The Status of Social Housing in Berlin.

Ingo Malter
STADT UND LAND Wohnbauten-Gesellschaft mbH
What’s so special about Berlin?
What’s so special about Berlin?

Second largest metropolis in the EU
- 3.6 million inhabitants (greater metropolitan area: 4.5 million)

Diversity, openness and tolerance
- place to be for all generations, nationalities, social classes

Way of life
- attractive but not pompous
- young and full of ideas
- (but broke for the time being)

Berlin’s housing market enables what makes Berlin so special – but for how much longer?
Housing markets in German metropolitan areas: general developments
Housing markets: general developments

- **population**: increase (driven by immigration from foreign countries)
- **number of households**: increase (tendency to one-person households)
- **building costs**: increase (rising land prices and construction costs)
- **vacancy rates**: close to full occupancy
- **construction activities**: increasing, but mostly driven by property owners
- **rents**: +1.4 to +4.9% (2015-2016, new contracts)
- **property prices**: +10 to +12% in most greater metropolitan areas

Quelle: Frühjahrsgutachten des Rates der Immobilienweisen 2017, Top-7-Städte
The housing market in Berlin.
Berlin housing market – size and structure

1.900.000 total units
- thereof 1.600.000 rental units and
- 300.000 private owner-occupied units

1.600.000 rental units
- thereof 600.000 considered to be social housing units (affordable rents)

600.000 social housing units
- thereof 300.000 owned by public housing companies,
- 200.000 owned by housing cooperations and
- 100.000 in private ownership (individuals, companies, listed corporations)
Migration

- Increasing immigration from foreign countries
- Decreasing domestic migration
- Slight suburbanization tendencies

Source: Frühjahrsgutachten des Rates der Immobilienweisen 2017, Destatis, empirica
One-person households 2005-2015

- Increase above average (singles, alone living older persons)
- Main housing demand driver

Source: Frühjahrgutachten des Rates der Immobilienweisen 2017, Mikrozensus
Building costs

- total building cost increase 2014-2015: +12%

<table>
<thead>
<tr>
<th>2014 per sqm</th>
<th>2015 per sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.630 €</td>
<td>2.930 €</td>
</tr>
<tr>
<td>500 €</td>
<td>600 €</td>
</tr>
</tbody>
</table>

- land costs: €600
- construction costs: €2.330

© BBU
new housing projects minimum refinancing rent has increased from 8.50 to 12.00 €/sqm (exkl. heating and other additional costs)
**Housing vacancy rates**

- housing corporates Berlin/Brandenburg: 1.7% (lowest in 20 years)
- housing market Berlin in total: 1.2%
- very low fluctuation reserve, close to full occupancy

*members of BBU (Berlin/Brandenburg housing corporates association)
Completed housing units and owner-occupation rates

- 2010: 4,321 completions, 29.9%
- 2012: 5,417 completions, 34.1%
- 2015: 10,700 completions, 41.8%

- More completed housing units but…
- … almost no pressure relief for the rental housing market.
Social housing in Berlin.
Situation after World War II
- 9 million homeless and 12 million displaced people
- short-term demand of 5.5 million units
- 1950s: construction of 3.3 million government-funded and 2.7 million private-funded units ends housing shortage

Housing policy instruments
- reforms of the tenancy law
- government subsidies for property ownership
- housing subsidies for lower-income tenants
- construction of government-funded social housing

Social housing: Ignoring diversity issues results in segregation problems!
Social housing

Access to publicly funded social housing via „Wohnberechtigungsschein“ – income limits
- single-person household: < 16.800 € per year
- two-person household: < 25.200 € per year
- additional person: + 5.740 € per person and year
- additional child: + 700 € per child and year

40% of all Berlin households are said to be entitled to access publicly funded social housing.
Social housing

Size limits for publicly funded social housing

- 1 or 1.5-room apartment: 40 sqm
- 2-room apartment: 54 sqm
- 3-room apartment: 70 sqm
- 4-room apartment: 82 sqm
- +1 room: +11 sqm

Accessibility only for

- low-income/no-income households
- sick/handicapped people
- refugees

These restrictions must be considered in social housing projects.
600,000 (40%) of 1,600,000 rental housing units belong to social housing

- housing cooperatives units can be considered part of social housing (affordable rents)
- private owners: individuals and private corporations (partly listed at the stock exchange)
Public housing companies provide lower-income households with affordable housing.

### Damping effects on rents

<table>
<thead>
<tr>
<th></th>
<th>Public housing companies</th>
<th>Berlin average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>stock rental contracts</strong></td>
<td>5,65 €/sqm</td>
<td>5,84 €/sqm</td>
</tr>
<tr>
<td><strong>new rental contracts</strong></td>
<td>6,27 €/sqm</td>
<td>8,99 €/sqm</td>
</tr>
</tbody>
</table>

---

19
Tenant structure: diversity matters socially and economically

- 10% high inc. incl. private owners
- 15% middle income
- 20% lower to middle income
- 35% low income households
- 20% transfer income households

- diversity enables redistribution from higher income households to lower income households
- ideal tenant structure on the apartment building level and the public housing company level
- allows tax neutral funding of housing for lower income households
Perspectives and discussion points of social housing in Berlin.
Social housing perspectives

Bundestag elections September 24th

- short term effects on the voter's decision vs. long term effects on the housing industry
- players and experts from the housing industry should be involved in the further development of housing policies
- silent but competent experts should be listened to rather than to loud activists

Restrictions on tenant structures

- may support low-income households in the short term but…
- … they put at stake sound tenant structures, social and economic sustainability and tax neutrality of social housing projects
- bad segregation experiences from the past should not be made again
Social housing discussion points

Housing policy
- Berlin public housing companies run only 15-20% of the social housing stock
- Private sector should also be committed to take responsibility

Subsidy policy
- Individual housing subsidies for tenants with frequent revisions of their incomes are more efficient than publicly funded housing objects and projects

Over-regulation and bureaucracy
- Administrative procedures should be simplified and accelerated using digitalization and automation

What can we learn from other cities and countries?
Thank you for your attention.