

# Evolution of the social housing stock in Germany: from en-bloc privatisation to a new housing model?

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# Privatisation in Germany

1. Predominantly en-bloc  
unlike in France
2. Listed real estate companies  
social housing as a 'cash cow'
3. A new housing model?  
Potential for regulation  
and preservation

# 'The common interest principle' (1851-1989)

## 1. Public housing

State or municipalities/communes

## 2. Publicly subsidised but private housing

Industrial corporations

→ Tax incentives and housing subsidies to promote affordable housing production



# Housing privatisation in the 1980s and early 1990s

## 1. Abolishing the 'common interest principle' in 1989

Removal of tax incentives and profit restrictions

Reduction of housing subsidies (*aide à la pierre*)

## 2. Housing associations were no longer obliged to provide affordable rental housing

No coordinated privatisation strategy

# German reunification and the sale to sitting tenants (early 1990s)

## 1. Debt remittance program of former East German housing associations

10% was sold to sitting tenants

In Berlin former West German housing associations followed the example



# Why en-bloc privatisation?

## 1. Public and municipal debt

The shock of German reunification

## 2. GSW, Berlin (66,700 units)

Sold to Cerberus in 2004, then to Deutsche Annington (later Vonovia)

→ En-bloc sales to (Anglo-Saxon) private equity funds came as a surprise

VONOVIA



# Corporate transactions

## 1. Shareholder value

Reinvesting in 'core' business

## 2. Thyssen-Krupp, Ruhr area (48,000 units)

Sold to Morgan Stanley in 2004, then to  
Foncière des Régions (later Covivio)



