

# BERLIN'S HOUSING MARKET FROM AN INTERNATIONAL PERSPECTIVE

online press conference  
May 3rd 2022

BOTTERMANN KHORRAMI

**DLE**  
Deutsche  
Landentwicklung  
Holding AG

 **PREA**



**RUECKER  
CONSULT**

# AGENDA

## BERLIN'S HOUSING MARKET

**01** Greeting

**02** Short presentations

**03** Questions and discussion

# SPEAKERS

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**Einar Skjerven**

CEO

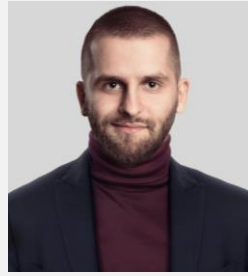
Skjerven Group



**Uwe Bottermann**

Lawyer and Partner

BOTTERMANN::KHORRAMI



**Juri Ostaschov**

Chief Data Scientist (CDS)

PREA



**Dr. Simon Kempf**

CTO

DLE Group ASG



# Online **PRESS CONFERENCE**

SKJERVEN GROUP | May 3<sup>rd</sup>, 2022







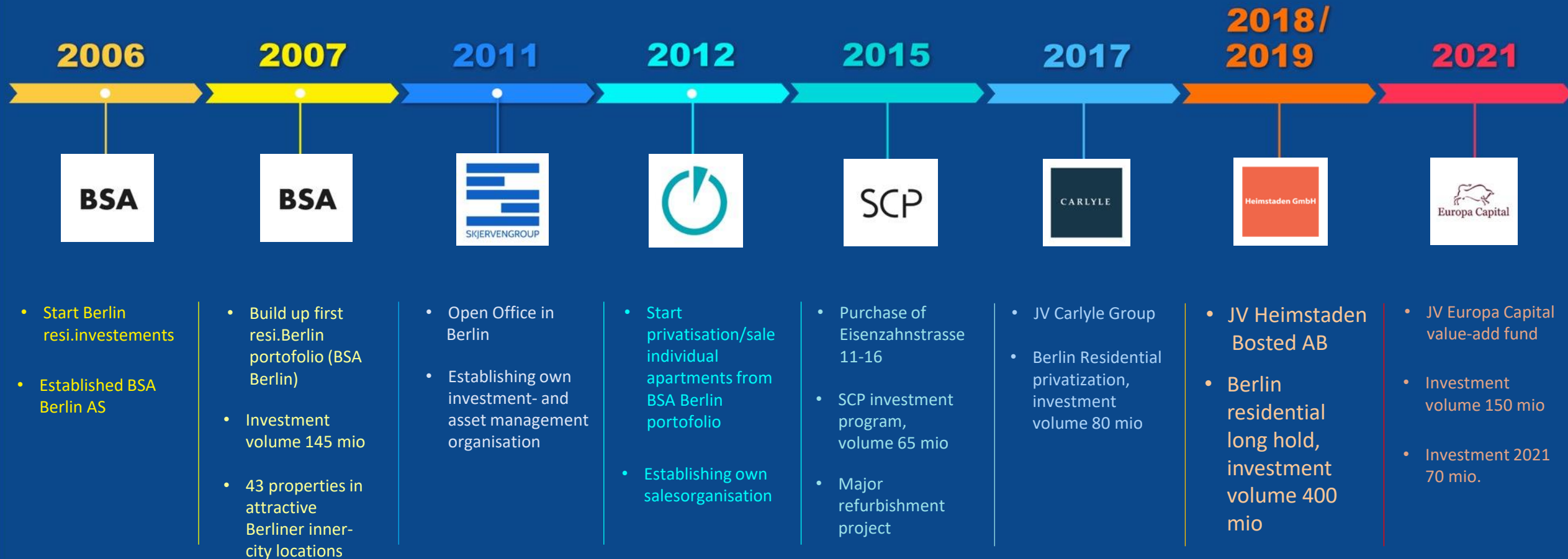
# Berlin

needs no extensive introduction. As the capital of Germany,  
**is one of the largest and most interesting metropolitan areas in Europe.**

- ❖ Berlin has roughly 3.8 million inhabitants and according to a study from the senate, the population is expected to increase to almost **4.0 million inhabitants in 2030**. This would be equivalent to 20,000 new inhabitants every year or more than 1,600 every month.
- ❖ **The historic population growth** has been significantly higher than the forecast, recent years the city has grown by up to 60,000 inhabitants annually.
- ❖ **The city is quite unique** in the sense that of the total housing stock (circa 1.95 million homes) about 1.45 million of them (75%) are rental apartments.
- ❖ Rents and property prices have risen steadily in recent years because of the strong population growth and the risen attractiveness of the city (for instance Tesla builds their first European “**Gigafactory**” just outside the city). The strength of the market has attracted interest from international and institutional investors.

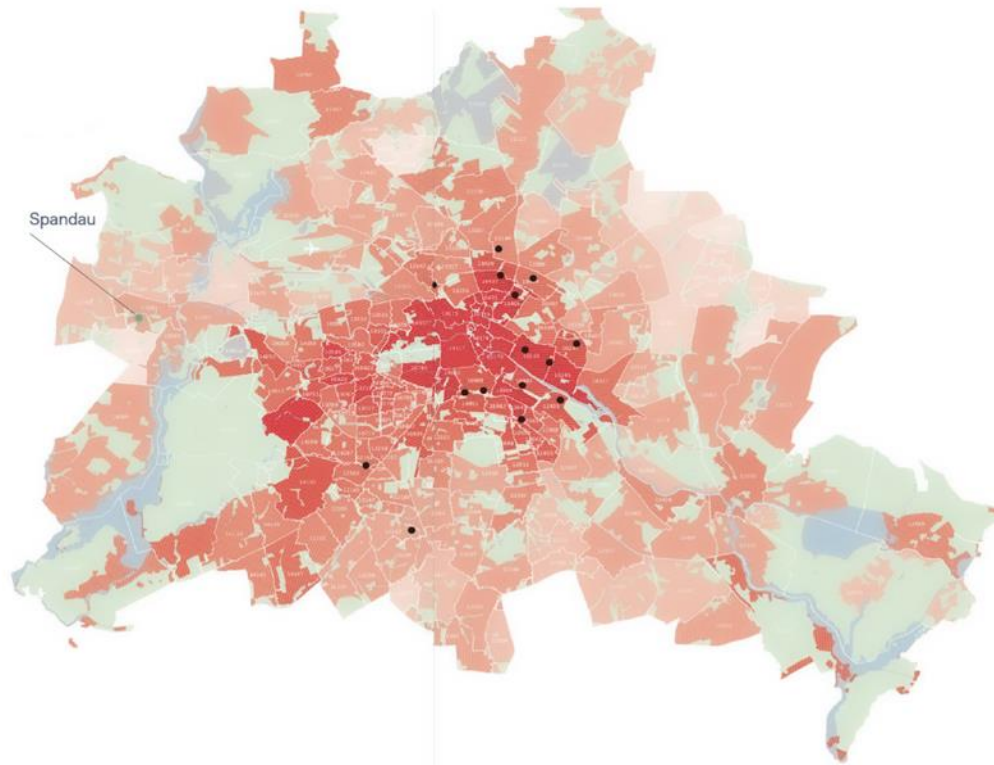
# SKJERVEN GROUP AT A GLANCE

- **Over 15 years of experience in Germany**, specializing in Berlin and German Residential.
- Strong deal-network and visibility in the German Residential investment market.
- Extensive experience and track record in Residential transactions and asset management.
- Proven execution of long-hold residential investment programs  
(example: HST 2018-2020, ca MEUR 400 investment volume).
- Experienced team of specialists and established platform for execution of Residential investments and value-add activities.
- Long term experience for JV and cooperation with international institutional investors.
- Established and well proven team of service-provider for due diligence, financing and transactions.
- Skjerven Group Joint Venture partner for international institutional investors





