

HOUSING MARKET REPORT

EASTERN GERMANY 2018



Table of contents

Editorial	3
Executive Summary	4
Interview with Claudia Hoyer, TAG Immobilien AG	8
The Rostock region	10
■ Rostock	
■ Schwerin	
■ Stralsund	
■ Greifswald	
■ Waren	
The Berlin/Brandenburg region	14
■ Berlin	
■ Potsdam	
■ Brandenburg	
■ Eberswalde	
■ Strausberg	
■ Nauen	
Interview with Martin Gornig, German Institute for Economic Research	18
The Leipzig region	20
■ Leipzig	
■ Halle	
■ Magdeburg	
■ Dessau-Roßlau	
■ Merseburg	
The Dresden region	24
■ Dresden	
■ Cottbus	
■ Görlitz	
The Erfurt region	28
■ Erfurt	
■ Jena	
■ Gera	
■ Weimar	
■ Eisenach	
The Chemnitz region	32
■ Chemnitz	
■ Freiberg	
■ Döbeln	
Interview with Sören Uhle, Economic Development Corporation Chemnitz	36
List of sources	38
Legal notice	39



Dear Reader,

All across Germany, people are asking themselves: “Where will I be able to afford to live in the future?”. In many cities, rents have risen to such an extent in recent years that average earners are already spending up to half their net incomes on housing. Approximately 40 % of all households are now classed as “cost-burdened”, which means that their rent is unaffordable in relation to their income. As a recent study by the Hans Böckler Foundation demonstrated, around 1.3 million German households have a residual income below the minimum income standard once they’ve made their rent payments—this is equivalent to 10 % of all households in large cities.

The clamour from politicians and the housing industry is becoming louder and louder as demand grows, not only for more housing, but for more affordable housing. Unfortunately, the development of new housing is progressing very slowly and the stock of affordable housing is in continuous decline as more and more social housing units are no longer subject to rent control and are being made available on the open market at higher prices. In essence, it is becoming ever more difficult for entry level employees, students, young families and pensioners in Germany’s largest cities to find affordable apartments. After all, as urban populations continue to swell, housing markets naturally become more crowded and expensive. And it is not only in Hamburg, Munich and Cologne that housing markets are now unable to satisfy the intensifying short-term demand for low-cost housing from their citizens. The same is just as true in Dresden and Leipzig.

These trends create more and more opportunities for communities on the peripheries of large cities—in the West as well as in the East. As a result, Eastern German cities, including Strausberg and Nauen, which boast good transport connections and low rents, are benefiting hugely from the growth of the region’s dominant duo of Berlin and Potsdam. Fundamental economic data in university cities, such as Freiberg, paint a very positive picture. And the economic landscape is just as attractive in many other Eastern German municipalities, which are continuing their growth trajectories, contrary to numerous forecasts. Unemployment figures and housing vacancy rates are falling; employment, wages and purchasing power are rising. The Eastern German economy is flourishing and entrepreneurs are looking to the future with confidence.

Reason enough for us to examine the Eastern German housing market in detail again this year. In what is now our third Housing Market Report, we have once again asked the real estate service provider Wüest Partner Deutschland to evaluate a



full range of relevant parameters on Eastern Germany’s local and regional housing markets. We have put together an overview of rents, purchase prices, price-to-rent ratios and yields, as well as assessing vacancy rates and housing cost burdens in the individual regions. One new feature of this year’s report is that we have included a detailed evaluation of risk/reward ratios across the region—irrespective of the size of each market. We wanted to know: Where are investors taking risks that are objectively too high in view of expected returns and which markets still offer hidden potentials? In many cases, our risk/reward profiles revealed some surprising findings. For example, that the risks associated with investments in Eberswalde, Nauen or Freiberg are almost as low as in Potsdam, while achievable yields are sometimes twice as high.

Our research once again confirms that Eastern Germany’s small and medium-sized cities harbour significant development and earning potentials—and can hold their own against many well-known metropolises.

Claudia Hoyer

Claudia Hoyer
Executive Board
(COO)

M. Thiel

Martin Thiel
Chief Financial Officer
(CFO)

Dr. Harboe Vaagt

Dr. Harboe Vaagt
Chief Legal Officer
(CLO)

Executive Summary

As an age-old piece of business wisdom says, “the profit is in the purchase”. This is just as true today as it ever was. The profitability of any investment is still largely determined by its initial cost. And things are no different on the housing market. If you buy residential property at high prices, you’ll need to make some pretty sharp rental adjustments if you want to generate a decent return. In some markets, however, prices for housing units have already reached the kind of level that makes it difficult to turn a healthy profit—even in Eastern Germany. In Dresden, for example, multi-family apartment buildings are trading hands up to a peak of 32 times net annual rent. Price-to-rent ratios have climbed to an average of almost 26 in Berlin and 24 in Leipzig. When you express the same development in terms of net initial yields, you see that returns are now averaging less than 4 % in Berlin and just over 4 % in Leipzig—the same level as in Hamburg and Düsseldorf.

Eisenach, in contrast, offers investors an average yield of 8 % for the same level of risk as Potsdam, where yields average a more meagre 4.7 %. And, in terms of their risk/reward profiles, it is actually irrelevant whether you choose to invest in Chemnitz, a large city with almost 250,000 inhabitants, or

in Waren an der Müritz, which has roughly 21,000 inhabitants. Thanks to Eastern Germany’s economic upswing, declining unemployment figures across the board, increasing purchasing power and the region’s dwindling vacancy rates, even small and medium-sized towns and cities in the East can hold their

	Median rent absolute H1 2018	Change Δ 2013–2018 (H1) in %	Purchase prices absolute H1 2018 new-build in EUR/sqm	Change Δ 2013–2018 (H1) in %	Purchase prices absolute H1 2018 existing buildings in EUR/sqm
Rostock	7.51	23.5 % ↑	3,648	25.1 % ↑	2,754
Schwerin	6.44	7.0 % ↑	3,004	32.2 % ↑	1,465
Stralsund	6.53	8.0 % ↑	2,247	9.8 % ↗	1,563
Greifswald	8.00	6.7 % ↑	2,525	41.3 % ↑	1,361
Waren	6.43	17.0 % ↑	2,552	39.5 % ↑	2,012
Berlin	11.58	41.1 % ↑	5,434	55.6 % ↑	3,624
Potsdam	10.22	19.6 % ↑	4,836	37.9 % ↑	2,994
Brandenburg (a.d.H.)	5.98	16.0 % ↑	2,435	48.7 % ↑	1,313
Eberswalde	5.85	10.6 % ↑	2,757		955
Strausberg	7.33	22.6 % ↑	2,974	29.1 % ↑	1,687
Nauen	7.08	28.3 % ↑	2,615	86.2 % ↑	1,634
Leipzig	6.67	26.9 % ↑	3,534	44.6 % ↑	1,593
Halle	6.00	12.3 % ↑	2,547	26.8 % ↑	1,145
Magdeburg	6.00	15.9 % ↑	2,373	22.3 % ↑	1,116
Dessau-Roßlau	5.49	5.8 % ↑	1,667	42.6 % ↑	761
Merseburg	5.31	6.3 % ↑	2,169	39.9 % ↑	917
Dresden	7.60	15.6 % ↑	3,350	29.3 % ↑	1,894
Cottbus	5.94	12.2 % ↑	2,171	19.8 % ↗	1,250
Görlitz	4.85	8.2 % ↑	1,972	2.8 % →	685
Erfurt	7.36	12.9 % ↑	3,032	30.5 % ↑	1,698
Jena	8.97	4.2 % ↗	3,163	39.5 % ↑	2,063
Gera	5.00	6.7 % ↑	2,226	43.7 % ↑	685
Weimar	7.28	7.3 % ↑	3,061	46.9 % ↑	1,644
Eisenach	5.94	10.7 % ↑	2,013	–8.8 % ↓	1,200
Chemnitz	5.04	2.7 % ↗	2,343	23.2 % ↑	833
Freiberg	5.64	0.0 % →	1,967	9.3 % ↗	1,053
Döbeln	4.81	1.8 % ↗	1,000	–11.5 % ↓	701

heads high as they compete with larger cities, especially their better-known peers in the West.

More inhabitants, more households

In every one of the towns and cities we analysed for this year's study, we were struck by a palpable spirit of optimism. The populations of Schwerin, Nauen and Görlitz expanded by a total of 3.2 % to 4 % between 2014 and 2016, outstripping the rate of growth in the up-and-coming city of Dresden (+2 %), and even beating the vibrant city of Berlin (+3 %). Developments in the number of households between 2015/2016 and 2016/2017 puts this growth into an even more positive perspective. While the number of households in Freiberg, Görlitz, Merseburg, Halle, Greifswald and Schwerin surged by between 5.5 and 8.8 % year-on-year, Berlin and Dresden only registered increases of 3.1 % and 4.2 %, respectively.

In all of the 27 cities included in our analysis, unemployment rates have fallen dramatically from the high double-digits to the low single-digits over the last six years. In Strausberg, for

example, unemployment has fallen by 42 %, while Brandenburg an der Havel and Döbeln have seen reductions of more than 36 %. Rostock, Waren an der Müritz, Eberswalde, Dessau-Roßlau, Cottbus, Weimar, Chemnitz, Leipzig and Erfurt have all been able to slash unemployment by between 30 % and 35 %. With unemployment rates of less than 6 %, Döbeln, Freiberg, Potsdam, Jena, Nauen and Eberswalde are the star performers among the regions surveyed. At the same time, the number of people in Eastern Germany in secure, long-term jobs has also been on the rise. Nevertheless, growth in the number of employees subject to social insurance contributions has tended to vary. One of the region's shooting stars is undoubtedly Nauen in Havelland, which is in Berlin's immediate catchment area, where the number of employees subject to social insurance contributions has increased by 25 %, compared with an increase of just 0.6 % in Eberswalde over the same period (2012–2017). At the same time, Berlin, Leipzig, Greifswald, Dresden and Erfurt have all registered extremely positive, double-digit growth rates, and the active workforce in the small town of Strausberg also swelled by 10 %.

Change Δ 2013–2018 (H1) in %	Vacancy rates 2018 in %	Housing cost burdens 2018 in %	Development housing cost burdens Δ 2008–2018 in % points	
54.4 %	2.0	25 %	–0.6	Rostock
8.6 %	8.4	20 %	–2.3	Schwerin
59.6 %	5.7	22 %	–1.9	Stralsund
20.3 %	3.5	24 %	1.8	Greifswald
57.3 %	2.4	21 %	–0.4	Waren
69.3 %	1.1	35 %	9.5	Berlin
27.7 %	1.1	29 %	0.7	Potsdam
32.3 %	9.4	20 %	–0.6	Brandenburg (a.d.H.)
98.6 %	9.0	22 %	–0.7	Eberswalde
35.2 %	3.0	23 %	2.9	Strausberg
64.7 %	5.0	23 %	3.6	Nauen
50.8 %	4.7	23 %	–0.6	Leipzig
8.3 %	7.9	21 %	–1.4	Halle
18.3 %	5.2	21 %	–0.9	Magdeburg
4.0 %	10.6	20 %	–3.3	Dessau-Roßlau
22.4 %	6.1	18 %	–4.0	Merseburg
20.4 %	1.9	23 %	0.1	Dresden
–7.4 %	4.9	20 %	–2.9	Cottbus
48.4 %	18.0	20 %	–2.1	Görlitz
17.8 %	2.5	22 %	–0.2	Erfurt
12.3 %	1.1	26 %	0.3	Jena
6.0 %	12.0	19 %	–1.8	Gera
13.0 %	2.0	24 %	0.3	Weimar
18.5 %	8.5	21 %	–0.7	Eisenach
16.7 %	8.6	17 %	–2.5	Chemnitz
18.4 %	7.0	19 %	–0.3	Freiberg
11.1 %	7.0	19 %	–3.6	Döbeln

Risk/reward profile 27 East German locations (green) compared with 50 German reference cities (grey)



Legend: From an investors' point of view, Eisenach has a below-average risk rating of 2.2. The city also offers average gross initial yields of 8%. The green line separates a fair risk-reward ratio on the one side and a poor risk-reward profile on the other. In comparison with the 50 reference cities, Eisenach therefore benefits from very positive yield potentials and a slightly below-average level of investment risk.

The **risk/reward ratio** for each market is based on the following parameters:

- Housing demand/supply ratio, 2017
- Population growth, 2012–2016
- Housing completions/household growth ratio
- Housing cost burden, 2017
- Household income, 2017
- Household income growth, 2013–2017
- Unemployment rate, 2017
- Unemployment rate trend, 2013–2017
- Households receiving housing benefits, per 1,000 households, 2014
- Average rental price trend, 2013 to 2017
- Supply volume in EUR millions, 2017
- Average property prices (multi-family housing), 2013–2017

Vacancy rates plummet

In all of Eastern Germany's regions, vacancy rates have continued to fall. In fact, there are now only three cities that are still grappling with double-digit vacancy rates: Gera, Dessau-Roßlau and Görlitz. Elsewhere, the supply of apartments is in terminal decline. Vacancy rates have now flatlined at 1.1 % in Berlin, Potsdam and Jena. At such low levels, there is no reserve of housing and markets can no longer function as they should. In Dresden (with a vacancy rate of 1.9 %), Rostock and Weimar (2 % each), Waren an der Müritz (2.4 %) and Erfurt (2.5 %), supply is also becoming scarce. Even in Greifswald, only 3.5 %

of apartments are vacant, while in prospering Strausberg in the Greater Berlin area, the figure is just under 3 %.

In every town and city in the region, zoning officials are under massive pressure to free up more land for housing as their cities continue to grow. In general, demand for housing in urban centres is being fuelled by inward migration from rural communities. At the same time, cities such as Jena are actively recruiting highly skilled workers from other German states to fill the thousands of vacancies in the state of Thuringia. The housing industry has recognised the severity of the situation and is already working hand in glove with specialist recruitment

agencies to tackle the problem. A joint nationwide advertising campaign has been launched to highlight the fact that Thuringia is not only a great place to work, it also has an attractive stock of affordable housing.

Housing cost burden declines across the board

In fact, in most Eastern German cities, tenants are currently paying average net cold rents of between EUR 4.81/sqm and just under EUR 9.00/sqm. Only in Berlin (EUR 11.85/sqm) and Potsdam (EUR 10.22/sqm) have asking rents risen above EUR 10.00/sqm. In Berlin, rents gained a further 14.8 % in 2017 alone. This was only beaten by Rostock, where the average cost of housing increased by a staggering 23.6 % over the same period. This means that the widely predicted catch-up effect has now also reached Rostock, where rents now more realistically reflect an appropriate price level. In the other cities, rents have been moving moderately upwards for years almost without exception.

But it's not only a question of supply and demand. Even in cities where housing is still in ready supply, rents have increased. Since 2013, asking rents in Görlitz have risen by 8.2 %, in Gera by 6.7 % and in Dessau-Roßlau by 5.8 %.

The housing cost burden clearly shows how affordable housing still is in the East. In most cities—with the exception of Berlin (35 %) and Potsdam (29 %)—tenants are spending between 20 % and 26 % of their incomes on housing; in parts of Saxony, the figure even drops well below 20 %. In a majority of the cities surveyed, households' monthly budgets are even less burdened today than they were 10 years ago, thanks to rising incomes. However, the housing cost burden has risen by 9.5 percentage points in Berlin, and increases have also been registered in Nauen (3.6 percentage points) and Strausberg (2.9 percentage points), where geographical proximity to Berlin, combined with good transport connections, mean that there has been a noticeable population influx from Berlin. ■

Methodology

Selection of regions and markets

The regions and markets analysed in this report were selected on the basis of two criteria: As publishers of the report, we have selected the large and medium-sized cities in Eastern Germany that we are most interested in. Wüest Partner Germany has supplied data on other key markets in the region.

Data on rental and purchase prices is based on figures from IDN Immodaten, which have then been analysed by Wüest Partner Deutschland. As in last year's report, wherever we refer to purchase prices, we make a distinction between prices paid for new-build properties and existing buildings. This allows us to make more differentiated assessments and increases the validity of the data.

Vacancy rate figures are based on data provided by CBRE-empirica for 2016, BBSR for 2015 and the TAG Housing Market Report Eastern Germany for 2017, all of which were evaluated by Wüest Partner Deutschland for this report.

Data on household figures have been provided by GfK. The figures relate to the number of households at the municipal level.

The **housing cost burden** describes the ratio between housing costs (i.e. rent payments, including utilities and service charges) and a household's net income (sum total of all net income, i.e. after taxes and social security contributions).

Information on **transaction volumes** has been sourced from the respective property market reports.

Risk/reward ratio:

We have used three main criteria to determine the specific **investment risk** for each housing market in the region:

demand, economy (consumption, income, employment) and housing market (prices, growth).

For each market, we then assigned ratings, from 1 (very low risk) to 5 (very high risk), to each of the criteria. We then determined the specific investment risk for each market by calculating the weighted arithmetic mean from the three criteria ratings (demand 40 %, economy 30 %, housing market 30 %). This results is what we believe to be a relevant figure for long-term residential property investors. This market-specific investment risk also uses a scale ranging from 1 (very low risk) to 5 (very high risk).

In terms of **yields**, we have based our assessments on the average yield for residential property investments in each market. The yield (gross yield or inverse of the price-to-rent ratio) was calculated for selected locations on the basis of the following sources:

- Market reports from official valuation committees
- Actual transactions
- Market reports
- IDN Immodaten
- Our own databases

In terms of our risk/reward calculations, it is important to note that the absolute size of individual transaction markets had no bearing on the final rating.

Other sources of data used in the tables and graphs shown in this report, as well as for the statements in individual chapters, can be found in the list of sources at the end of the report.

“We think in terms of regions”

In the following interview, TAG Executive Board Member Claudia Hoyer explores the relevance of risk/reward ratios, capital recycling, investment opportunities in areas around major cities and the future viability of the regions.

Ms. Hoyer, were you surprised by any of the findings in the latest Housing Market Report Eastern Germany?

I was surprised by the pace of rent increases in some markets. For example, rents in Schwerin have surged by more than 7 % since last year. And we've seen a similar picture in Nauen, Brandenburg an der Havel and Strausberg, all of which are extremely close to Berlin. Reassuringly, it is also important to note that even as rents have been rising so strongly in many places, households are not faced with higher housing cost burdens. In more than half of the cities surveyed, housing cost burdens have remained constant, despite the fact that rents have risen significantly in some markets. This has been the case, for example, in Schwerin and Brandenburg an der Havel, where local economies have been developing so well that purchasing power growth has matched rental price growth. It is good for us to know that tenants are not overburdened by these rental increases.

Your business model is based on the acquisition, optimisation and long-term management of residential portfolios. However, when opportunities do arise, you also sell portfolios. What advantages does this strategy offer you?

