

INVESTMENT
BROCHURE 2023

TENANTED APARTMENTS

ACCENTRO

REAL ESTATE



INTRODUCTION

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WHY INVEST IN GERMANY / BERLIN?



Germany is a proven safe haven for international finance, and holds the largest economy in Europe. Whatsmore, the German economy rose for the 10th consecutive year in 2019 pre pandemic, which is incredibly reassuring!

Germany currently boasts the largest rental market in Europe. In contrast, it has the second lowest home ownership rate of all OECD countries with just 51.5% ownership, Germany-wide, and around just 18% in Berlin (Bundesbank stat). This means there are a lot of people looking for an apartment to rent, which makes a rental investment even more appealing.




Berlin is the capital and also the political capital of Germany, which makes it the largest economic power in Europe. With Germany considered crisis-resistant, prices have been steadily rising for the last 20 years, even during the 2007 financial crisis, and rising again 6.6% during 2020, despite the COVID-19 pandemic. In the 1st Quarter of 2021 we have already seen over 3.5% growth, on an upward curve.

Berlin is now considered to be the European equivalent of the San Francisco "Silicon Valley" tech and startup hub. Coined "Silicon Allee" – with over 70% of all German start ups choosing Berlin and also ranking Number one city in the new EU, post-Brexit, for start ups – Berlin's GDP has risen almost 20% in the last 5 years.

Employee compensation in Germany has also risen by 23.1% in the last 5 years. This has helped German cities rank either first or second in the PWC European Emerging trends report for the last 7 years in a row for investment potential. Interest rates remain comparatively low, so it continues to be very attractive for leverage.

A recent study published in January 2021 (by statista) ranked Germany only the 13th most expensive country in Europe when considering buying an apartment in the most important city of that country. That is behind even the Czech Republic and priced 72% lower than the UK.

This upwards price trend has a long way to go! This means that now is the time to choose Berlin and make the most of a wonderful and secure investment that will pay dividends for years to come.



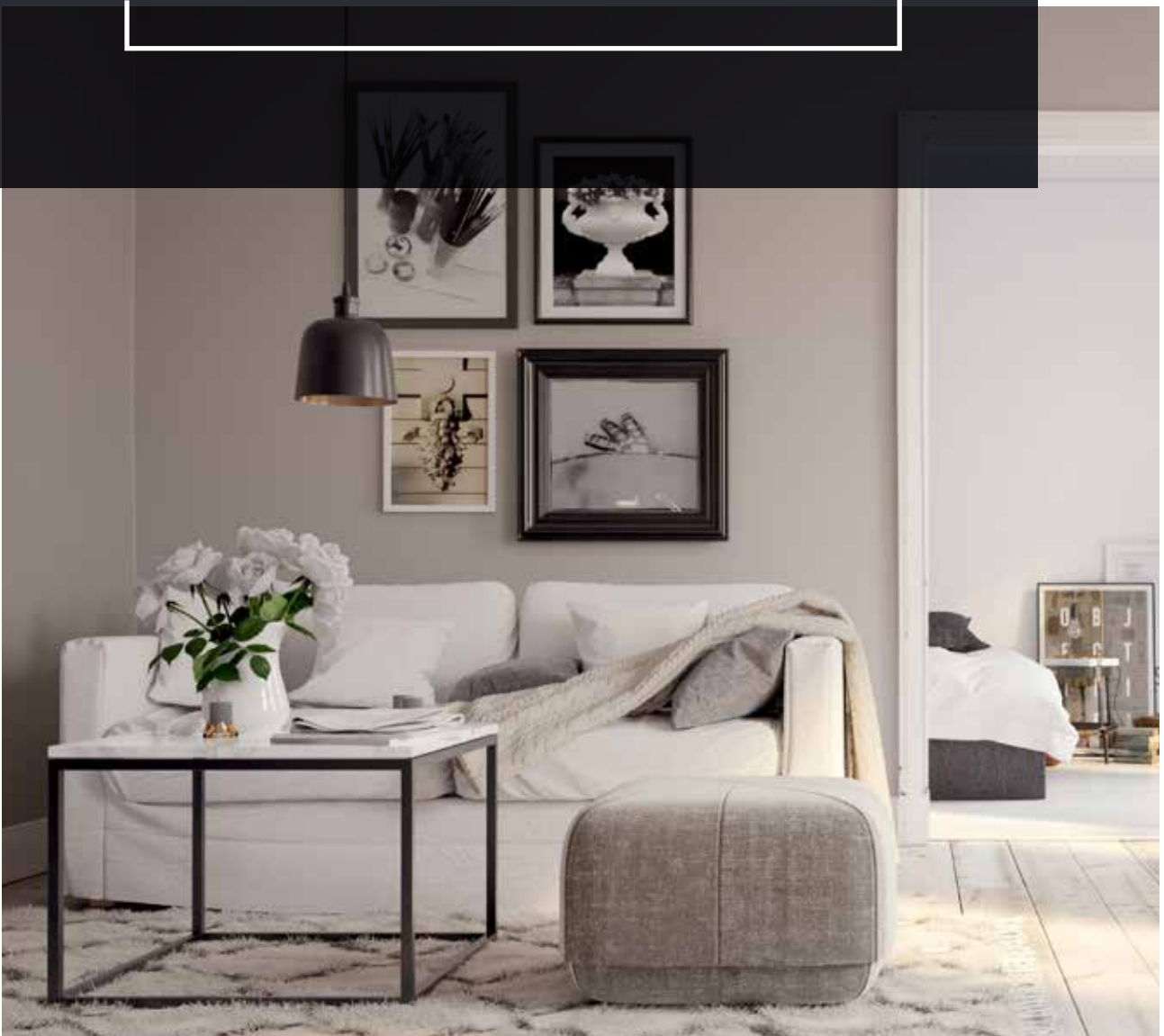
Want to know the
buying process in
Germany?

