Housing Market Report 2020 is made available to the public for information purposes only. All underlying information has been carefully researched and compiled. We do not assume any guarantee for correctness and completeness.

The IBB Housing Market Report 2020, the supplementary Table Volume for 2020 as well as additional interactive presentations and a summary in German can be found at: www.ibb.de/wohnungsmarktbericht.

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