



ADEN IMMOBILIEN

BERLIN - PARIS



Buying property as a foreigner in Berlin

The Complete Guide

www.aden-immo.com

The real estate market in Berlin

Introduction

In Germany, the real estate market has been booming in all metropolitan areas for the past decade, especially in Berlin, where demand for housing both by investors and residents has particularly increased. The German capital has become an attractive hub for creative and innovative enterprises; since reunification, its global economic and political presence is growing strong. **The combination of population growth, decreasing unemployment rate and increased purchasing power result in one of the sharpest increases in real estate prices across the G20 countries: sale prices for real estate have doubled since 2008.**

Yet even with this dramatic surge in real estate prices, Berlin's real estate market remains accessible for international investors. Some neighbourhoods like Prenzlauer Berg or Kreuzberg have reached the prices of other European capitals, but there are still very affordable options in areas like Neukölln, Moabit, Wedding or Spandau. **In 2018, the average sale price was around 4100 euros per square meter** (it was 1800 euros in 2008!). To put it into perspective, cities like Paris plummet at €9000 per square meter, London at €14000 while in 2017 Munich was reaching on average €9700 per sqm and Hamburg €4150 per sqm. All in all, even with a moderate investment the Berlin real estate market can be an attractive place for an investment.

20,5% 
increase in real estate prices between 2016 and 2017

In 2018
sale price is around
4100€/m²

The real estate market in large European cities: average sale prices



Why should you invest in Berlin ?

German quality of life at a sweet price

Housing remains cheap compared to other European capitals: apartments can be bought from 95.000 euros.

Cost of living is moderate, and purchasing power is much higher than in London or Paris.

The city is laced with open spaces, green areas, and private courtyard gardens in almost every building.

It is the most visited city in Germany, a destination that has become a key trend in the past decade.

It boasts a unique architecture, 18th century bricks and “Altbau” mixed with masterpieces of modernity led in the 1950s and 60s by architects like Daniel Liebeskind, Jean Nouvel, Renzo Piano...

A spectacular economic and demographic growth since 2005

Many international companies, particularly from the technological, media, and IT sectors, are moving to Berlin. **Large, established corporations have even relocated their headquarters to the capital**: Sony Music–BMG, Daimler Mercedes Benz, Universal, Siemens, IBM...

Berlin is at the heart of the European Union, with the largest train station in Europe (Hauptbahnhof) and a new international airport, Berlin-Brandenburg, set to open in 2020.

The German capital is also the gateway to Eastern Europe, with Poland less than 100km from Berlin.

Unemployment has seen a spectacular drop from 19% in 2005 to 8% in 2019, according to the Bundesagentur für Arbeit

The 3,5 million population is on the rise, and statistics estimate it will reach 4 million in 2030.

A unique, attractive real estate market

Real estate prices are low in Berlin! On average, in 2018, real estate was sold for 4100 € sqm and rented for 10 € sqm.

An exceptional growth rate: between 2016 and 2017, overall real estate prices in Berlin have increased by 20,5%.

The price range is more predictable than other European capitals, with average sale prices from 1900 € sqm in the outskirts of the city to 8 000 € sqm for beautiful apartments in the heart of the city.

Advantageous and secure fiscal environments

Property and rental income taxes remain quite low in Berlin, and there exists many fiscal conventions to avoid double imposition with countries around the world.

Mortgage interests and costs are tax-deductible for credits taken in any european bank.

Berlin is the capital of Europe's richest country and offers **a stable, well-rounded regulatory context**.

Housing in Berlin: a city of renters

After the fall of the Wall in 1989, the city was in shambles. Many buildings were completely unoccupied, particularly in the former East Berlin as people were leaving these districts to relocate West. Throughout the 90s, the number of inhabitants was dropping while the city was in much debt. In 1994, real estate cost only half of its value in 1974! So for many years, with such low estate prices, there was simply no advantage being a landlord and buying an apartment in Berlin. It was better to be a tenant, even over a long period of time. This tendency has persisted: around 85% of Berliners are tenants! [The average home ownership](#) rate in Germany is also rather low, around 52% while it reaches 83% in Poland, 82% in Norway, and around 63% in France



Therefore, the demand for rentals is strong in Berlin: most apartments are rented out. Profitability on rented apartments in Berlin ranges between 1,5% and 4%, depending on the type and location. So while the purchasing price of real estate may be low, its rentability remains low as well. It is important to know that there is a housing shortage in the city: very few empty apartments are on the market, and more and more residents are looking into buying their own homes.

Therefore, it can be advantageous to invest in an apartment which is already rented to a tenant. Why?

- >> it is often possible to negotiate the price down. ADEN IMMOBILIEN witnesses that these apartments are sold for 20-25% less.
- >> There are no costs associated with finding a new tenant, no waiting time, no vacancy.

Let's talk about it! Get in touch with ADEN IMMOBILIEN to discuss your investment projects in Berlin.

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Take a look at our **COMPLETE GUIDE TO LANDLORD/
TENANT RELATIONSHIPS IN GERMANY**



The main actors in the real estate market in Berlin: who are they?

