

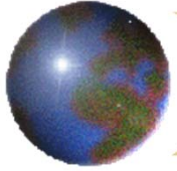
Housing market and housing policy in Germany



Presentation

Osaka, February 2011

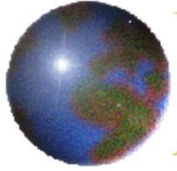
Presenter: Prof. Stefan Kofner, MCIH



Contents



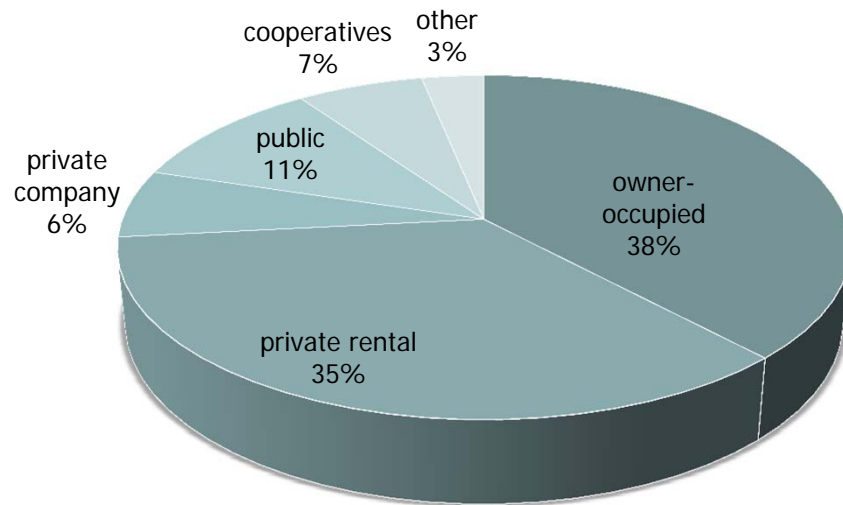
- ✦ Sector dimensions
- ✦ Supply side
- ✦ Tenants
- ✦ Regulatory framework
- ✦ Rents
- ✦ Policy and theory trends



German supply side structure

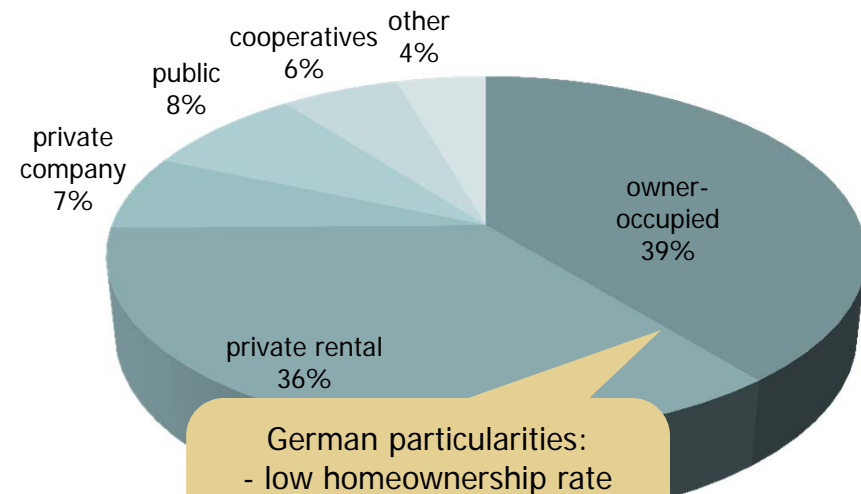
	Mio. dwellings						
year	owner-occupied	private rental	private company	public	cooperatives	other	number of dwellings
1993	13,02	12,10	2,19	3,60	2,24	1,10	34,25
2005	15,13	13,79	2,60	3,13	2,29	1,75	38,69

