



Image: BATO Group

Residential Market Prospects in Berlin's Surrounding Areas

Berlin is the city with the fastest rising property prices worldwide, with the average price hike of 20.5% in 2017. As the residential market in the German capital is getting more and more tense, the Berlin outskirts and the so-called *Speckgürtel* - the area surrounding Berlin - are gaining more importance as a quality living location for citizens and also as a promising investment destination for private and public developers. This newsletter delves into this trend, the factors driving it and other specifics of the topic.

Demand for Housing is Expanding beyond city Borders

Berlin's population is growing with no change in sight to this trend. Forecasts predict that it will grow by an additional 181,000 citizens by 2030.

As the city is expanding, the outskirts and suburban areas of Berlin are keeping up with this development. While population in the Berlin city went up by 5.9% between 2012 and 2016, the surrounding areas had a similar increase of 5.6%.

Interestingly, the *Speckgürtel** is actually gaining more citizens from the inner city than it is losing to it. The positive migration balance at the benefit of the outlying areas has been going on for the last 25 years. A big part of the incoming population comes from Berlin. In 2015 for instance, Berlin city has lost about 10,570 citizens to the surrounding areas.

This has led to a significant boost in demand for property in suburban areas and the city outskirts. According to Immowelt, the residential property market in the *Speckgürtel* is booming with a rise in demand by 311% in the past five years.

There is no question that the outlying areas attract home buyers with comparatively inexpensive properties. While the median asking price in Berlin is 3,370 Euros per square metre (a 79% increase from 2011), it is only 2,280 Euros in the *Speckgürtel*.

However, while the higher affordability of housings may be the main reason why people are flocking to the *Speckgürtel* nowadays, it is not the only one.

The area also offers a special quality of life with its green and quiet environment. Moreover, it provides a better social infrastructure, i. e. better coverage with kindergarden and schools.

No wonder that families with children particularly favour this kind of environment. However, dynamic migration towards the *Speckgürtel* can be observed among all age groups from 25 to 60+, the only exception being students and young trainees (18-24 years old), who are reliant on the education facilities in the city.

High Construction Activity in Remote Areas of Berlin and Outside the City

As supply usually follows demand, developers are more and more focusing on the outlying areas — which, in turn, attracts new population.

Based on the number of inhabitants, Berlin's surrounding area has a significantly higher construction intensity.

Also the fact that building land is scarce and expensive in the city makes the outlying areas with significantly more affordable prices so attractive.

*The Berlin *Speckgürtel*, is the area surrounding Berlin. It has 18 Brandenburg municipalities and cities that are located in Brandenburg but are connected to the city border

Tight regulations and long construction planning procedures for building development in Berlin drive developers to go beyond the city boundaries.

Big developers such as Groth Group, Ed. Züblin AG, Bauwert AG, Bonava Deutschland GmbH and some other are showing great interest for building activity in the *Speckgürtel* and have formed a coalition with the aim to prepare the first steps.

State-owned housing developers also show high building activity in remote areas of Berlin.

Individual Sub-Markets are Quite Heterogeneous

There are factors that make some areas more attractive than others. In particular, areas with existing or planned transport links are high in demand as well as areas with residential or commercial development projects.

A particular mention deserves *Schönefeld* which is just outside Berlin's south-east border, the location of the future BER-airport. According to *bulwiengesa*, the area is currently attracting one third of the population migrating from Berlin to the outlying areas. Although the construction of the airport seems to hardly progress, housing construction in the neighbourhood is developing quite fast. It is expected to provide homes for 35,000 inhabitants where there are currently 15,000.

When it comes to areas that are located within Berlin borders, different locations are considered to be attractive such as areas along the railways, e. g. in the west direction towards *Falkensee*, in the east direction towards *Strausberg* and in the south-east towards *König Wusterhausen* - along railways.

Also locations with high new-build activity that are seeing a strong population growth are, e. g. *Buch*, *Biesdorf-Süd* and *Karlshorst*, which are also close to the S-Bahn circle. The expansion, however, goes beyond S-Bahn circle, up to *Buchholz* or *Niederschönhausen*.

Dr. Lübke & Kelber's have analysed all 96 micro-localities in the 12 Berlin districts and ranked them according their yield-risk ratio. The experts based their calculations on several aspects such as population growth, socio-economic and residential market conditions, current rent and housing prices and demand of the individual locations.

The most attractive locations for residential property investment were found to be *Alt-Treptow* in the district *Treptow-Köpenick*, followed by the "hidden champions" *Rummelsburg*, *Konradshöhe* and *Wilhelmsruh*.

On a macro-level, the districts *Reinickendorf* and *Marzahn-Hellersdorf* were considered to have good yield-risk ratios. However, the experts noted that the markets in the 12 districts can be quite heterogeneous.

Conclusion

It is an obvious trend that the focus of Berlin home owners and renters is shifting towards the outlying parts of the Berlin metropolitan area.

Factors driving this development are the continuous population growth, lower affordability of housings in the city, lifestyle preferences, better developed social infrastructure in the remote areas, and yet partially good transport links that allow commuting to the city, e. g. for work.

From an investor's point of view, the *Speckgürtel* and remote city areas provide - next to the strong growing demand - additional construction land, moderate prices and a less regulated construction market outside of Berlin.

While the residential market potential of the outlying areas is generally considered as quite attractive, it needs to be emphasized that a micro-level view is crucial when it comes to evaluating investment potential of a location. Various factors such as existing or developing infrastructure, commercial or residential development projects in the area and other can affect the attractiveness of a neighbourhood.

BATO Group would be glad to provide detailed information on specific locations upon individual request. Please do not hesitate to get in touch with us for investment advice. ■

Please note that the contents of this newsletter have been researched and written according to the best of our knowledge; however they are in no way to be accepted as a legal advice or suggestion. Therefore we exclude any liability.

Sources

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