**ThyssenKrupp**



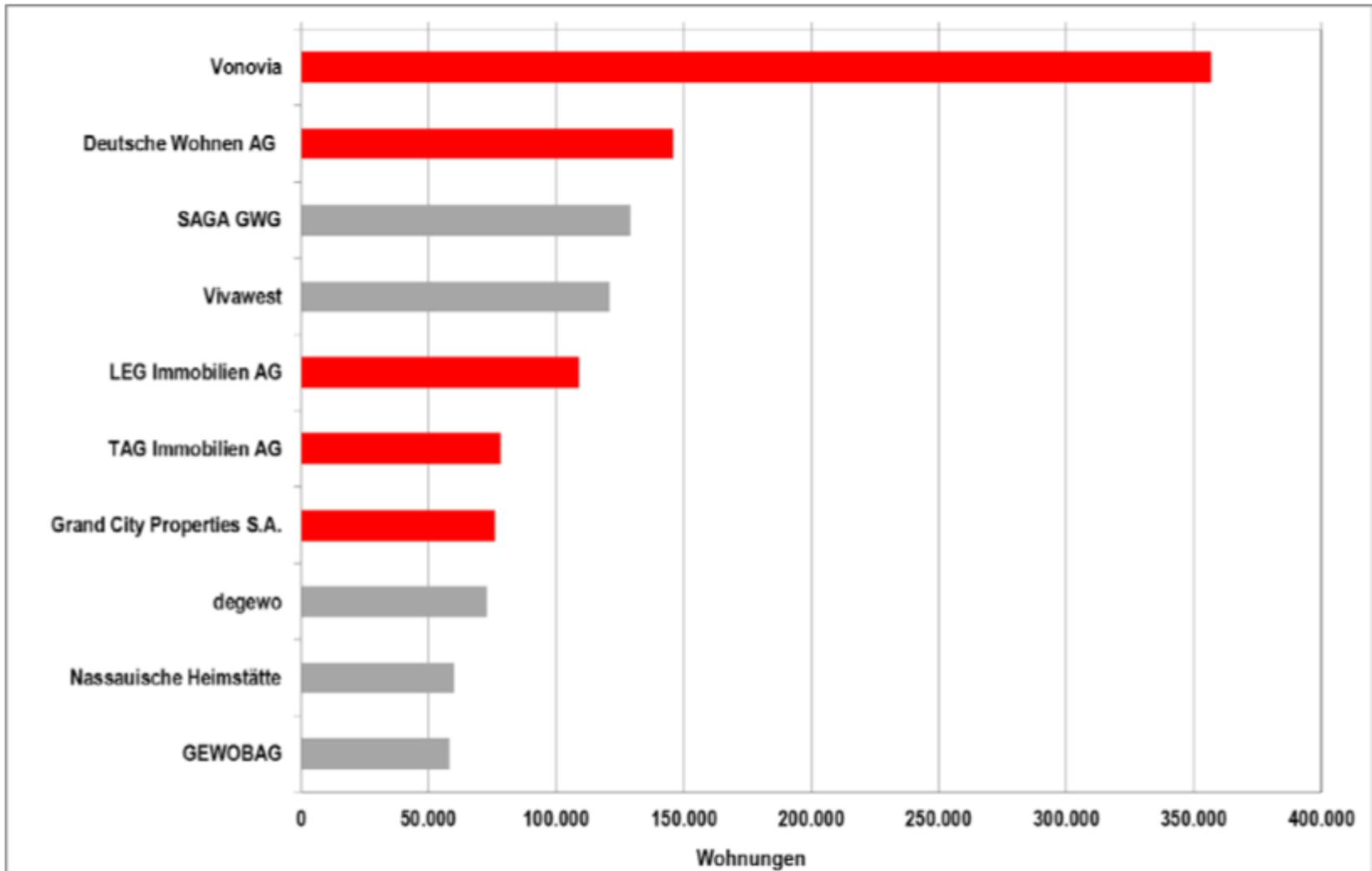
**Covivio**

# Evolution of the public housing stock: from speculation to long-term

Housing associations	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GEHAG Berlin (24,500 units)	Public ownership	WCM / HSH Nordbank			HSH Nordbank			Oaktree Investment			Deutsche Wohnen									
GSW Berlin (66,700 units)	Public ownership							Cerberus / Whitehall (Goldman Sachs)					Deutsche Wohnen							
LEG NRW & Land NRW (93,000 units)	Public ownership										Whitehall (Goldman Sachs)				LEG Immobilien					
WB-Rhein Main Frankfurt (14,500 units)	Public ownership	Vittera AG (E.ON) / Hypovereinsbank						Deutsche Annington (Terra Firma Capital Partners)					Deutsche Annington			Vonovia				
KWG Kiel (11,000 units)	Public ownership	WCM						Vitus Gruppe					Deutsche Annington		Vonovia					
GAGFAH BfA (30,000 units)	Public ownership							Fortress							Deutsche Annington		Vonovia			
Woba Dresden (47,830 units)	Public ownership									Fortress						Deutsche Annington		Vonovia		
TLG Wohnen FRG (11,350 units)	Public ownership															TAG Immobilien				
LEG Kiel Schleswig-Holstein (22,000 units)	Public ownership	DGAG Grundvermögen					Blackstone Group			Prelios (Pirelli AG) / RREEF (Deutsche Bank)						Buwog				
Years	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016

Source: Wijburg and Aalbers, 2017

# Ten largest listed real estate companies in 2015



# State of the art

1. >1 million rental units are now owned by listed real estate companies.