Find out more



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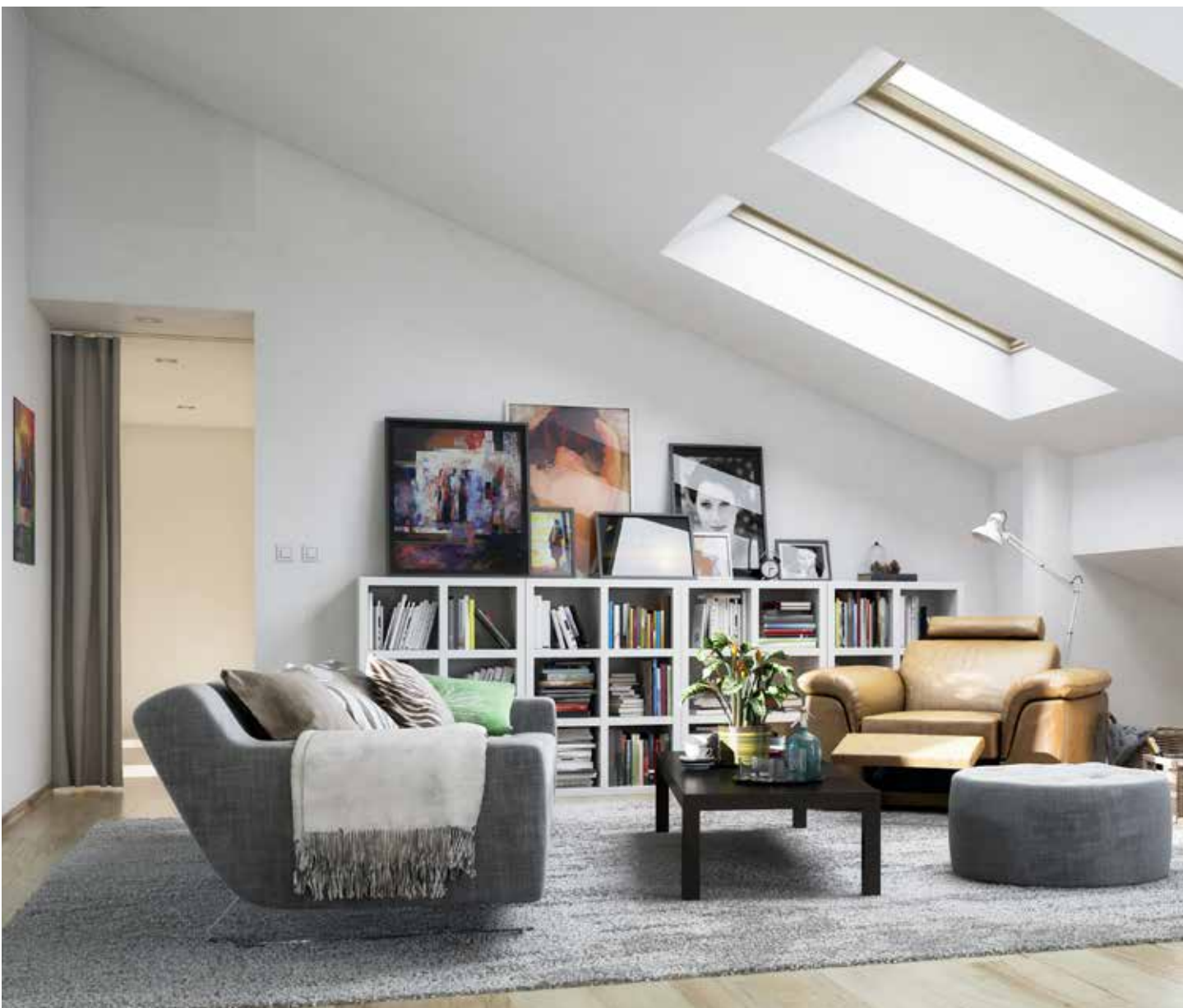
WHAT IS A RENTED APARTMENT?