400 MEUR TRANSACTIONS DONE



## Mandate 2018 – 2020

### ❖ LONG-HOLD PORTFOLIO

*Inner-city locations Berlin  
51 properties – 1.640 units*

OFF MARKET PORTFOLIO DEALS



## PORTFOLIO

### Asset Deal

Residential complex comprising of 10 residential buildings

Years of construction 1962 - 1964

484 residential / 50 parking spots

Lettable area 27.831 sqm



Purchase Price 68,13 MEUR (2.448 €/sqm)

Total Cost to Buyer 74,78 MEUR (2.687 €/sqm)

Initial yield (gross) 2,85%

Long-hold investment strategy:

DCF Horizon – 10 years

- (1) Rent development according to the statutory regulations
- (2) Active asset management focused on income improving measures
- (3) Block sale at BP end

Residential	€/sqm/mth	upside potential
Current rent level	5,92	
Market Rent	11,50	94%
Official Rent index	7,86	33%

Closing/take-over: 2019

## Asset Deal

13 properties

Years of construction 1874 - 1930

377 residential / 36 commercial units / 58 parking spots

Lettable area 32.464 sqm



Purchase Price 106,13 MEUR (3.269 €/sqm)  
Total Cost to Buyer 117,27 MEUR (3.612 €/sqm)

Initial yield (gross) 3,35%

Long-hold investment strategy:

DCF Horizon – 15 years

Rent development according to the statutory regulations:

- (1) Rental cap – operating on the assumption that passing rent is frozen for 5 years  
*(2021 the rental cap has been deemed unconstitutional)*
- (2) Rent development towards the rent index (Mietspiegel)
- (3) Substantial refurbishment upon churn and relet at market rent starting from year 6
- (4) Block sale at BP end

Residential	€/sqm/mth	upside potential
Current rent level	7,23	
Market Rent	16,61	130%
Official Rent index	8,61	19%



## BEAUTIQUE APARTMENTS

Revitalisation: 280 Apartments, commercial space and parking, total ca  
13.500 sqm | Years of construction 1973, refurbishment 2017





# BEAUTIQUE APARTMENTS

Revitalisation: 180 Apartments | Years of construction 1973

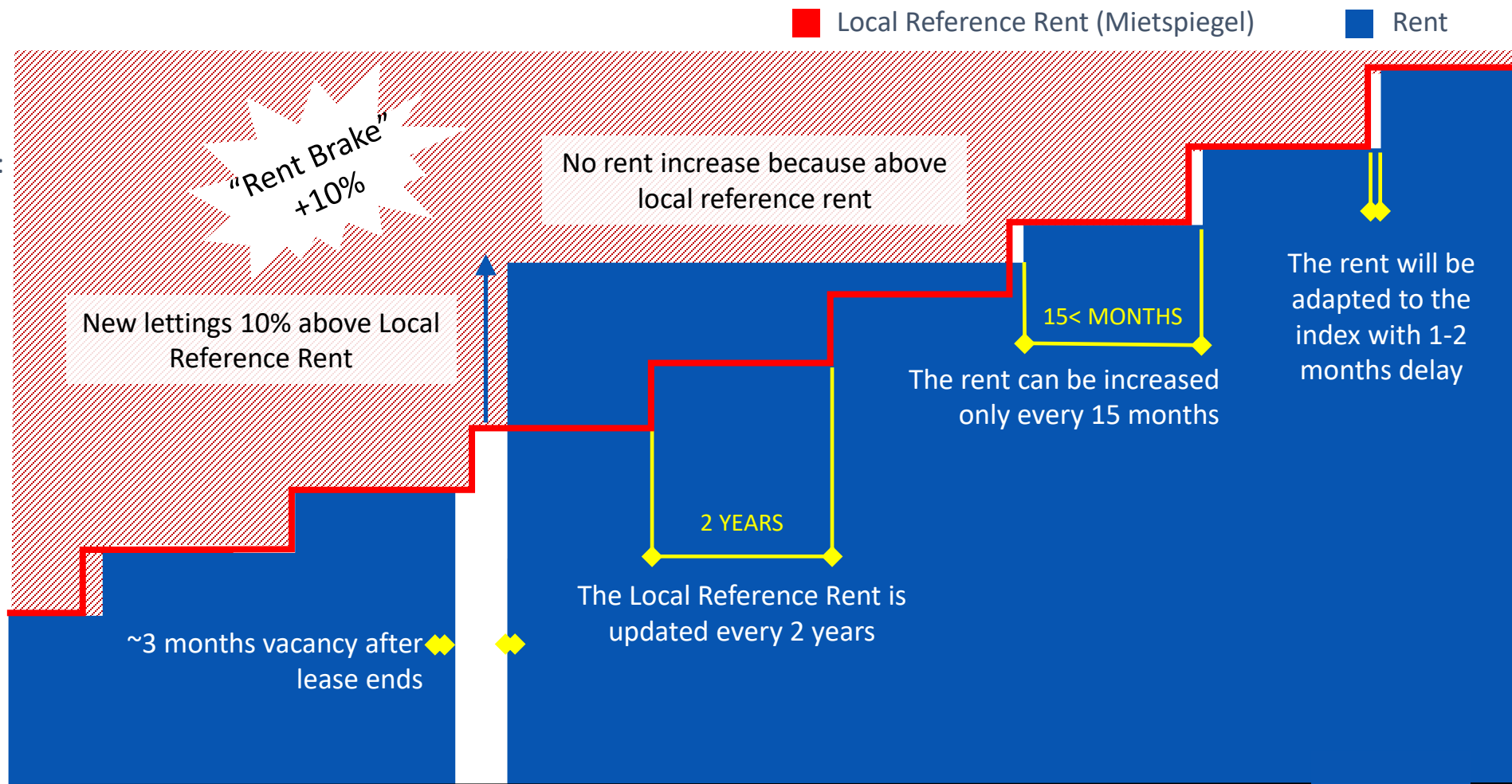
SKJERVEN GROUP GmbH



## NEW RESIDENTIAL LEASES

In a rent regulated (“tense”) market, a new lease will follow these restrictions:

- The rent of a new lease can be **set 10% above the Local Reference Rent**
- The **rent will then stay the same** until the Local Reference Rent becomes higher
- Exception – relet at market rent after substantial refurbishment

