Rental price cap “the” definitive topic in Berlin’s housing market

The decision to cap rents, combined with bureaucratic obstacles and the dwindling availability of potential land, is stifling the willingness to invest in Berlin’s residential rental market. In addition to a shift of investment activities to other cities, the number of refurbishment and renovation projects is currently falling. This shows that there is less new construction, more conversions to condominium apartments and a neglect of the housing stock, especially in the rental market. As a consequence, the rental price cap not only contradicts the housing policy objective of creating more residential space, but will inevitably aggravate the housing shortage still further. At 5%, Berlin, along with Frankfurt and Leipzig, had the highest population growth rate among the Big 8 cities between 2014 and 2018 and has already been suffering from excess demand for years. The shortfall in new housing construction is estimated at over 100,000 new dwellings, despite a high construction overhang. While the highest construction activity is currently to be found mainly in the city’s central locations, planned residential construction projects are increasingly located in the northeast of the city. In the eastern districts of the city, further large conversion sites also offer the opportunity to undertake major housing projects. Nonetheless, conversions of commercial space to residential use are falling well short of 1990s levels. In addition to reclassification and redensification, relief could come from a targeted development of the potential land in the outlying districts in collaboration with surrounding municipalities, and a gradual expansion of infrastructure, because the outlying municipalities in particular are already experiencing an increased influx from the urban area due to the excess demand in the capital.

Housing supply and demand for new buildings Berlin

Selected developments under constructions

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Residential units</th>
<th>Completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diverse Wohnprojekte Europacity</td>
<td>Moabit</td>
<td>approx. 2,800</td>
<td>2025</td>
</tr>
<tr>
<td>Wasserstadt Oberhavel</td>
<td>Spandau</td>
<td>approx. 2,500</td>
<td>2025</td>
</tr>
<tr>
<td>Quartier Friedenauer Höhe</td>
<td>Friedenau</td>
<td>approx. 1,500</td>
<td>2023</td>
</tr>
<tr>
<td>Mein Falkenberg</td>
<td>Falkenberg</td>
<td>approx. 1,250</td>
<td>2021</td>
</tr>
<tr>
<td>Wohnquartier Heeresverpflegungsamt</td>
<td>Hakenfelde</td>
<td>approx. 1,000</td>
<td>2021</td>
</tr>
<tr>
<td>Wohnquartier S2 Grad Nord</td>
<td>Grünau</td>
<td>approx. 920</td>
<td>2023</td>
</tr>
</tbody>
</table>

Source: Thomas Daily, JLL; Status: January 2020
Subdued rental growth in the middle and lower rental price segments

Despite considerable rental price rises in recent years, the pace of rental growth in Berlin has slowed down noticeably. At €12.55/sqm/month, the average rental price level in the second half of 2019 was around 4.1% above the previous year’s figure, yet significantly below the 5-year average growth rate of 8.0%. In particular, minimum rents (€8.35/sqm/month) and rents for new buildings (€15.95/sqm/month) have stagnated, while in the top (€20.00/sqm/month) and micro living segments (residential area < 45 sqm; €15.20/sqm/month), price increases have remained high (6.7% and 6.5% respectively). The extent to which this trend is also attributable to the decision to cap rents will only become apparent during the course of this year. This rental price trend is reflected across all submarkets, with particularly strong rental price increases observed in both Charlottenburg-Wilmersdorf and Tempelhof-Schöneberg.

Source: JLL, empirica systeme; Status: January 2020

Asking rental prices Berlin

Source: JLL, empirica systeme; Status: January 2020

Development of rental prices

Source: JLL, empirica systeme, IDN immodaten; Status: January 2020
Asking rental prices Berlin

Rent Level
Average in €/sqm/month on postcode level

- < 9.50
- 9.50 < 11.50
- 11.50 < 13.50
- 13.50 < 15.50
- >= 15.50

Source: JLL, empirica systeme, IDN Immodaten GmbH, Infas Geodaten GmbH

0 5 10 Kilometers

Water Area
Industrial or Traffic Area
Green Area
Other Area
The strong price rises in the market for condominium apartments in Berlin are continuing, although are falling short of the high levels of previous years. The average purchase price for a condominium apartment is around €4,700 per sqm, some 8.4% more than in the same period last year (in 2018, prices rose by 12.9%). With an increase of more than 13.4% compared to the previous year, the strongest price rises were observed mainly in the lowest purchase price segments. However, the rises in the top prices and also the asking prices for new-build condominium apartments, of 7.7% and 3.8% respectively, were significantly below the 5-year average growth rates (9.6% and 10.3% respectively). This trend is therefore an indication of a local spreading and catch-up process in the development of purchase prices. In an analysis of submarkets, it is evident that the strongest price rises are being recorded in previously relatively inexpensive suburban locations such as Spandau and Köpenick.
Asking condominium prices Berlin

Condominium price level
Average in €/sqm on postcode level

- < 2,500
- 2,500 < 3,500
- 3,500 < 4,500
- 4,500 < 5,500
- >= 5,500

Source: JLL, empirica systeme, IDN Immodaten GmbH, Infas Geodaten GmbH
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