A Rented Apartment is any residential apartment, old or new, that is offered for sale with a tenant who has an unlimited rental contract.

These differ from rented apartments in other countries because you cannot easily remove the tenant without a valid reason and there is no finite end date to their tenancy.

They make for fantastic long term investments & retirement planning, as they are sold significantly cheaper than their vacant counterparts.



WHAT ARE THE BENEFITS OF RENTED APARTMENT INVESTMENTS?

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There are many benefits to buying a tenanted/rented apartment.

The main benefit of buying a tenanted apartment is that, typically, you are buying them between 25-50% below what is considered a fair market price for a comparable vacant unit. The dormant equity is realised when the tenants move out and the property is divested from the portfolio.

Unlike traditional residential real estate investment, where there is a large degree of uncertainty (rent income is hypothetical, no idea on vacancy rates or costs involved to find a tenant, having to find a property manager who is reliable, etc). These are fully stabilised turnkey investments – producing income from day 1.



There is full and complete yield transparency from day 1, meaning that you can calculate your yield and investment KPIs from the start with no uncertainty or unexpected extras. You have a clear and concise payment history from the tenant, a property manager in place who knows the apartment and house managers. It is hands-off and stress-free and, more importantly, completely quantifiable and accountable.

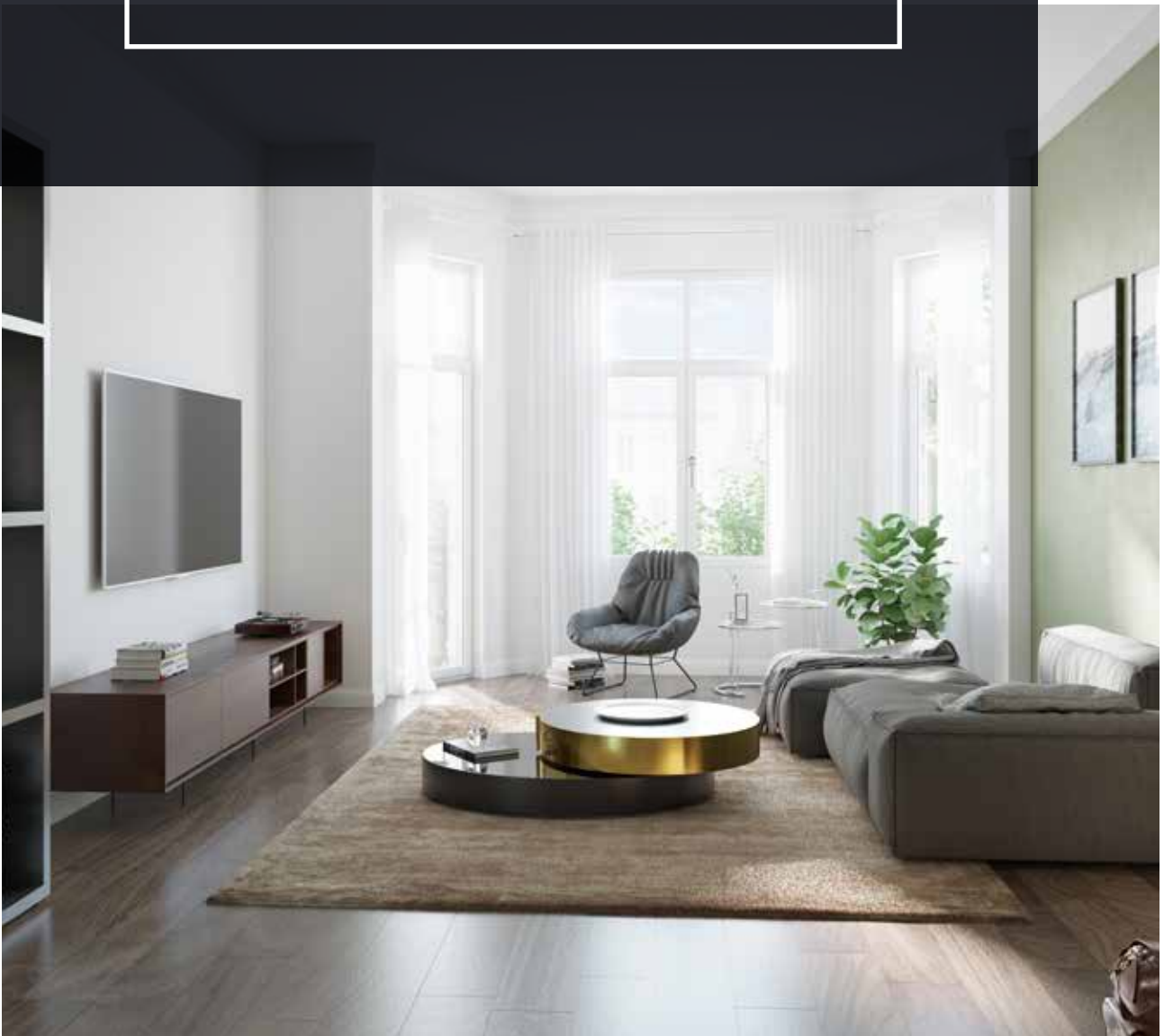
In addition to the positively geared yields when buying in cash (above the negative German bonds and often above even 30-year US treasury bonds – currently 1.85%), you also enjoy organic capital growth figures which are consistently above inflation. In 2020, Deutsche Bank produced a report estimating Berlin average capital growth to be an average of 5.5% per year until 2030.

Whatsmore, after a 10-year investment period as a personal buyer, all profit from sales can currently enjoy 0% capital gains tax – the only investment and asset class offering this.

If Deutsche Bank is accurate, and the early signs in 2021 suggest so, if your Berlin tenant vacates in 10 years, you can enjoy, on average, 55% organic capital growth, plus the 20-50% you bought below market value, plus the equity released from mortgage repayments – tax free!

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RENTED VS. VACANT



Just how much cheaper can a rented apartment be?

What better way to illustrate the possible benefits of rented apartments, than to directly compare two real life examples.

Both the apartments you will see below are sold in the same year, in the same project, and are directly comparable in almost every single way. The exception is - one is vacant & renovated, and one is rented. In this example, there is over €300k dormant equity in the rented apartment.





Vacant & Renovated

Torstraße 225e, Berlin-Mitte

64,08 sqm **3**
Living space Floor

569.900,00 EUR
8893,57 EUR per sqm



Rented

Torstraße 225e, Berlin-Mitte

63,04 sqm **2**
Living space Floor

52% cheaper!