Internationalisation of local rental income

2. Listed real estate companies own properties especially in Berlin, Sachsen and the German Ruhr area.

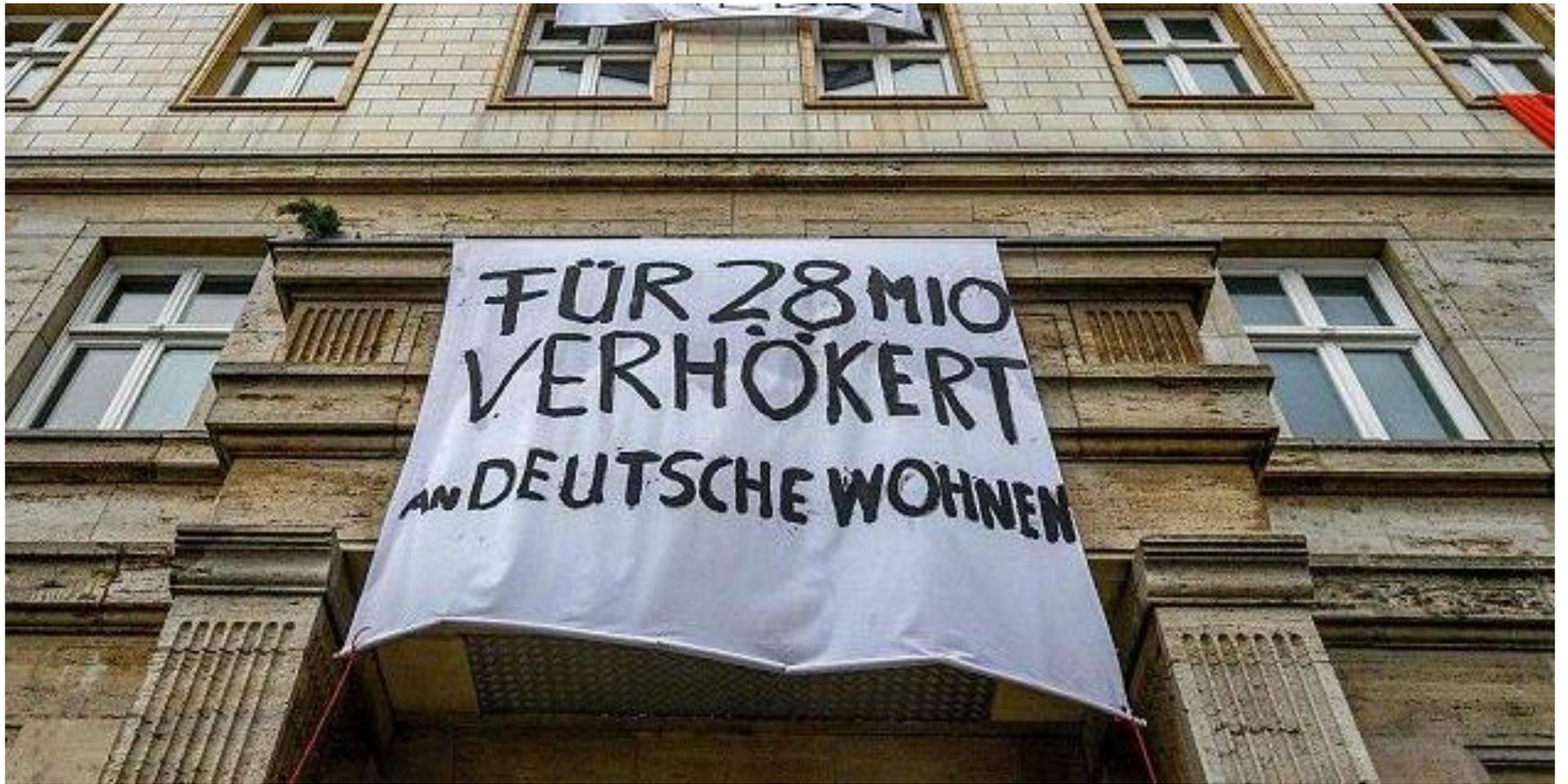
# Management and impact

# Major strategies

1. Corporate real estate management
2. Increasing rents and selling (uncompetitive) housing units
3. Reducing vacancies

## 4. Asset-based growth (capital gains)

Higher house prices, higher book value, higher company's worth, shareholder value



FÜR 28 MIO  
VERHÖKERT  
AN DEUTSCHE WOHNEN



# Changing their business model?

1. Patrimonial strategy of owning and managing income-producing real estate assets

Securing lower but relatively stable and low-risk investment returns

2. Collaborating with local authorities to improve neighborhoods and existing housing stock

Ad hoc partnerships



# 1: Energy efficiency and modernisation

Vierteldistrict in Essen

Source: Wijburg et al. 2018



## 2: Neighborhood development

Vierteldistrict in Essen

Source: Wijburg et al. 2018



# 3: Senior homes

Heimaterde in Mülheim an der Ruhr

Source: Wijburg et al. 2018



# 4: Unemployed/refugees

Essen Altstadt

Source: Wijburg et al. 2018

# Public/private tensions

1. Shareholder value remains the core business

Tax exemption in exchange for shareholder value creation(!)

2. Monopoly position and power to negotiate

Exploiting public subsidies and rental regulations

3. From working poor to (higher) middle income groups

Upgrading neighborhoods and gentrification(?)

Potential regulation and  
preservation(?)



# 1: Preventing social housing sales

Example from Oberhausen

# Berlin kauft mehr als 670 Wohnungen an der Karl-Marx-Allee

Ursprünglich wollte die Deutsche Wohnen die Immobilien an der Karl-Marx-Allee erwerben. Nun hat die landeseigene Gewobag den Vertrag unterschrieben. VON [SOPHIE KRAUSE](#)



Plakate gegen den Verkauf von Mietwohnungen an die Deutsche Wohnen hängen an einer Gebäudefassade in der Karl-Marx-Allee. FOTO: CHRISTOPH SOEDER/DPA

## 2: Buying back or bidding against

Example from Berlin

Debatte um Neubau von Wohnungen

# Billig dank Wohngemeinnützigkeit

Gemeinnutz als Schlüssel: Die Grünen haben errechnen lassen, wie sich ein anderes Fördersystem auf den Wohnungsmarkt auswirken könnte.



