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Germany a stable and safe investment

While house prices in many industrialised countries have shot-up.....

/24-7PressRelease/ - NOTTINGHAM, UK, July 16, 2008 - While house prices in many industrialised countries have shot-up at staggering rates Germany's housing market has remained stagnant; an average detached house in Germany costs virtually the same as it did 10 years ago. Now investors, lured by remarkably low prices, are snapping up German real estate, especially in Berlin.

To understand why Germany's market has remained stagnant while others have climbed to dizzying heights, one has to go back to the 1990s. In June 1991, eight months after reunification, a law designed to revive the economy of former East Germany, called the Fördergebietsgesetz, came into force. It offered incredibly generous tax incentives to property investors: Anyone who renovated or built real estate in the former East or Berlin, could write off the entire cost of the investment from their taxable income over 10 years.

Many wealthy West Germans leapt at this once-in-a-life-time opportunity, pouring money into real estate, and buoyed by the generous tax breaks they helped create a real estate bubble. Effectively, the tax incentives were so generous that people over-invested; in the rush to take advantage of this incredible tax break, many investors forget to ask themselves whether there really was demand for the property they were building and renovating, or not.

When the tax incentives expired in 1998 it was clear investors had built over and above market demand. And as the housing market bubble burst, investor exuberance turned to gloom. So while other Western countries experienced their own bubbles (and bursts) in the last few years, Germany has remained immunized against the euphoria over house price rises that gripped many Western industrialised countries.

Admittedly, Germany also struggled with periods of sluggish economic growth in the last decade - actually going into recession in 2001 - and has seen record unemployment. And as the German economy has recovered in the last few years, so too has the country's housing market. Since 2004 the price of buy-to-let flats in big cities has especially increased.

Yet because the international housing market boom bypassed Germany, property has become relatively cheap - a fact that hasn't gone unnoticed by large-scale property investors. The German market now looks like a dream opportunity for investors. Prices are low compared to many other European countries, and home ownership is one of the lowest in the industrialised world.

The incredibly low home-ownership rate of 43 percent -12 percent in Berlin - presents a unique opportunity: Rents, which have been kept artificially low by large public housing companies that once owned large swathes of housing, are likely to rise as state governments are forcing these companies to sell property in order to offload some of the states' debts. And as rents rise, more people will want to buy their own homes. On top of that, too few new homes are being built to meet future demand.

There is going to be a shortage of housing, and this shortage will mean rents will have to rise. As they do so it becomes more economical for people to invest in housing, and so Germany will see rising prices as well as rising rents.

This isn't going to happen overnight however, and is likely to take 3-5 years to follow through, but those looking at a safe, stable and strong investment before the boom in Berlin should contact David Stanley Redfern Ltd.

Find out more about German property.

About David Stanley Redfern

David Stanley Redfern Ltd is one of the U.K.'s leading overseas property investment specialists. The reasons for this are an

incomparable range of international properties spanning 40 destinations worldwide, and unrivalled customer care, which lasts long after the purchase has been completed. Experienced, professional staff and membership to the overseas property market's regulatory body: the Association for International Property Professionals, as well as their stringent due diligence procedures gives buyers the confidence that any purchase with David Stanley Redfern is a safe one.

DSR have just branched out into the [_a href="http://www.overseaspropertyrentals.com"](http://www.overseaspropertyrentals.com) Overseas Property Rentals [_a_](#) industry.

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