264.410,00 EUR
4194,32 EUR per sqm

5 TAX BENEFITS



There are also a number of **tax benefits** that can be derived from rental property. You can deduct any rental expenses – such as mortgage interest, property taxes, repair and maintenance expenses, professional services and travel expenses related to management – from any rental income you earn. Another key tax deduction is **depreciation**. Essentially, the authorities assume that rental property buildings wear out over time and therefore become less valuable. As a result, property owners are permitted to take a tax deduction for that presumed decline in the form of a depreciation allowance, at 2% of acquisition costs over a 50-year period. Properties built prior to 1925 are excluded, as are historically-protected buildings.



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Another benefit when purchasing with finance is that of Negative Gearing. In short; when an investment is negatively geared, you are technically making a loss each year for tax purposes. This tax loss can be offset against other positively geared investments in Germany, reducing your overall tax payment.



Want to learn
about German
taxation?

Find out more



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MYTHS ABOUT TENANTED APARTMENTS



1. Myth:**“I can’t ever get the tenant out.”**

This is simply not true. If the tenant does not fulfil part of the rental contract, you can cancel the contract with the tenant. If they do not pay rent or if they damage the apartment significantly, then these are the two clear-cut ways to get an eviction. It is also not true that tenants stay forever if they can. Life is dynamic, situations change, families form, grow and shrink – housing needs change accordingly. Today’s population is far more transient and are far more likely to move around for jobs, too. By analysing tenant profiles we can tailor a portfolio of apartments with the most likelihood of apartments becoming available within the 10-year investment period.

There is also a rule called „Eigenbedarf“ which enables the property owner to give notice to the tenant if they plan to use the apartment for their own use. For properties being sold for the first time after being split into individual titles – this is a 10 year notice period. For apartments being sold again for the second or third time, the tenants notice period is the remaining length of the original 10 year notice period. After 10 years has elapsed, the notice period is on a sliding scale, based on their length of tenancy.

2. Myth:**“Tenants in Germany have very strong rights protecting them.”**

It is true that tenants are well protected in Germany and more so in Berlin, specifically. However, the rights of a property owner can be considered equally important to the rights of a tenant.



3. Myth:**“The rent is so low, the investment doesn’t make sense when financing”**

If you are looking for a purely yield based investment, then of course this is not the route for you. However, this is not why you would buy a rented apartment. You buy a rented apartment for the huge capital growth you will receive on exit. Even if the investment is initially negatively geared – meaning the NET rental income does not cover the mortgage – the investment still makes complete sense.

The best way to think of an investment of this type when taking finance is this:

The tenant is paying all of the interest off the loan, plus a contribution to paying off the loan itself. Even if you personally have to subsidize the rental income each month to repay the loan, every € you invest comes off the loan amount itself. It is essentially putting it straight into a bank account, which you get back when you exit the investment! This is of course in addition to the tenants contribution, the organic capital growth, plus the 25-50% you bought below the market value – all realised on exit in one large chunk.

4. Myth:**“You cannot increase the rent in any way”**

This is absolutely not true! You can legally increase the rent 15% every 3 years until you have reached the rental index for the area, which is itself reviewed and increased every 2 years in line with rising average rents. You are also allowed to, where possible, make improvements to the apartments in order to increase the rental price, in line with legislation.

**5. Myth:****“I will never get to know the condition of the apartment if there is a tenant living in it.”**

As an owner, Accentro has the right to visit the apartment up to 5 times a month, if we want to sell it to a customer. If you can not come to Germany to have a look for yourself, we can visit the apartment on your behalf and provide you with a condition report/assessment.

6. Myth:**“I don’t speak German, this will all be too complicated”**

That is what we are here for! From the very beginning, communication will be in English. From brochures, sales and property documentation & sales contracts - all in English. Even when receiving German documentation, which is unavoidable, your lawyer will advise any necessary actions. A common misconception about buying a rented apartment is that it will be too complicated – but the opposite is in fact true! You are buying a turnkey apartment with an existing tenant and management structure in place! Unlike vacant apartments, all the hard work is already done. You just buy and then receive your rent!

Facts about tenanted apartments!