Schöner wohnen: Neubauten in Hannover

Foto: dpa

BERLIN taz | In Deutschland könnten mehr kostengünstige Wohnungen gebaut werden, wenn der Bund sie über eine neue Wohngemeinnützigkeit finanziert anstatt über die geplanten steuerlichen Sonderabschreibungen im Wohnungsbau (die sogenannte Sonder-AfA). Zu diesem Ergebnis kommt eine Studie der „Kiehle-Beratung:Wohnen“ im Auftrag der Bundestagsfraktion der Grünen.

## SCHWERPUNKT STADT



Das Leben der Menschen in der Stadt ist von Wandel geprägt. Wie entwickelt sich der urbane Raum? Wie sieht Gentrifizierung aus und wie wird gebaut?

Politik / Deutschland

19. 11. 2018



MARTIN REEH

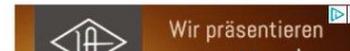
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## THEMEN

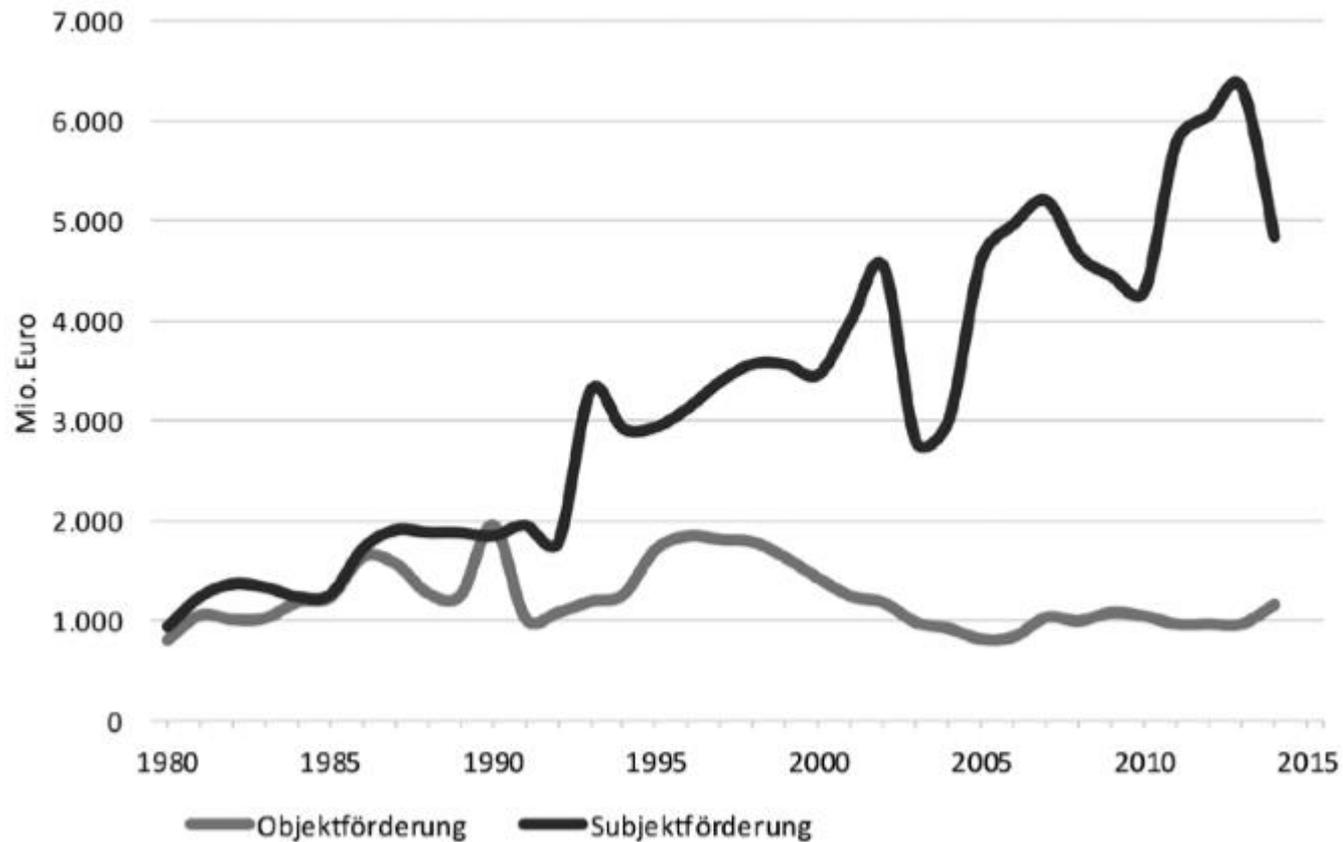
#Lisa Paus #Wohnungspolitik #Grüne #Sozialwohnungen #Mieten

