

# BUYING *into* BERLIN

The German capital has long been touted as a property hotspot, but does it really add up to a good investment?

LAURA LATHAM

**FIVE YEARS AGO**, Berlin was being widely tipped as Europe's top city for property investment. Germany was in recession and the capital was suffering from high unemployment, but the prevailing opinion was that prosperity was just around the corner. Foreign buyers flocked to snap up apartments for €50,000 or less, many of which were in need of extensive refurbishment. Even properties with sitting tenants were touted as good buys, despite Germany's rigid regulations that protect long-term tenants and affordable rents.

The economic miracle failed to happen, and many overseas investors found themselves with properties that couldn't realise profit. But today interest is growing again. Germany has avoided the worst effects of the global crash, and Berlin offers plenty of residences under €100,000, many in central, if ungentrified areas.

In addition to nice vacant or tenanted apartments, available across the city for as little as €60,000 to €130,000, the market is seeing a growing number of homes that were bought in the boom by overseas investors who now need to offload. And big developers are also moving in on a grand scale, with new-build projects that can cost around double the price of older, resale apartments. Their aim is to sell luxury, fully managed buy-to-lets to wealthy investors.

"There's less call for standard apartments or those with long-term tenants," says local agent Tim Bogen. "Investors now want luxury properties they can rent on short



leases without restrictions." He represents a range of centrally located properties from €200,000, which will get you a one-bedroom flat measuring 50m<sup>2</sup>, to €4.5m for a duplex with roof terrace. Other international firms operating here include Engel & Völkers and Cluttons Resorts, both of which also cater to buyers who want high-end homes at high-end prices.

Bogen is seeing more international

investors pulling their money out of riskier markets to put into locations they regard as a safe bet. "Berlin is 30% cheaper than London and, although quality property may seem expensive by local standards, it isn't when compared to other capitals."

However, Berlin can't be fairly compared to London or Paris. It may be the centre of government in Germany, but it isn't the centre for business, finance or commerce,



Here and left, Living 106 apartments in Mitte and below left, Robert Stevens' apartment



most of which happens in Munich, Hamburg and Frankfurt.

And with unemployment still sitting around 7.4% and a dearth of big-name companies taking up residence in town, isn't there the danger of another property bubble forming? Who exactly is going to live in these high-end properties?

"It's an interesting question," says local resident Robert Stevens. A classic Berlin success story, he moved to Germany from London in the early 1990s and now owns

two properties there. Home is a penthouse of 230m<sup>2</sup> with roof terrace in the sought-after Mitte district, bought five years ago for €330,000. The other is a buy-to-let in once down-at-heel Prenzlauer Berg, now one of the most popular and gentrified locations.

Stevens believes his properties have appreciated substantially – prices in central districts tend to average €2,000 to €4,000 per square metre, so his classy rooftop home could be worth at least double his original investment. And he estimates that his rental property, bought 10 years ago for €160,000, is now worth around €220,000.

Importantly, Stevens thinks the best may be yet to come. "More people are moving

here," he says. "It's a fantastic city with vibrant culture and a great quality of life."

Robert Green of Cluttons Resorts ([cluttonsresorts.com](http://cluttonsresorts.com)), which is selling several upscale developments around Berlin, says he doesn't see any problem in the city's property market. "Berlin is a thriving city for tourism, the arts and business. Germany hasn't suffered a recession like other countries, and more firms are looking to move to the capital, so we're seeing increasing numbers of buyers wanting to take advantage of corporate lets and to relocate for business."

Green mentions plans to move many civil service departments to Berlin over the next few years, "which will bring in thousands >

## Distinct Districts

Do you want to be among the squats and the artists or out in leafy luxury? When buying in Berlin you need to get the neighbourhood right

### ► Mitte

The heart of the city. The majority of Berlin's most important buildings and cultural institutions are here, along with a huge variety of globally branded shops, hotels and restaurants.

### ► Prenzlauer Berg

Often described as Berlin's version of Notting Hill in London, this historic area has been hugely gentrified. Popular with the wealthy young set, it has a swathe of trendy boutiques, quality restaurants and a weekly eco-market, which says it all.

### ► Friedrichshain-Kreuzberg

Two connecting districts that form the heart of Berlin's alternative cultural scene. You're likely to find most of the students, artists, musicians and designers hanging out here, while bars and clubs will be of the edgier kind. Kreuzberg has a largely multicultural population and still attracts a mix of anarchists and squatters, although it is slowly being gentrified.

### ► Charlottenberg

This borough was the centre of former West Berlin. There are some busy streets, including the Kurfürstendamm, the Champs Élysées of Berlin, with a wide variety of shops, hotels and cultural centres. Further out, it offers one of the city's most leafy and upmarket residential districts, which tends to appeal to older residents and wealthier families.

The Charleston Building in Potsdamerplatz, an area of major redevelopment



of staff." (Many ministries are based in Bonn, the centre of government for West Germany.) Deutsche Bahn, the rail network, and Pfizer, the pharmaceutical giant, are also planning to open premises.

"Infrastructure improvements, such as the new international airport at Schönefeld, will help increase investment and tourism," Green adds. "Property in Berlin is likely to hold and increase its value. We predict rental yields in high-end property will average around 4.5% per annum, not high but stable, and we expect that to improve."

Andreas Steinbauer of Peach Properties ([peachstates.com](http://peachstates.com)), developer of the swanky Yoo Berlin in Mitte, designed by Philippe Starck, says that around 60% of its 88 apartments have been sold to foreign buyers. It is selling from €376,000 for one bedroom.

"Many investors feel Berlin is still undervalued," he says. "It offers a good

lifestyle and is a popular weekend destination. In addition, you have a lot of visiting personnel linked to government business. Not just staff, but lobbyists and foreign embassy employees, for example."

While the German economy is growing, it could be 10 years before the long-term future becomes clear. Meanwhile, we may be witnessing the emergence of a two-tier market: cheaper properties owned by small-scale investors and pricier, serviced apartments. By European standards, Berlin is a relatively new capital and remains removed from the more established areas. "The real gamble for investors is how soon it achieves its full potential."

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