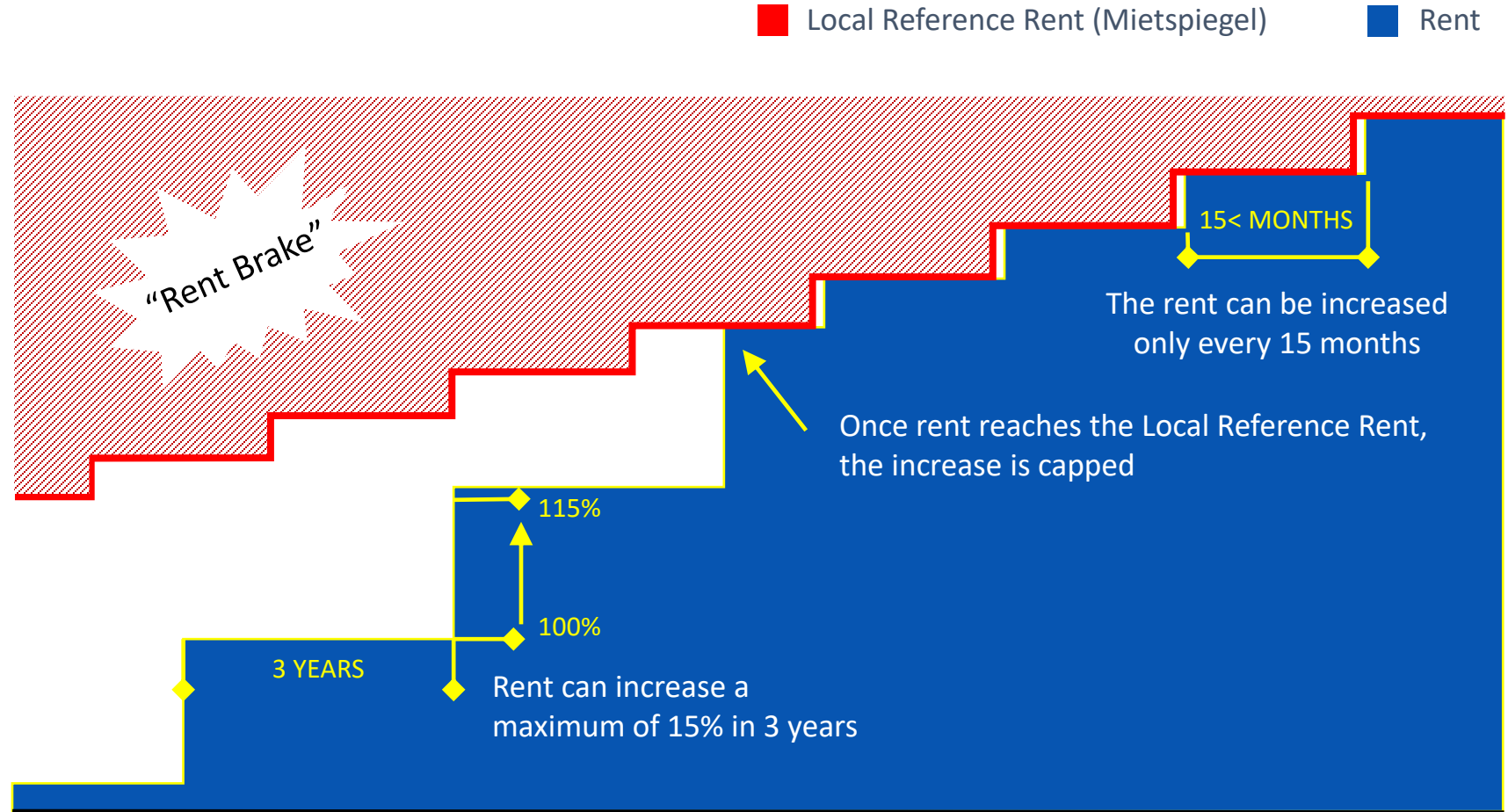




## EXISTING RESIDENTIAL LEASES

In tense housing markets, as in Berlin, the following rent restrictions apply:

- **"Kappungsgrenze"**: Rents can increase a maximum of **15% every 3 years**
- **"Jahressperrfrist"**: Rents can increase **only every 12 months + 3 month reflection period of tenant = 15 months**
- But **only up to the Local Reference Rent**



## Challenges

Strong demand and lack of supply

Average 180 applicants per vacant apartment

Ca 80 % of the population are tenants

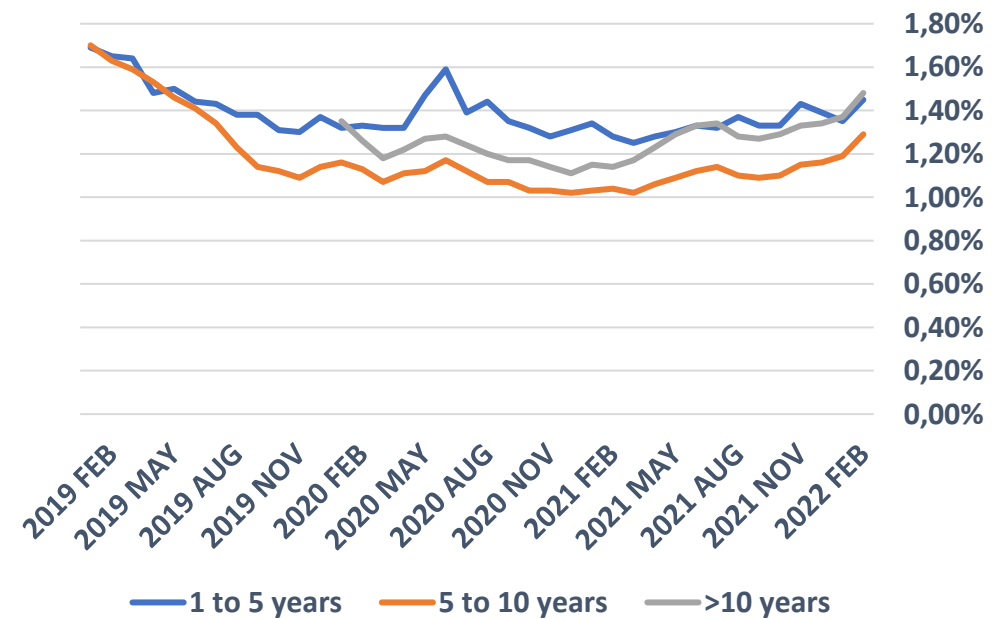
Strong public regulations and focus on tenant-side

Gentrification, Milieuschutz, Vorkaufsrecht

Rising interest rates and higher inflation



Interest Rates for Housing Loans to Private Households



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

SKJERVENGROUP

THANK YOU





# Purchasing Real Estate in Germany

Legal Foundations and Regulatory Environment

# Who We Are



Specialised Lawfirm  
founded in 2007



Real Estate  
Transactions



Legal Asset  
management



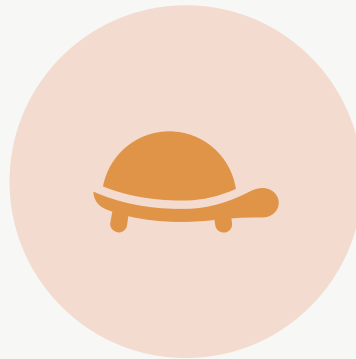
Notary



# Purchasing Process in Germany



Safe



Slow



Expensive

# Buyer Beware!



traditionally strong  
tenant  
protection...

significant rent increases  
since c. 2013



some additional  
measures...