Anzeige



# 3: Reintroducing the 'common interest'

Policy proposal by the Socialist and Green Party of Germany



Source: Holm et al. 2017

## 4: Stimulating housing production:

*from aide à la personne back to aide à la pierre?*

## 5: Germany's rent control law (2015)

1. Limits rental increases at 110% of average local rents for similar properties

→ Works mainly in areas where rents are skyrocketing



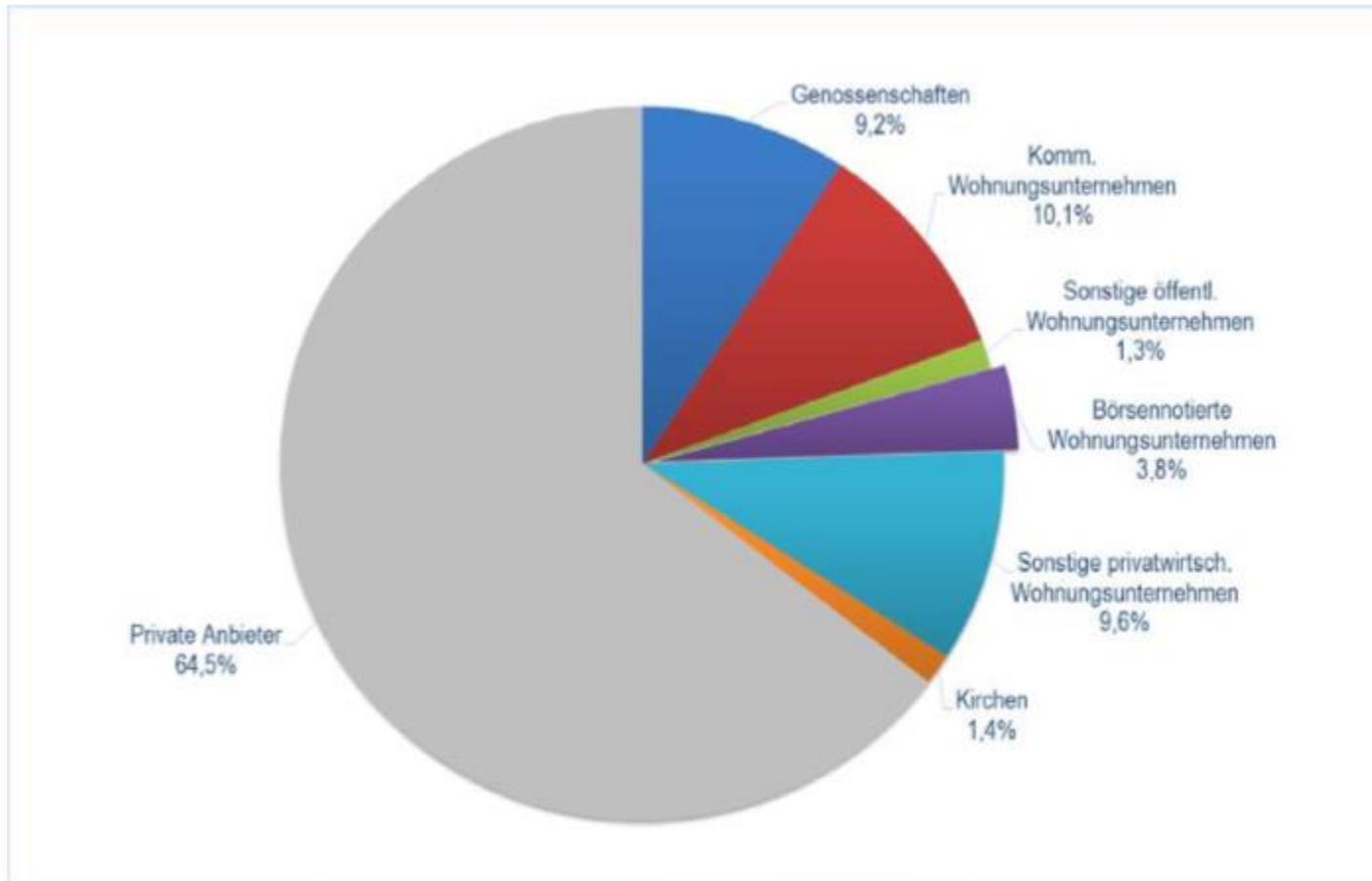
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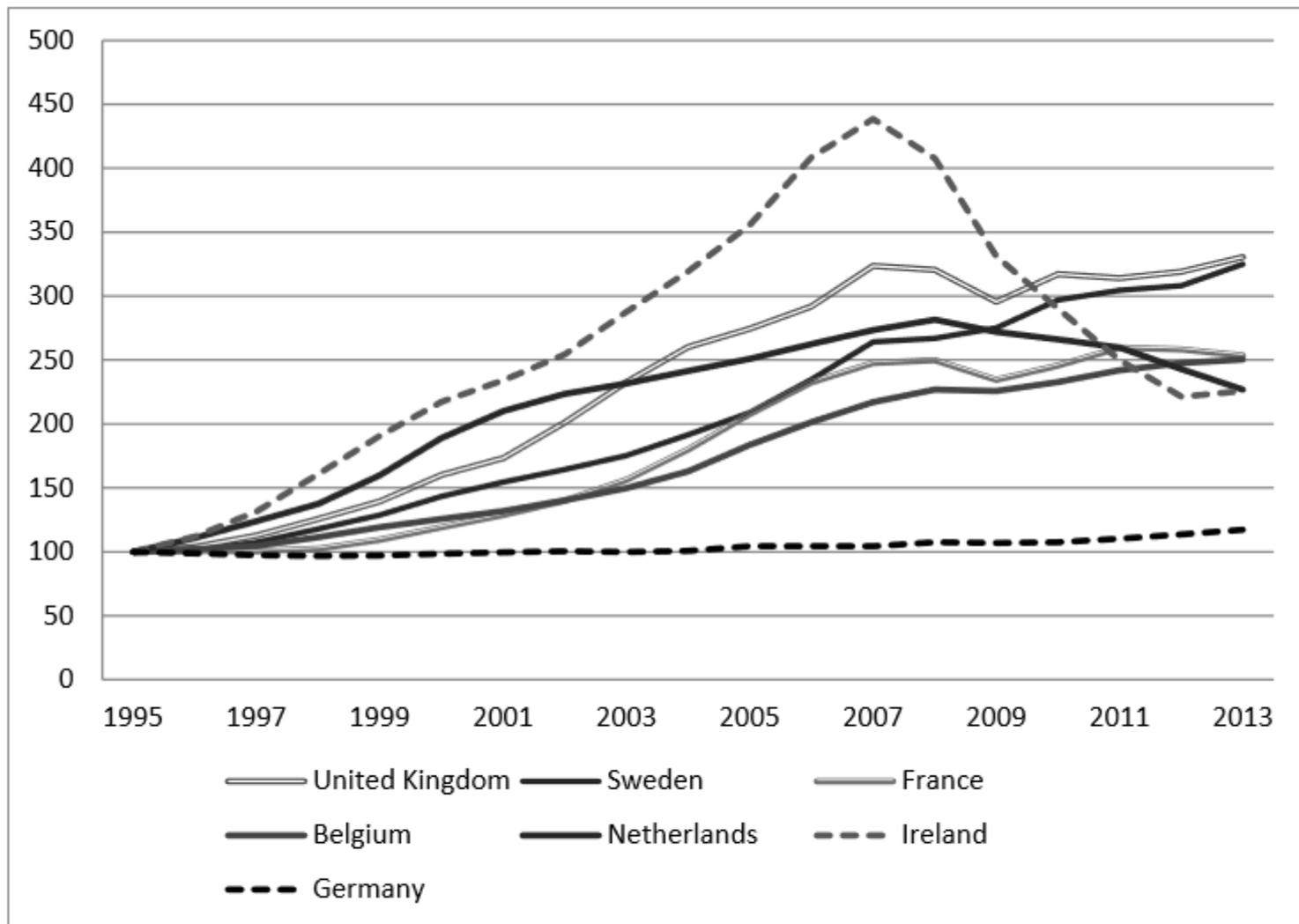
# Back to the future?

