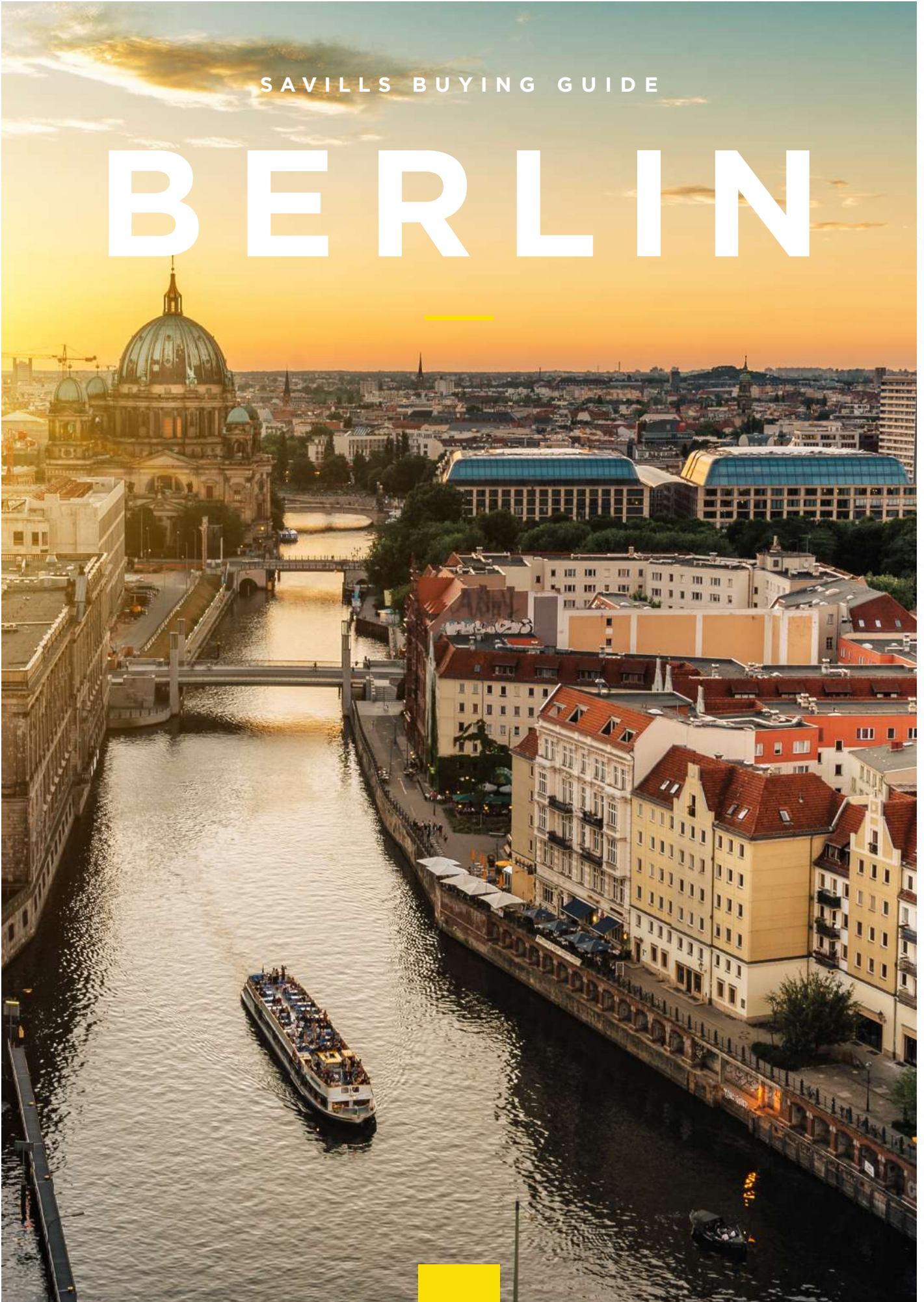


SAVILLS BUYING GUIDE

BERLIN



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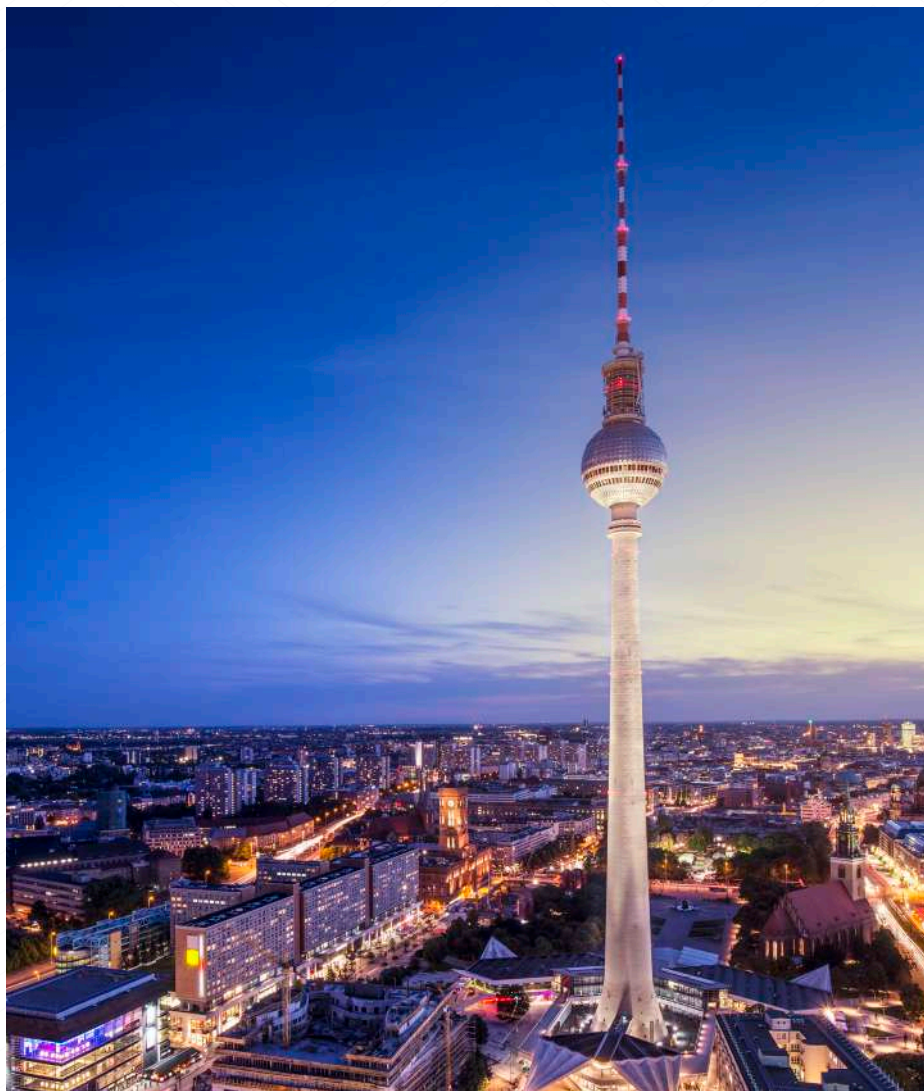
BOTH GEOGRAPHICALLY AND POLITICALLY BERLIN LIES AT THE HEART OF EUROPE, AN ICONIC CITY WITH A MONUMENTAL HISTORY AND DYNAMIC CULTURE

Reinstated as the capital of Europe's strongest economy after the fall of the Berlin Wall in 1989, it has evolved into a true world city, a political powerhouse, a global leader across scientific and medical research, an affordable favourite for tech start-ups and a media epicentre.