1. Agents or brokers (Makler) : They are necessary intermediaries in the Berlin real estate market. Direct transactions between private owners are rare, and a lot of the housing stock is owned by big property management companies. **Real estate agencies can improve transactions in many ways: providing marketing tools to sell a property, helping buyers find their dream apartment, facilitate the dialogue between buyer and seller, enable buyers to make a reservation (Reservierung) and set the first step towards an appointment at the notary's office, etc.**

2. Public notary (Notar) : They are the only legal entity who can officially make the sale contract. They do not have a consulting role during the transaction (see a lawyer, Anwalt, for this). **Notaries remain neutral and simply execute the transaction.** They will be responsible for registering it with the local tax office and cadasters once the real estate transfer tax (Grunderwerbsteuer) has been duly paid. Keep in mind that administrative German is difficult to understand, even for German-speaking people.

3. Lawyer (Anwalt) : **Lawyers may be involved in the real estate transaction process to check the pre-sales agreement contract (Reservierung) or the actual sales contract.** They can officially represent the buyer at the notary's office, which can be good if the buyer resides abroad. During the signature of the contract, the notary has to check if every party understands German: therefore, a lawyer or an official translator might also need to also be present.

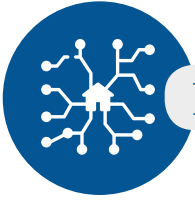
4. Tax consultant (Steuerberater) : **A tax consultant is the only professional who can help you find the best fiscal situation for purchasing a property in Germany.** They can help you understand what the complete costs of an apartment might be, expect the devaluation process (up to 2% per year!) and might help you save a lot on the long run, for instance if you are renting out your apartment. As legal advisors, they are not mandatory in the process but recommended.

5. The rental agency (Sondereigentumsverwaltung), which will help you find a new tenant or which will manage the existing contract.

6. The coproperty association (Hausverwaltung): most apartments in Germany are managed with a syndicate, the Hausverwaltung, which takes care of maintenance and small repairs. All of the co-owners meet once a year in a General Assembly to discuss the building state and needed works.



Finding a property in Berlin: where to look?

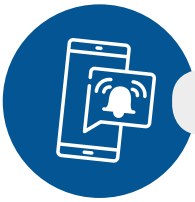


1st step

The first step is to define your project and be realistic about your possibilities. What are your priorities?

For some, having an absolutely prime location is a key criteria; but others might feel differently. Being flexible about some of the requirements might allow you to find balance in other advantages – a better price, a terrace, a greener environment, etc.

Don't hesitate to visit different apartments even if they do not seem to match completely: by seeing the options, you get a better idea of what you can reasonably expect in Berlin. Make sure to consider the potential of a place, beyond its immediate appearance. Renovations can do wonders!



2nd step

The second step is to create alerts on the largest real estate internet platforms (Immobilien Scout, Immonet, Immowelt, Ebay Kleinanzeigen...). As soon as a property matches your requirements, you will receive an email – but be aware that thousands of people consult these platforms every day and if you are looking for an apartment to buy in a trendy area of Berlin, competition might be rough! You should also subscribe to real estate agencies' newsletters: all their properties are not necessarily online.

In order to find more exclusive offers, you should also contact real estate brokers. ADEN IMMOBILIEN, for instance, has a regular newsletter which covers all the recent properties we have received, as well as some exclusive ones. Brokers can help you on different levels: to understand and define your project, to get an overview of your options, to look for the ideal apartment, and to carry out the entire administrative process.

Most of all, real estate brokers at ADEN IMMOBILIEN will help you be the first one to visit properties! In a market as competitive as Berlin, this can make the entire difference!



Buying a property in Berlin: step-by-step process

The key steps to buying a property in Germany as a foreigner are typically:

1.

Look into mortgages from German banks or mortgage brokers and get an offer in principle (find out more about how a German mortgage works for foreigners in our dedicated article!).

2.

Search and find a suitable property.

3.

Discuss with the owner or real estate agent and make a written offer.

4.

Make a reservation with a downpayment of 1%: this step engages the buyer and the seller into the sale, and is only possible if you are going through a real estate agent (Makler).

5.

Have the public notary draw up the sale contract (if the seller is a professional or has a Makler, they will have a Notar they usually work with).



6.

Finalise the mortgage with your financial institution.

7.

Have two weeks of reflection after receiving the draft (a legal requirement in Germany).

8.

Sign the contract.

9.

Have the property sale registered by the notary.

10.

Within four to six weeks, pay the property price and sale taxes.

11.

Get your keys!

After the contract is signed, there are several more steps needed to actually buying a property in Germany. The Notar must register it with the Grundbuch, and the government will check that there are no outstanding issues for this real estate transaction. Normally, the notary has already looked into it and informed the buyer. But if there are issues, the property transfer cannot be complete until all is resolved. This is why many buyers choose to use the notary as an escrow: the sale price is transferred to his account (Notarkonto) before being released to the seller.

What are the checks to be done before committing to a real estate transaction?