Rental Price Break I, II, III ...  
Conservation Areas  
Misappropriation  
Limitations to Title Splits



...and their  
perversions

State Interference with  
Transactions  
Failed Rental Cap  
Expropriation Initiative



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# Outlook



Comparatively  
Low Prices



Continued  
High Demand



Regulatory  
Change?

# BOTTERMANN KHORRAMI

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Uwe Bottermann  
Rechtsanwalt | Partner

## **BOTTERMANN::KHORRAMI**

Katharina-Heinroth-Ufer 1 | D-10787 Berlin

Phone: +49 30 240899 - 444

E-Mail: [office@bk-law.de](mailto:office@bk-law.de)





# Berlin in Detail

AI Research by **mercury**®



It is time to leverage the real estate market with  
the methods already proved to enhance  
investment decisions in other asset classes.

As a consulting and service company,  
PREA uses artificial intelligence to create  
value in the real estate sector.

The data analysis system mercury  
measures, evaluates, and forecasts market activity  
for every micro-location in Germany.



Spandau	Rent	Buy
DVWAP min in €/m²	12.89	4,567.94
DVWAP median in €/m²	16.74	5,930.93
DVWAP max in €/m²	18.87	6,352.76
Demand excess in m²	53,539.29	53,539.29
Geometric Growth in %	6.1	6.1
Forecast geometric in %	0.7	0.2
Forecast volatility in %	0.4	0.4

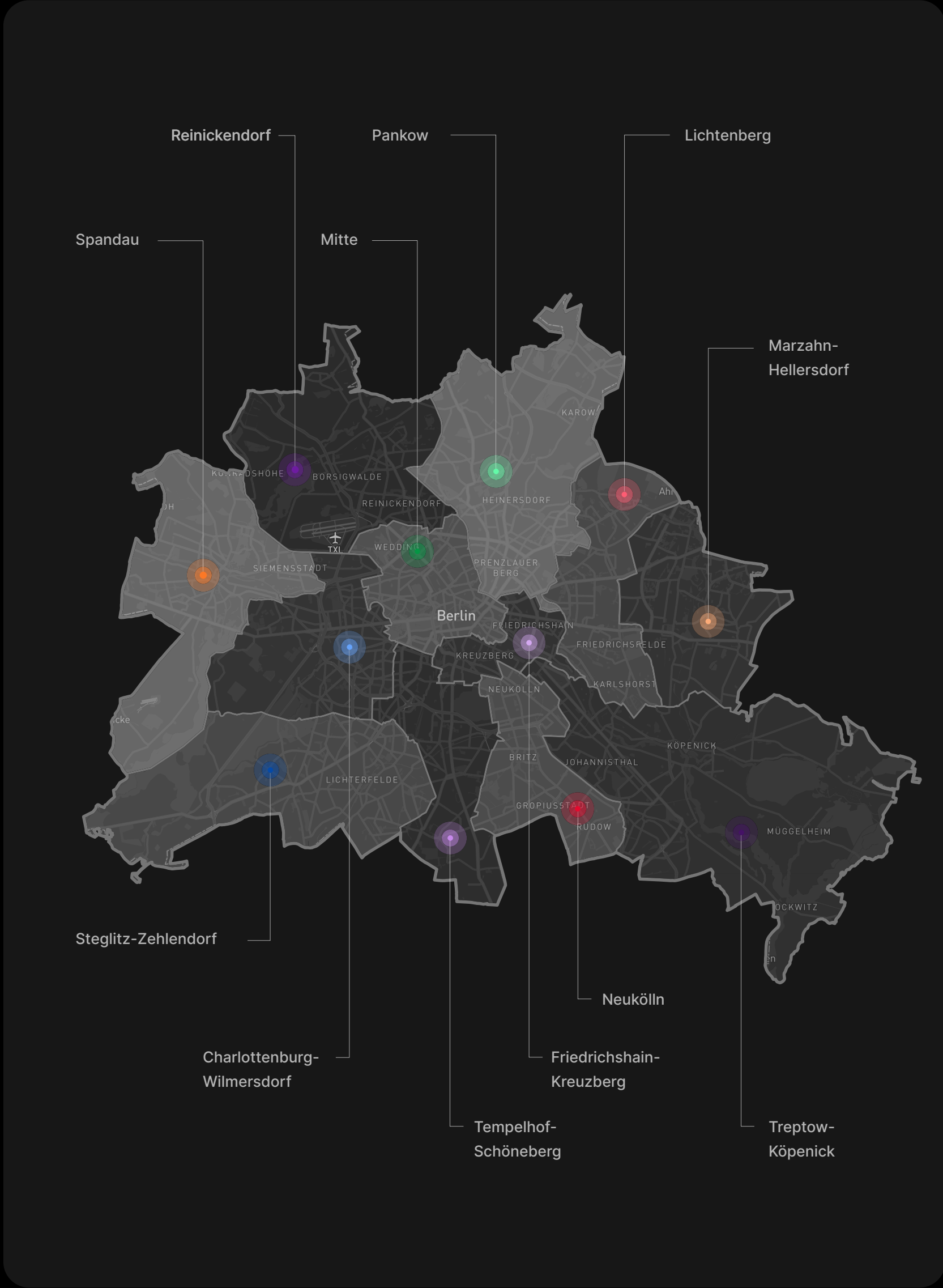
Reinickendorf	Rent	Buy
DVWAP min in €/m²	13.76	4,682.50
DVWAP median in €/m²	16.85	6,029.15
DVWAP max in €/m²	19.64	7,106.10
Demand excess in m²	61,862.96	61,862.96
Geometric Growth in %	4.8	9.4
Forecast geometric in %	0.5	2.0
Forecast volatility in %	0.3	1.8

Mitte	Rent	Buy
DVWAP min in €/m²	17.16	6,227.30
DVWAP median in €/m²	23.71	9,548.85
DVWAP max in €/m²	27.51	11,023.84
Demand excess in m²	236,266.20	236,266.20
Geometric Growth in %	8.0	9.3
Forecast geometric in %	1.4	4.8
Forecast volatility in %	0.4	2.2

Steglitz-Zehlendorf	Rent	Buy
DVWAP min in €/m²	14.66	5,612.31
DVWAP median in €/m²	19.21	7,977.25
DVWAP max in €/m²	22.01	9,234.32
Demand excess in m²	101,418.83	101,418.83
Geometric Growth in %	6.4	8.6
Forecast geometric in %	1.4	3.5
Forecast volatility in %	0.8	1.2