As Berlin matures it repeatedly demonstrates a remarkable ability for reinvention. Star-architects including Renzo Piano and Richard Rogers have designed spirit-lifting, innovative buildings, creating a new landscape for the next generation of Berliners. Across so many creative industries - fashion, food, nightlife, art, cinema and music - Berlin sets the modern pace.

Berlin's value, easy-going lifestyle, and the opportunity it offers have made the city globally attractive. Multi-cultural, multi-talented and multi-lingual: Berlin's workforce is young and well-educated.

International companies have been quick to spot their potential with Google, Siemens and Samsung among those setting up offices. Tech and media start-ups have followed making Berlin a global centre for innovation. Over 500 start-ups were launched in 2018, that's one every 20 hours.



At present around 46,700 companies with close to 400,000 employees work in Berlin's tech, media and telecoms sectors and estimates predict that a further 270,000 jobs will be created by 2030. Berlin serves them well with

nine urban technology parks, 16 start-up centres and over 110 incubators and creative labs.

It all adds up to a colourful urban success story. ■

WHY BERLIN?

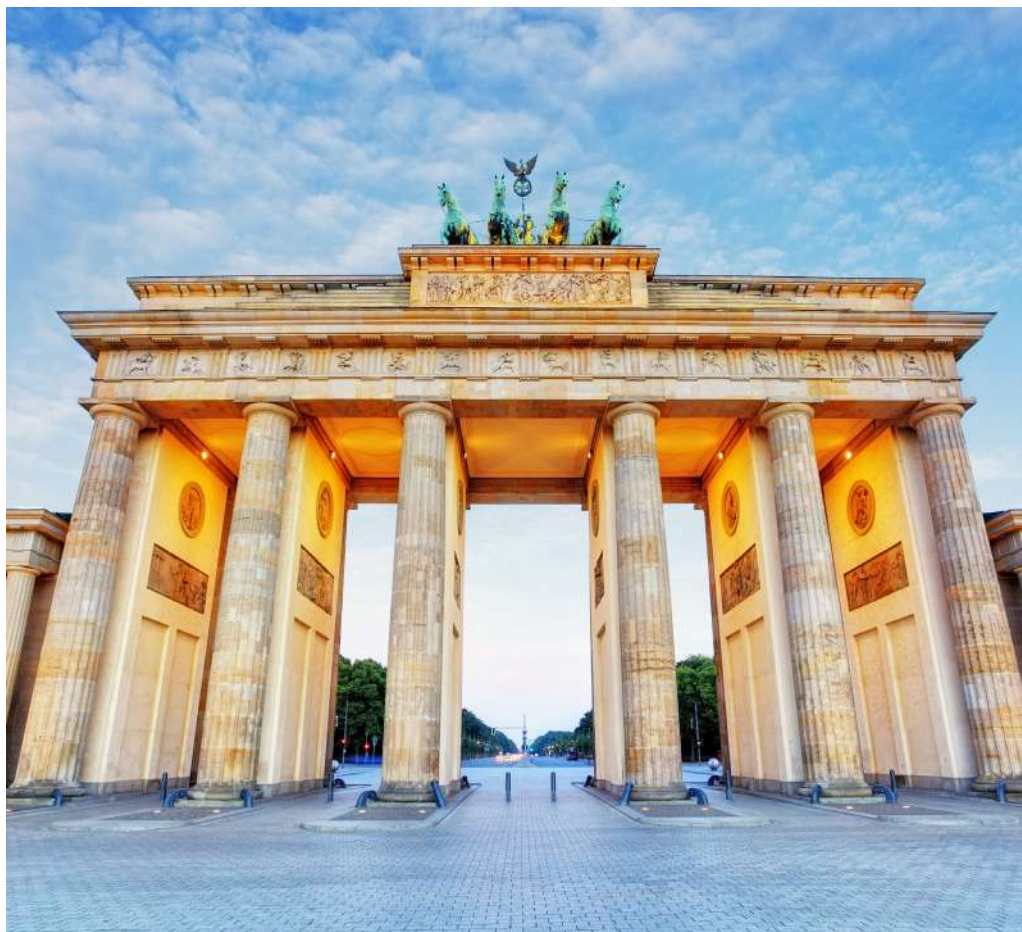
Berlin's headlines are remarkable. Tourism is booming, the construction industry is working flat out and Berlin is now in the top ten global locations for technology competing alongside London and Paris. Yet Berlin property prices and rents are well below those of its competitors, more affordable on average even than three other German cities, Munich, Frankfurt and Stuttgart.

