Do We Have a Housing Bubble in Berlin (Germany)? Arguments and Indicators for and Against This Statement

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SUMMARY

Different research institutes and analysts announce the increase of the risk of a collapse of the housing bubble in Germany. Especially in the "big seven" cities (e.g. Munich, Hamburg or Frankfurt) real estate prices literally exploded.

The objectives of the article are to analyse which indicators (e.g. employment figures, growth prospects, land availability) can be used to evaluate the existence of a housing bubble in Berlin. For example, the demand on the housing market is increasing in Berlin as a result of the sharp rise in population figures and a disproportionate increase in single-person households. A comparatively low level of residential construction activity leads to a decline in vacancy rates, rent increases and an increase in purchase prices in the sale of property. The city is traditionally a tenant city where it is difficult to convince tenants of the advantage of buying property. In addition, the purchasing power of large sections of the population remains low compared to other cities. Effects of current local political decisions like the temporal limitation of the rentals have to be considered.

Results show that in Berlin, the biggest city of Germany, the situation is quite different than in other cities. The real estate market in particular has been undervalued on an international scale in recent years. Also, several indicators developed differently than expected. The work demonstrates the benefits of several indicators to estimate if there is a housing bubble on the local market with the risk to collapse.

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