Charlottenburg-Wilmersdorf	Rent	Buy
DVWAP min in €/m²	16.93	6,751.74
DVWAP median in €/m²	21.17	10,458.51
DVWAP max in €/m²	23.84	12,112.41
Demand excess in m²	190,849.20	190,849.20
Geometric Growth in %	6.1	10.2
Forecast geometric in %	1.3	1.8
Forecast volatility in %	0.6	0.6

Tempelhof-Schöneberg	Rent	Buy
DVWAP min in €/m²	15.55	4,923.73
DVWAP median in €/m²	19.80	6,113.30
DVWAP max in €/m²	22.66	7,336.07
Demand excess in m²	109,567.55	109,567.55
Geometric Growth in %	6.4	6.0
Forecast geometric in %	1.8	1.1
Forecast volatility in %	1.6	0.6



Pankow	Rent	Buy
DVWAP min in €/m²	14.33	4,918.09
DVWAP median in €/m²	18.94	7,153.84
DVWAP max in €/m²	22.06	8,066.40
Demand excess in m²	164,487.08	164,487.08
Geometric Growth in %	5.9	10.0
Forecast geometric in %	2.1	2.4
Forecast volatility in %	1.0	0.7

Lichtenberg	Rent	Buy
DVWAP min in €/m²	12.70	4,475.24
DVWAP median in €/m²	16.02	6,542.19
DVWAP max in €/m²	18.56	7,332.62
Demand excess in m²	66,290.89	66,290.89
Geometric Growth in %	5.7	11.0
Forecast geometric in %	1.1	4.9
Forecast volatility in %	0.4	2.1

Marzahn-Hellersdorf	Rent	Buy
DVWAP min in €/m²	11.24	3,878.33
DVWAP median in €/m²	13.31	5,326.60
DVWAP max in €/m²	14.91	6,173.88
Demand excess in m²	49,073.23	49,073.23
Geometric Growth in %	3.0	10.5
Forecast geometric in %	1.0	2.6
Forecast volatility in %	0.5	1.6

Friedrichshain-Kreuzberg	Rent	Buy
DVWAP min in €/m²	16.09	5,686.29
DVWAP median in €/m²	22.50	9,170.76
DVWAP max in €/m²	25.50	10,328.15
Demand excess in m²	144,061.75	144,061.75
Geometric Growth in %	8.1	11.2
Forecast geometric in %	1.9	7.4
Forecast volatility in %	1.0	1.8

Neukölln	Rent	Buy
DVWAP min in €/m²	15.49	5,280.44
DVWAP median in €/m²	18.99	6,845.01
DVWAP max in €/m²	21.60	7,616.95
Demand excess in m²	104,966.47	104,966.47
Geometric Growth in %	7.8	9.8
Forecast geometric in %	1.8	3.6
Forecast volatility in %	0.9	2.0

Treptow-Köpenick	Rent	Buy
DVWAP min in €/m²	12.78	4,376.64
DVWAP median in €/m²	15.88	6,541.19
DVWAP max in €/m²	18.56	7,643.29
Demand excess in m²	124,635.44	124,635.44
Geometric Growth in %	4.5	9.2
Forecast geometric in %	0.5	3.9
Forecast volatility in %	0.3	1.4



# District analysis.

		Rent		Buy	
Historical Analysis	Highest Historical Geometrical Growth	Friedrichshain-Kreuzberg Mitte Neukölln	8.1 %	Friedrichshain-Kreuzberg	11.2 %
			8.0 %	Lichtenberg	11.0 %
			7.8 %	Marzahn-Hellersdorf	10.5 %
Current Situation Analysis	Highest Nominal Prices	Mitte Friedrichshain-Kreuzberg Charlottenburg-Wilmersdorf	23.71 €	Charlottenburg-Wilmersdorf	10,458.51 €
			22.50 €	Mitte	9,548.85 €
			21.17 €	Friedrichshain-Kreuzberg	9,170.76 €
Future Analysis	Highest Nominal Demand Excess	Mitte Charlottenburg-Wilmersdorf Pankow	236,266.20 m²		
			190,849.20 m²		
			164,487.08 m²		
Hidden Champion:	Marzahn-Hellersdorf	Most favorable rents	2.1 %	Friedrichshain-Kreuzberg	7.4 %
			1.9 %	Lichtenberg	4.9 %
			1.8 %	Mitte	4.8 %
	Highest Expected Geometrical Growth Rate	Pankow Friedrichshain-Kreuzberg Neukölln	1.6 %	Mitte	2.2 %
			1.0 %	Lichtenberg	2.1 %
			1.0 %	Neukölln	2.0 %
	Highest Expected Volatility	Tempelhof-Schöneberg Friedrichshain-Kreuzberg Pankow			
	Political advantage - creation of building rights is approved more quickly	Very low volatility risk			
	Marzahn-Hellersdorf will benefit from the spillover effects of the neighboring districts, since housing is a basic need and cannot be substituted so easily				

	Background	Recommendation
Forecasting	DVWAP rental prices with growth between 3.0-8.1 %	At highest growing market segments consider demand coverage, at slowest the extreme (highest and lowest) pricing segments as indication of market saturation
	DVWAP selling/buying prices with growth between 0.2-7.4 %	Due to the pronounced heterogeneity, follow the district-specific price setting and support the decisions by analysing the weighted min. and max. prices in global sale
	Predicted volatility between 0.3-1.6 % (rent) and 0.4-2.2 % (sell/buy price)	Evaluate risk measures to accommodate the return-volatility profile across all districts, especially extreme risk movements in districts with high volatility
Price & Risk	DVWAP median rental prices between 13.31-22.66 €/m²	Financial monitoring paramount in decision making, especially following construction costs, financial markets (real estate, bonds, stocks) and inflation/spread/forwards dynamics
	DVWAP median sell/buy prices between 5,326.60-10,458.51 €/m²	Recommended is an individual return-risk profile assessment including price range distribution, feature importance and demand-supply analysis
	Growth between 3.0-8.1 % (rent) and 6.0-11.2 % (sell/buy)	Support growth rates with acceptable risk preferences and consider demand/supply values at a given district and potential spillover from surrounding residential areas
Price & Demand Sustainability	Highest demand excess, more than 130 Tsd. m² Mitte, Charlottenburg-Wilmersdorf, Pankow, Friedrichshain-Kreuzberg	Consider the pricing at all demand and (competitive) supply levels of the real estate oderbook and demand coverage
	Higher demand excess, between 100-130 Tsd. m² Treptow-Köpenick, Tempelhof-Schöneberg, Neukölln, Steglitz-Zehlendorf	Consider the demand coverage at the selected price segments and the identified demand elasticity and the price pressure
	High demand excess, less than 100 Tsd. m² Lichtenberg, Reinickendorf, Spandau, Marzahn-Hellersdorf	Focus on attracting the demand and inevitably the (competitive) supply from the surrounding districts and spillover effects



# Contact.

## Capital Markets



**Gabriel Khodzitski**  
Chief Executive Officer

0049 30 311 977 77  
[gabriel.khodzitski@prea.eu](mailto:gabriel.khodzitski@prea.eu)



**Alexander Orodovski**  
Chief Development Officer

0049 177 6417 229  
[alexander.orodovski@prea.eu](mailto:alexander.orodovski@prea.eu)