Proportion of rental apartments is

84.14 %

at the last surveyed value (2020)

(stable around 84 for years)

Housing stock (2020):

1,982,825

of which are rental apartments:

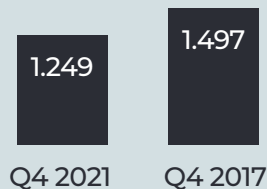
1,668,400

Average rental prices in Berlin:

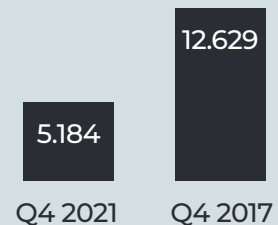
Q4 2021: 12.99 EUR / sqm
Q4 2017: 10.11 EUR / sqm

+ 28.5 %

Rental offers
New Construction



Rental offers
Existing Stock

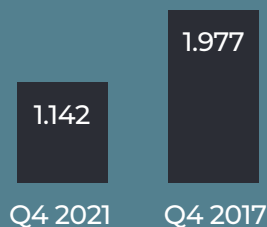


Average purchase prices in Berlin:

Q4 2021: 5889.63 EUR / sqm
Q4 2017: 3676.94 EUR / sqm

+ 60.2 %

Sales offers
New Construction



Sales offers
Existing Stock



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WHAT IS „VORKAUF- RECHT“?



Vorkaufsrechts is a very important factor in rented apartment investing; it is the legal right of a tenant – when selling the apartment for the first time after the building was divided – to buy the apartment at the same conditions at which you are buying.

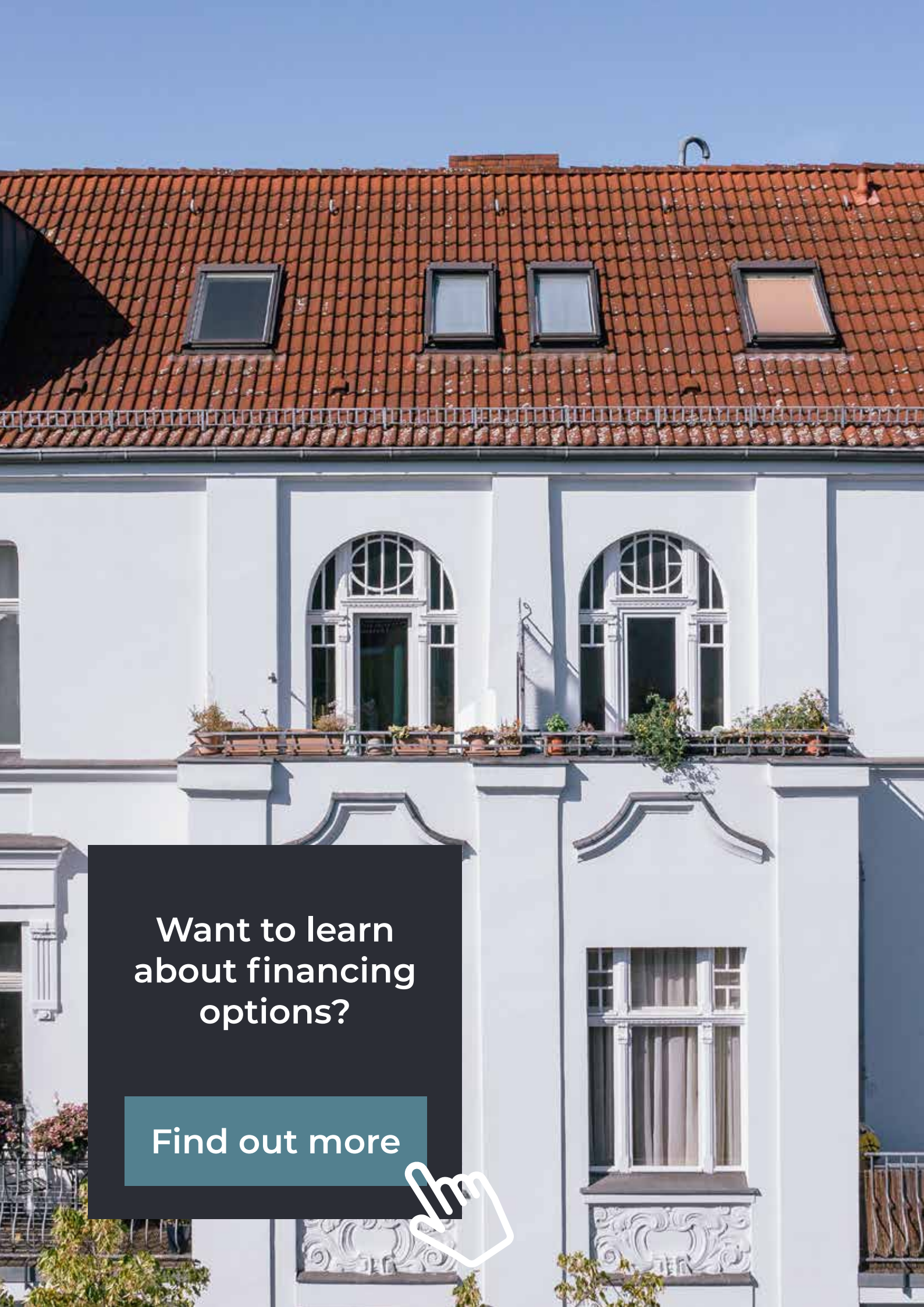
Immediately after you sign the sales contracts, the notary will write to the tenant presenting them with the same terms that you have purchased at. The tenant has 2 months from this date to say they wish to enter into the contract, and buy the apartment.

