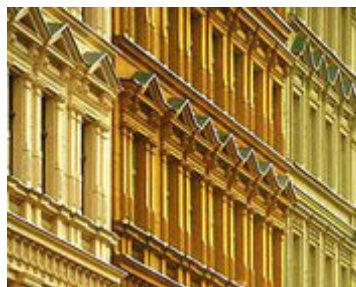


Living at the Heart of German history

Berlin is attracting investors, students and artists en masse. They all want to live where the prices are cheap, the cafés and clubs are plentiful and where history is still alive



When the news broke that Angelina Jolie and Brad Pitt had purchased a new 600-square-meter apartment in the hip downtown neighborhood of Mitte, Berlin's newspapers and residents went mad. Some greeted the news with hate and vitriol. Others welcomed their new celebrity couple as recognition of Berlin's emerging importance and style on the world stage. But all Brangelina's move really means is that the global housing bubble has reached the Hauptstadt. In the years immediately after the Berlin Wall fell, the unified German capital city was famous around the world for its construction cranes. Architectural and city plans were drawn up for a glitzy Potsdamer Platz, a new cutting-edge central train station, and a rebuilt government complex with a signature glass dome. But that construction was mostly about office space. So, after those massive commercial developments were built, Berlin finds itself left in the process of growing and changing, and reconstructing itself.

But today that redefinition is no longer defined by massive government-financed infrastructure projects. The growth is now most evident when walking down the wide and trendy residential streets of Prenzlauer Berg, Kreuzberg, and Friedrichshain. It is hard to find one city block that does not include at least one Altbau, or older residential apartment building, covered in tarp and being gutted and rebuilt from the inside.

And while Berlin has been a hot commercial real estate market almost since the day the Wall fell, that wasn't always true of the residential housing market.

"There was actually so much building going on after reunification there was overcapacity and so a lot of people moved into new buildings," says Maurice Frank, the German publisher of *exberliner*, a magazine for the city's English speakers. "That meant home and apartment prices were actually dropping because there was too much speculation going on."

Since that previous speculation in the commercial market has started to pay off, investors are hoping the success will seep into the residential housing stock as well. But Berlin isn't the only location where this trend is happening. Business analysts claim the real estate boom occurring right now on a global scale is just the second step of the dot-com boom that collapsed in late 2000.

The billions of dollars in investment capital that fled the stock market after the dramatic price drop needed a place to go. And real estate is not only secure and stable – it's plentiful. Since 2001, the average price of property in the United States and the United Kingdom has doubled in many places – and more than tripled in a handful of super-hot markets.

But interestingly, unlike in the United States and the United Kingdom, where home ownership is surging because domestic families are buying and then living in their homes, Berlin's growing real estate market is due in large part to foreign speculators who see a bargain either as a high-profile crash pad, ala Brangelina, or a chance to live the expat lifestyle or rent out to someone doing that.

Since Germany has shown renewed signs of economic vigor since late 2005, property prices have stabilized and eliminated any sort of growth market for foreign investors. That is the case in Hamburg, Munich, Cologne and other cities in the West where the housing stock has been in line with market economics since the post-war era. But Berlin had avoided those economies for a while, and the city is still working on finding an equilibrium point. Before 1989, Berlin held a privileged position to both the East and West German governments, as a symbol of success. It was used as a showcase for both governments of the "successes" of their systems and citizens, and so in the divided country, money was dumped into both sides of the city to quickly and extravagantly rebuild a city devastated and bombed-out following World War II.

As a result, in the past, residents enjoyed economic and government perks that were introduced to encourage them to live within the city in the East of Germany. It's the only city in the world with three world-class opera houses. And residents were given subsidized housing prices to remain.

And then when the wall fell, the exodus of Berlin residents, and the over-supply of housing saw the market prices for homes in Berlin topple.

It has taken 15 years, or more, for foreign investors to decide Berlin's real estate market was a risk worth taking. But now, with real estate prices at or near record highs in their home countries, the Americans, the British, and the Irish are betting on an upward trend in Berlin.


Nicole Andries is a twenty-something German who shows property in Berlin for a number of property management companies. In recent months, she says her income has started to jump. But, to her, its not just because she's in the right business. It's because she speaks English and caters to interested homebuyers who can't speak German.

Andries says her language skills aren't the only thing she uses to cater to American and British customers. They also don't know the ins-and-outs of the famously bureaucratic German government. For instance, Andries says homebuyers are required to get each-and-every official form notarized. And more costly, banks can require immigrants and foreigners to front down payments between 50 and 80 percent.

But that hasn't stopped British and American buyers. And they are coming in such droves that many businesses are opening offices to profit from the practice known in the industry as "fly-to-let." MRI Overseas Property, a British-based realty service, is catering specifically to this market, which is helped mostly by the low prices of Berlin real estate. But MRI's European sales director, Rolf Christensen, says the flood of discount airfares between the U.K. and Ireland, and Berlin, has also given potential buyers an easier way to see, value, and manage property overseas.

And Andries says she doesn't view the competition as necessarily a bad thing. "There is a big rush on Berlin right now, because prices are very low still," she says. "But we are all expecting it will go up. So, a lot of people come here and when they sell their apartment in Barcelona they can buy a whole apartment building here in Berlin."

Ethan Lindsey, 29, is a radio producer from Eugene, Oregon, who reports for public radio programs including Deutsche Welle.

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