We refer to our approach as “capital recycling”. Our strategy allows us to grow our portfolio flexibly, over the long term. Depending on the market, the ideal time for a sale arrives sooner or later. In larger cities, which is where we have seen the strongest demand for housing lead to enormous price increases, we have optimised our portfolios. This has enabled us to consider the sale of entire sub-portfolios. Of course, we use the proceeds to reinvest—in regions and locations where we still see a lot of potential for the future, and where we can deploy our asset management expertise to further enhance the properties we hold. Because the money we reinvest generates increased rental income, we can continuously expand our portfolio and increase our funds from operations (FFO) without any additional equity investment.

Where do you currently see the greatest potential for investments in portfolio properties in Germany?

There is still a great deal of potential out there, especially in the areas around major cities. In Nauen, for example, asking rents rose by around 9 % within the space of just one year—with no change in households' housing cost burdens and an average gross yield of 10 %.

We see investment potential wherever rental growth and regional economies are developing positively in parallel. From our point of view, there are still a considerable number of markets where this holds true. The major limiting factor at present, however, is the scarcity of supply.

There are commentators who believe that some regional housing markets have reached their zenith. Are you currently laying the groundwork for selling more properties?

Of course, the current market situation plays a major role in this question. In principle, we are prepared to sell in markets where current prices make the long-term management of residential properties less attractive in relation to the cost of equity. In other words, in some regions, purchase prices for residential real estate are rising at a much faster rate than rents; it simply no longer makes sense for us to hold portfolio properties in such an environment. But when we do sell properties, we want to reinvest the money. The current supply bottleneck means that opportunities to buy high-yield properties are extremely limited at the moment.

In recent years, we have sold a number of individual properties and smaller sub-portfolios, especially in Berlin. Why have we been doing this? Well, in part to streamline our portfolio, but also as part of the “capital recycling strategy” I described above. Of course, there are some major cities, such as Rostock or Potsdam, where housing cost burdens are rising. In such cases, this is a fairly strong indication that rents can't increase much beyond their current levels, unless household incomes also increase. However, in a clear majority of the markets we have surveyed, developments are healthy and real estate market growth is linked to economic growth. These are the markets where we still see strong, long-term growth potential.

“Of course, there are some major cities, such as Rostock or Potsdam, where housing cost burdens are rising. In such cases, this is a fairly strong indication that rents can't increase much beyond their current levels, unless household incomes also increase. However, in a clear majority of the markets we have surveyed, developments are healthy and real estate market growth is linked to economic growth.”

In addition to high-priced housing markets with rent brakes and caps, many German regions have far more relaxed housing markets. How do you manage to invest in portfolio properties in such markets?

First of all, it is important that we know the markets well. We have our own employees on the ground, which enables us to accurately assess demand for certain products. By changing the floor plan or installing modern equipment, we can create an offer that has either not previously been available in a specific market,



Claudia Hoyer certainly knows the Eastern Germany region well. She joined the TAG Executive Board as COO in 2012 and is responsible for property and asset management as well as residential real estate acquisitions and sales.

or has been available but undersupplied. In some cases, our strategy actually enables us to create demand in the first place. In Chemnitz, for example, we were the first to offer furnished maisonettes in prefabricated buildings. We have adjusted many of our floor plans in response to stronger demand for larger apartments in numerous markets. We are also expanding the range of ancillary services we offer, such as providing special places for older people to meet and socialise. We have seen that, where we offer added value, our tenants are willing to pay an appropriate rent.

The risk/reward profiles in your latest market report confirm that many smaller cities offer more attractive yields than major cities, with comparable levels of risk. What conclusions can you draw from this for the TAG portfolio?

First and foremost, the data confirm the validity of our portfolio strategy. While others have questioned the viability of a number of markets, we have seen them emerge as promising investment destinations. They offer the potential of far greater returns than those available in the region's major cities. All of the figures we have analysed underpin and confirm our strategy. You just have to look at Halle: the city's risk profile is perfectly balanced and the yields on offer are attractive. And when you take a look at the risk/reward ratings for cities such as Magdeburg, Nauen,

Freiberg and Eberswalde, you see that they are also extremely promising from an investment perspective.

In the past, there was always talk that Eastern Germany needed to catch up and overcome its structural weaknesses. Today, the debate focuses more and more on the future viability of the region. In your opinion, how much traction do Eastern German cities have?

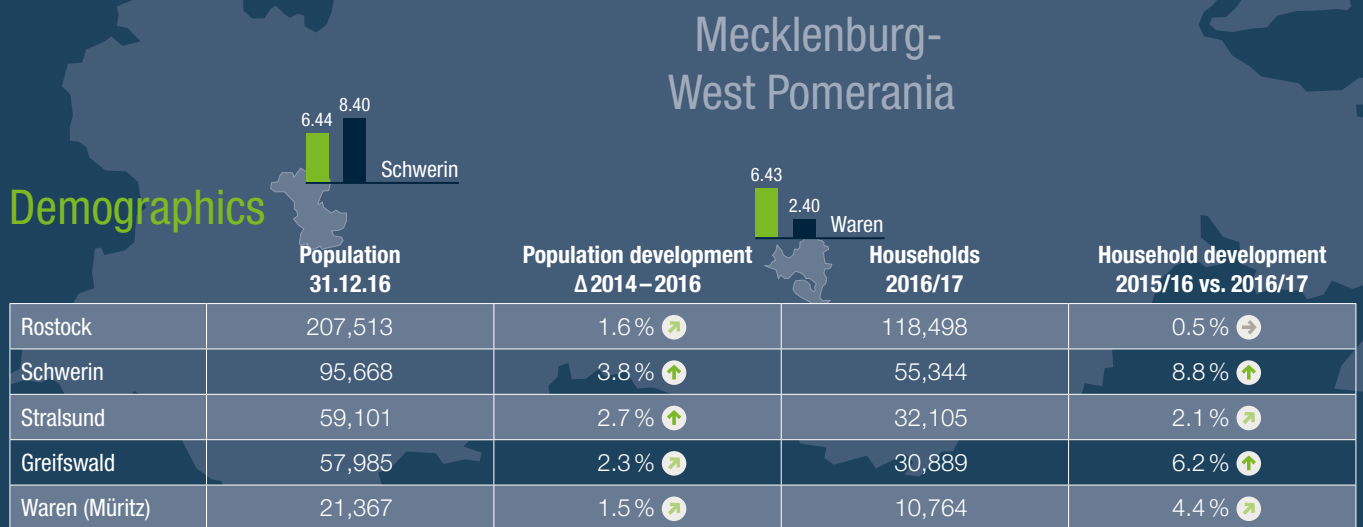
First of all, I think it is outdated to talk about a strict East-West divide. We think in terms of "regions".

From our point of view, viable regions are founded on steady and sustainable, long-term economic growth. Well-developed infrastructure, convenient transport links from the home to the workplace and companies moving into the region—these are the factors that make a city fit to face the future.

Compared to large numbers of cities in Western Germany, there has been a great deal of investment in the infrastructure of Eastern Germany's towns and cities over the last few decades. Now is the time to reap the benefits. Eastern Germany's cities are on a sound footing and represent an attractive alternative for companies looking to relocate. In the state of Brandenburg, for example, this is precisely what is happening. And Brandenburg is by no means alone—other regions in Eastern Germany also have a great deal to offer. Just read on to find out for yourself! ■

Economic and Demographic Key Data

- Rental prices in EUR/sqm
(H1 2018 median, Wüest Partner Deutschland)
- Vacancy rates 2017 in %
(Source see methodology)



Sources: Destatis, GfK

Purchasing Power

	Household purchasing power 2018 (National average = 100)	Household purchasing power Δ 2011–2018	Housing cost burdens 2018	Housing cost burdens Δ 2008–2018 in % points
Rostock	73.9	16.4 % ↗	25 %	−0.6 ➡
Schwerin	80.0	16.6 % ↗	20 %	−2.3 ↘
Stralsund	73.6	14.5 % ↗	22 %	−1.9 ↘
Greifswald	75.3	6.2 % ↗	24 %	1.8 ↗
Waren (Müritz)	83.0	12.1 % ↗	21 %	−0.4 ➡

Sources: GfK, Wüest Partner Deutschland

Labour Market

	Unemployment rates 2017	Unemployment rates Δ 2011–2017	Employees subject to social security contributions Δ 2012–2017	Net commuter balance 2017 (inward minus outward commuters)
Rostock	8.1	−31 % ↘	9.3 % ↗	10,516
Schwerin	8.7	−27 % ↘	6.7 % ↗	15,363
Stralsund	9.3	−17 % ↘	5.0 % ↗	4,777
Greifswald	9.5	−21 % ↘	14.7 % ↗	6,175
Waren (Müritz)	9.9	−30 % ↘	9.0 % ↗	2,753

Sources: Statistics Federal Labour Office

Opportunity ahoy in Eastern Germany's maritime cities

Mecklenburg-West Pomerania's coasts and lakes are attractive places to live. More and more people are drawn to Rostock, Schwerin, Stralsund, Greifswald and Waren an der Müritz. The population is growing, purchasing power is rising. There are jobs and affordable housing.

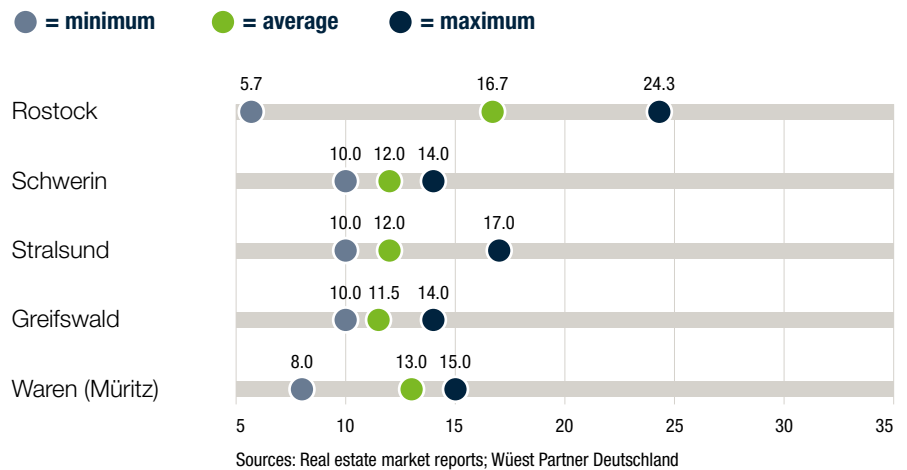
Mecklenburg-West Pomerania is preparing for the future. Minister-President Manuela Schwesig has declared that digitalisation is one of her top priorities. She has also identified two locations for her state's first innovation centres: Greifswald and Rostock. Both university cities, both on a growth path. Between 2014 and 2016, the two cities' populations increased by 2.3 % and 1.6 %, respectively, as did the number of households. These new research centres, which will become hubs for young entrepreneurs with digital business ideas, will further support the economic upswing. In terms of quality of life, both Baltic Sea cities already score well.

What's more, Rostock is still an affordable place to live. The average asking rent is EUR 7.51/sqm, rising to an average of EUR 11.53/sqm at the top end of the market. Asking rents have risen by an average of 23.5 % since 2013. Nevertheless, Rostock remains a comparatively inexpensive city. The average price for newly developed housing is EUR 3,648/sqm, and for existing apartments EUR 2,754/sqm. Even owners of older properties can expect their apartments to continue to rise in value: Between 2013 and 2018 alone, purchase prices rose by 54 %—more than in Leipzig (51 %) or Dresden (20 %). As the Hanseatic city prospers, and the vacancy rate has fallen to only 2 %, demand for apartments has strengthened and, despite numerous new construction projects, supply is still far too low.

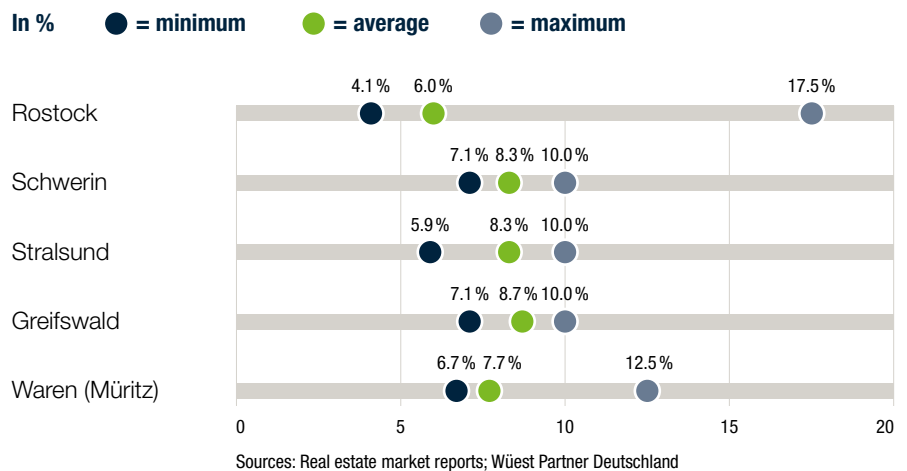
Greifswald: Incredible potential yields

The situation is similar in Greifswald, where city authorities (like their peers in

Price-to-rent ratios



Gross Yields

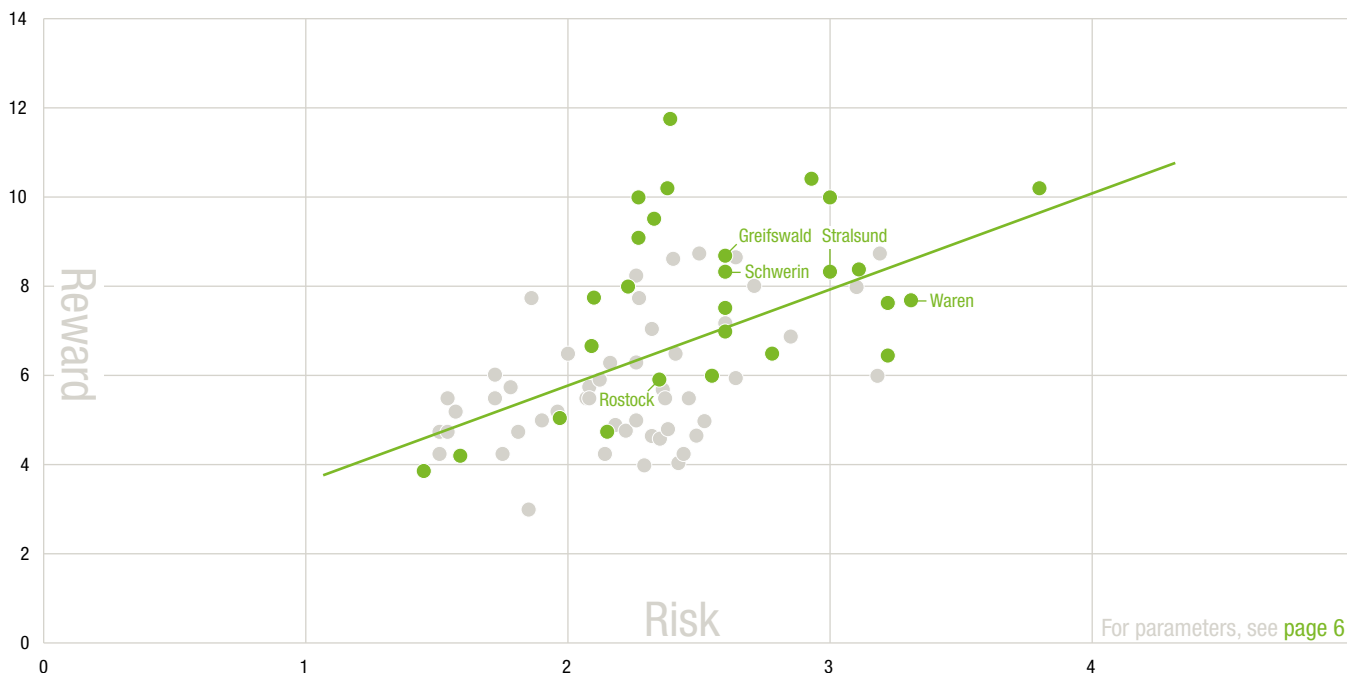


Rostock) are planning to introduce rent control measures in the face of intense demand for housing and concerns about excessive rent increases. Rents for new lettings average EUR 8.00/sqm, peaking at EUR 10.53/sqm—the same level as in Dresden. The average price of new apartments has risen by 41 % within five years to an average of EUR 2,525/sqm. Existing properties can be purchased for

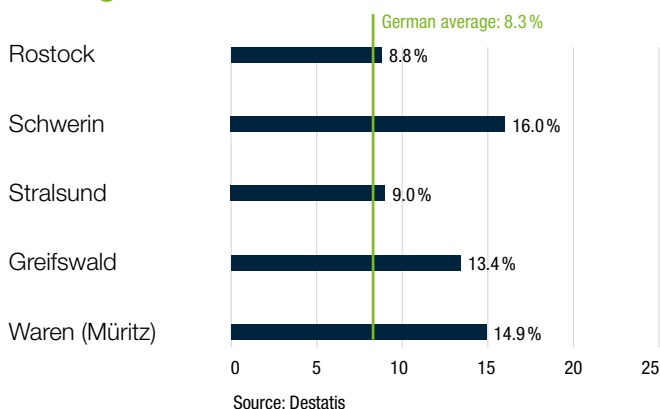
between EUR 748 and EUR 2,223/sqm. Greifswald offers the most attractive yields of all of the cities we surveyed in Northern Germany, with a price-to-rent ratio of 11.5. With an average gross yield of 8.7 %, this district town is almost on a par with Stralsund and Schwerin. At best, yields of up to 10.0 % can be achieved in all three locations.

From a risk/reward perspective,

Risk/Reward Profile Comparing a Region's Risk/Reward Ratio



GDP growth in % 2011–2015

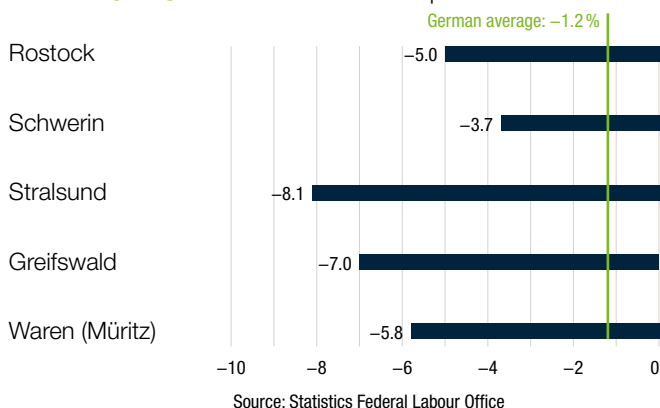


investments in Rostock are no more risky than in Düsseldorf. The only difference is that yields in Rostock, which average 6.0%, are higher than in the state capital of North Rhine-Westphalia's 4.3%. Greifswald and Schwerin also offer higher returns with the same risk at 8.7% and 8.3% respectively than Offenbach/Main (6.0%) or VW's home city of Wolfsburg (7.2%). And if you want to buy apartments in Bremerhaven, Oberhausen or Trier, you should probably be aware that you can earn more in Stralsund or Waren an der Müritz.