1. Housing the 'dangerous classes' during the late nineteenth century
2. Affordable housing as part of the post-war economic revival and Fordist economies
3. Safe haven for international capital and reducing inequalities during the 21st century?

Abbildung 1: Anteile der Anbietergruppen am gesamten deutschen Mietwohnungsbestand 2015 in Prozent<sup>14</sup>

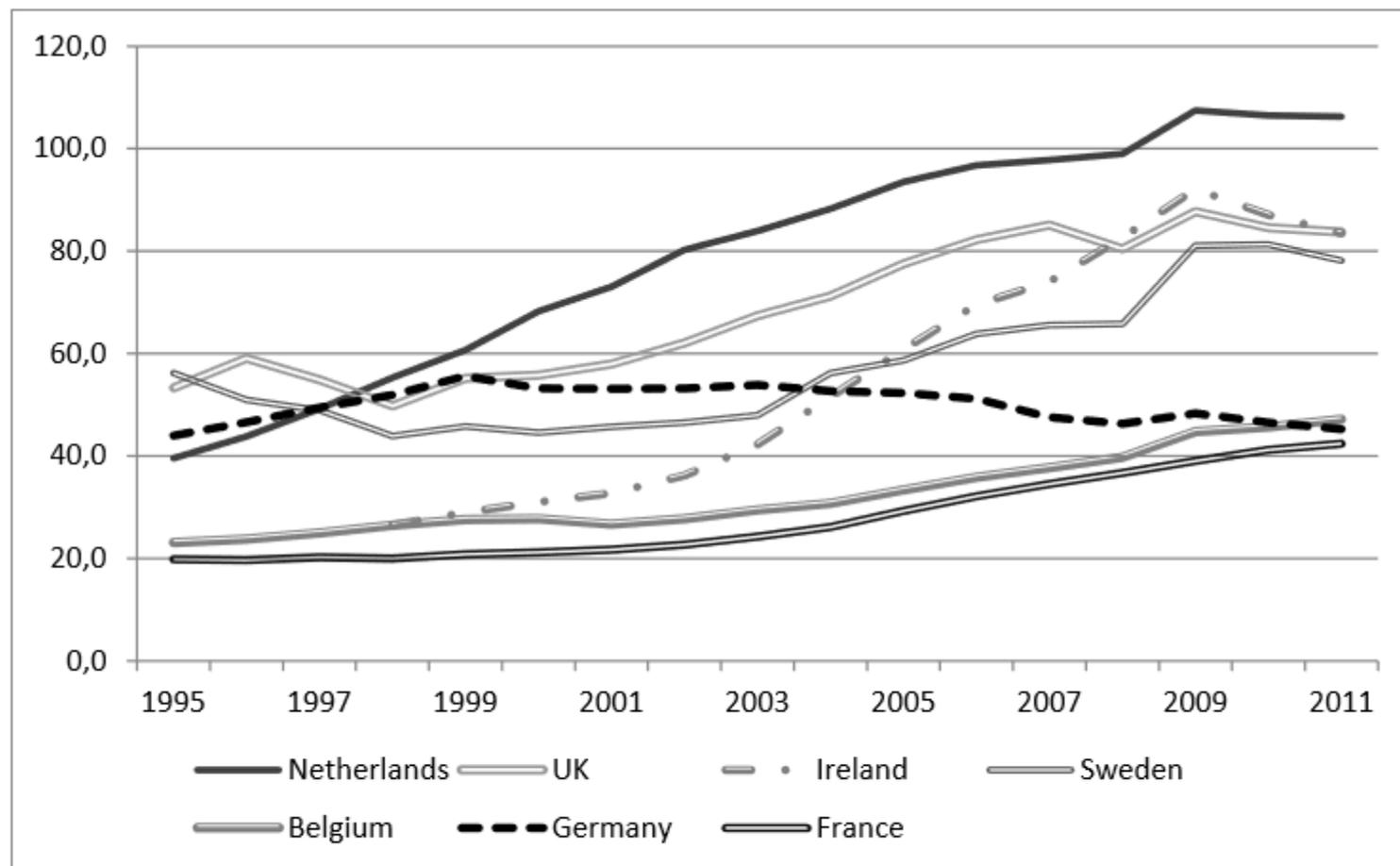