And while the cranes are busy right across the city, they cannot keep pace with demand. Every year since 2011 at least 40,000 new residents have arrived, some students, some involved in tech start-ups or the creative arts and some working for the multi-national companies now headquartered there.

It is not simply value driving this charge. Berlin is politically stable and well connected to the world through its central European location, a capital with a full cultural calendar and an easy-going lifestyle where English is widely spoken.

Berlin's extraordinary history as a once-divided city presents a unique opportunity for investors. There is still vacant land to develop, even areas close to its main rivers, a rarity for any major European capital today.

These wastelands hold enormous potential and Berlin has seized the opportunities with gusto. Major projects include Mediaspree, the riverside telecoms and media hub on the borders of Mitte and Kreuzberg and Europacity, a collection of apartments and offices on 61 acres by Berlin's Central Station.



Am Tacheles in prime Mitte perfectly encapsulates Berlin's past and present. Since 1908 the building's many uses have included a major department store, a 1920s invention showroom for AEG, the site of one of the first German television transmissions, and a famous artists' colony.

Today, Swiss master architects Herzog & de Meuron are continuing the site's evolution, seamlessly integrating the restored building into a dynamic cultural destination alongside apartments, restaurants, shops, events and office space.

One of their basic objectives for Am Tacheles, say Herzog & de Meuron, is to create "an attractive, bustling urban space that serves the community and individuals alike." Something that could equally apply to many aspects of this ever-evolving German city. ■



Residences at AM TACHELES

BERLIN NEIGHBOURHOODS



Berlin is Germany's largest city both in terms of size and population, second only to London in Western Europe for the number of its residents. The city is divided into 12 administrative districts, each with its own distinct atmosphere and architecture.

The main residential areas include:

MITTE

The central and most historic part of Berlin, Mitte was the first part of former East Berlin to gentrify. It's the city's tourist heartland thanks to showstopping monuments including Brandenburg Gate and The Reichstag, the Federal German Parliament with its dramatic glass dome designed by star-architect Sir Norman Foster. Wonderful art galleries and museums include five on Museum Island, a UNESCO World Heritage Site.

Classical pre-war buildings in Unter den Linden, the grand boulevard connecting former East and West Berlin are now home to embassies and government offices while shoppers head to Hackescher Markt where high-end designers mix with emerging local fashion labels.



FRIEDRICHSHAIN-KREUZBERG

Friedrichshain-Kreuzberg directly south of Mitte on either side of the Spree, is a central destination of choice for many young, and young-at-heart, Berliners and like Mitte, has changed substantially. Its diversity and creativity has made it a focus for tech start-ups while its legendary reputation for edgy nightlife is backed up by the impressive Mercedes-Benz Arena and Verti Music Hall.

Friedrichshain has the longest surviving section of the Berlin Wall which has been imaginatively turned into the East Side Gallery. The open-air mural running along the River Spree is an expressive display of the creativity and nonconformity of Berlin's artists.





CHARLOTTENBURG-WILMERSDORF

Grand, elegant, stately and established: Charlottenburg is the sophisticated heart of West Berlin with magnificent 17th century palaces and upscale Art Nouveau architecture. Its streets are filled with chic cafes and bars with a number of restaurants helmed by famous chefs.

Charlottenburg remains a destination for affluent Berliners. Its wide main avenue, the illustrious Kurfurstendamm or Ku'damm, is the city's prime shopping destination, lined with international retailers, hotels and shopping malls.