Schwerin: Demographic winner

In Mecklenburg-West Pomerania's capital, investments in residential real estate are a calculable risk. With population growth of 3.8% (2014–2016) and 8.8% more households (2016–2017), Schwerin has become a demographic winner. More than 15,000 people commute here to work every day; unemployment has fallen by more than 27% in recent years (2011–2017), and the number of employees subject to social security contributions has grown by 6.7% within five years. Nevertheless, asking rents remain at an affordable level of between EUR 4.91 and EUR 8.50/sqm. However, all across Mecklenburg-West Pomerania, it takes a long time for new building land to be zoned and building permits to be granted, rents in Schwerin have risen by 7.3% since 2017 alone. This bottleneck is also reflected in purchase prices for new apartments, which average around EUR 3,000/sqm, making them no cheaper here than in Erfurt, Weimar or Jena. Within five years, prices have risen by 32%. Existing apartments are available at the top end of the market for around EUR 2,500/sqm.

Unemployment Rate Change 2013–2017 in % points



Waren an der Müritz: Spa town with a healthy future

In Waren an der Müritz, the price per square metre for existing apartments has reached EUR 2,879. Since 2013, purchase

prices have risen by 57 %. This is only topped by Stralsund, where prices have surged by 60 %, to an average of EUR 1,500/sqm. Nevertheless, this is still well below Waren an der Müritz, where buyers have to reckon EUR 2,000/sqm more. In the new-build segment, apartments in Waren's upper price segment even exceed the highest prices in Erfurt, Dresden and Leipzig at almost EUR 4,800/sqm.

What makes the town with 21,000 inhabitants comparatively "expensive" is its setting on one of the largest lakes in Germany and its status as a health resort. The healthcare service economy is the spa town's strongest economic field, and it continues to expand. And the town's new employees need housing, which may be difficult with a vacancy rate of just 2.4 %. In this tight market, the average asking rent is EUR 6.43/sqm, rising to EUR 10.00/sqm in the upper price segment. This is more than in Schwerin or Stralsund.

Stralsund: Moderate rent increases

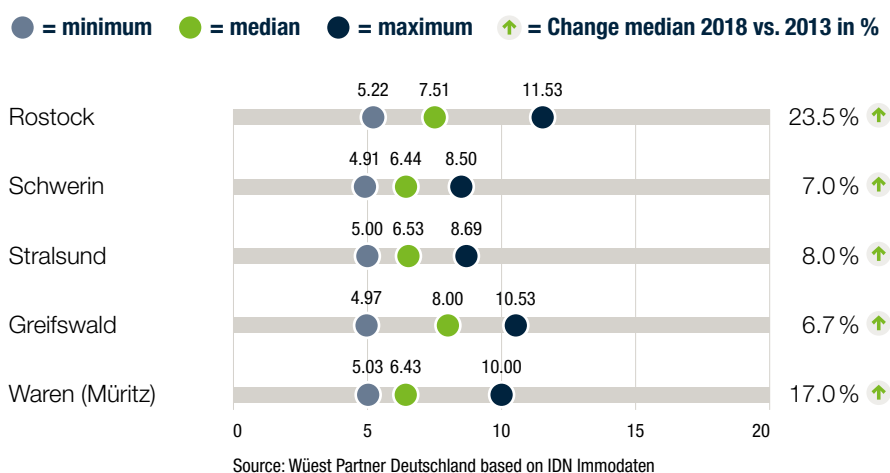
The Gateway to Rügen is more than 800 years old and has always been a tourist destination. But it is not only tourists who are flocking to Stralsund, the IT industry is also increasingly setting up shop here. The population is growing and purchasing power is rising—by 14.5 % between 2011 and 2018 alone. Those who live here pay between EUR 5.00 and EUR 8.69/sqm, equivalent to an average just 22 % of their household income. Having increased by 8 % since 2013, rents are regarded as rising moderately. Averaging EUR 2,247/sqm, new apartments are the cheapest in the Rostock region. In the market's upper price segment, prices now average EUR 2,869/sqm.

Outlook

The high quality of life on offer in the north is undisputed: water, beaches, historical city centres. The region's residents can live close to water and enjoy outstanding recreational value. But Mecklenburg-West Pomerania's pearls can also hold their own economically. Population and employment figures are rising, as is purchasing power. Despite steady increases, rents are still

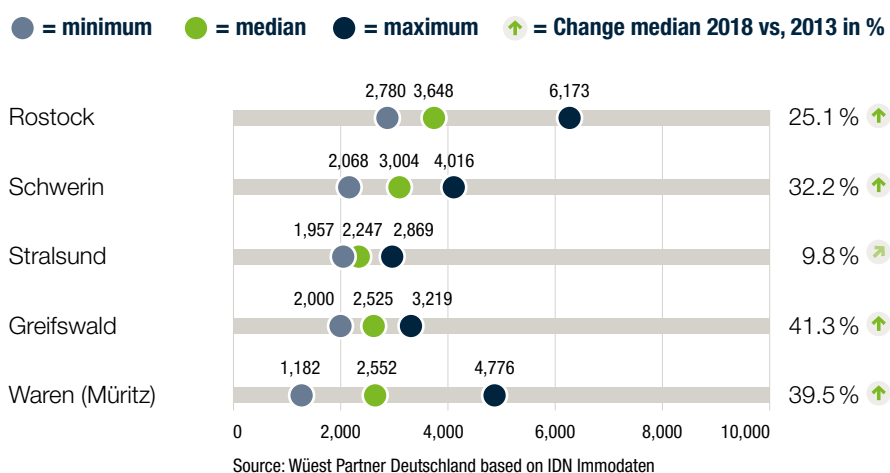
Rentals

Rental price range in EUR/sqm



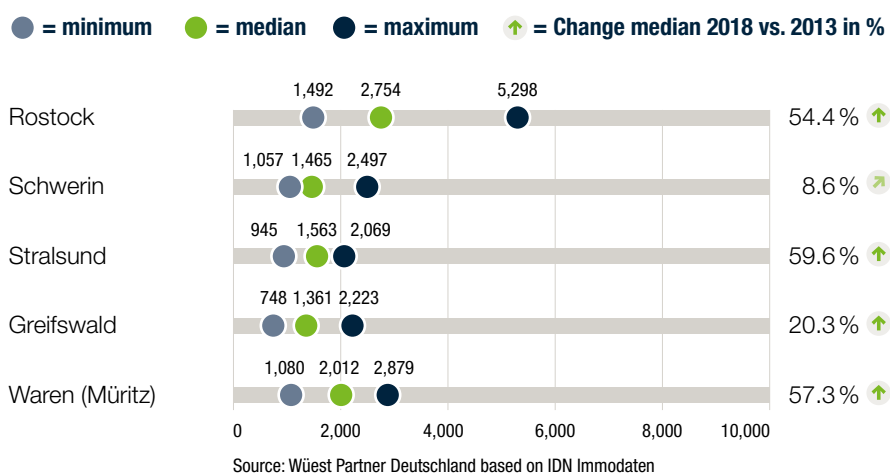
Purchase prices new-build

Purchase price range in EUR/sqm



Purchase prices existing buildings

Purchase price range in EUR/sqm

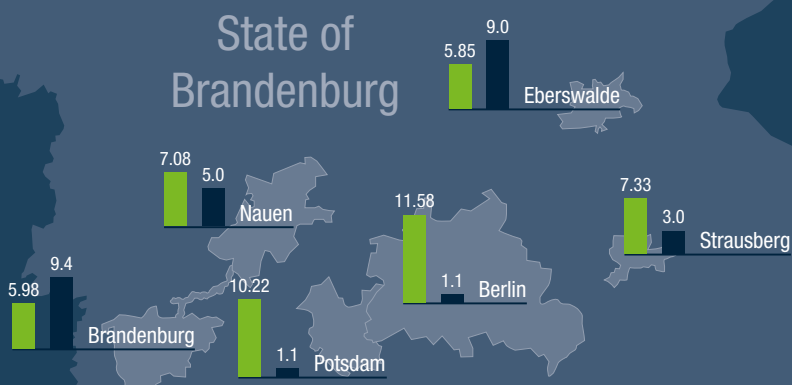


comparatively low and residential property can be acquired at prices that are no longer available elsewhere. Entry prices remain moderate, even for new buildings.

However, the shortage of apartments creates enormous growth potential, not only for new buildings, but also for existing properties and rental prices.

Economic and Demographic Key Data

- Rental prices in EUR/sqm
(H1 2018 median, Wüest Partner Deutschland)
- Vacancy rates 2017 in %
(Source see methodology)



Demographics

	Population 31.12.16	Population development Δ 2014–2016	Households 2016/17	Household development 2015/16 vs. 2016/17
Berlin	3,574,830	3.0 % ↑	2,008,823	3.1 % ↗
Potsdam	171,810	4.7 % ↑	94,680	4.6 % ↗
Brandenburg	71,664	0.9 % →	38,489	2.5 % ↗
Eberswalde	40,019	2.9 % ↑	21,352	2.5 % ↗
Strausberg	26,387	1.7 % ↗	13,761	4.6 % ↗
Nauen	17,436	4.0 % ↑	8,235	5.1 % ↑

Sources: Destatis, GfK

Purchasing Power

	Household purchasing power 2018 (National average = 100)	Household purchasing power Δ 2011–2018	Housing cost burdens 2018	Housing cost burdens Δ 2008–2018 in % points
Berlin	80.4	20.6 % ↑	35 %	9.5 ↑
Potsdam	87.9	15.4 % ↑	29 %	0.7 →
Brandenburg	79.0	12.8 % ↑	20 %	-0.6 →
Eberswalde	72.0	11.9 % ↑	22 %	-0.7 →
Strausberg	83.3	8.8 % ↗	23 %	2.9 ↗
Nauen	87.5	11.6 % ↑	23 %	3.6 ↗

Sources: GfK, Wüest Partner Deutschland

Labour Market

	Unemployment rates 2017	EUnemployment rates Δ 2011–2017	Employees subject to social security contributions Δ 2012–2017	Net commuter balance 2017 (inward minus outward commuters)
Berlin	8.5	-26 % ↓	19.8 % ↑	129,398
Potsdam	5.5	-18 % ↓	8.1 % ↗	16,231
Brandenburg	9.0	-37 % ↓	8.1 % ↗	2,325
Eberswalde	5.8	-33 % ↓	0.6 % →	1,909
Strausberg	6.3	-42 % ↓	10.2 % ↑	-1,191
Nauen	5.7	-25 % ↓	24.8 % ↑	613

Sources: Statistics Federal labour Office

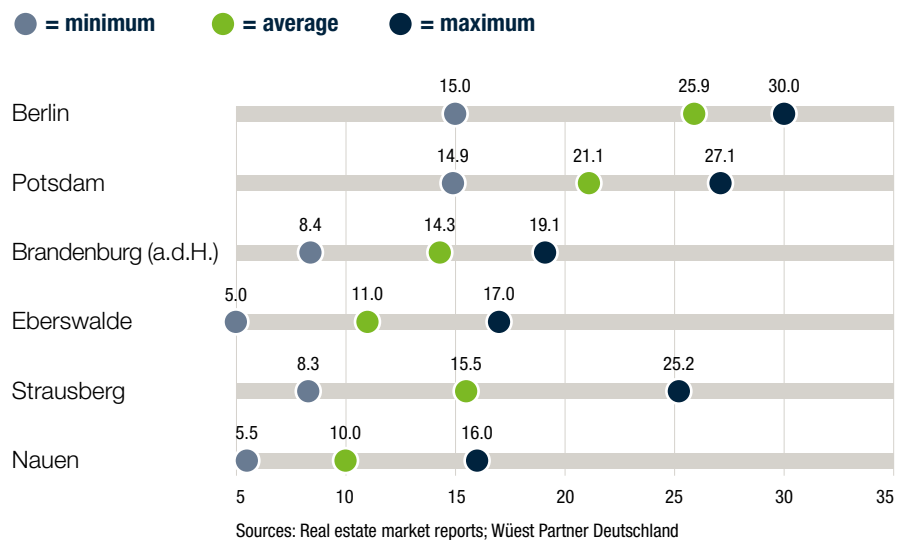
Exurbs on the rise

Berlin and Potsdam are growing at an incredible rate. One is hip, the other chic. It's great to live in either city if you have the appropriate income. Young families, students and low-income households, however, are increasingly choosing to move to the exurbs, such as Strausberg, Nauen, Eberswalde and Brandenburg—all of them aspiring cities on Berlin's periphery.

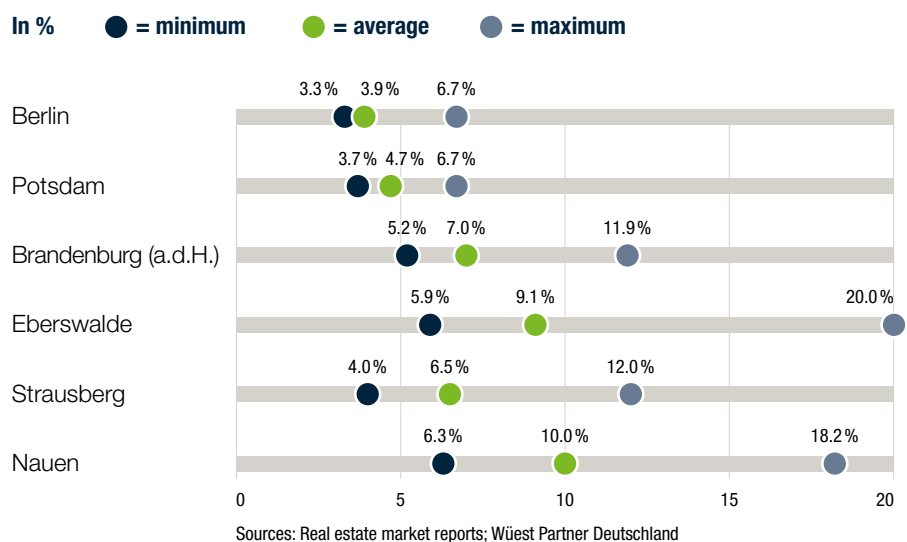
There is still a significant shortage of housing in Berlin. The city is growing at record speed—in 2016/2017 alone, more than 40,000 people were drawn to the city. At the same time, only 14,000 new apartments were added. Developers and investors complain about too much bureaucracy and too little building land. Instead of building more, housing completions have actually declined. So, it is hardly surprising that asking rents rose by almost 15 % last year, contributing to a 41 % increase since 2013. On average, Berliners already pay EUR 11.58/sqm for a new apartment, rising to EUR 18.00/sqm in the upper price segment—the highest figures by far for Eastern Germany. Potsdam is the only other city where rents have risen into the double-digit range, averaging EUR 10.22/sqm. No other market analysed for this study comes close to Berlin's housing cost burden of 35 %. A year earlier it was 32 %. Anyone who wants to buy property needs to be quick, because just last year, prices for existing real estate rose by 18 %. Over the last five years, the increase has totalled almost 70 %. The average price for existing housing in Berlin has now reached EUR 3,624/sqm. In new buildings, buyers are now paying an average of EUR 5,434/sqm—an increase of 56 % since 2013.

The situation is not much different in neighbouring Potsdam. According to the State Statistical Office, a square metre of building land here already costs EUR 304 (in Berlin: EUR 695). This is 22 % more than in 2017, and the value of existing apartments is also rising steadily. Last year they increased in price by 7 % and have gained a total of 28 % since 2013. New housing is currently being offered for about EUR 4,800/sqm. This will also have a further impact on rents in Potsdam, which have risen by around 4 % annually in recent years, slowing to 2.3 % in 2017.

Price-to-rent ratios



Gross Yields



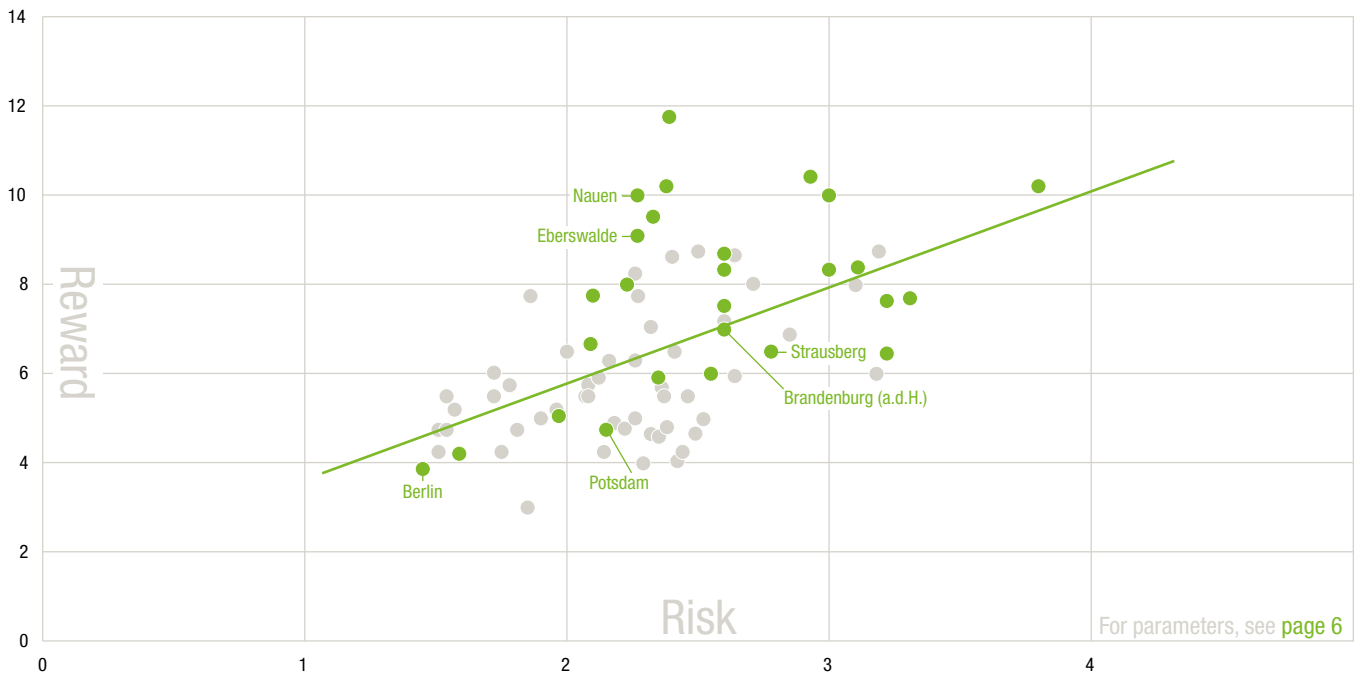
Excluding Berlin, average rents of EUR 8.00 to EUR 12.88/sqm in Potsdam are the highest of all Eastern German cities surveyed.