But looking at the physical state of the property is not enough: it is important to look at the bigger engagement that an apartment in Berlin represents. How expensive are the monthly charges (electricity, heating, building management...)? Are there renovations to consider?

Before making an offer, you should request the following documents from the owner:



Budget / economic planning (Wirtschaftsplan): This document describes all the different monthly expenses (Wohngeld) associated with the property. Some of them are paid by the tenant as “Nebenkosten”, and some have to be paid by the landlord. In particular, check the amount due every month to feed the Rucklage, which is a reserve of funds shared by the co-owners to pay for renovations and major works in the building. Beware of co-properties which have little monthly fees into the Rucklage, since they will usually ask landlords for large sums if there are renovations needed.



Declaration of division (Teilungserklärung): More detailed than the cadaster, this shows what belongs to the property and what is shared between the co-owners (stairs, cellars...).



Detailed plan (Grundriss): It's very important that you get an official, detailed floor plan of the flat to check the square footage of the apartment.



Hausgeld: The Hausgeld should give you an overview of the costs of the building management, including charges for renovations, as well as weekly cleaning service of the shared areas, central heating, Hausverwaltung fees, etc.



Energy consumption assessment (Energieausweis): Make sure you know about the heating costs –for instance, ground floor properties usually require more heating in the harsh winters of Berlin.

Taxes and fees

Keep in mind that in addition to the price of the property, the buyer will have to pay an around 13% in fees and taxes. Many of these side costs are deductible from your income tax if your fiscal residence is in Germany. The side costs of a real estate transaction in Germany include:

- >> **Notary fees: around 0.5%**
- >> **Real estate transfer tax** (Grunderwerbsteuer), depending on the federal state, these vary between 3.5 and 6.5% (6% for Berlin)
- >> **Registration fees** (Grundbuch): around 1%

German law has also taken steps to avoid speculation and fast increases in estate prices. A hefty tax has put into place onto the benefit made over reselling a property (capital gains tax). Under German law, this tax will virtually remove all benefits if the property is resold before 10 years (when the owner was not the main resident), and before 2 years if the owner was also living in that apartment.

Keep in mind that the information provided in this document stems from ADEN IMMOBILIEN's experience as a real estate broker. You should consult a relevant tax advisor (Steuerberater) for further information.

There might also be domestic regulations in your home country about capital gains tax.

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Do check our complete **GUIDE TO CAPITAL GAINS TAX AND REAL ESTATE FISCALITY IN GERMANY!**



Financing real estate in Berlin: mortgages

To buy a property in Germany, it almost always necessary to take a mortgage with a German bank or financial institution. International buyers usually will get a loan for up to 50% of the property value. Do not forget to take into account the extra 15% of taxes and fees on top of the property price! This means that the investor has to have quite a large amount of cash upfront (65% of the property price). As a rule of thumb, a credit will not be possible if one's yearly net income is below 20,000 euros and instalments cannot exceed 35% of one's monthly revenue.

Keep in mind that the information provided in this document stems from **ADEN IMMOBILIEN's experience as a real estate broker**. You should consult the relevant Finanzamt and/or a tax advisor (Steuerberater) for further information.

Among the many institutions which lend mortgages in Germany, the four largest banks are Deutsche Bank, Commerzbank, Postbank, and Hypovereinsbank. All of them offer mortgages, but it's always better to check the small print as each package differs slightly. Most banks also have an online mortgage calculator, which can give you a better idea of the interest rates and fees. Ask if they have an English-speaking counsellor to help you!

The main types of mortgages are:

- >> **Fixed interest loans, the most common type of mortgage with a German bank.** Instalments are guaranteed to be the same for 10 years (this is called the Zinsenbindung period), after which the interests must be renegotiated. Keep in mind that after 10 years, you will have reimbursed mostly interests and so the amount of borrowed capital is still very high when the interests are renegotiated! Each year, a minimum of 1% annuity must be paid back.
- >> **Interest only loans:** over a fixed term, only the interest portion of the loan is due (and the outstanding amount is paid later). This can be interesting for foreign investors, since the interest payments can be tax deductible, but there must be other assets or savings to cover the outstanding loan at the end of the term!
- >> **Building society loan:** instalments are made (partially or totally) to a building society savings programm. This type of loan is quite popular but requires caution since there can be many fees associated with it.
- >> **Variable rate loans:** interest rates are tracked with the Euribor, the Euro Interbank Offered Rate. This allows for a partial or full repayment of the loan every three months, but the lender should keep a close eye on the Euribor rate at all times!

Selling your apartment in Berlin

If you decide to resell your property, there is a number of fiscal implications that you should be aware of. Find out more about capital gains tax in our dedicated article here, or discover ADEN IMMOBILIEN's full guide to real estate fiscality in Germany on our website!

Keep in mind that fiscal law for real estate is changing quickly in Berlin. The city is growing fast and the government is trying to minimise speculation. **This guide provides a general overview, based on ADEN IMMOBILIEN's experience as real brokers but we are not responsible for any mistakes, omissions or modifications.** Please consult the publications of the Berliner Senate or a tax advisor for detailed information..



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