## Research & Analytics



**Juri Ostaschov**  
Chief Data Scientist

0049 157 7791 7694  
[juri.ostaschov@prea.eu](mailto:juri.ostaschov@prea.eu)



**Dr. Andrija Mihoci**  
Sr. Data Scientist

0049 30 311 977 44  
[andrija.mihoci@prea.eu](mailto:andrija.mihoci@prea.eu)



**Dr. Mirsad Hadžiefendić**  
Machine Learning Engineer

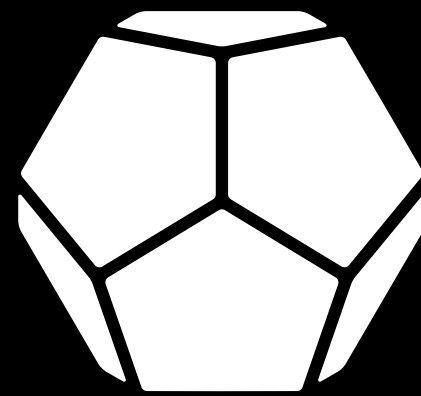
0049 30 311 977 78  
[mirsad.hadziefendic@prea.eu](mailto:mirsad.hadziefendic@prea.eu)



**David van Keulen**  
Data Scientist

0049 30 311 977 44  
[david.van.keulen@prea.eu](mailto:david.van.keulen@prea.eu)





rethink values.





**1**

COMPANY PRESENTATION

**2**

BUILDING LAND DEVELOPMENTS IN GERMANY

**3**

ATTRACTIVE TARGET MARKET

**4**

TIMELINE OF A BUILDING LAND DEVELOPMENT

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SUCCESS FACTORS AND MISTAKES

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DLE MONITOR

**7**

CASE STUDY

# DLE COMPANY PRESENTATION

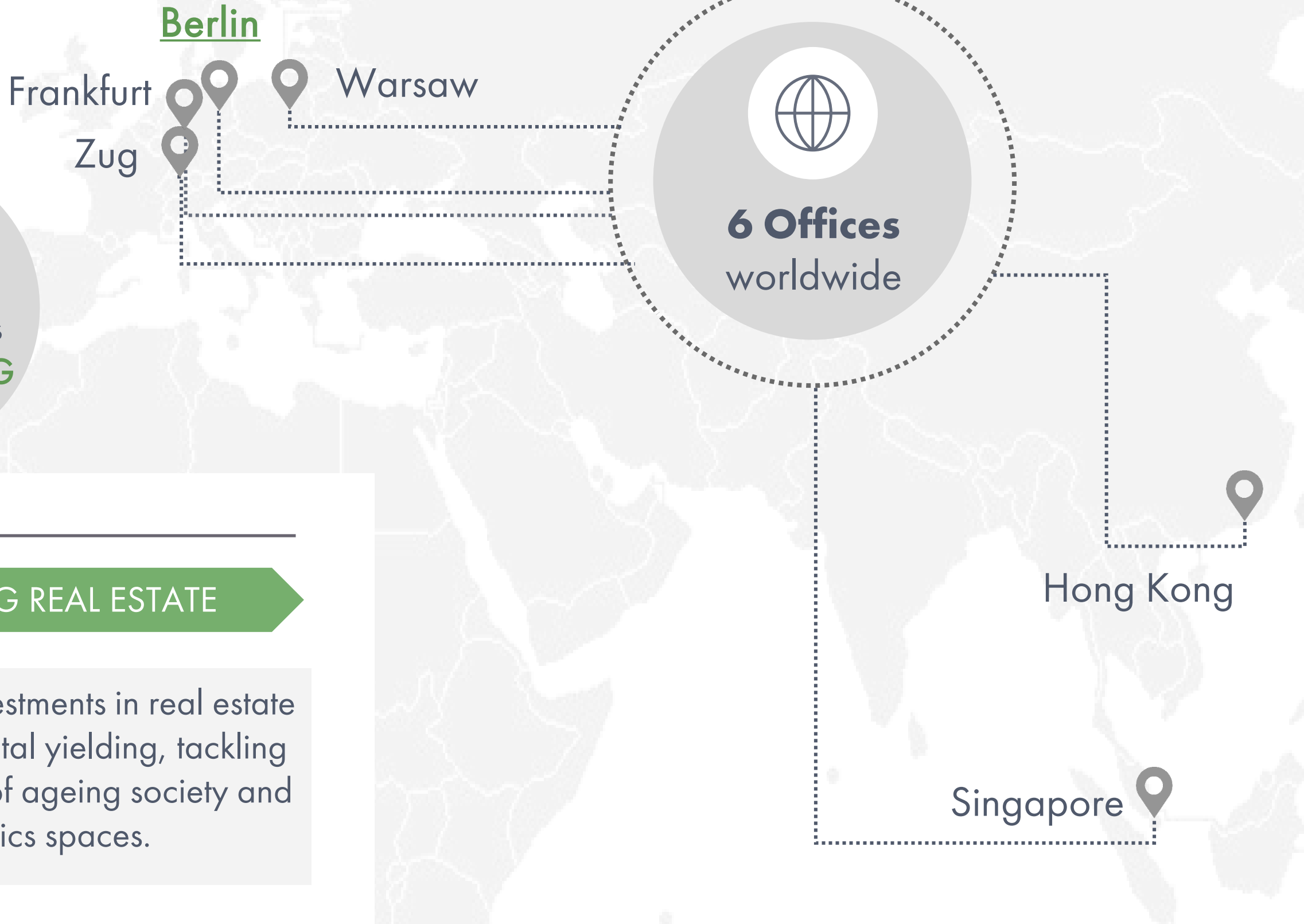
DLE Land  
Development  
GmbH

Leading **Asset Management Platform** in Europe with **Innovative Investment Products**

## DLE AT A GLANCE

DLE is Europe’s **leading asset management platform** and innovator in institutional real estate products for investors worldwide.

Our offering covers the entire **real estate value chain**.



# DLE BUILDING LAND DEVELOPMENTS IN GERMANY

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Development  
GmbH

## Great Opportunities and Potential Challenges for Building Land Developments in Germany

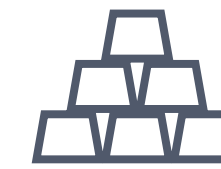
### DLE'S VALUE CREATION



Due to its fund-driven investment strategy, DLE is **independent of banks**.



This allows DLE to **acquire land** that still has to be **redesignated** for future use.



DLE does **not engage** in building **land speculation** by leaving the land lying around.



DLE sees itself as a project developer in the course of **creating building rights**.