In 2001 Charlottenburg was joined with Wilmersdorf immediately to the south to create a new city borough. Wilmersdorf is a popular residential area, ideal for families thanks to good schools and plentiful green spaces yet well connected to the city centre.

PRENZLAUER BERG

Retaining something of a bohemian air from its former counter-culture days, Prenzlauer Berg is now a gentrified on-trend address in northeast Berlin. It forms part of Pankow, Berlin's most populated borough and is popular with students, young professional and families.

They all appreciate the green spaces – Prenzlauer Berg borders Volkspark Friedrichshain – and the beauty of its classical buildings with over 300 protected as historical monuments. Prenzlauer Berg also hosts the widely popular weekly Mauerpark Flea Market.

NEUKÖLLN

Stretching south from Friedrichshain, Neukölln is a former no-go area of Berlin that has become a place to watch. Creative, vibrant and proudly multi-cultural it is gentrifying at speed, seeing a 91 per cent increase in property prices just between 2012 - 2016.

Yet Neukölln still offers good value and swift transport links to Berlin's universities and the city centre make it a firm favourite with predominantly younger residents. ■

LIVING IN BERLIN



Among Berlin's majestic architecture and historical splendour the city fizzes with youthful creative energy, offering an affordable, free-spirited lifestyle with outstanding culture. Berlin has three opera houses, multiple concert halls, 180 museums and 440 art galleries.

It's an unusually green city, filled with parks. Berlin also scores highly on the practical aspects of daily life, namely transport, healthcare and education.

TRANSPORT

Berlin has outstanding connectivity with two international airports, Tegel and Schoenefeld, with the third airport Brandenburg due to open in late 2020 which is expected to service over 45 million passengers, as well as superb rail network to major European cities.

The city's public transport system is comprehensive and user-friendly, the best way to get around this large and sprawling city. Buses, trams, the underground U-Bahn and the suburban light rail S-Bahn form the backbone, all linked on one ticket. This efficient public transport combined with plentiful bike paths means car ownership across the city is low and many residents rely instead on innovative car share schemes.

HEALTHCARE

Public healthcare is excellent. Germany has one of the world's oldest universal healthcare systems and spends generously, surpassed only by Switzerland and France in Europe for amount spent as a percentage of GDP. All German residents have access to healthcare, most insured through compulsory public health insurance. Berlin is Germany's largest centre of medical expertise. The city is an important global centre for medical and scientific research, home to numerous pharmaceutical, medical and biotechnology companies and its citizens reap the benefits.

Berlin's hospitals include world famous Charité, Europe's largest university hospital. Spread over four separate campuses it boasts an outstanding reputation for excellence in treatment and research and has produced over half of all Germany's Nobel laureate scientists and medics. >

**BERLIN IS
HOME TO 11 PUBLIC
UNIVERSITIES
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UNDERGRADUATE
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FURTHER TWO
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30 PRIVATE AND
TECHNICAL
COLLEGES**

