



Strategies against skyrocketing rents

Rent control systems vs. market rents

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The Berlin housing market

- 3.7 million inhabitants
(every year Berlin grows by 30,000 to 40,000 inhabitants)
- 1,9 million apartments, of which 1.6 million are rental apartments
(85% of Berlins inhabitants live for rent)
- Housing cost burden: 33 % to 44 % of household income
- Average rent in existing tenancies: 6.72 €/sqm
(increase by 18.1% in the last five years).
- Average asking rent for new leases: 11 €/sqm,
(increase by 30.5,% in the last five years)



The federal government and the Berlin parliament have launched various laws on tenant protection in recent years.

Examples of federal laws:

- Mietpreisbremse
(At the conclusion of the contract, the rent may not be more than 10% above the local comparative rent)
- Improvement of the modernization regulations
the rent increase after modernization has been reduced and cut off at capping limits
- Alliance for affordable housing and construction was founded
- The housing benefit, a financial support for tenants, was increased
- The funds for social housing were increased



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Examples of the Berlin Parliament:

- Social Housing Development was introduced
- The misappropriation of housing is forbidden by law
- A cooperation agreement with the municipal housing companies has been concluded

(municipal housing companies are only allowed to increase rents to a lesser extent and have to rent out 60% of their apartments rent to low-income households).

It doesn't work – rents keep on rising...



The Mietendeckel (rent cap)

The rent cap is expected to come into force in January 2020 and apply for five years.

- it is a public regulation, which is important, since the state of Berlin has the **legislative authority only for a public-law regulation**.

(For regulations in civil law, only the federal government is responsible).

The rent cap is a public regulation because...

- a public office (district office) is responsible for enforcement
- the rental values are set
- the public sector can impose a fine on violations of the law



How does the rent cap work?

1. **Initial rent:** rent due on 18 June 2019
2. **Table of rental values** that define the framework for rent increases /developing
 - For the table, the average rents from 2013 (Berliner Mietspiegel 2013) were used as at the time a relaxed housing market was assumed. These table values were supplemented by wage developments...



	Building age of the apartment and equipment	rent (sqm)
1.	until 1918 with central heating and with bath	6,45 €
2.	until 1918 with central heating or with bath	5,00 €
3.	until 1918 without central heating and without bath	3,92 €
4.	1919 - 1949 with central heating and with bath	6,27 €
5.	1919-1949 with central heating or with bath	5,22 €
6.	1919 – 1949 without central heating and without bath	4,59 €
7.	1950 – 1964 with central heating and with bath	6,08 €
8.	1950 – 1964 with central heating or with bath	5,62 €
9.	1965 – 1972 with central heating and with bath	5,95 €
10.	1973 - 1990with central heating and with bath	6,04 €
11.	1991 – 2002 with central heating and with bath	8,13 €
12	2003 – 2013 with central heating and with bath	9,80 €



Impact of modernization on the rent cap

- An increase of these table values by a maximum of € 1.40 / sqm is possible if the landlord has carried out a modernization in the last 15 years.
- If the landlord wants to modernize in the future, he must report this to the public office. The table value can then be increased by 1 € / sqm. Further modernization allocations are to be approved by the public office.



How do we apply the rent cap?

1. The rent (of June 18th) is below the table value:

- Rent increases are still possible, but only by max. 1.3% per year and only up to the table's top value.

2. The rent is above the table value

- The rent can be reduced if the rent is more than 30% of the household income and the dwelling has a reasonable housing size.

3. After the rent cap comes into force, a new lease is signed

- The table's top values apply.



Berliner Mieterverein supports this law, but has the following suggestions for improvement:

- **The basis for the tables** should not be the rental level from 2013, but **from 2011**. Vacancy was still at 3% in 2011, indicating a balanced housing market. After that, the vacancy dropped.
- Modernizations must be approved of the district office. However, the approval criteria are very soft so that all modernizations are expected to be approved. In order to achieve a rental-dampening effect even during modernization, the **approval criteria must be tightened**.
- Lowering the rent requires that the table value is exceeded and tenants pay more than 30% of the household's income for the rent. The reference to income is atypical in this system of a rent cap. Better would be a reference **to objective criteria**, also to preserve the character of the public service regulation, for example

A reduction of the rent is possible if the table value is exceeded by more than 10 % or 15%.



Thank you for your attention!