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LATEST NEWS

IS GERMAN PROPERTY FINALLY READY TO BOOM?

It's been in the pipeline for months: A boom which experts seem certain is just around the corner. However, the predictions have failed to materialise – that is, says Stuart Law, chief executive of Assetz, until now



"The growth triggers investors have been waiting for are starting to occur in Berlin, with prices in some residential areas such as Charlottenburg, Wilmersdorf and Shoneberg seeing small rises after years of declining or static prices," he comments. "With economic conditions remaining favourable, it is inevitable that the Berlin market will catch up, as the UK-led phenomenon of buying your own home continues to spread rapidly across Europe."

However, Law predicts that the 'boom' in Germany will in fact be a slow process. "Germany is a new market for most overseas investors and it will take time to develop, so I would advise taking a ten-year view rather than expecting instant returns," he says.

But Julian Lu, a regional director at real estate brokers Imoinvest, thinks that sharp rises in house prices can be expected in the near future. He says a key indicator of this is the amount of private equity funds now investing in German property, combined with a move on the part of German banks towards offering investor-friendly mortgages.

And other experts agree. Alex Ross, of Premier Asset Management's Pan-European Property Share fund, sees Germany as a key part of his investment portfolio with the potential for good returns. "Most of my focus is now on continental European property where the medium-term outlook is very attractive," he confirms, adding: "This is because of the positive yield gap. It is positive in continental Europe against a negative in the UK".

He explains that, as he sees it, Germany is in the middle of a cycle at present, with office rent across the country at a five-year low. He points to the fact that Frankfurt, which has seen a 35 per cent drop in rental yields in the past three years, is once again seeing prices rise. According to Mr Ross, the fourth quarter of last year saw clear rental growth, which he expects to see continue - a prediction that is bound to interest those UK investors that are looking for promising new markets.

Oliver Jackson of World Capital Partner concurs: "People are looking abroad to invest in property, as the market out there is rising faster than the UK market has done over the past ten years," he says.

One investor who has been drawn to the German market is civil engineer Alan Jackson, who says that he was attracted by the high rental yields possible. Mr Jackson invested in a two-bedroom apartment in Uthmannstrasse, an area that is expected to produce rental prices of around ten per cent. He says that after studying various locations throughout the world, "we decided upon Germany, and in particular Berlin, as this seemed to have all the right ingredients to become one of the most successful European markets ever".

Gary Hobbs, a research analyst from London, recently purchased a one-bedroom period apartments in Fritschenstrasse, in the Charlottenburg district of Berlin. He is expecting the value of his property to grow exponentially when the German property boom finally takes off.

"I had visited Berlin on a number of previous occasions, and was already aware of just how much property was undervalued compared to other European cities," he says. "I am well aware of the changing climate, where property is concerned, in this major city. For my own finances, I was looking for a long-term property investment that would yield significant capital appreciation but also provide me with a regular income."



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Hobbs bought with Imoinvest, which is currently offering apartments in Berlin from 97,929 euros. Benefits include proximity to transport facilities, financing of up to 60 per cent available, and an expected rental income of up to 4.7 per cent. Norenva is also marketing Charlottenburg apartments in traditional blocks from 79,950 euros.

Berlin is unique among major European cities as only 14 per cent of residents own their own homes. This represents a huge untapped domestic rental market for the overseas investor, but one that is likely to diminish as an increase in activity is likely to drive a growing preference for home ownership. The message to investors is to get in their now, but be prepared to sit tight as German prices are expected to rise slowly and steadily.

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