



## BERLIN: 45% Increase in Sales Volume of Multi-Family Houses

Multi-family houses in Berlin continue to be highly sought after by investors. For 2021, according to initial estimates, the expert committee has recorded an increase of 44.9% in the transaction volume, which has risen to €7.46 billion.

With a total of 981 residential and commercial properties, 54 more changed hands last year than in 2020. Sales figures in the Berlin commercial property market rose by 5.8% in 2021. However, this includes some package sales such as those by Akelius, Vonovia and Deutsche Wohnen. If these are excluded, the average volume per transaction is 18% higher than in the previous year, with a 5% increase in purchases.

Those investing in residential and commercial properties now intend to hold them for at least ten years. Family offices in particular are showing great interest, as are small foreign funds with offices in Berlin, which have recognized the city's potential. To a lesser extent, foundations and private clients are also among the buyers. Among other things, this clientele has been attracted by a model that has become increasingly popular in recent years:

**Families who want to leave a large fortune to the next generation can set up a real estate company if they own 300 or more residential units and thus bequeath their estate tax-free.**

Developers with a short investment horizon, on the other hand, are currently holding back. An important aspect in the decision for an investment are the changed equity requirements of the banks. While financing of 70% to 80% was still common last year, banks now require up to 50% equity to grant loans at all. At the same time, there is a clear fear of rising inflation. Those who sell do not want to leave their money in the bank.

## Sustainable Capital: Berlin Among Top 5 in the World



The Sustainable Cities Index 2022 of the consulting firm Arcadis shows in which major cities sustainable urban development is particularly successful. A total of 100 international metropolises from 47 countries were analyzed, including four German cities. In terms of sustainability development, Berlin came fifth after Oslo, Stockholm, Tokyo and Copenhagen due to its numerous green spaces and relatively low environmental impact.



The index includes 26 factors in the analysis. Arcadis thus provides urban planners with a meaningful data set that can be used to track current developments and develop new measures. For Arcadis, a prosperous city includes not only economic growth, but also good ecological and social performance. **The 100 metropolises surveyed were therefore evaluated under the aspects of "Planet," "People" and "Profit. With fifth place, Berlin is well ahead of Frankfurt (16th), Munich (19th) and Hamburg (21st).**

The result in the "Planet" area was the main contributor. However, the index sees a need to catch up in the area of greenhouse gas emissions. In the "People" dimension, Berlin missed out on the top ten. Here it was only enough for eleventh place. The index measures the quality of life and social activities of a city. Important factors here are the state of the healthcare and education systems and public transport. European cities traditionally perform best here. This year again, 15 of the top 20 cities come from Europe.



## Residential Property Prices Up 12% in Q1

**Residential property prices rose by an average of 12% in the first quarter of this year compared with the same period last year. This is according to preliminary figures from the Federal Statistical Office.**

Compared with the corresponding periods of the previous year, residential property prices have risen by more than 10% in each of the past four quarters, i.e. since the second quarter of 2021. Compared with the previous quarter, however, prices according to the house price index have recently been rising less and less strongly: while the statisticians reported a plus of 4.1% for the third quarter of 2021, the figure for the last three months of last year was +3.1%. In the first quarter of 2022, the increase was only 0.8% compared with the fourth quarter of 2021.

# Experts Do Not Expect Prices to Drop dramatically on The Real Estate Market

Real estate professionals in Germany have reduced their expectations for further price growth in residential and commercial real estate. However, the mood in Fahländer Partner Raumentwicklung's spring barometer is not yet really pessimistic.

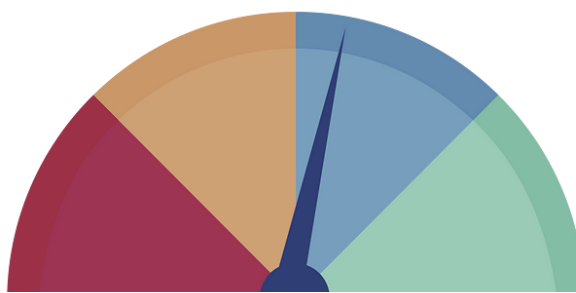


**"Currently, there is no dramatic price drop to be observed, but a significant price correction is already foreseeable,"**

says Einar Skjerven,  
CEO of the Skjerven Group.

