

## GERMAN LAW NEWSFLASH – May 2016

### Berlin - still the residential real estate capital of Europe

Dear all,

with this we are presenting you our monthly Newsflash, now dealing with the question whether Berlin still remains the real estate capital of Europe. We hope that it evokes your interest and as you know any kind of remark is always welcome.

Best as always,

Thomas & Team

#### How it used to be

Over the last ten years the population of Berlin has been continuously increasing; more than 40.000 people per year. This shows that Berlin for a long time has been and still is one of the most interesting places to live in Europe. The interest in purchasing real estate here is unbroken. The volume of sales in real estate business increased up to 16.8 billion Euros in 2015. That is a rise of 34% compared to 2014. Currently there are 226 projects with more than 17.600 new apartments under construction or in the planning process. This also has been subject at the Berlin real estate fair (Berliner Immobilien Messe) which took place on 16<sup>th</sup> and 17<sup>th</sup> of April this year. Additionally Berlin has always been a multicultural city which attracted people from all over the world and with the current refugee crisis going on the need for affordable living space becomes more and more urgent. Summarized Berlin is on the way to become a 4 million people metropolis and this situation demands actions to ensure a sufficient supply with living space.



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## What is new

To ensure that enough living space is available and build the Senate of Berlin has taken several measures. First of all it prohibited the misuse of apartments. That means that landlords can't rent their apartments as holiday accommodation anymore to ensure the sufficient supply of the public with more permanent living space. Further it reached agreements with the districts of Berlin to accelerate real estate planning processes and approval procedures for building projects. To reach that end the Senate provided funds to higher more employees who handle the building applications. Further the Senate reached alliances with public utility housing enterprises, residential building cooperatives and project development companies to ensure that those entities create more living space.

As a result several interesting real estate Projects in Berlin are currently in the making.

One of them is the so called "Europacity" near Berlin Central Station between Nordhafen, Heidestraße and Humboldthafen. On the about 40 hectare areal private investors are about to create a whole new district of Berlin. The areal is supposed to be divided into six different subareas to ensure a differentiated, urban composition of areas which reflect the multicultural character of Berlin. Currently a Joint Venture purchased 2,5 hectare of the area to build about 490 new apartments. Those apartments supposedly will be ready to move in at the end of 2018. Also a preschool with space for 45 children is planned. There are also art galleries, a boardwalk on the waterfront of a river and a boulevard with shops, restaurants and cafés planned as well as space for offices on the areal.

Another project is the "Berlin Tegel Project" on the areal of the former airport which is about to be closed as soon as the new airport is finished. The Berlin Tegel Projekt GmbH is planning a research and industrial park there. The owners want to gather founders, scientists, students, investors and industrialists to develop solutions and products for the challenges of urban life for global markets. Additionally they plan to build about 5.000 new apartments on the areal, in which they plan to already use many of the new ideas and products developed, for example to save energy. There will

also be build preschools, schools, shops and stores for the people living in the area. With this concept the Tegel Projekt GmbH offers a great solution to combine working and living in the same area.

Another idea is to expand the extension of top floors and attics to create more living space. In 2015 the number of such extensions doubled. According to a study from the TU Darmstadt in all of eastern Germany Berlin has the most potential for this method. Thus an enormous number of new apartments can be build. Although the commissioner of buildings Mr. Geisel is warning that those extensions can't solve the whole problem of lack of living space he has to agree that the methodical extension of top floors resembles a great chance for the city.

Another Problem is the increasing numbers of use of the sharing economy like Airbnb. In Berlin, over 20% of the visitors in the city use these sharing portals. That is great situation for the tourism industry, but if these apartments are rented commercially they are withdrawn from the housing market. It remains to be seen how the legislation will react regarding that problem.

## What does it mean for the future

The boom in the real estate business in Berlin is still increasing and there is no end in sight with such great conditions. The frame conditions will remain the same over the course of the next years and the interest level presumably will remain on a historic low. It is expected, that the number of apartment building projects will have to further rise up to 140.000 new apartments until 2025 to ensure a sufficient supply with the same.

One of the latest developments was a capping limit (*Mietpreisbremse*) for rents in the Berlin area. One year ago the Berlin Senate passed an act regarding tenancy law which states that in the whole area of Berlin landlords aren't allowed to demand rent increases higher than 15% within the timeframe of three years. Now one year later, it is clear that the *Mietpreisbremse* doesn't result in the expected success. Although the act was passed, rents increased significantly only within the last year. As a consequence the *Mietpreisbremse*

shall be sharpened.

**tklegal Berlin LLP** is a German law firm and notarial office, with a focus on Corporate and M&A and Real Estate law and transactions. Feel free to contact us with any questions or comments.

Dr. Thomas Kaiser-Stockmann will be co-chairing the upcoming IBA 2<sup>nd</sup> Global Entrepreneurship Conference in Barcelona, 23-25 May 2016. Experts in the keynote debate moderated by Thomas will include Martin Brandt, CEO of Erwin Hymer Group, the European leader in motorhomes and Carlos Muñoz, founder and CEO of Volotea Airlines. For additional information please contact us or see [here](#).

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