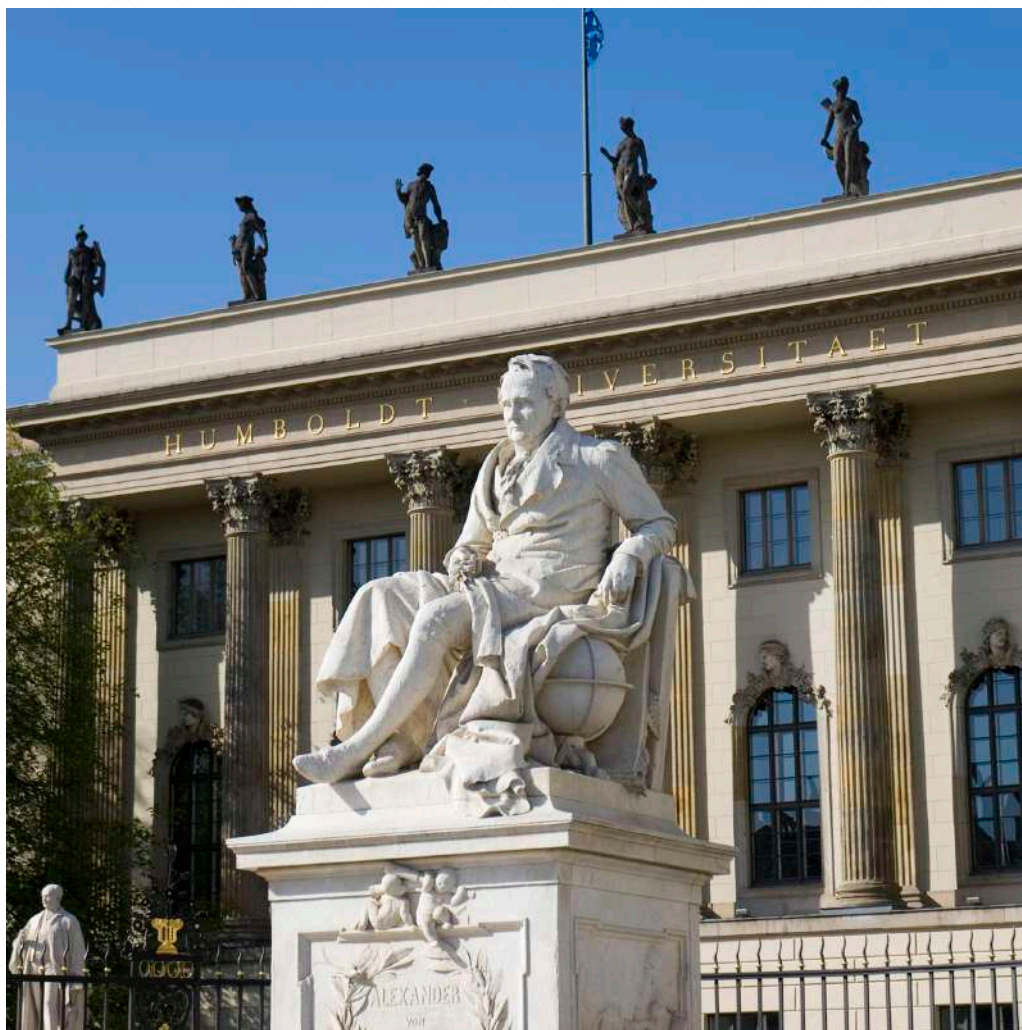
EDUCATION

Most children attend state schools, choosing at age 12 between academic (Gymnasiums) or more vocationally-based secondary (Sekundarschule) schools.