Source: BBSR, 2017



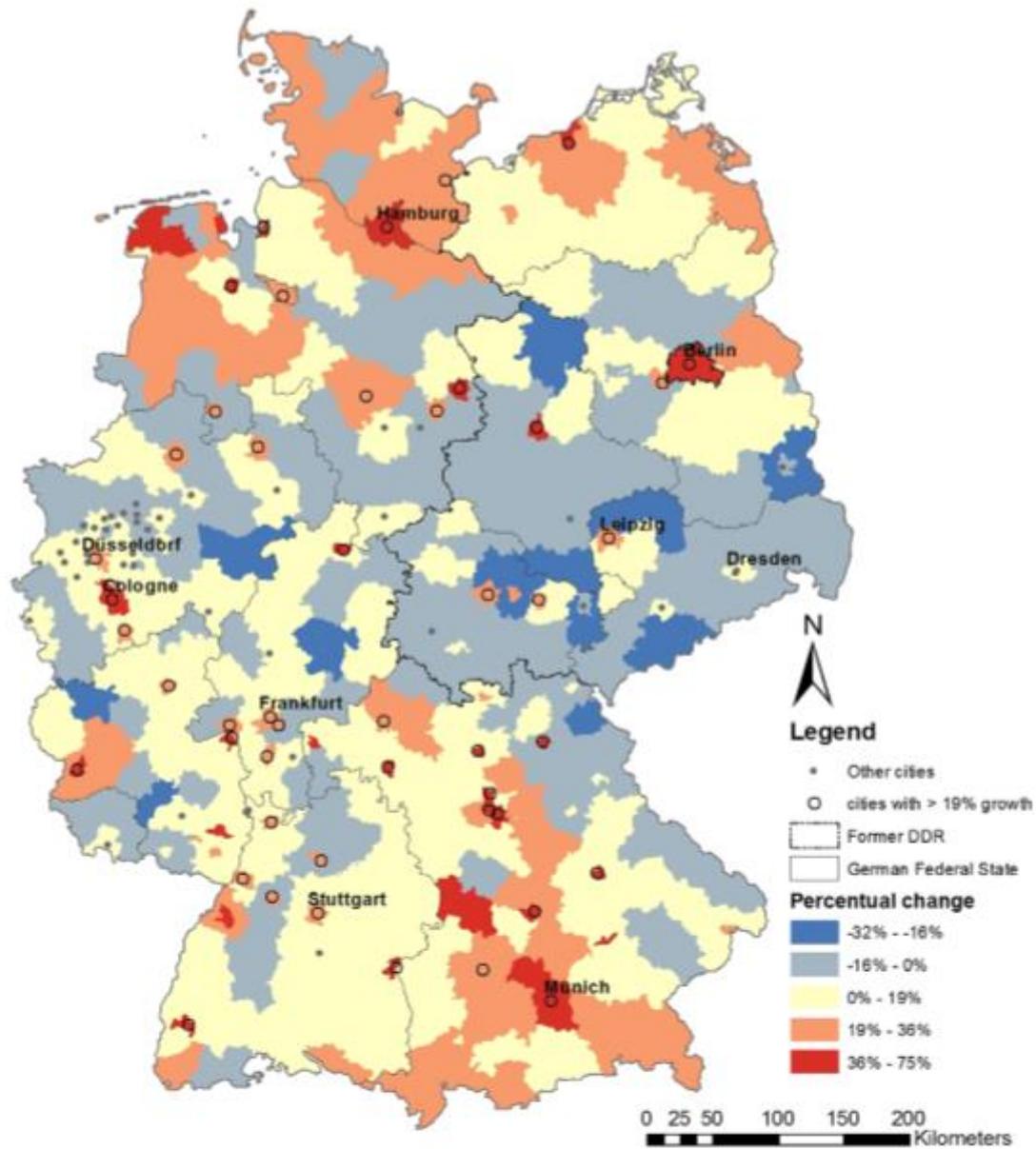
**Figure 1.** Indexed house prices, 1995-2013

*Source:* Bank of International Settlements, 2014



**Figure 2.** Mortgage debt as a share of GDP, 1995-2011

Source: European Mortgage Federation, 2014.



**Figure 4.** Nominal house price changes, 2007–2014. Source: Bulwiengesa AG, RIWIS, 2015, map created by Egbert van der Zee.