Nauen is growing faster than Berlin

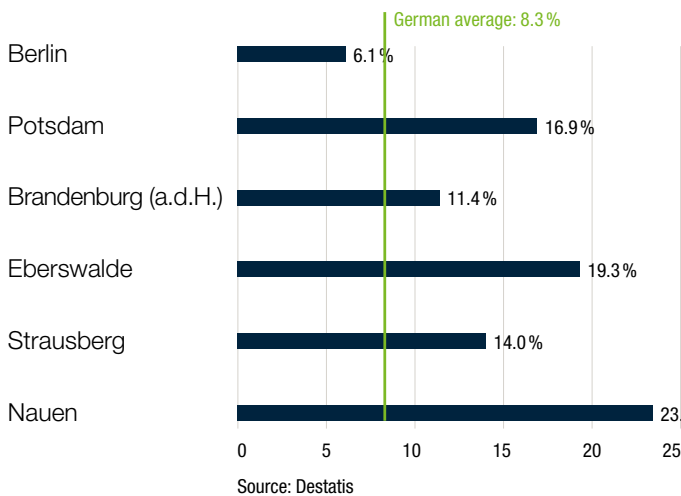
On the other hand, it is much cheaper to live in Berlin's exurbs. Both Strausberg and Nauen are benefiting from the exploding

rental market in the metropolitan region. Between 2014 and 2016, the population of Nauen grew by 4 %, eclipsing Berlin. The same applies to the number of households, which grew by 5.1 % in Nauen and 4.6 % in Strausberg within just one year. The consequence: The pressure on both markets is increasing—not only in the residential sector. More

Risk/Reward Profile Comparing a Region's Risk/Reward Ratio



GDP growth in % 2011–2015



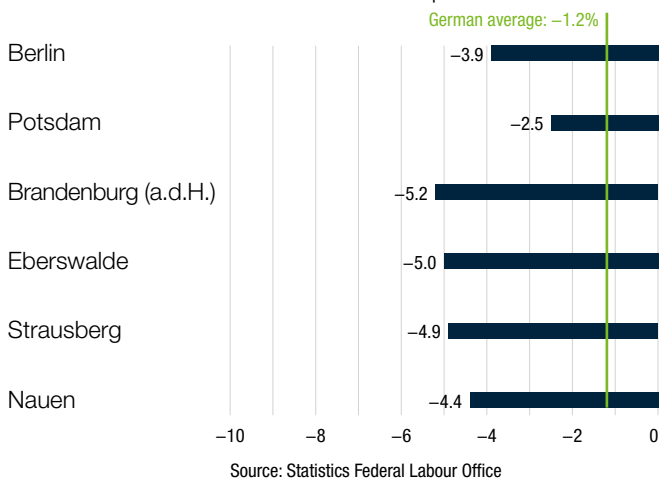
and more commercial enterprises are also looking for affordable space outside of Berlin.

Strausberg: Growing to the beat of the commuter train

Strausberg has just zoned 11.3 hectares of new development land for businesses, which will be in great demand, as will the 46 apartments being developed for Berlin students, the city authorities are sure of that. The commuter train leaves every 20 minutes for Berlin's Central Station. Due to high demand, the state government is currently considering increasing the frequency to one train every 10 minutes. This would further increase the attractiveness of the small town of 26,000, which has managed to reduce its unemployment rate by more than 41 % over the last six years.

Rents in Strausberg have also risen—last year alone by 6.8 % (since 2013 by 22.6 %)—but on average you won't pay more than EUR 7.33/sqm; in Nauen the figure is EUR 7.08/sqm. In Nauen, the peak is EUR 9.00/sqm—and still rising. In comparison with the previous year, rents gained another 9 %. Since almost all plots of undeveloped land in Nauen have now been sold, existing apartments have become increasingly valuable. Since 2013, prices for property have risen by 65 %; since 2017 by 42 %, more than anywhere else in Eastern Germany.

Unemployment Rate Change 2013–2017 in % points



Brandenburg: Rising economic star

The two larger towns in the region are Brandenburg an der Havel and the "forest town" of Eberswalde. Since all locations with fast rail connections to Berlin have been growing rapidly, these two towns have also moved into the focus of tenants and buyers—especially as apartments are available here at rents of less than EUR 6.00/sqm. Even at the top end of the market, rents do not even come close to EUR 8.00/sqm. Even

existing apartments are still inexpensive and cost an average of EUR 1,300/sqm in Brandenburg. Housing cost burden ratios of 20 % to 22 % speak in favour of these two cities, as do the extremely low unemployment rates which have fallen by 37 % in Brandenburg and 33 % in Eberswalde. With its 18 courses of study, the University of Applied Sciences is one of the region's most important employers. The economic situation on the outskirts of Berlin is also improving. Brandenburg an der Havel has been able to increase the number of employees subject to social insurance contributions by a good 8 % within five years.

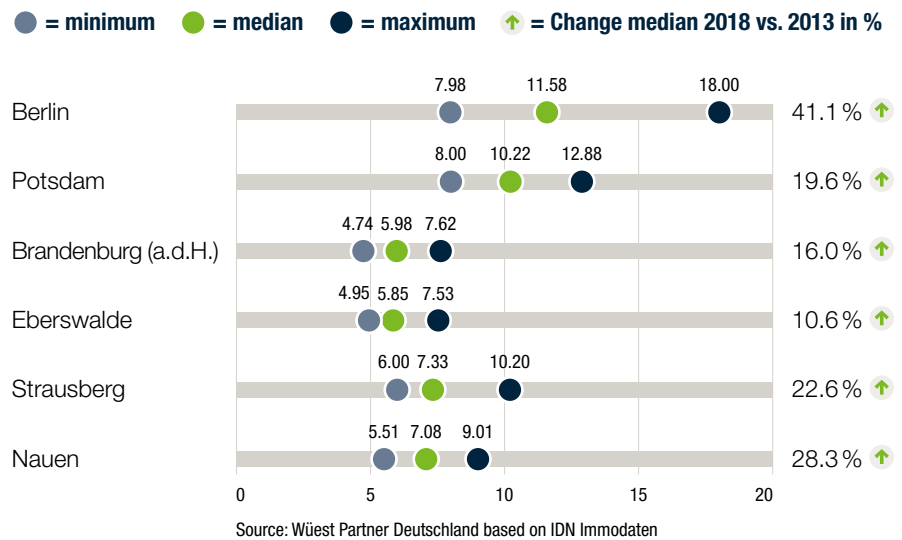
In Berlin, the average achievable yield has dipped below 4 %; in Potsdam it is 4.7 %, but in Nauen and Eberswalde it is between 9 % and 10 % with almost identical risk. Achievable yields are also higher here than in comparable Western German cities such as Mönchengladbach, Krefeld or Dortmund (between 7 % and 8 %). And in Strausberg (2.8) and Brandenburg an der Havel (2.6) the investment risk rating is not much higher than in Hamburg (2.4), while the potential yields are much higher.

Outlook

Berlin and Potsdam have a lot to offer, but are also becoming unaffordable for more and more people. Anyone looking for quality of life and affordable housing will often find what they are looking for in Brandenburg's well-connected communities. Locations in the surrounding area, such as Eberswalde or Brandenburg, are also moving into the focus of those who would rather look for a job locally and want to live cheaply—both are possible here. There are also large numbers of people willing to accept longer journeys to Berlin in return for life in a tranquil, natural environment free of traffic chaos. As a landlord, you can expect rents to rise further as these peripheral locations continue to prosper. ■

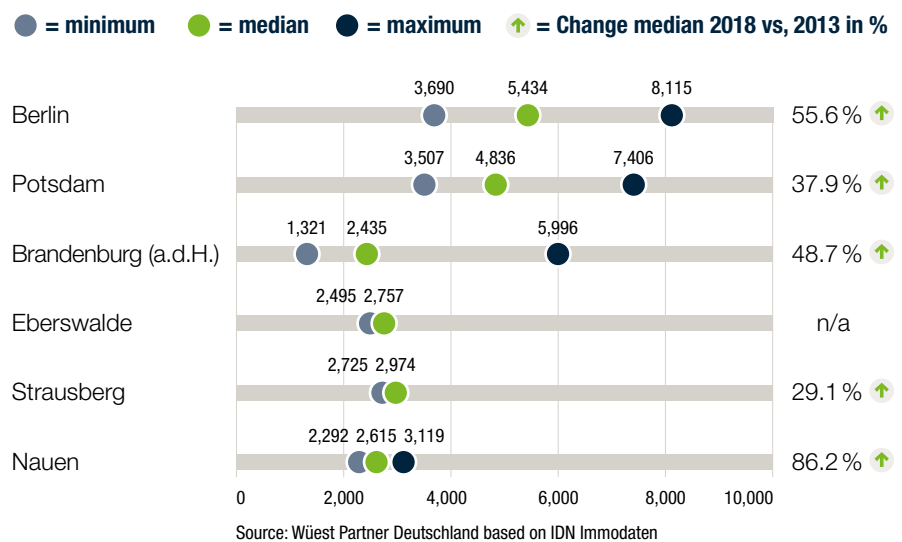
Rentals

Rental price range in EUR/sqm



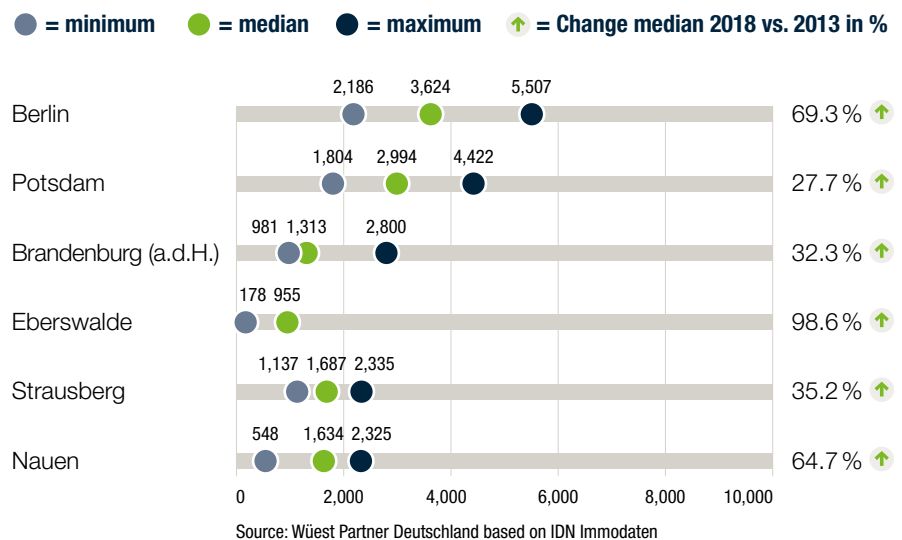
Purchase prices new-build

Purchase price range in EUR/sqm



Purchase prices existing buildings

Purchase price range in EUR/sqm



In the East, you get a lot of city without breaking the bank

Interview with Martin Gornig, German Institute for Economic Research

Eastern German cities have caught up strongly in recent years. A sustainable trend? How do you assess the long-term future of second-tier cities such as Brandenburg an der Havel, Halle an der Saale or Schwerin?

The positive general economic situation and the renaissance of the city as a business location are two fundamental trends that have also fuelled the growth of many Eastern German cities. At present, there is no evidence that these trends will come to an abrupt stop any time soon. Discussions about customs duties are weighing on export market expectations, while the economic upswing in the euro zone is looking fairly robust. Because they offer well-developed infrastructure and diverse workforces, cities remain particularly appealing as locations for businesses.

The attractiveness of cities can also be felt in second-tier cities and towns. This is particularly true if, as in the examples mentioned above, they are also well connected to major cities such as Hamburg, Berlin or Leipzig.

Which Eastern German cities do you see as the biggest winners and what are the reasons for their success?

There's a fine line between success and failure. Sometimes it is just small events or chance occurrences that can nudge development in one direction or another. So, there's not much to be gained from listing specific towns and cities. However, a number of criteria can be identified that give a fairly strong indication of future development potentials. Let me give you an example: Even with rising immigration figures, it is a demographic fact that fewer and fewer young people are entering the labour market. In effect, young people are the growth elixir of the future. And the cities that produce this growth elixir are becoming increasingly attractive. Right now, larger university cities lead the way, but smaller cities with excellent universities of applied sciences are not far behind.

Mobility and a well-developed transport infrastructure play an essential role in attracting companies to the region as employers. How are the Eastern German regions positioned in this respect—are there still deficits and what recommendations can you make?

The importance of excellent transport connections can be seen particularly in the commercial sector. Central Germany would not have become what it is today without its motorways and major airports. In addition, excellent passenger transport infrastructure is likely to become more important for many companies in the future. Digitalisation is also changing how we work and where we work. In many cases, our work lives are no



Prof. Dr. Martin Gornig is Research Director of Industrial Policy and Deputy Head of the Department of Enterprise and Markets at the German Institute for Economic Research, DIW Berlin. He is an Honorary Professor of Urban and Regional Economics at the Technical University of Berlin. The primary focus of his current research is on analysing regional and national patterns of investment in digitalisation.

longer limited to one place, but involve a seamless transition between working from home, visiting customers, attending meetings, etc.

“Compared to Western Germany, there is still a lot of city here for little money.”

Cities need both efficient inner-city mobility concepts and intelligent supra-regional connections. The fact that

Eastern Germany does not have an international aviation hub is a disadvantage for the region as a whole and is unlikely to change fundamentally, even after the long delayed BER airport finally opens just outside Berlin.

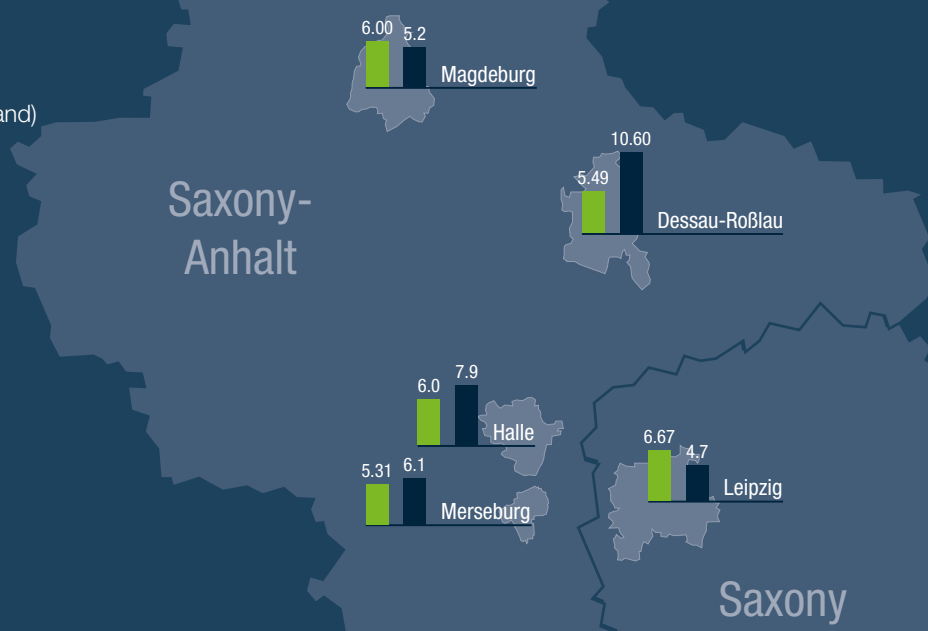
The economic boom is having a positive impact on the real estate markets. What developments do you expect for the Eastern German housing markets?

The times of accelerated population growth due to migration and demographic developments are over. However, Eastern Germany appears to be well positioned in the supra-regional competition between locations. Compared to Western Germany, there is still a lot of city here for little money. Within the cities, however, there is likely to be greater differentiation between neighbourhoods, locations and qualities as population growth slows. Access to diverse and flexible transport infrastructure is increasingly becoming a major asset. ■



Economic and Demographic Key Data

- Rental prices in EUR/sqm
(H1 2018 median, Wüest Partner Deutschland)
- Vacancy rates 2017 in %
(Source see methodology)



Demographics

	Population 31.12.16	Population development Δ 2014–2016	Households 2016/17	Household development 2015/16 vs. 2016/17
Leipzig	571,088	4.9 % ↑	328,183	7.9 % ↑
Halle (Saale)	238,005	2.4 % ↗	135,909	6.4 % ↑
Magdeburg	238,136	2.5 % ↑	133,450	4.8 % ↗
Dessau-Roßlau	82,505	−0.7 % ➡	44,062	0.5 % ➡
Merseburg	33,931	1.8 % ↗	17,704	6.0 % ↑

Sources: Destatis, GfK

Purchasing Power

	Household purchasing power 2018 (National average = 100)	Household purchasing power Δ 2011–2018	Housing cost burdens 2018	Housing cost burdens Δ 2008–2018 in % points
Leipzig	74.5	22.0 % ↑	23 %	−0.6 ➡
Halle (Saale)	73.0	9.9 % ↗	21 %	−1.4 ↘
Magdeburg	75.8	14.2 % ↑	21 %	−0.9 ➡
Dessau-Roßlau	80.4	17.2 % ↑	20 %	−3.3 ↘
Merseburg	82.3	21.1 % ↑	18 %	−4.0 ↘

Sources: GfK, Wüest Partner Deutschland

Labour Market

	Unemployment rates 2017	EUnemployment rates Δ 2011–2017	Employees subject to social security contributions Δ 2012–2017	Net commuter balance 2017 (inward minus outward commuters)
Leipzig	6.9	−32 % ↓	17.8 % ↑	35,797
Halle (Saale)	9.4	−14 % ↓	4.3 % ↗	10,134
Magdeburg	8.5	−16 % ↓	6.2 % ↗	17,673
Dessau-Roßlau	7.8	−33 % ↓	−0.8 % ➡	3,211
Merseburg	7.3	−13 % ↓	0.9 % ➡	1,251

Sources: Statistics Federal labour Office

On the road to success in Central Germany

Leipzig is facing some stiff competition: Halle, Merseburg and Dessau-Roßlau are all benefitting from the economic boom in the metropolitan region of Central Germany. Magdeburg is also flourishing and is already building more and more apartments to meet the growing demand.

They're building in Halle. Everywhere in the city, people are looking for land to satisfy the additional demand for housing. The pipeline of housing developments includes up to 100 new condominiums which are being constructed in a repurposed tea factory. In addition, ground has already been broken for the construction of social housing, rental and senior apartments. In 2017, 574 apartments were built here for a total of EUR 215.8 million.

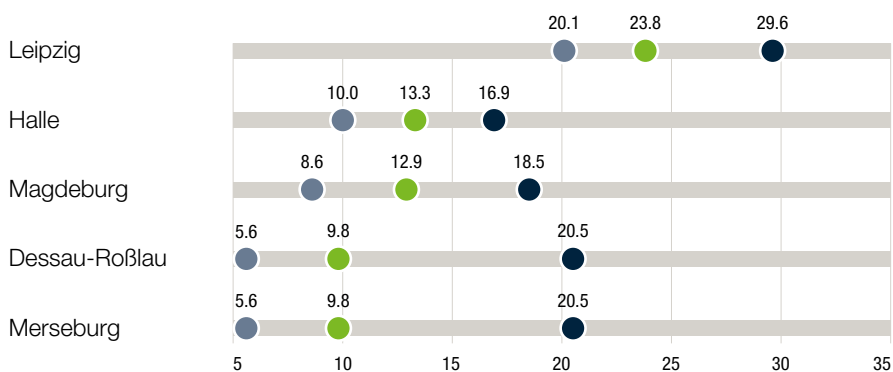
Leipzig is facing serious competition from its neighbouring "little sister", Halle. This small town on the Saale River scores highly with its attractive recreational offerings, low cost of living and good transport infrastructure. In addition, students can expect an excellent education here. In seven subjects, Halle is rated as one of the top universities in Germany. According to the latest Centre for Higher Education (CHE) ranking, Martin Luther University offers outstanding degree programmes in chemistry, geography, geosciences, medicine, nursing sciences, physics and dentistry.