### OPPORTUNITIES IN THE PROCESS OF CREATING BUILDING RIGHTS

- Building land gains in value depending on the intended uses (residential, commercial, mixed-use).
- Cities and municipalities benefit from the newly defined uses in the form of jobs and housing
- Areas offer space for social infrastructure and administration
- DLE has the opportunity to use developed areas with its own asset classes, for example senior living

### CHALLENGES IN THE PROCESS OF CREATING BUILDING RIGHTS

- Approval process delayed because authorities are understaffed
- Citizens' initiatives positioning themselves against building projects
- The goal of building land development contradicts the objectives of local political representatives



# DLE ATTRACTIVE TARGET MARKET

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Development  
GmbH

## Attractive Opportunities in the German Market

### TARGET INVESTMENTS



#### TOP 7 CITIES IN GERMANY



#### GROWING METROPOLES AND THEIR SURROUNDING AREAS

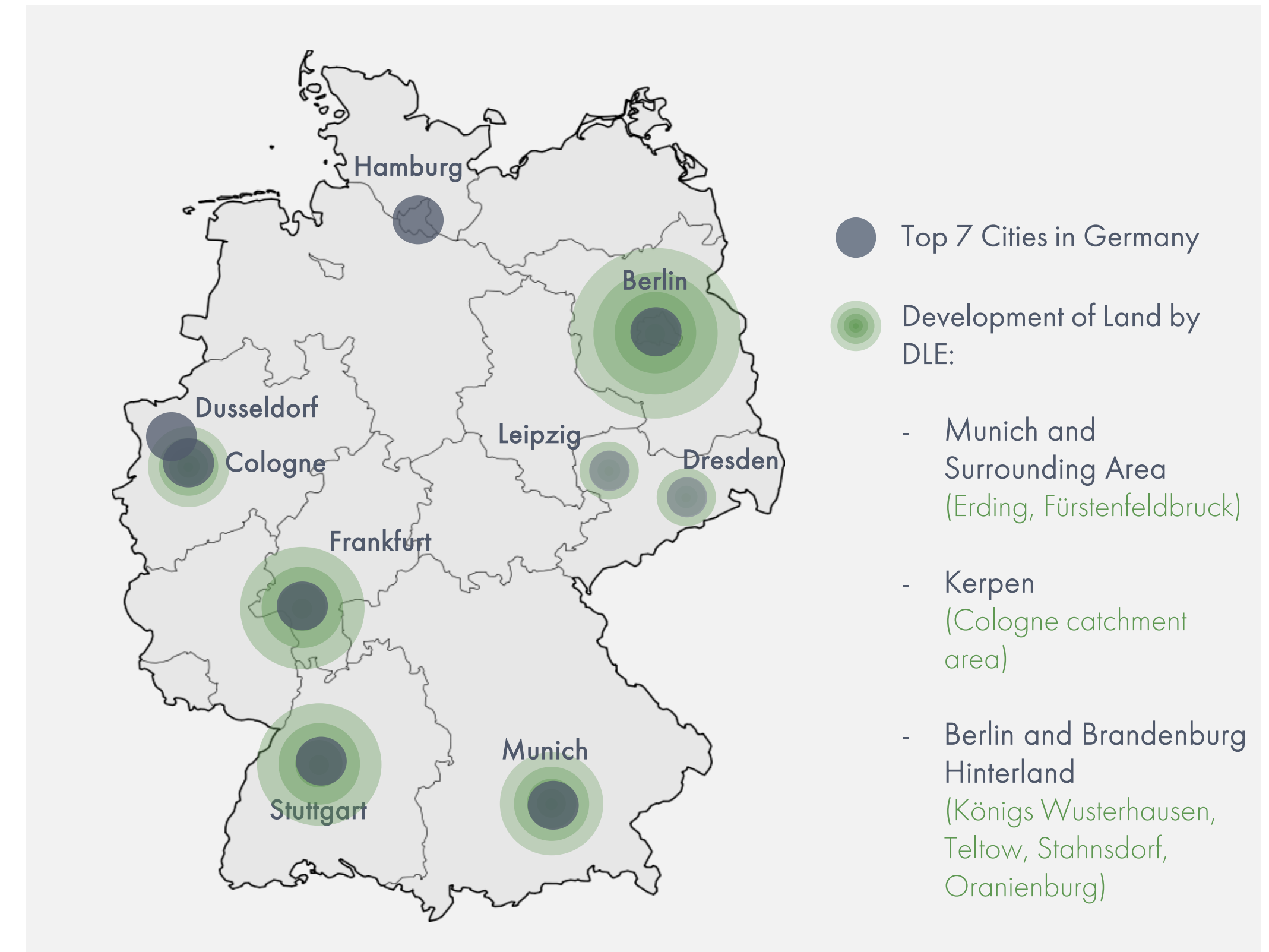


#### GOOD PUBLIC TRANSPORT CONNECTIONS AVAILABLE OR PLANNED



#### INTERESTING FOR THE LONG TERM: REGIONS UNDERGOING CHANGE:

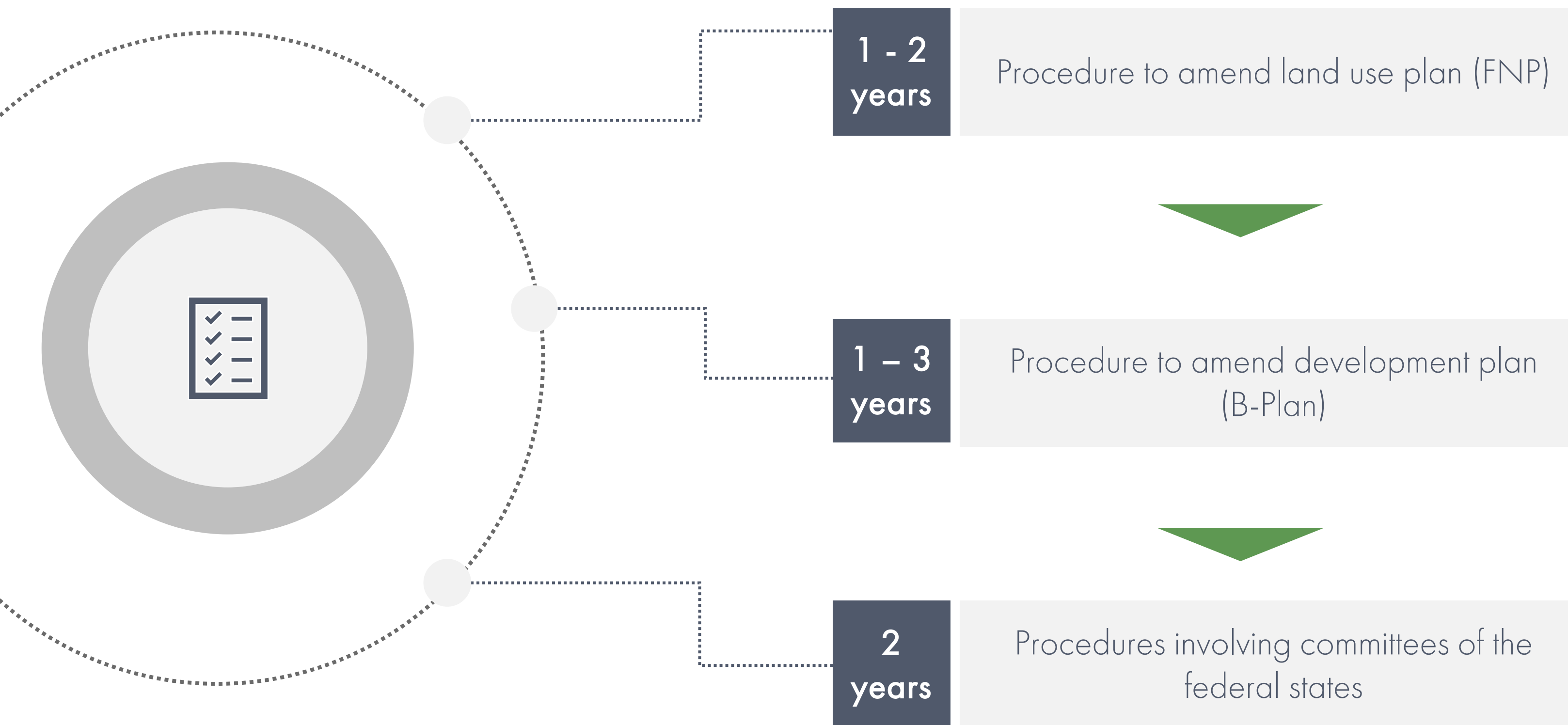
- Benefiting from structural development programmes
- Landscape transformation processes
- Optimization of infrastructure
- Rededication of land



