

## **Summary SIPA Study Tour to Berlin 11-12 September 2017**

The accommodation and conference was held in Hotel Waldorf Astoria, located close to Berlin Zoo. The hotel was comfortable and friendly and "everything worked".

### **Keynote speech by Karla Leyendecker, International Chamber of Commerce in Berlin**

They economic growth in Berlin during the last two years has been strong. However, this has led to higher office rents and likewise higher residential rents. Students and low income workers do not have the possibility to pay these higher rents. Likewise, situation for start ups and The Culture sector becomes more problematic with higher costs for facilities. The construction of apartments have not kept pace with the demand and at present some 30,000 to 50,000 apartments are lacking. Citizens of Berlin are since long time used to being able to have a comfortable life, and there has been subsidies during the cold war. This has continued after the wall fell down. The unemployment rate is still high and many workers are not able to retrain so they continue to be unemployed. They still however expect decent life which are getting troubled since rents for apartments are increasing. Berlin is a market where most people rent their apartments.

### **Future requirements on office buildings. Karolina Keyser made a presentation and lead Round Table discussions**

Karolina Keyser heads her own architectural firm and has previously worked with major Swedish architects. She was also recently City architect of Stockholm.

The idea with this program was to give a presentation and then have round table discussions. These were led by Tonny Nielsen, Ulrika Lindmark, Per Ronnevik and Lars Ohnmeus.

The building must be looked at in its overall connectivity with rest of the urban environment. The building of course must be sustainable both from a technical and architectural point of view. Ugly buildings do not improve the city environment whereas a well-designed building can stand for centuries. If you look at the additional cost of providing high quality it is indeed marginal over the long run.

Looking more inside in the building it must be able to provide for today's working environment and also be flexible enough to adjust to the future requirements. One issue is about climate requirements in the building. Is it sustainable to have a strict 21 degree rule or should the inside temperature be allowed to vary with the outside temperature?

The Office building is often used as a key branding facility both inside and outside. However, adopting the building for a particular company makes it almost by definition difficult and expensive to adopt for future tenants. Some remarkable buildings may look good on the outside but not providing they good workable environment. Floor plans of the Gherkin in London was shown to illustrate this situation.

### **The coming election in Germany, Per Thöresson, Swedish Ambassador to Germany, Ingrid Brekke, correspondent for Aftenposten, Jan Lewenhagen, correspondent for Dagens Nyheter.**

The election is to some extent viewed as being a boring exercise. The lead for Mrs. Merkel appears to be large, since the German people has great confidence in her based upon predictability and continuity. The Social Democratic opponent had very high score early in the year but has since dropped.

He has great difficulty in getting air time and most of his attempted initiatives are either swept away or absorbed by the leading CDU/CSU.

The candidate from Liberal party is business oriented, the Green is traditionally green, the Left is traditionally left and the AfD is a right wing populist party similar to others in Europe.

The excitement in the election is geared towards who will be in a coalition after the election. In Germany, the tradition is that a majority government rules, different to some of the countries in the Nordics.

The parties who have been in coalition the last two periods have been punished by their voters. But, when the power and seats in the Government are visible, the appetite can grow for participating in a coalition.

During the last period when SPD has been in coalition, the members had to approve it, so we can expect to wait until year-end before it is clear which parties will govern.

Further, it was elaborated on the effect the German election can have for EU, the Nordics and the the rest of the world. There expects little change in the you area of foreign policies by Germany. Germany will continue to be a trading friendly country. There might however be some tension in EU should the members continue to improve the defence capacity. No one would like to see a strong german military.

### **Market update, Clemens Aim, Cushman & Wakefield**

The market in Berlin is performing well. The situation that many expected in 1990's is now materialising.

The vacancy rate in commercial is low, approx 3%, and the yields are at or below 4%. The rents are going up, still however not at the level of Munich or Frankfurt.

The market is approx 19 million sq mrs. New supply in the last years have been around 100.000 annually or less. Hence, with the increase in demand, rents are going up. One example was mentioned, a new building at the Main Train Station area. It was offered at 22€ per sqm per month in januari, in May the rent had increased to 26€ and current offer is 29,50.

The low yield reflects the potential in the rental stock, since many contracts is 3-4 years from renewal.

The unemployment rate is at 8,6% down from 25% when the wall fell. Berlin had 400.000 manufacturing jobs 1990, now only 100.000. Many of the workers have not been able to retrain are now going into retirement, that is one of the reasons for the lowering unemployment rate.

The transaction market is lively and som mega deals are going on, like the sale of Sony center.

### **Berlin start up, Micha Bues, Leverton**

Leverton has existed since 2012 and works with Artificial Intelligence, primarily for the Real Estate sector in transactions and due diligence. The software is screening documents, e g rental contracts, and extracting relevant information. The cost can be reduced with 75% with less errors compared to current situation when the screening is done with usually junior legal staff.

The company now employs 50 people and has offices in Berlin, London and New York.

Berlin is the one major city in Germany where it is possible to live knowing only english. Despite this, good software engineers are difficult to find. It takes usually 100 interviews to find one employee. Most people have several offers. The cost to run a software company is still about half of that in Munich. So, Leverton is located in Berlin although Munich is a nicer city.

## **Nordic embassies area**

On the way to the Sony Center, the bus made a stop at the Nordic embassies area. This is the only place in the world where the embassies share a block. These embassies were the first to locate in the new capital of Berlin.

The embassies share a common house and garden, Each country has its own building; they have to have the same height, so the Embassy of Iceland is rather thin, with two rooms on each floor.

The Swedish ambassador, who extended the invitation at the German election presentation the day before, gave a presentation and a visit to the Swedish Embassy.

## **Wework**

We visited the premises of Wework in The Sony Center. Wework currently has several locations in Berlin and are opening more in the fall.

The company was founded in 2010 and currently has 156 locations around the world. The Sony Centre location occupies two floors and has 500 working places.

The starting cost to be a member is €320, access to quiet areas €340 and your own office €360. This location has 1000 members.

The members are "normal" companies but also students who write their thesis or large corporations who need space for a special unit and others.

## **Europa City**

The final item on the tour was a guided tour to and around Europa City at the Main Station area. We were all fascinated by all the cranes and construction work, And, even more fascinated by how much land there is to build on.

Berlin currently has around 3,5 million inhabitants but is designed for 6,5 million. All infrastructure is already there since the 30's. But with one exception, the airports!

## **Some comments**

Per Johansson, CDO Brinova:

"I was a little bit hesitant to the new format of only a tour program (no week-end program), but it turned out really well. A very well organised program!"

Tonny Nielsen, Fokus

"The Round table discussions were energising and involving. A very good conference!"

Per Ronnevik, Chairman

"A good blend of macro and real estate micro turned out to be an excellent recipe."