Halle now has almost 240,000 inhabitants and the number of households surged by 6.4 % in the space of a year. Although Leipzig managed to top this with almost 8.0 %, the city also has to struggle with extreme price increases. Prices of existing apartments have risen by 51 % since 2013; new-builds have risen by 45 %. While in Leipzig, new apartments now cost an average of around EUR 3,500/sqm, in Halle prices remain EUR 1,000/sqm lower. At the top end of the market, existing apartments in Leipzig cost more than EUR 3,000/sqm, compared with EUR 2,000/sqm in Halle.

Leipzig's rents of EUR 9.54/sqm in the upper segment are also well above those of Halle, where tenants were paying an

Price-to-rent ratios

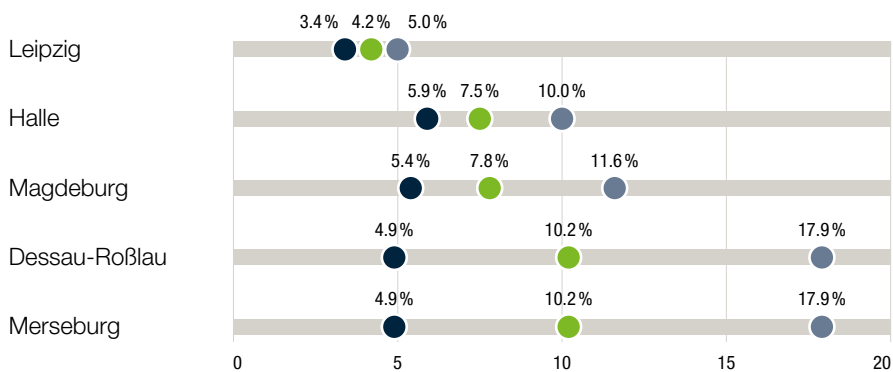
● = minimum ● = average ● = maximum



Sources: Real estate market reports; Wüest Partner Deutschland

Gross Yields

In % ● = minimum ● = average ● = maximum



Sources: Real estate market reports; Wüest Partner Deutschland

average of EUR 7.93/sqm in the first half of 2018. On average, asking rents in Leipzig (EUR 6.67/sqm) and Halle (EUR 6.00/sqm) are comfortably midrange for Eastern Germany.

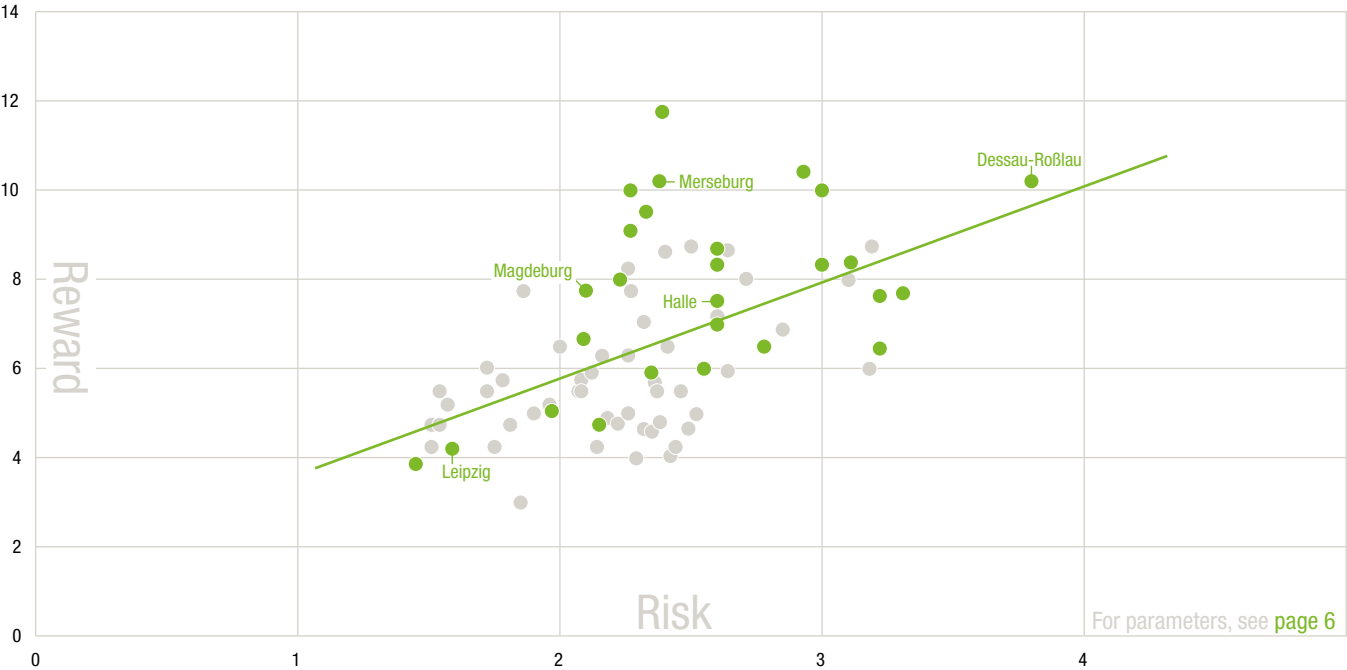
Magdeburg: Growth in the state capital

In Magdeburg, the average asking rent rose by 4.1 % year-on-year to EUR 6.00/sqm, in Dessau-Roßlau and Merseburg rents are even lower. Apartments in the capital of Saxony-Anhalt sell for an

average of less than EUR 1,200/sqm—however, prices of existing apartments have already risen by 10 % compared to the first half of 2017. The growth of the city is also reflected in the vacancy rate, which has declined to 5.2 %, and in the gross yield of 7.8 %, which is only slightly higher than that of Halle (7.5 %). In order to meet demand for housing, 562 new apartments were built at a cost of almost EUR 152 million last year alone, according to Verbändebündnis Wohnen. Investors are currently planning to greenlight a

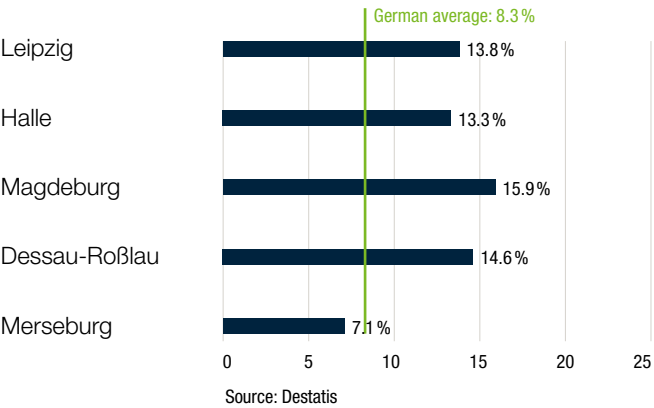
Risk / Reward Profile

Comparing a Region's Risk/Reward Ratio



GDP growth

in % 2011–2015

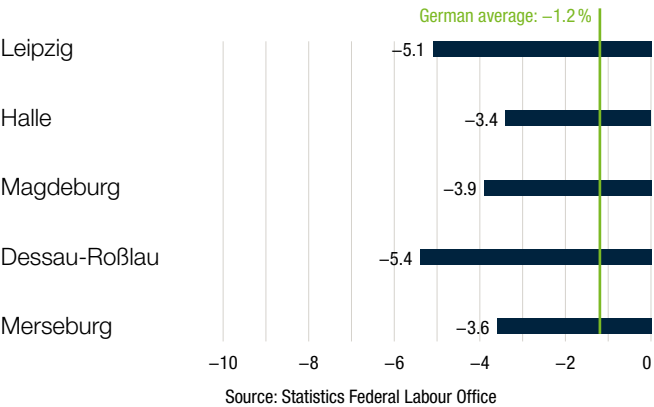


further EUR 100 million for the construction of apartments on the site of the former Börde brewery. Around 45,000 square metres of living space will be created. And the Wissenschaftshafen (a science and research hub on the banks of the Elbe River) could also soon be one of the city's top residential addresses: The city is currently looking for buyers for a 15,500 square metre site for residential development.

In terms of yield compression, Leipzig has almost reached Berlin's level, with average returns of just 4.2 %. Magdeburg performed significantly better—with risk comparable to Bremen or Münster. Merseburg is no riskier than Hamburg or Kiel, despite the fact that investors can expect double-digit return averaging 10.2 %. And, when it comes to risk, there is no difference between Halle and Wiesbaden, but Halle offers an average of 3.0 % higher yields. For investors willing to accept a higher risk exposure, Dessau-Roßlau offers returns of more than 10 %.

Unemployment Rate

Change 2013–2017 in % points



Merseburg reaps the rewards of attracting more companies

The significantly smaller cities of Merseburg and Dessau-Roßlau are also on the road to success. Merseburg benefits from its geographical location in the heart of the metropolitan region of Central Germany, where the economic boom is centred around the hotspots of Leipzig and Halle. The spark of growth has jumped over to Merseburg, a traditional chemical industry location, which is currently experiencing strong demand in the logistics sector. At the same time, many small and medium-sized businesses have also settled there. According to official data, there is almost no unoccupied commercial space left. In addition, the number of households increased by 6 % within one year.

Dessau-Roßlau: Moderate rent increases

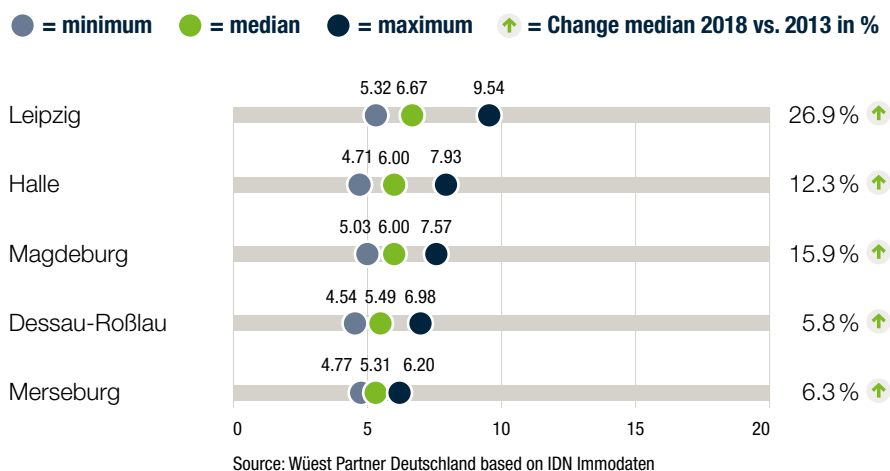
A total of EUR 13 million is being invested in the beautification of Dessau's inner city. As part of a long-term redevelopment programme, the city's old, prefabricated buildings are being given new facades or selectively demolished and rebuilt. Roughly 82,000 people live in the city, which is about 40 kilometres from Halle. Households spend 20 % of their incomes on rent and utilities. Despite the stubbornly high vacancy rate of 10.6 %, rents in Dessau are rising: within one year they rose by 2 %. Although Dessau-Roßlau is the only city we analysed to register a slight decline in the number of inhabitants (-0.7 %, 2014–2016), the number of households grew by 0.5 % between 2015/2016 and 2016/2017, and the comparatively low unemployment rate of 7.8 % is below that of Magdeburg and Halle. The purchasing power of households in Dessau has risen by a notable 17 % (2011–2018), the second-fastest increase in the region after Merseburg. Despite the economic gains, price-to-rent ratios are the lowest in the region. On average, investors pay less than 10 times the annual net cold rent for apartment buildings in Dessau. Both here and in Merseburg, therefore, investors can achieve the highest average yields in Eastern Germany at more than 10 %.

Outlook

More than 1,000 new apartments were built in Magdeburg and Halle last year. A total of around EUR 367.6 million was invested in new construction in the two largest cities in Saxony-Anhalt. The trend towards moving to urban centres continues unabated in Eastern Germany. This is particularly noticeable in Leipzig, where the number of households is rising the fastest and the population is growing steadily. At the same time, Merseburg and Dessau-Roßlau are also benefiting from the demographic and economic upswing in the large cities, where housing is becoming increasingly expensive. For many households, the alternative often lies in the smaller, more affordable neighbouring towns. ■

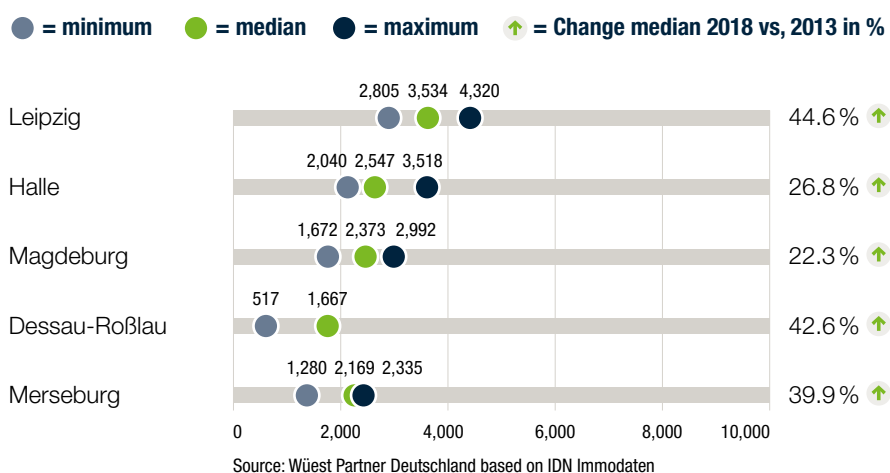
Rentals

Rental price range in EUR/sqm



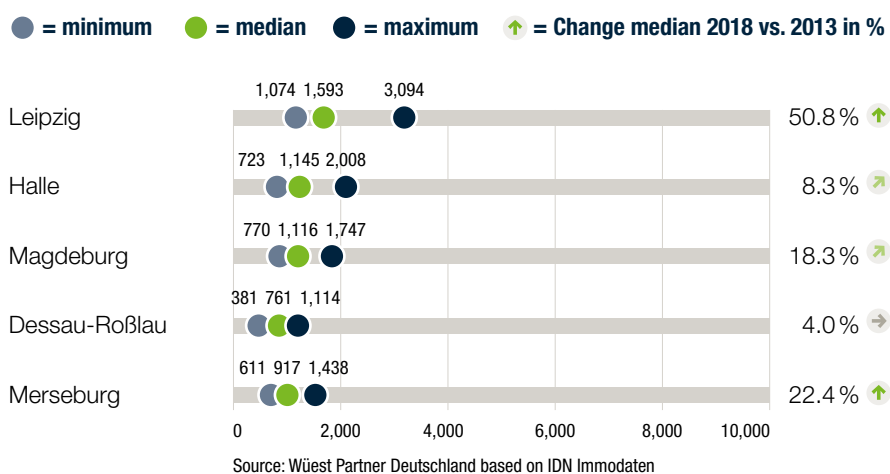
Purchase prices new-build

Purchase price range in EUR/sqm



Purchase prices existing buildings

Purchase price range in EUR/sqm

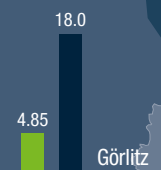
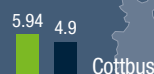


Economic and Demographic Key Data

- Rental prices in EUR/sqm
(H1 2018 median, Wüest Partner Deutschland)
- Vacancy rates 2017 in %
(Source see methodology)

State of
Brandenburg

Saxony



Demographics

	Population 31.12.16	Population development Δ 2014–2016	Households 2016/17	Household development 2015/16 vs. 2016/17
Dresden	547,172	2.0 %	303,140	4.2 %
Cottbus	100,416	0.9 %	57,752	0.0 %
Görlitz	55,904	3.2 %	30,661	5.8 %

Sources: Destatis, GfK

Purchasing Power

	Household purchasing power 2018 (National average = 100)	Household purchasing power Δ 2011–2018	Housing cost burdens 2018	Housing cost burdens Δ 2008–2018 in % points
Dresden	81.8	17.5 %	23 %	0.1
Cottbus	80.6	23.8 %	20 %	-2.9
Görlitz	70.9	16.6 %	20 %	-2.1

Sources: GfK, Wüest Partner Deutschland

Labour Market

	Unemployment rates 2017	Unemployment rates Δ 2011–2017	Employees subject to social security contributions Δ 2012–2017	Net commuter balance 2017 (inward minus outward commuters)
Dresden	6.1	-28 %	10.8 %	38,767
Cottbus	8.4	-35 %	3.0 %	8,930
Görlitz	8.4	-20 %	7.2 %	3,593

Statistics Federal labour Office

Trio with potential

Cottbus benefits from the economic upswing in Lusatia, which is having a positive effect on the housing market. Görlitz's real estate market is also developing better than forecast thanks to migration from Poland. And Dresden is struggling to satisfy the strong growth in demand for housing—there are even waiting lists for older, prefabricated buildings.

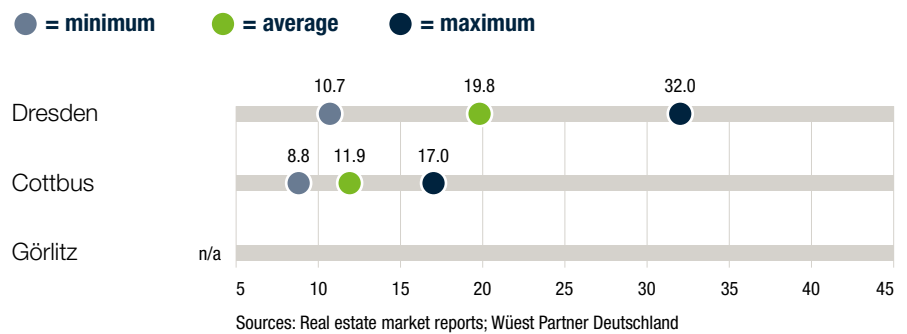
Cottbus is the second-largest city in Brandenburg. Despite the fact that most Westerners have heard all about the state capital Potsdam, just outside the gates of Berlin, Cottbus still draws a blank. That could change, however, because Cottbus has long since woken from its slumber. Over the last six years, unemployment has fallen by 35 %; purchasing power has grown by around 24 %, which is more than in any other city in the study area; and the vacancy rate in the former textile industry heartland has fallen to less than 5 %.

Thanks to the economic upswing in Lusatia, South Brandenburg exported 20.5 % more than it imported in 2017. Demand is particularly high for electrical equipment, metal products and rubber and plastic goods, which are mainly supplied to neighbouring Poland and were last year worth EUR 1.1 billion.