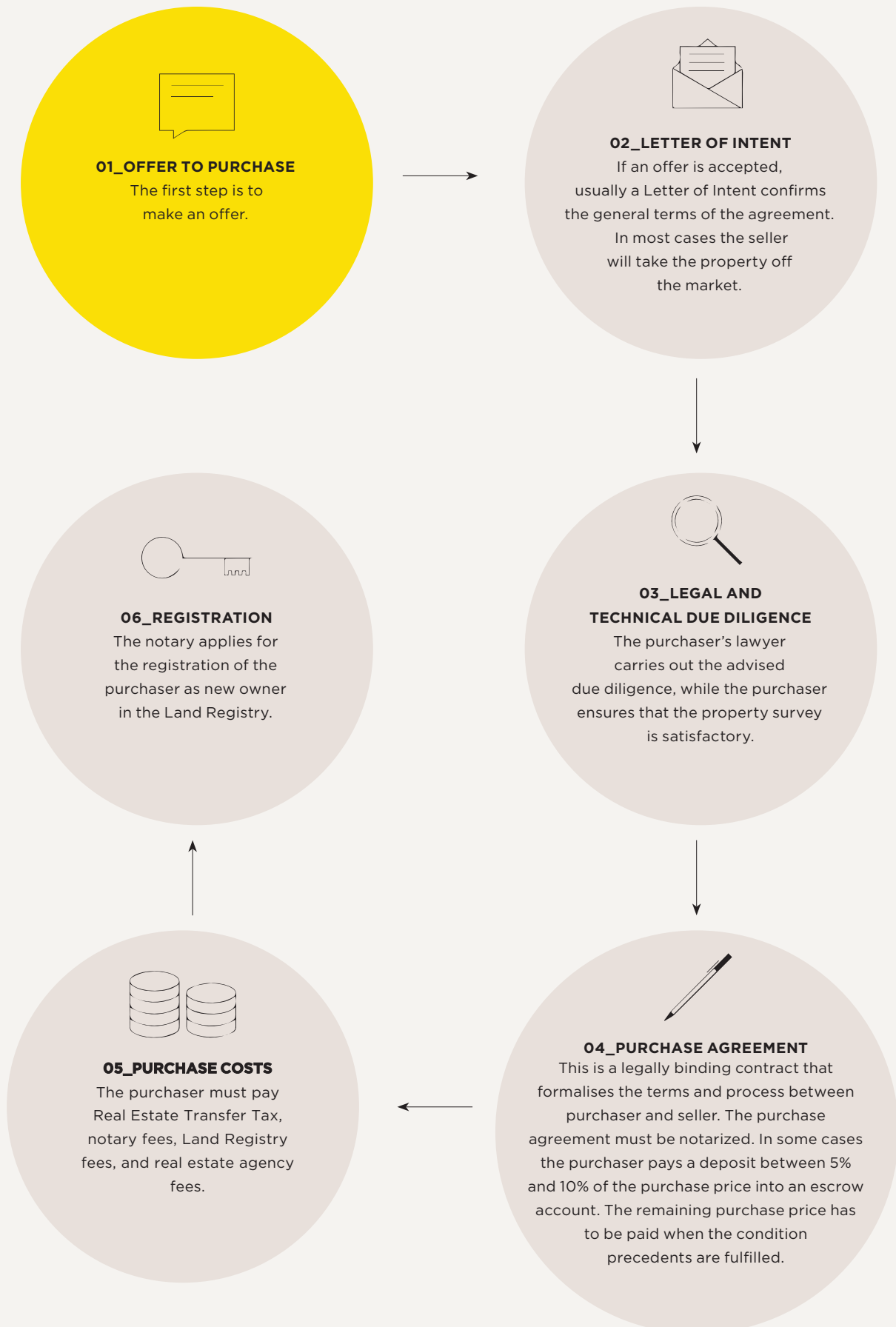
John F. Kennedy School in the affluent leafy suburb of Zehlendorf, southwest Berlin is a state-run bilingual school established in 1960 and teaching primary and secondary level. The majority of students are German residents with one third from the USA and the school is a particular favourite for children of diplomats and business people.

Two popular independent schools, both co-ed with primary and secondary levels, are Berlin Brandenburg International School on the southern side of the city and The Berlin British School in smart Charlottenburg, with 500 pupils. The Berlin International School in Steglitz also has a good academic reputation.

Germany has a considerably high regard for academic achievement. Berlin is home to 11 public universities where all undergraduate degrees, even for international students, are free and a further two confessional and 30 private and technical colleges. ■



BUYING REAL ESTATE IN BERLIN





PROCESS IN DETAIL

In a nutshell, real estate is acquired by entering into and executing a purchase agreement and subsequently registering the new owner in the Land Registry. However, there are a number of legal procedures to complete ahead of a German property changing hands and being registered in a new name. Here are the steps in detail.

LETTER OF INTENT

If an offer is accepted, usually a Letter of Intent confirms the general terms of the agreement. The Letter of Intent should not be negotiated carelessly. Although it is not legally binding, it is German custom of not changing the provisions of the Letter of Intent later in the purchase agreement without good reason.