# DLE TIMELINE OF A BUILDING LAND DEVELOPMENT

DLE Land  
Development  
GmbH

Timeline for **Building Rights** dependent on the **Process** and the **Authorities** involved



- Some Regions (e.g. Bavaria) offer accelerated procedures.
- In the interest of the Federal Republic are legislative initiatives to accelerate procedures (debureaucratisation and digitalisation).

# DLE SUCCESS FACTORS AND MISTAKES

DLE Land  
Development  
GmbH

## Factors of Success and Drawbacks

### SUCCESS FACTORS



#### Local Community

Willingness of local communities to transform



#### Dialogue

Early dialogue with residents and citizens' initiatives to prevent resistance



#### Municipal Needs

Consideration of municipal needs



#### Communication

Appropriate and timely communication with stakeholders



#### Transparency

Public communication to convey transparency in the planning process

### MISTAKES



#### Poor Analysis

Inadequate analysis of the site (environmental factors, previous history).



#### Misjudgement

Misjudgements regarding possible uses



#### One-sided Involvement

No comprehensive or only one-sided stakeholder involvement



#### Limited Transparency

Insufficient transparency regarding official and political decision-makers



#### Lack of Communication

No active public communication – mistrust among the population



## How we want **to live** in **the future**

### DLE MONITOR

- In its project developments, DLE pursues the goal of designing **attractive neighbourhoods** that are **sustainable** and can withstand the demands of the future.
- To this end, **needs of residents and municipalities are surveyed**.
- The DLE Monitor also enables **future developments** and trends to be surveyed **empirically and scientifically**.



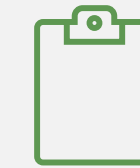
It is a **statistical analysis** tool from empirical social research



It is produced by **Klaus-Peter Schöppner** (formerly Emnid) and his company Mentafactum



It provides **answers to current questions** in the housing and real estate industry



It provides **reliable surveys and flash analyses** at regular intervals

By involving citizens at an early stage through **public participation and surveys**, DLE democratizes the process of **creating building rights** and thus generates the necessary acceptance among residents and decision-makers.

# DLE CASE STUDY

DLE Land  
Development  
GmbH

## "Koenigspark" in Koenigs Wusterhausen

### INVESTMENT KPIs

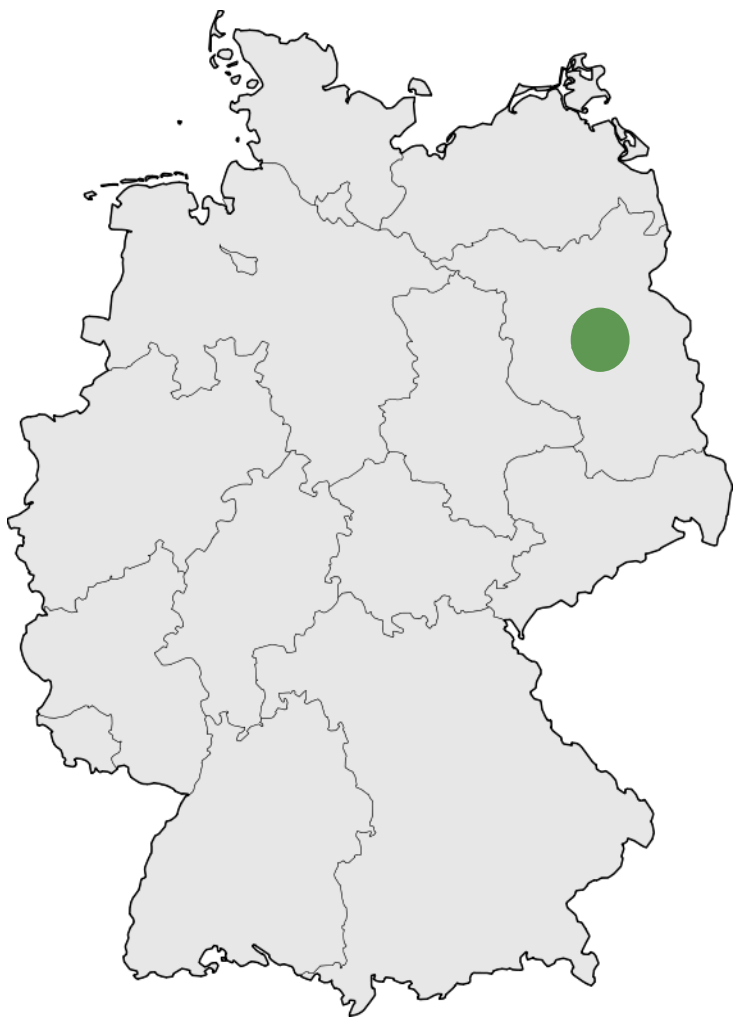
Location	Berlin / Koenigs Wusterhausen
Expected GFA	500,000 sqm
Expected Use	Residential, Commercial
Additional Space Use	Medical Care, Educational Campus, School, Fire Brigade
Ecological Focus	Use of rainwater, minimal sealing, spacious parks with recreational areas

The utilisation concept and planning were developed in close consultation with the dynamically growing municipality and its local needs. Political support for the project ideally led to a shortening of the approval process.

### INVESTMENT HIGHLIGHTS

Königs Wusterhausen is located in the corridor of Berlin's south-eastern hinterland and benefits positively from the new BER airport and Tesla's Giga-Factory in the immediate vicinity.

Further influences on the positive development of the location are the science location Adlershof in the south-east of Berlin, the expansion of the Wildau University of Applied Sciences and the accessibility of Berlin city centre within 30 to 45 minutes.





# DLE CONTACTS & DISCLAIMER

DLE Land  
Development  
GmbH



Dr. Simon Kempf

Managing Director

DLE Land Development GmbH

Tel.: +49 (0) 151 61 26 25 22

E-Mail: [s.kempf@dle.ag](mailto:s.kempf@dle.ag)

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