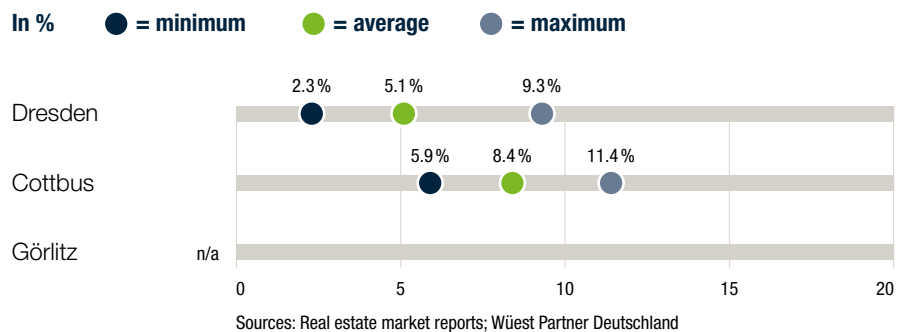
Cottbus: Vacancy rate under 5 %

For some time now, the supply of apartments in Cottbus has no longer been able to keep pace with rising demand, despite proactive measures. Old buildings are being renovated, new developments are underway on the outskirts, and every gap in the inner city is being filled in. Existing properties built between 1900 and 1948 are particularly sought after by buyers. According to the city's official valuation committee, these older properties accounted for around 40 % of sales in 2017. The average total purchase price for unrenovated apartments was around EUR 78,000. According to the official committee, buyers paid an average of EUR 1,577/sqm for apartments in renovated, older buildings in mid-range to good residential areas. Average prices have already risen to EUR 2,171/sqm for apartments in the new-build sector. Rents are just under EUR 6.00/sqm – higher than in

Price-to-rent ratios



Gross Yields



Görlitz and equal to Magdeburg, Halle and Eisenach—although they are still rising. Year-on-year, average rents have risen by 6.6 %. To ensure that housing remains accessible to all income groups, Cottbus plans to build around 150 new apartments—a mixture of social and market-rent housing, including units for senior citizens and owner-occupiers.

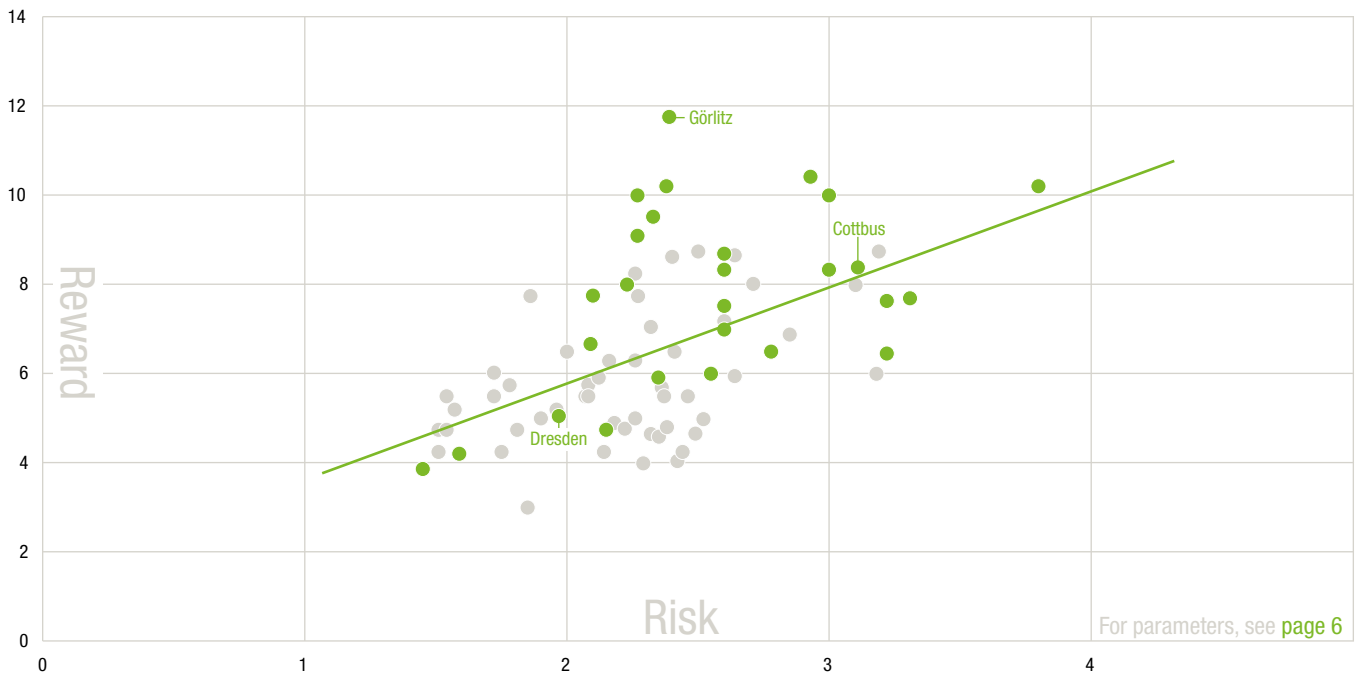
Dresden: Waiting lists for older, prefabricated apartments

Dresden's housing shortage has reached almost "dramatic" levels. Housing cooperatives have once again introduced waiting lists for older, prefabricated buildings because demand far outstrips supply. In GDR times, prospective tenants had to wait up to 10 years for an apartment and the city is determined not to repeat the failures of the past.

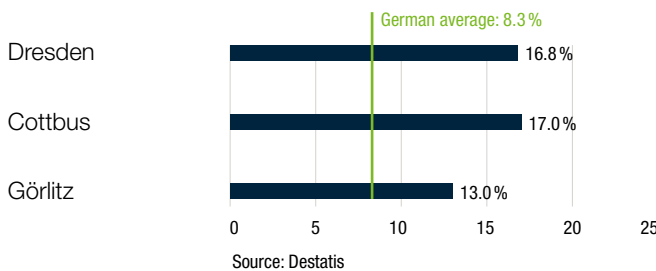
Nevertheless, fewer than 2 % of the apartments in the Elbe metropolis are vacant, and in view of the population influx in recent years, the housing market is overheating. Price-to-rent ratios are higher here than anywhere else in the entire research area, and have climbed to an average of 20 times annual net cold rent. The peak yield is 9.3 %; on average a good 5.0 % can be generated. In comparison, the average yield in Cottbus is 8.4 %.

Whichever market segment you look at, housing is in very short supply in Dresden. But above all, affordable housing is the scarcest. This is largely the result of Dresden selling all its municipal housing stock 12 years ago. Currently, 18 % of households are entitled to live in social housing and simply cannot afford the average rent of EUR 7.60/sqm. For

Risk/Reward Profile Comparing a Region's Risk/Reward Ratio



GDP growth in % 2011–2015

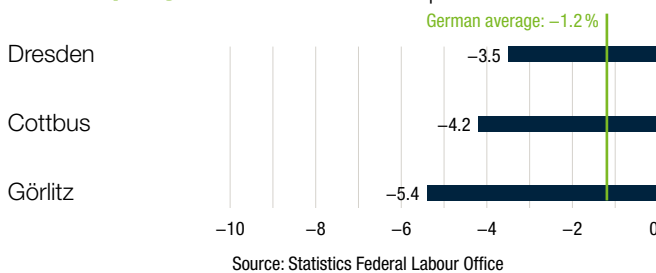


average earners, on the other hand, these are attractive rents that can no longer be found in comparable Western German cities. For owners in Dresden, there are excellent long-term opportunities for steady rental income and moderate growth potential. Compared to the previous year, the average asking rent has risen by 4.1 %.

Görlitz: Demand for housing on the rise

Görlitz is the easternmost point of the Federal Republic of Germany. In fact, Poland is just across the bridge over the Neisse River. The ease of crossing the border works both ways—and many people do so every day. Not only do they come to Görlitz to work, but they also settle here permanently and bring their families with them. The new arrivals are just as likely to include pensioners from the West, students from home and abroad who want to enrol in one of 40 courses of study at the Zittau/Görlitz University of Applied Sciences, and young families looking for affordable accommodation. The picturesque town of Görlitz also attracts many tourists in summer—mainly because of its impressive historic old town, which has already served as a backdrop in numerous films. What's more, it's not far to the Czech Republic. Prague is only two hours away by car.

Unemployment Rate Change 2013–2017 in % points



New residents can expect to pay an average of EUR 4.85/sqm for affordable rental apartments, rising to an average of EUR 6.47/sqm in better units. On average, existing apartments can be bought for EUR 685/sqm and are therefore also affordable to low-income households. Nevertheless, newly developed units are available for just under EUR 2,000/sqm. Rents and purchase prices remain low, reflecting the high vacancy rate of 18 %, which is, however, being steadily reduced. Not all of the vacant housing stock is actually available for rent because much of it doesn't meet modern standards. Compared to the previous year, rents

still rose by 2.6%—more strongly than in Chemnitz, Halle or even Potsdam, where the average rent of more than EUR 10.00 is already showing signs of peaking.

Görlitz has been buoyed by population growth of 3.2% (2014–2016), a rapid increase in the number of households (5.8%, 2016–2017) and one of the 10 highest growth rates of all 27 cities surveyed.

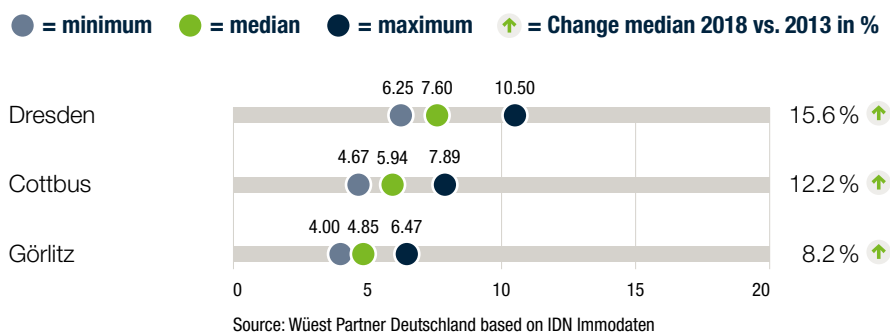
In booming Dresden, yields now average 5.1%, with a low investment risk, similar to Heidelberg, Reutlingen and Ingolstadt in the west. With only slightly higher risk—comparable with investments in Hamburg or Düsseldorf—the return of 11.8% in Görlitz is more than twice or almost three times as high. And whether you buy apartments in Cottbus, Trier or Bremerhaven, the only difference is the yield: In Cottbus you will earn more.

Outlook

Cottbus is experiencing an economic renaissance, which is fuelling population growth and demand for housing. Since there has been almost no new construction in Cottbus since German reunification in 1990, rents there have risen more sharply than in Dresden and offer good opportunities for returns. From a landlord's point of view, Dresden offers great long-term potentials, because affordable housing is now more than scarce in the booming Elbe metropolis than ever before. Görlitz is on the right track and is attracting more new residents and companies. Here, too, rents have been rising moderately since 2013. ■

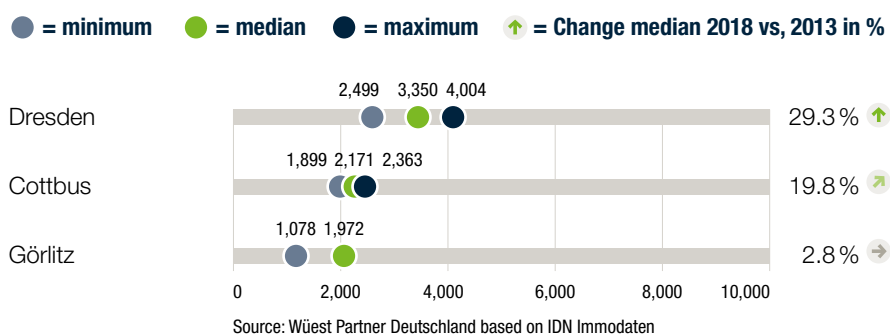
Rentals

Rental price range in EUR/sqm



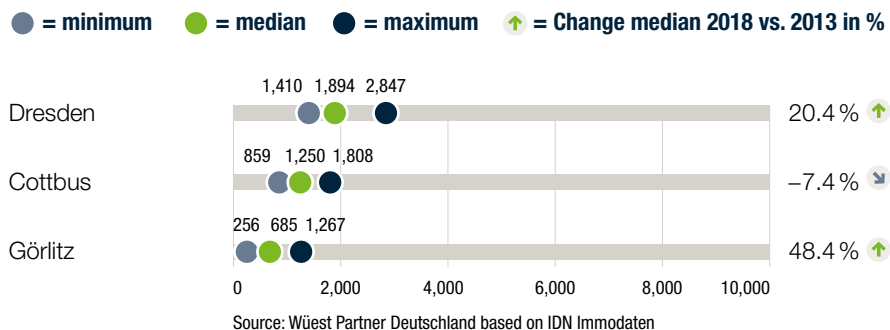
Purchase prices new-build

Purchase price range in EUR/sqm



Purchase prices existing buildings

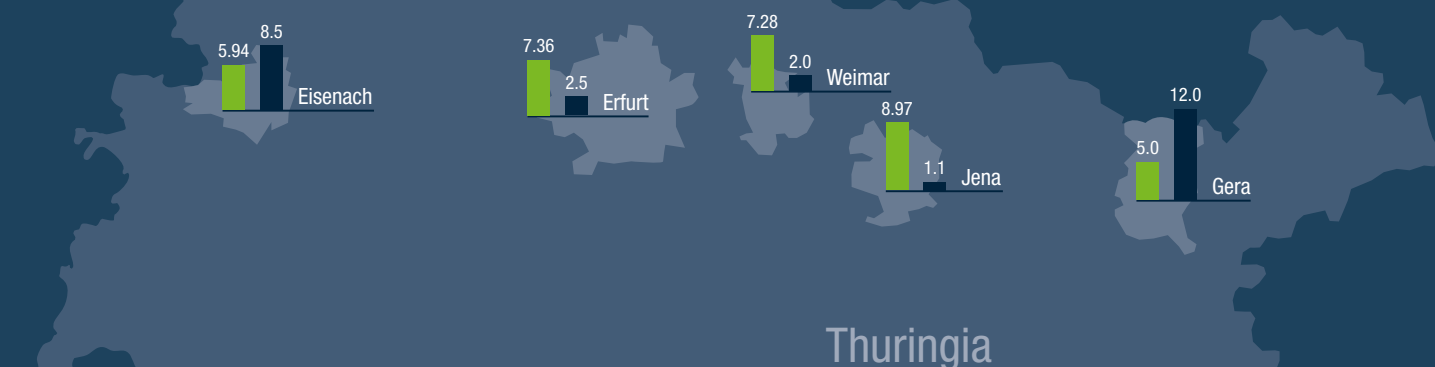
Purchase price range in EUR/sqm



Dresden

Economic and Demographic Key Data

- Rental prices in EUR/sqm
(H1 2018 median, Wüest Partner Deutschland)
- Vacancy rates 2017 in %
(Source see methodology)



Demographics

	Population 31.12.16	Population development Δ 2014–2016	Households 2016/17	Household development 2015/16 vs. 2016/17
Erfurt	211,113	2.4 % ↗	110,073	4.3 % ↗
Jena	110,321	2.0 % ↗	61,916	3.0 % ↗
Gera	94,750	0.3 % ➡	55,114	3.7 % ↗
Weimar	64,355	1.4 % ↗	35,305	3.4 % ↗
Eisenach	42,588	1.7 % ↗	23,247	3.8 % ↗

Sources: Destatis, GfK

Purchasing Power

	Household purchasing power 2018 (National average = 100)	Household purchasing power Δ 2011–2018	Housing cost burdens 2018	Housing cost burdens Δ 2008–2018 in % points
Erfurt	84.8	19.9 % ↗	22 %	-0.2 ➡
Jena	80.0	12.3 % ↗	26 %	0.3 ➡
Gera	75.4	12.7 % ↗	19 %	-1.8 ↘
Weimar	79.2	21.0 % ↗	24 %	0.3 ➡
Eisenach	79.5	16.4 % ↗	21 %	-0.7 ➡

Sources: GfK, Wüest Partner Deutschland

Labour Market

	Housing cost burdens Δ 2008–2018 in % points	Unemployment rates Δ 2011–2017	Employees subject to social security contributions Δ 2012–2017	Net commuter balance 2017 (inward minus outward commuters)
Erfurt	6.7	-30 % ↓	10.4 % ↗	26,890
Jena	5.6	-12 % ↓	7.8 % ↗	14,343
Gera	9.0	-26 % ↓	2.8 % ↗	1,917
Weimar	6.1	-33 % ↓	4.1 % ↗	1,045
Eisenach	6.6	-22 % ↓	5.1 % ↗	6,859

Sources: Statistics Federal labour Office

Thuringia is on the right track

Erfurt, Jena, Gera, Weimar and Eisenach are all cities in Thuringia that are successfully repositioning themselves for the future. Over the last few years, they have turned their double-digit unemployment figures into lower single-digit figures, gained more and more inhabitants and created lots of new jobs. All they need now is suitable housing, which is sorely lacking in many locations.

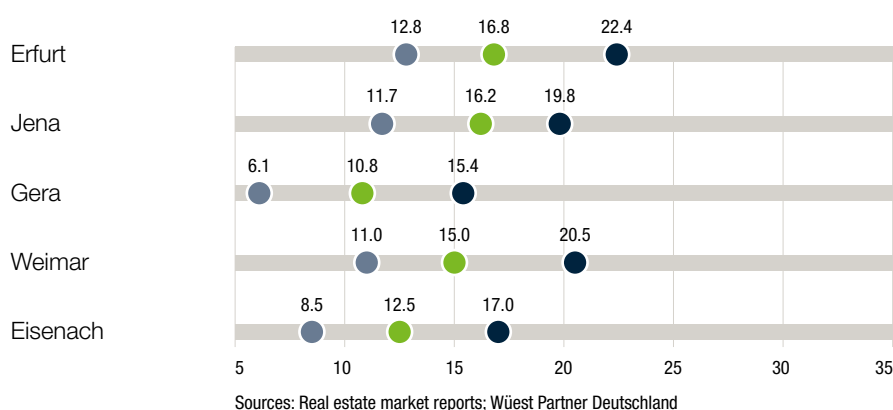
There are currently 3,800 job vacancies in Thuringia for which there are no skilled workers. In order to solve the problem, the housing industry and specialist recruitment agencies are now breaking new ground. They have joined forces and launched a nationwide advertising campaign to promote Thuringia, highlighting the fact that the state not only offer plenty of work but also affordable housing. In cities such as Erfurt, Gera, Weimar and Eisenach, average rents range from EUR 5.00 to EUR 7.36/sqm, well below the national average. According to the State Statistical Office in Thuringia, a total of 3,220 new apartments were added to the stock last year. In the university city of Jena, in contrast, the number of completed apartments halved to 327. Jena stands out as Thuringia's most expensive city with an average rent of just under EUR 9.00/sqm. In the upper segment, asking rents have even broken through the EUR 11.00/sqm threshold. At 26 %, Jena's housing cost burden is the highest in Thuringia and the third-highest among the Eastern German cities surveyed, only trailing Berlin and Potsdam (35 % and 29 % respectively). Existing apartments cannot be bought for less than EUR 2,000/sqm. Even in Erfurt, the state capital, prices are lower at EUR 1,698/sqm.