The barometer depicts a **"price expectations index"**, for which Fahländer Partner surveyed 463 real estate experts in May and June 2022. The closer the index value approaches the 200 mark, the more experts are in agreement regarding rising prices. Zero means disagreement, negative values indicate falling prices. Accordingly, the outlook for rents and prices of office and commercial buildings in the coming twelve months is rather poor: Here, the index is -5.5 and -5 respectively.

The best index value is for the development of residential rents. At 58 points, there is broad agreement that inflation will continue. The forecasts for the prices of houses and owner-occupied apartments also remain in positive territory, but are far less bullish than they were in the fall of 2021: while the index then stood at 78.6, it now stands at 39.5.





## Sustainable Displacement

# Who benefits from Car-Free City Centers?

As soon as the power of the sun increase the discussion about car-free neighborhoods and open spaces on public streets awakens. The city should become livable instead of car-friendly, say the Greens and left-wing politicians, while the FDP and CDU tend to position themselves as parties of car drivers. In view of this list, it is easy to overlook the fact that higher-income groups in particular benefit from the advantages of traffic-calmed inner cities without being affected by their disadvantages.

After all, it is primarily the higher-income academics who can and want to afford apartments in the inner cities, also because their workplace is the centrally located office of a company, an agency or a government institution - and they can easily cover the short distances there by bicycle. This clientele has little need for large-scale grocery stores and can park their car in an underground garage for their weekly shopping - or have everything delivered. They benefit from possible specialty stores, restaurants, regularly consume culture in any form and enjoy the increasing quality of life in cities



A modal shift toward bicycles thus encourages the concentration of high-income households in an inner-city area, which in turn leads to above-average increases in rents and housing prices. Less-able segments of the population, on the other hand, will have to adjust to further commutes if traffic calming is pushed. Due to mobility restrictions, they will also come to the city center less often and participate less in urban life.

The resulting suburbanization is favored by the establishment of large-scale retail trade in the business parks of surrounding communities - with a corresponding increase in traffic volume. Because retail is affected by the restriction of delivery traffic and larger groups of shoppers live in the surrounding areas, retail businesses leave the city center, which is why there are then fewer people there instead of more. This trend can already be observed in Oslo today.

**"Anyone calling for access restrictions and car-free city centers today should therefore carry out extensive model calculations to determine what unintended consequences this could have for further development and, if necessary, postpone the project to a more distant future. After all, the formula "Out of sight, out of mind" may perhaps serve the bourgeois sense of well-being of better-earning academics. In this form, the car-free city does not offer an improvement in the standard of living for everyone or sustainable climate protection."**

says Einar Skjerven,  
Managing Director of the Skjerven Group.







# Purchase Prices for Apartments again rose more strongly than Rents in 2021

**Purchase prices for apartments rose more strongly than rents last year, particularly in metropolitan areas and in vacation regions. This is shown in the Housing Atlas, which the Hamburg Institute of International Economics (HWWI) regularly compiles for Postbank.**

According to the Housing Atlas 2022, last year buyers across all districts and independent cities had to spend more on average on property than in the previous year. On average, the purchase prices for condominiums in the portfolio increased by 17.22% according to the data. Meanwhile, rents recorded a nominal increase of 4.95%.

The HWWI illustrates this development using the example of the multiplier, i.e. the ratio of purchase price to annual net rent. This value is highest in the district of North Friesland at 82.3, in the district of Miesbach it comes to 51.7 and in Garmisch-Partenkirchen to 45.1. It is also above 40 in Munich, Berlin and Potsdam.

**For the future, the analysts expect prices to continue to rise, especially in major cities and in the Hamburg and Berlin areas, as well as in the Weser-Ems region. By contrast, they expect prices to fall in large parts of eastern Germany. The HWWI sees the best investment opportunities in six areas: The regional association of Saarbrücken, Rothenburg (Wümme), Staubing-Bogen, Grafschaft Bentheim, Heidekreis and the district of Osterholz. In these areas, prospective buyers would still find moderate prices with forecast increases in value.**