

## Berlin, a city of tenants

**Over half of all German households rent their homes. And even more so in the cities, like in Berlin where around 85% of the residents rent their homes.**

Berlin is the largest city in Germany, with over 3.5 million inhabitants. Between 2012 and 2015 alone, the city expanded by 175,000 people. Berlin has a total of 1.89 million apartments, of which 16% are condominiums, and 18% are apartments owned by municipal housing companies. The remaining 66% are owned by private owners or by institutions, such as Deutsche Wohnen or Vonovia.

The net average rental cost per m<sup>2</sup> per month for newly leased apartments is currently 9€, just slightly more in USD. However, rents in new buildings as well as for apartments in the inner city districts are significantly higher - between €13 and €17 per m<sup>2</sup>.

**Even though the *Mietpreisbremse*, a rent cap,** was established in 2015, rents in Berlin are on the rise. According to this cap, landlords are only allowed to re-let apartments at rents that are no more than 10% higher than the local comparative rent. The local comparative rents are calculated using the *Berlin Mietspiegel*, a tabular overview of the existing rents paid. The *Mietspiegel* is published every other year by the Berlin administration in conjunction with tenant and landlord associations.

However, the *Mietpreisbremse*, literally a 'rent brake', has not yet had the hoped-for effects. Many landlords ignore the rental control legislation, or make use of loopholes. For instance, the rental cap does not apply if the previous tenant already paid a rent tariff above the 10% limit. In this case the landlord does not have to reduce the rent. According to an investigation by the Berlin Tenant Association in 2016, 74% of the advertised housing offers ranged above the 10% limit.

**The rise in rents** is mainly due to population growth. On the other hand, the construction of new housing is progressing slowly. Out of the necessary 30,000 new dwellings per year, only 11,000 were constructed and ready for occupancy in 2016, of which only around 2% were suitable for the cross-section of the population. New building sites tend to focus on condominiums or luxury rented apartments.

Half of the population in Berlin are entitled to subsidised housing based on their income. The six municipal housing companies are expected to expand their existing portfolios from a current 300,000 to 400,000 homes by 2020. However, in the inner-city districts where the pressure on the rental housing market is greatest, the construction areas are predominantly in the hands of private investors. So, the city of Berlin has little chance to acquire land in the inner-city districts on favourable terms.

Although subsidies are available for the construction of social housing, private investors are reluctant to commit themselves to the terms involved. Since 2014, approximately 5,000 apartments have been built, exclusively by municipal housing companies, using social housing subsidies creating housing with rents ranging from €6.50 to €7.00 per m<sup>2</sup>.

**The protection of existing rental homes** is a concern in Berlin. Since May 2014 it is prohibited to use rental housing for other purposes. As well as the prevention of long-term vacancies, demolition and use for commercial purposes, the use of previous homes as holiday accommodation is forbidden.

There are about 25,000 holiday apartments in Berlin, rented via Airbnb and similar platforms. Compared to the total stock, this is a small number. However, these apartments are concentrated in three coveted inner city districts where the pressure on tenants is greatest.

In the future there will be a focus on the extension of the social housing stock. Incentives must be found to motivate private investors to build housing for the low-rent market. The 'rental brake' needs to be intensified and speculation with unused building sites should be prevented.

Berlin's Tenants' Association intends to stay on the task!

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**Source:** Global Tenant magazine, March 2017