Erfurt and Jena are prospering

With a vacancy rate of 1.1 %, there are virtually no vacant apartments left in Jena. At the same time, the city is growing and intends to attract at least 1,800 skilled workers per year. The digital economy and medical technology sectors are booming in this city of researchers and universities, ensuring prosperity and financial well-being. Between 2012 and 2017, the number of employees subject to social insurance contributions rose by 7.8 %. Only in Erfurt, which registered a plus of 10.4 %, did

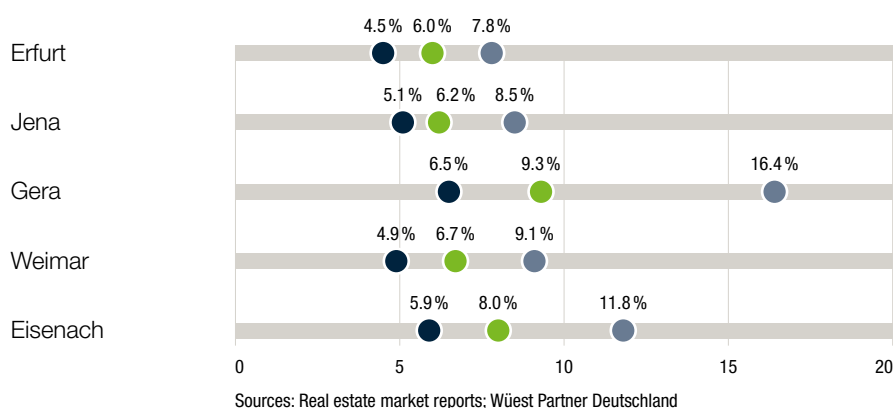
Price-to-rent ratios

● = minimum ● = average ● = maximum



Gross Yields

In % ● = minimum ● = average ● = maximum



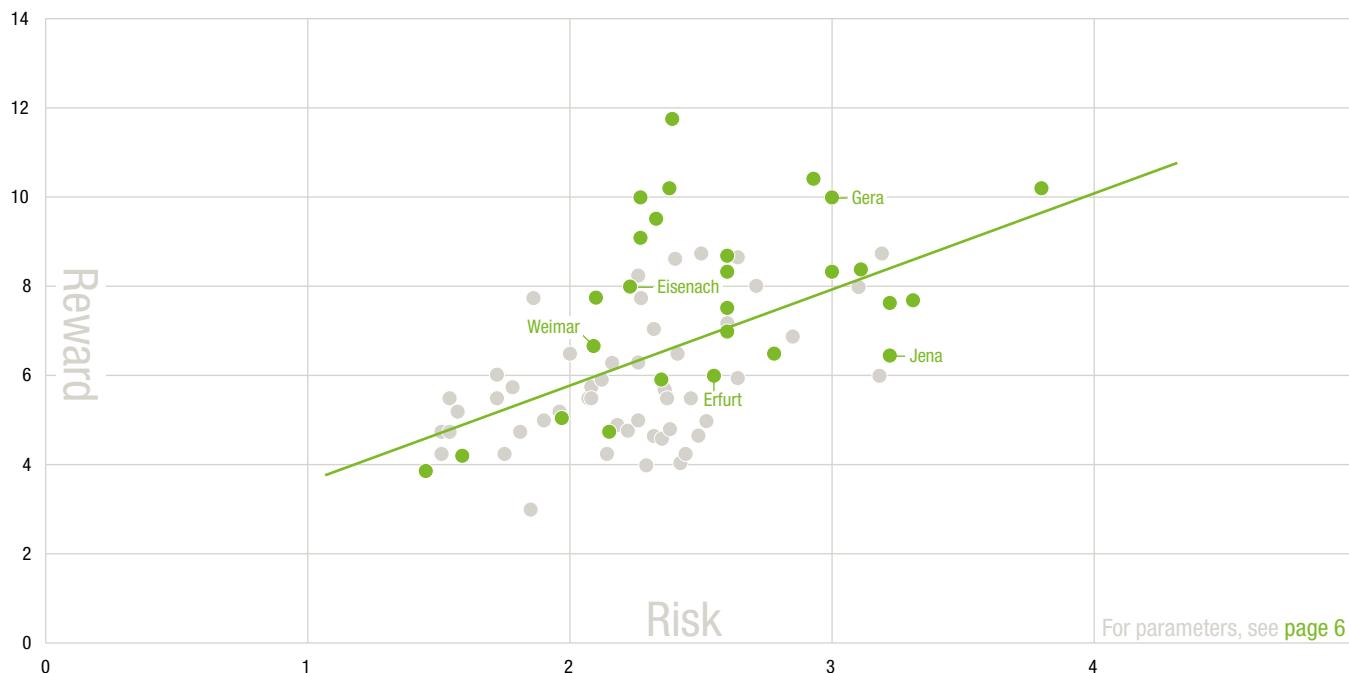
even more people find a permanent job in the past five years. With the population growing at 2.4 % (2014–2016) and rising household numbers, Erfurt is the top performer in Thuringia. Currently, only 2.5 % of apartments in Erfurt are vacant, which strongly suggests that rents will continue to rise.

Gera has turned the corner

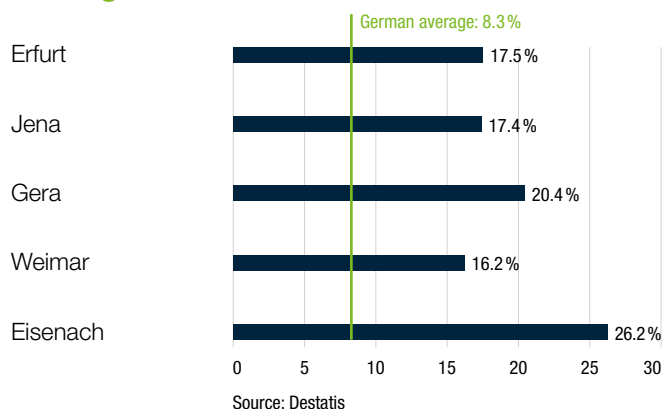
The only city in the region where housing is noticeably more affordable is Gera:

Rents average EUR 5.00/sqm and even in the upper segment, they remain below EUR 6.00/sqm. Gera still has a high vacancy rate of around 12 %—the highest among Thuringian cities. However, unemployment has fallen by a good 26 % (2011–2017), the labour market has been developing positively (+2.8 %) and the number of households is up by 3.7 % (2016–2017), all strong indications that the corner has been turned. State-owned housing companies are investing

Risk/Reward Profile Comparing a Region's Risk/Reward Ratio



GDP growth in % 2011–2015



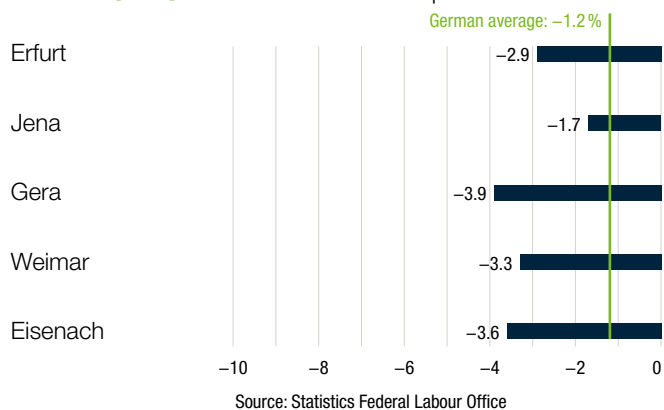
millions in redeveloping their older housing stocks and a long vacant block of flats has been repurposed as a modern student residence—the first in Gera. The aim is to attract students from Jena, where living is now very expensive for students, and which is only 30 minutes away by car. Developers are also marketing to students from Ilmenau and Weimar.

Urban redevelopment in Eisenach is in full swing

It has become especially difficult for low-income households and students to find suitable apartments in Weimar, where the vacancy rate is only 2 % and the average rent is EUR 7.28/sqm. The population continues to grow and is already heading for 65,000 inhabitants. The situation is similar in Eisenach: more jobs, more new residents, more households. And the reconstruction of the city is still in full swing. Buildings are being demolished, renovated, rebuilt—and with rents averaging between EUR 5.00 and EUR 7.40/sqm, housing is still relatively affordable. Nevertheless, rents have climbed by 10.7 % since 2013, including 3.2 % last year alone. Home ownership has also become considerably more expensive in Eisenach over the past five years as prices have risen by 18 %. This year, prices for existing apartments have gained a further 10 %. Even so, existing apartments are still affordable for many households. On average, would-be homeowners can expect to pay only EUR 1,200/sqm to turn their dreams into reality. Investors in multi-family housing in Eisenach also benefit from favourable price-to-rent ratios, which on average do not exceed 12.5 and peak at a maximum of 17.

Erfurt, Jena, Gera and Weimar still offer attractive purchase prices with price-to-rent ratios of between 10.8 and 16.8. Average returns ranging from 6.0 % (Erfurt, Jena) to 9.3 % (Gera) can be achieved with moderate risk.

Unemployment Rate Change 2013–2017 in % points



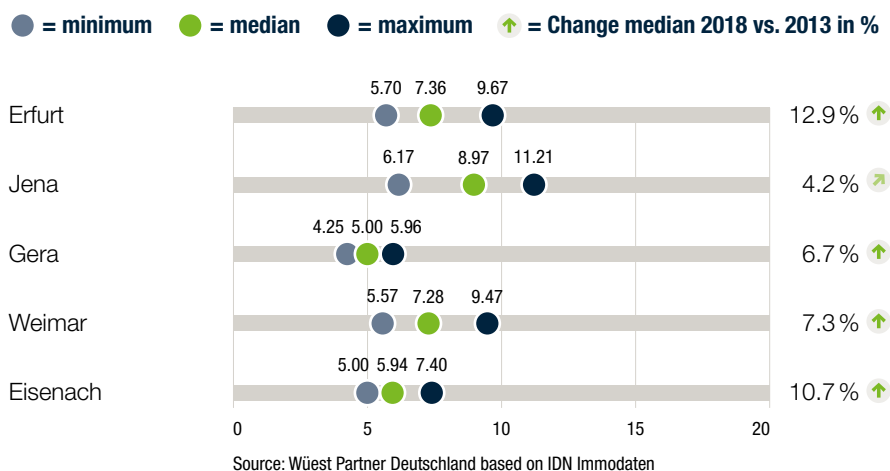
From an investor's perspective, Weimar and Eisenach are no more risky than Münster or Mainz. However, both cities outperform their Western German peers with yields of 6.7 % and 8 %, compared with 4.3 % in the Westphalian university city and 5.5 % in the Rhineland-Palatinate state capital. Erfurt or Wiesbaden? Take your pick: both have the same risk profile, but yields are slightly higher in Erfurt. Jena and Gera have similar levels of risk and are comparable to investments in Oberhausen and Bremerhaven. But in Gera the yield is 9 %, which is higher than in the Western German cities mentioned here, which offer yields of between 8.0 % and 8.8 %.

Outlook

Thuringia has long set the course for the future. In the Erfurt/Jena region, the cities are growing and the economy is flourishing—albeit with varying intensity. The general upswing has caused vacancy rates to fall year after year. There is hardly any available housing left in Jena, Weimar and Erfurt. This makes well-maintained and modernised existing properties valuable assets. Despite continuous increases in rents, Thuringia's cities are among the places where households spend no more than a quarter of their incomes on rent. This is an important indicator for the prospering state, which urgently wants to recruit skilled workers from other states. After all, who could say no to a new job and an attractive, affordable place to live. ■

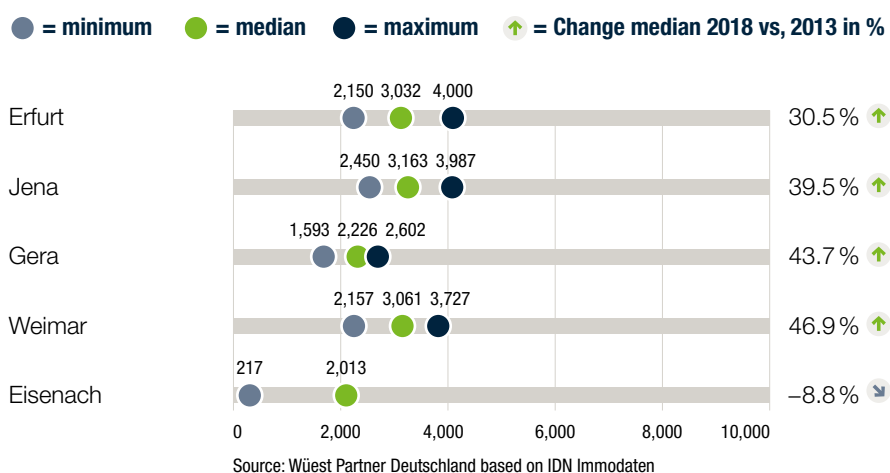
Rentals

Rental price range in EUR/sqm



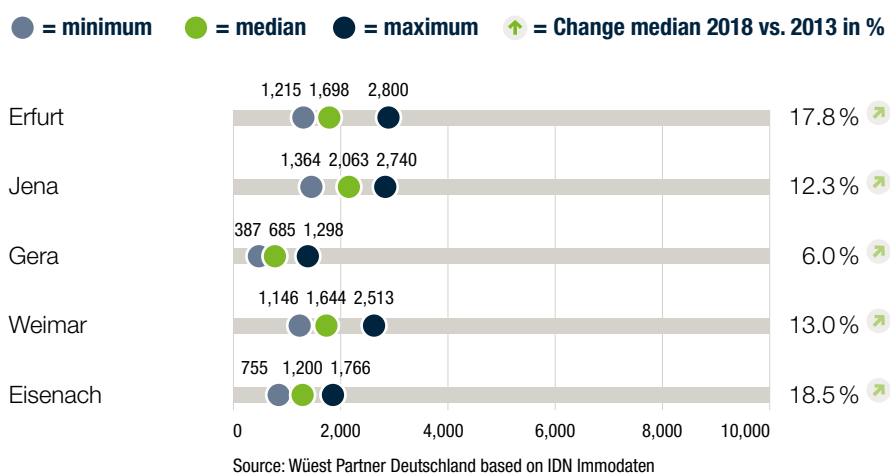
Purchase prices new-build

Purchase price range in EUR/sqm



Purchase prices existing buildings

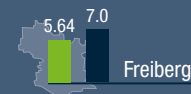
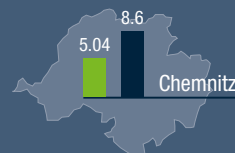
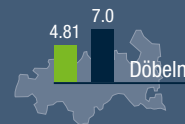
Purchase price range in EUR/sqm



Economic and Demographic Key Data

- Rental prices in EUR/sqm
(H1 2018 median, Wüest Partner Deutschland)
- Vacancy rates 2017 in %
(Source see methodology)

Saxony



Demographics

	Population 31.12.16	Population development Δ 2014–2016	Households 2016/17	Household development 2015/16 vs. 2016/17
Chemnitz	246,353	1.2 % ↗	134,861	2.8 % ↗
Freiberg	41,642	2.0 % ↗	23,355	5.5 % ↗
Döbeln	23,823	10.7 % ↗	13,313	9.6 % ↗

Sources: Destatis, GfK

Purchasing Power

	Household purchasing power 2018 (National average = 100)	Household purchasing power Δ 2011–2018	Housing cost burdens 2018	Housing cost burdens Δ 2008–2018 in % points
Chemnitz	80.4	17.4 % ↗	17 %	-2.5 ↘
Freiberg	74.4	11.4 % ↗	19 %	-0.3 ↘
Döbeln	74.7	17.4 % ↗	19 %	-3.6 ↘

Sources: GfK, Wüest Partner Deutschland

Labour Market

	Unemployment rates 2017	EU unemployment rates Δ 2011–2017	Employees subject to social security contributions Δ 2012–2017	Net commuter balance 2017 (inward minus outward commuters)
Chemnitz	7.0	-33 % ↓	7.1 % ↗	24,607
Freiberg	5.3	-17 % ↓	-1.0 % ↘	5,203
Döbeln	5.3	-36 % ↓	8.5 % ↗	603

Sources: Statistics Federal labour Office

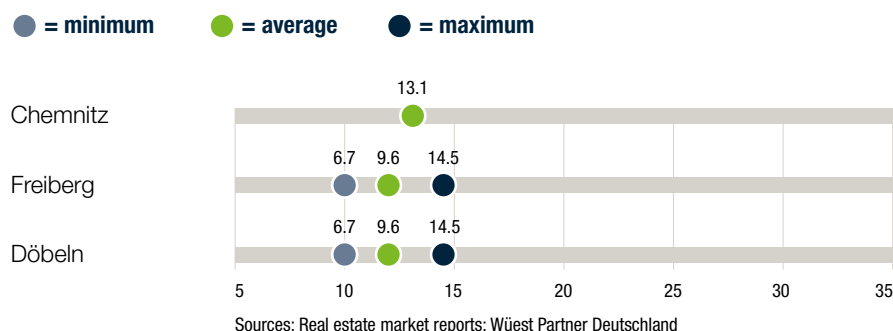
Where manufacturing meets innovation

Saxony is well prepared for the future. In Chemnitz, Freiberg and Döbeln the economy is booming and unemployment figures are falling sharply. The economy is firing on all cylinders and the strategic focus on new technologies is bringing growth to the region and creating long-term opportunities. The same applies to the housing market.

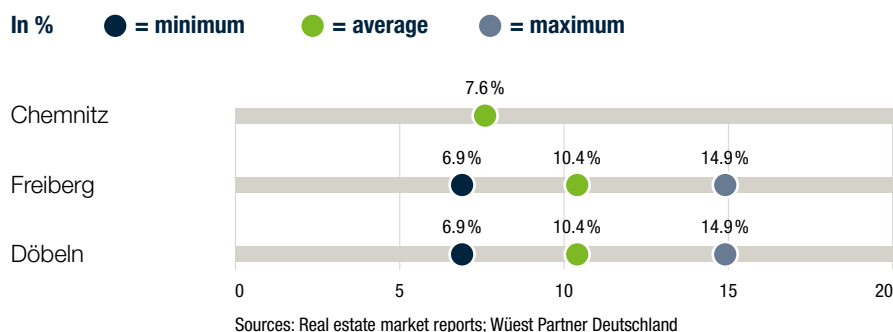
The mood in Chemnitz is one of optimism. The city in the southwest of Saxony is again close to reaching the 250,000-inhabitant mark. It is already the third-largest city in Saxony after Leipzig and Dresden. Chemnitz has an air of self-confidence and is in the running to become the European Capital of Culture 2025. The economy is booming: In some sectors, such as the IT industry, wages have already reached Western German levels. Chemnitz's gross annual income per capita of EUR 28,809 (+3.8% since 2017) is the highest in Saxony, where more than 40,000 new jobs have been created in recent years.