However, an offer may be subject to a condition that legal and technical due diligence will not reveal any material issues or effects. For the exclusivity period agreed upon in the Letter of Intent, the seller will take the property off the market.



LEGAL AND TECHNICAL DUE DILIGENCE

Whether you have arranged a Letter of Intent or not, technical and legal due diligence should be carried out, to ensure that the purchaser is sufficiently informed of the legal and physical state of the property.

These documents evaluate e.g. the legal situation of real estate, lease agreements, risks with respect to public law (such as building permissions, situation under construction planning law, contaminated sites) and environmental risks such as asbestos, lead content, termites, fungi, natural risks (floods, etc.). Legal and technical due diligence are not mandatory in any case in Germany but are advisable in all cases.



PURCHASE AGREEMENT

Once an offer has been made and legal and technical due diligence are carried out, the purchase agreement is typically drawn up between the seller and the purchaser. For the execution, usually, a number of closing conditions have to be satisfied, including the clearance of any statutory or contractual rights of first refusal belonging to third parties or public-law entities and the registration of a priority notice of conveyance (Auflassungsvormerkung) to protect the purchaser at early stage and to place him in a position equivalent to ownership.

Furthermore, all risks identified in the legal or technical due diligence will, as far as possible, be covered by the purchase agreement. Lawyers must ensure that any agreement secures and contains provisions safeguarding their clients' objectives and requirements. In general, two to three months will elapse between the purchase agreement and the transfer of ownership in the Land Registry.

Please note that under German law, purchase agreements regarding real estates must generally be certified by a notary in order to be valid. The notary is usually chosen by the purchaser. Please note that a German notary should not be confused with a notary public in some common law jurisdictions. A German notary holds a government appointment and bears extensive responsibilities, far beyond signature authentication.



PURCHASE COSTS

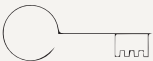
In the acquisition of real estate, notary fees and court costs (for the Land Registry) are incurred as well as Real Estate Transfer Tax; typically, these are assumed by the purchaser. Both the notaries and the courts (Land Registry) are subject to uniform and transparent fee schedules. These costs usually amount to approx. 1.5 % of the purchase price.

The amount of land transfer tax in Germany depends on the Federal State and varies between 3.5 and 6.5 % of the purchase price. The Real Estate Transfer Tax in Berlin is 6 % of the purchase price.

The real estate fees in Germany is split equally between the buyer and seller. Prior to the legislation changes on December 2020, it was the buyer who paid the real estate agency fees on resale properties. In general, buyer's brokerage fees now range from 2% to 3% of the purchase price, plus VAT.

FINANCING OF REAL ESTATE

In order to be able to finance the purchase price even before the title has been transferred to the purchaser in the Land Registry, specific powers of attorney are usually provided for in purchase agreements, according to which it is possible to encumber the real property with land charges in favour of the financing banks even at this early stage and even so the seller of the property is protected against any detrimental dispositions.



REGISTRATION

After payment of the purchase price, the notary will apply for the registration of the purchaser as new owner in the Land Registry. With registration, the purchaser acquires ownership of the property. ■

CAPITAL GAINS TAX

A great feature of the German taxation system is that no capital gains taxes (CGT) apply on the sale of investment property by individuals who have owned property for more than 10 years. If a property is sold by an individual within the taxable 10 years period, capital gains are taxed as part of the personal income tax.

If property is sold by a corporate entity, capital gains are taxed at a rate of approx. 16 % corporate income tax. Additional German trade tax (up to approx. 17 % of the capital gains) may often be avoided, e.g. by non-German companies (subject to certain conditions). CGT may also be avoided if capital gains are reinvested into other real estate within a certain timeframe.

WITH THANKS TO...

The conveyancing and tax advice in this 'Buying Real Estate in Berlin' section has been written with the help of CMS Germany.

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