In the unlikely event that the tenant activates Vorkaufsrechts, your purchase is cancelled and all costs you have incurred during the notary process will be refunded to you.

It is important to note that as a company, Accentro offers all tenants the opportunity to purchase the apartments they are renting before actively selling them, at a discounted price. Only once they have rejected this opportunity do we start actively marketing. It is therefore incredibly uncommon that a tenant would active Vorkaufsrechts at this late stage, at a higher price.

Also important to know, this only applies to the first sale after the building was divided. All future sales do not include Vorkaufsrechts.



A photograph of a white building with a red tiled roof. The roof has four skylights. The building features arched windows on the upper floor and a smaller window on the lower floor. A balcony with potted plants is visible. A dark overlay with text is in the bottom left corner.

Want to learn
about financing
options?

Find out more



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WHAT CAN ACCENTRO AS A COMPANY OFFER?



As the number one company in Germany for privatisation of residential portfolios since 1999, we have a huge selection of apartments to offer across many important German hubs with a long history of successful acquisitions and divestments.

We can build you a bespoke portfolio of rental apartments, depending on your needs. From super-prime-located apartments with high levels of dormant equity; to higher yielding but ultra low-cost/risk fringe city locations; to regional B-city locations or a combination of all the above.

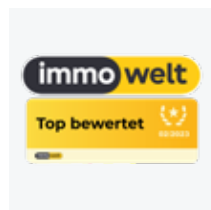
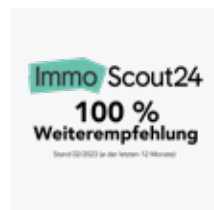
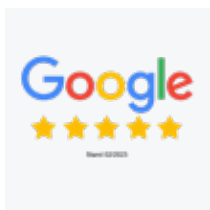


Using our internal data, we are able to identify the best options from within our portfolio, based on apartment condition, tenant profile and rental conditions and then package them together for you based on your portfolio expectations.

We can offer single apartments from 150k EUR up too facilitating large portfolio and building acquisitions up to 100m+ EUR.

Our long term goal is to offer an unbeatable 360-degree service for our clients. From search and acquisition to the ongoing management of the portfolio, including finding value added opportunities, tenant management, rental increases and even the final divestment of the apartments from the portfolio at the right times to maximise your return.

We currently partner with a large number of local and international investors, private equity funds and family funds, including some globally recognised institutions.



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Please feel free to get in touch now to

[find out more](#)



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The information herein was researched to the best of our knowledge and belief. It reflects the factual and legal state of affairs at the time of compilation. Possible changes in actual circumstances and/or jurisdiction, laws and/or administrative practice of the competent regulatory authorities (e. g. on the part of the building supervisory authority) after this time may apply retroactively, and this could result in disadvantages for the buyer. Potential ramifications are impossible to predict or gauge. Accordingly, we urgently recommend to seek legal counsel and tax law advisory before buying an apartment if necessary.



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