Companies in Chemnitz also look to the future with confidence. According to a recent Chamber of Commerce survey, a majority of company directors are satisfied with the way the economy is developing and are optimistic about the future. Whether mechanical engineering or the automotive industry, whether metal processing or materials technology—business is booming across the board, swelling the city's coffers by EUR 260 million in 2018 alone. This success is reflected in the drastic, 33% reduction of unemployment (2010–2017) and the growing commuter balance, which sees almost 25,000 people coming to work in the Saxon city every day. These developments are being supported by a programme of infrastructure improvements under the banner of the Chemnitz Model: Over the past 16 years, rail connections to the surrounding area have been extended at a cost of around EUR 300 million. There are now more and more permanent jobs; the number of employees subject to social security contributions has risen by 7% over the last five years. The city's strong economic growth should also offer investors significant potential on the housing market, as rents in Chemnitz

Price-to-rent ratios



Gross Yields



are still favourable at an average EUR 5.04/sqm.

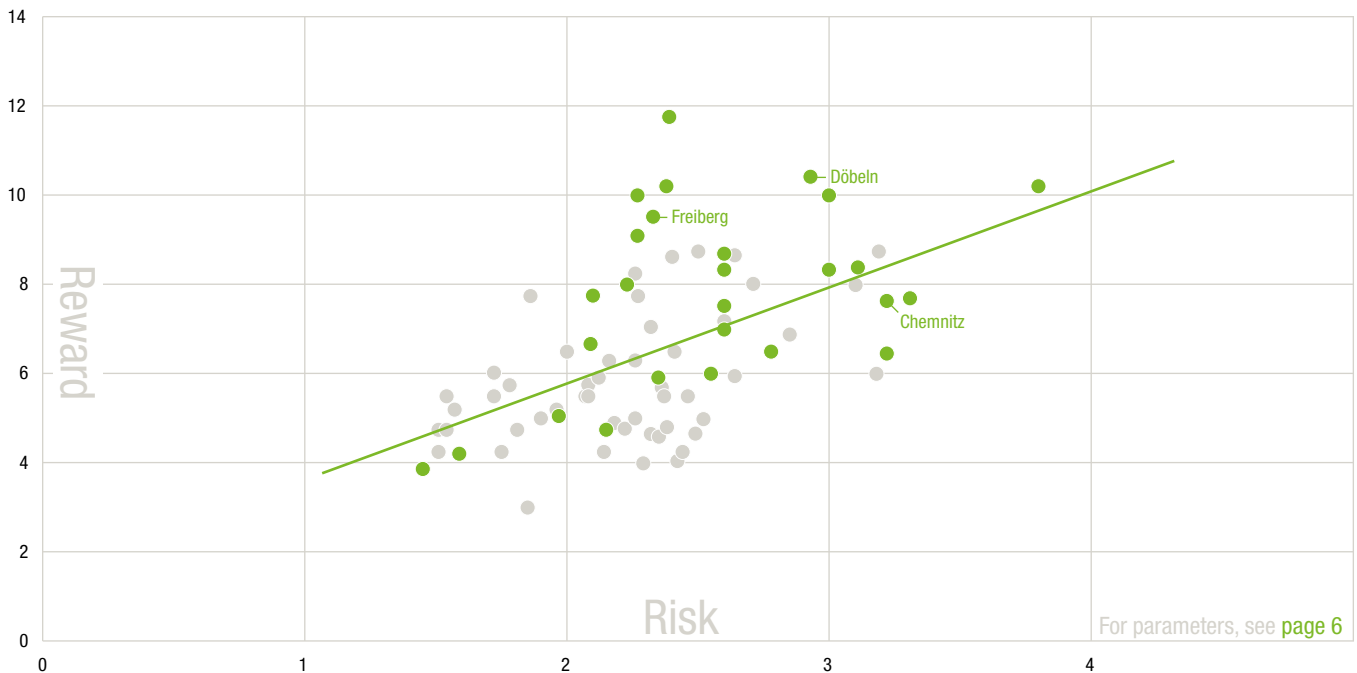
Döbeln: Vacancy rate drastically reduced

In Döbeln, the growth in the number of employees subject to social insurance contributions has been even more impressive: With a population of just under 24,000, the number of those in secure employment rose by 8.5% within 5 years. The population grew by almost 11% between 2014 and 2016; the number of households increased by almost 10% within one year. In parallel, unemployment figures have fallen by 36% over the last six years. What is already a low unemployment rate of 5.3% (2017) could fall even further once the Regional Court of Audit has completed its move to Döbeln in 2021, which is when the state's financial auditors

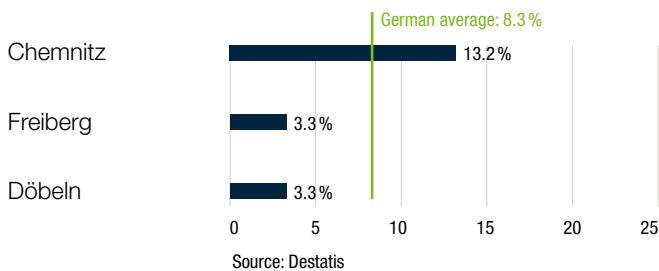
are due to vacate their rental premises in Leipzig and move to the former Döbeln barracks owned by the state. This could also have a positive effect on the local housing market—after all, the Regional Court of Audit employs around 190 staff.

For the first time in 50 years, Döbeln's second largest housing cooperative, GWG, is building new three and four-room apartments in response to strong demand from young families and older people who have moved from the surrounding area. Only 7% of the housing portfolio is currently vacant. At EUR 5.57/sqm, these new apartments are clearly targeted at Döbeln's upper price segment, where the average rent is just EUR 4.81/sqm—the lowest in the region. In Chemnitz, tenants are currently paying about EUR 5.00/sqm, in Freiberg EUR 5.64/sqm.

Risk/Reward Profile Comparing a Region's Risk/Reward Ratio



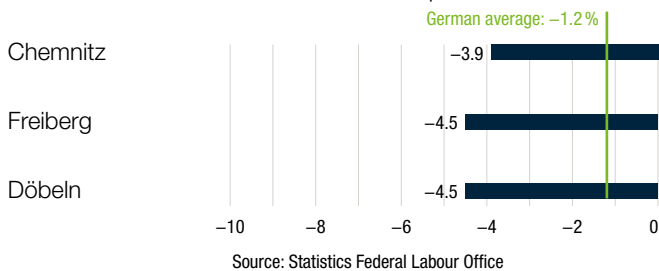
GDP growth in % 2011–2015



City of Research, Freiberg

This university city, where rental housing remains affordable and condominiums are available for EUR 1,053/sqm, is making headlines for all the right reasons. This year, the city will invest EUR 53 million—including EUR 20 million of its own funds—on behalf of its 41,000 inhabitants. Thanks to its buoyant economy and substantial tax revenues, which are forecast at EUR 25 million this year, local taxes will be lowered for the first time since the fall of communism. After many years of intensive research, scientists at the TU Bergakademie Freiberg have developed a super material made of metal and ceramics for the automotive and aviation industries that can make cars and aircraft safer and thus save human lives.

Unemployment Rate Change 2013–2017 in % points



Extremely low housing cost burdens

Thanks to the general economic boom, Freiberg and Döbeln are developing far better than previously predicted. Chemnitz is also on course for growth. Purchasing power has increased in all three cities in the region and housing cost burdens are extremely low at between 17 % and 19 %. Residential property also remains affordable—despite double-digit price increases since 2013. However, because prices for condominiums started at such a low level, it is still possible to buy existing properties for between EUR 380 and EUR 500/sqm, which means that families with children and lower-income households can also afford to buy property.

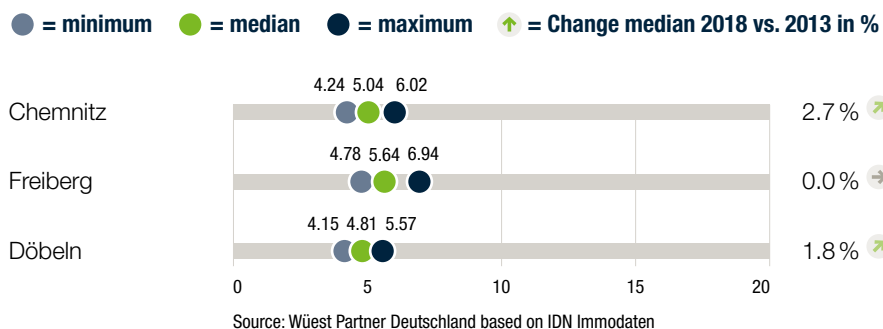
Who would have thought that of Freiberg? This small university town in Saxony is rated at a similar investment risk as Hamburg, Heidelberg and Mannheim. However, with achievable yields of 9.5 %, Freiberg performs significantly better than these Western German cities, which offer returns of 4 % to 5 %. In Döbeln, the risk is the same as in Saarbrücken, where the return is 3.5

percentage points lower. And Chemnitz beats Trier by 1.6 percentage points for the same risk.

Outlook: Chemnitz, Döbeln and Freiberg are lucrative locations for investors. Low average price-to-rent ratios of less than 10 (Döbeln and Freiberg) and 13 (Chemnitz) allow additional capital to be invested in the refurbishment and renovation of older buildings. Demand for housing is rising and vacancy rates are declining, leading to an increase in the value of existing properties. ■

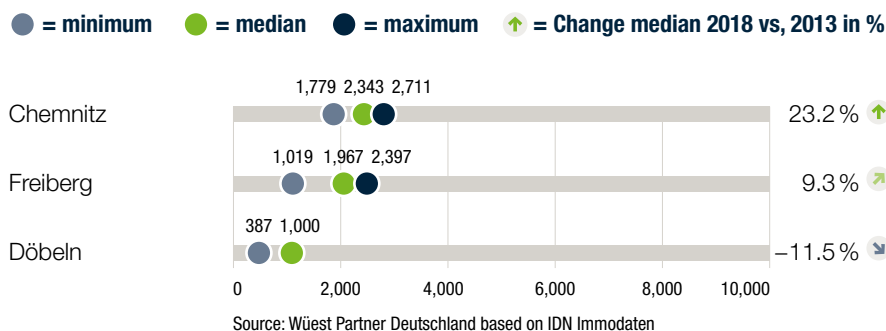
Rentals

Rental price range in EUR/sqm



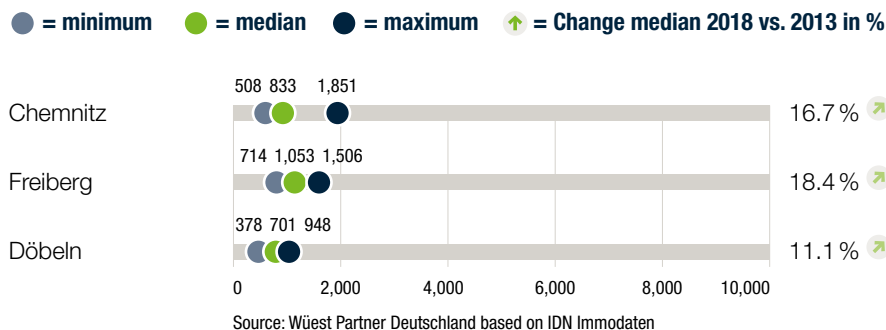
Purchase prices new-build

Purchase price range in EUR/sqm



Purchase prices existing buildings

Purchase price range in EUR/sqm



Chemnitz

“Innovation can only come from diversity”

Interview with Sören Uhle, Economic Development Corporation Chemnitz

Chemnitz is clearly one of the region's biggest winners and has been enjoying rising population growth for years. In your opinion, which factors have contributed to this city's success?

Well, if you try to put yourself in the shoes of the newcomers, you realise that Chemnitz has become more and more attractive to the outside world. Local companies are heavily involved in exciting and economically successful sectors and industries, which enables them to create attractive jobs. If the environment is also attractive for families, who want kindergartens, schools and leisure facilities along with cultural attractions that promise variety and diversity, then moving to Chemnitz is not a difficult decision. Chemnitz is a city worth living in, a small metropolis, a city of short distances and close personal contacts—it's a mixture you won't find in many other places.

Together with the southwest Saxony region, Chemnitz is one of the 36 innovation leaders in Europe. What makes Chemnitz and the region so attractive?

Innovation can only come from diversity—from a variety of perspectives, lifestyles and experiences, from mutual respect and appreciation for the opinions and achievements of others. Innovation thrives only in freedom. Every time we hear the bells from New Town Hall, we are reminded that thoughts are free. This freedom, both physical and intellectual, is the basis for the trend-setting developments in Chemnitz. A diverse research and application development programme at the Technical University, which has over 11,000 students; two Fraunhofer Institutes with expertise in resource-efficient production and smart systems; and numerous scientific and industrial networks create an ecosystem of innovation in which companies in the region can participate. The city is a platform for cooperation, and offers employers a pool of well-trained, young employees who see Chemnitz as the starting point of their careers and are eager to work to create a better future. This is typified by the incredibly dynamic IT scene, which provides software solutions for industry, especially in the B2B sector, and which fulfils an important cross-sectional function by supporting established industries as they automate and digitalise processes. The network of companies offering unique solutions for automated driving is a good example. The ongoing development of the technology campus at Chemnitz University of Technology offers further potential for above-average value creation for R&D companies as they exploit these innovations.

“The city is a platform for cooperation, and offers employers a pool of well-trained, young employees who see Chemnitz as the starting point of their careers and are eager to work to create a better future. This is typified by the incredibly dynamic IT scene.”



Sören Uhle is Managing Director of CWE—Economic Development Corporation Chemnitz

How has it been possible to establish such a strong middle class in Chemnitz and what role does the city's business development agency play?

Our strong middle class has a long tradition. The Chemnitz region is regarded as the cradle of the industrial revolution on the European mainland. Some companies can look back on more than 100 years of engineer-driven development, drawing on the spirit of inventors and courageous pioneers. Their often ingenious ideas were developed by well-organised companies and collectives into viable products and technologies that shaped the industrial landscape. The diversity and close links between individual stakeholders create the optimal environment for outstanding inventions and viable business models.

Our main task as a business development agency is therefore to support companies as they grow and to foster further growth through administrative measures. For smaller companies in particular, it is an important prerequisite for investment to have a predictable and reliable facilitator at their side to act as a bridge between business and administration and who can establish, coordinate and activate relevant networks to cultivate new cooperation strategies. This not only creates added value for companies, it gives them advantages over their competitors. Location marketing then showcases their expertise to the outside world.

Where do you see Chemnitz and the region in 15 years? Will the economic upswing and influx continue?

In 15 years, Chemnitz will be prominent on the international stage, a European Capital of Culture with 270,000 inhabitants. For Chemnitz, moderate growth is both realistic and desirable. After all, crisis resistance is just as important today as it was in 2008. Despite the fact that our economy is export-oriented, being broad-based has allowed us to cushion or avoid any negative fallout from the financial crisis. Our success is founded on diversification of value chains and a clear, long-term commitment to Chemnitz as an industrial centre.

The future of Chemnitz is based on the successful symbiosis of industry and culture, because it is only when we recognise and support the cultural dimension of economic success that we can deliver dynamic growth in new and established economic areas. Cultural diversity and openness to other influences are the essence of our approach.

Our common bond is 'Work. Prosperity. Beauty', which just happens to be the title of the Max Klinger painting from 1911 that serves as both a message and an inspiration and hangs above our local councillors when they gather in our Town Hall. Our work is about making prosperity possible and creating quality of life and meaning.

What is your general assessment of the opportunities for small and medium-sized cities in Eastern Germany?

In principle, the same tools for successful urban development are available to all cities: Use space, form networks, win partners, use resources sensibly, enhance strengths and position one's own city with passion and self-confidence. Everyone has the chance, but Chemnitz has the advantage. ■



List of sources

- Amt für Statistik Berlin-Brandenburg
- BBSR, Bundesinstitut für Bau-, Stadt- und Raumforschung im Bundesamt für Bauwesen und Raumordnung (BBR)
- BBU-Jahresstatistik
- Bundesagentur für Arbeit
- CBRE-empirica-Leerstandsindex 2016
- GfK GeoMarketing GmbH
- Grundstücksmarktberichte der Städte
- Hans-Böckler-Stiftung: Wohnverhältnisse in Deutschland- eine Analyse der sozialen Lage in 77 Großstädten, 2017
- IDN Immodaten
- Prognos: „Wo lebt es sich am besten? – Die große Deutschland-Studie“, 2018
- Risiko-Rendite-Ranking (2016) des Immobiliendienstleisters Dr. Lübke & Kelber
- Stadt Waren (Müritz): Fortschreibung Monitoring Stadtentwicklung zum Stichtag 31.12.2015
- Statistisches Bundesamt – destatis
- Statistische Landesämter der Bundesländer und Internetseiten der Städte
- Statistischer Quartalsbericht Stadt Leipzig, 2016
- TAG Immobilien AG, Wohnungsmarktbericht Ostdeutschland 2016
- Thüringer Landesamt für Statistik
- Wüest Partner Deutschland

Websites

- www.leipzig-studieren.de/uni-leipzig/die-anderen-ueber-uns/rankings
- www.lvz.de/Region/Doebeln/Grosse-Wohnungen-gehen-in-fuenf-Minuten-weg
- www.rbb24.de/politik/beitrag/2018/02/pendeln-zwischen-brandenburg-und-berlin-kleine-anfrage.html
- www.tagesspiegel.de/berlin/wohnungsmarkt-so-rasant-steigen-brandenburgs-immobilienpreise/22796548.html
- www.uni-leipzig.de/service/kommunikation/medienredaktion/nachrichten.html?ifab_modus=detail&ifab_id=3544
- www.waren-mueritz.de/de/wirtschaft-investition/daten

Legal notice

Publisher

TAG Immobilien AG
Steckelhörn 5, 20457 Hamburg
Tel. +49 (0)40 380 32-0
Fax +49 (0)40 380 32-388
info@tag-ag.com
www.tag-ag.com

Editors

Claudia Hoyer (V.i. S. d. P.)
Susanne Osadnik

Market data

Wüest Partner Deutschland
W&P Immobilienberatung GmbH

Art direction

Kaiserwetter GmbH

Photos

Page 18: DIW Berlin
Page 36: Chemnitzer Wirtschaftsförderungs- und Entwicklungsgesellschaft mbH
All other pictures: TAG Immobilien AG

Design, project management

Nikolaus von Raggamby, Katja Binnyus (RUECKERCONSULT GmbH)

Disclaimer

The information contained in this market report is based on publicly available sources (some of which are available only for a fee). Although we assume that the data used is correct, we would like to point out that we have not verified this in every case. We can therefore offer no guarantee of the correctness, completeness and validity of the contents.

Copyright

10/2018 ©TAG Immobilien AG, Hamburg

The contents of this market report (including tables and graphics) are subject to German copyright law. External sources are marked as such. Duplication, processing, distribution or any form of commercial exploitation of such material beyond the scope of copyright law shall require the prior written consent of TAG Immobilien AG.