German supply-side 1993



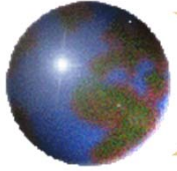
Kofner

German supply-side 2005

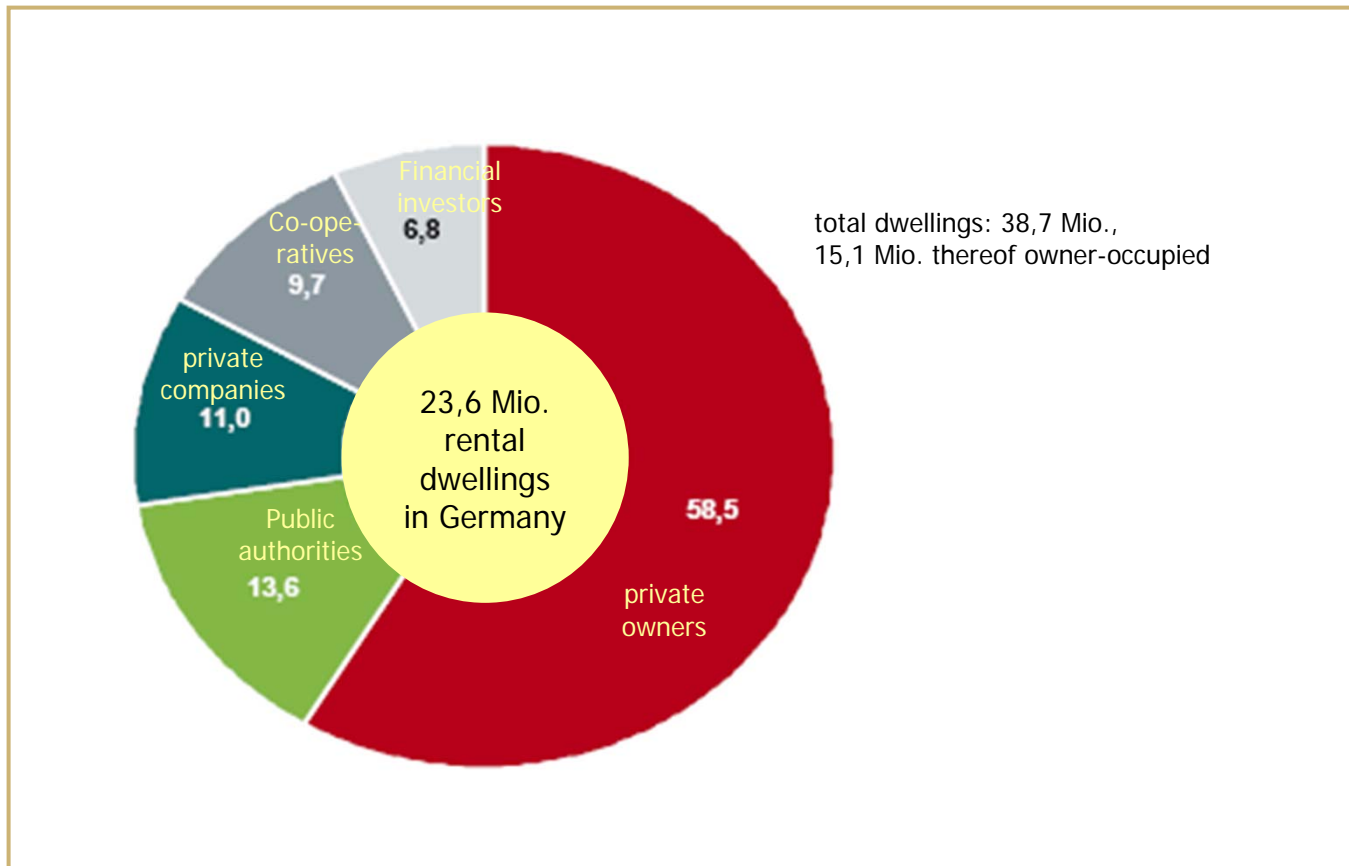


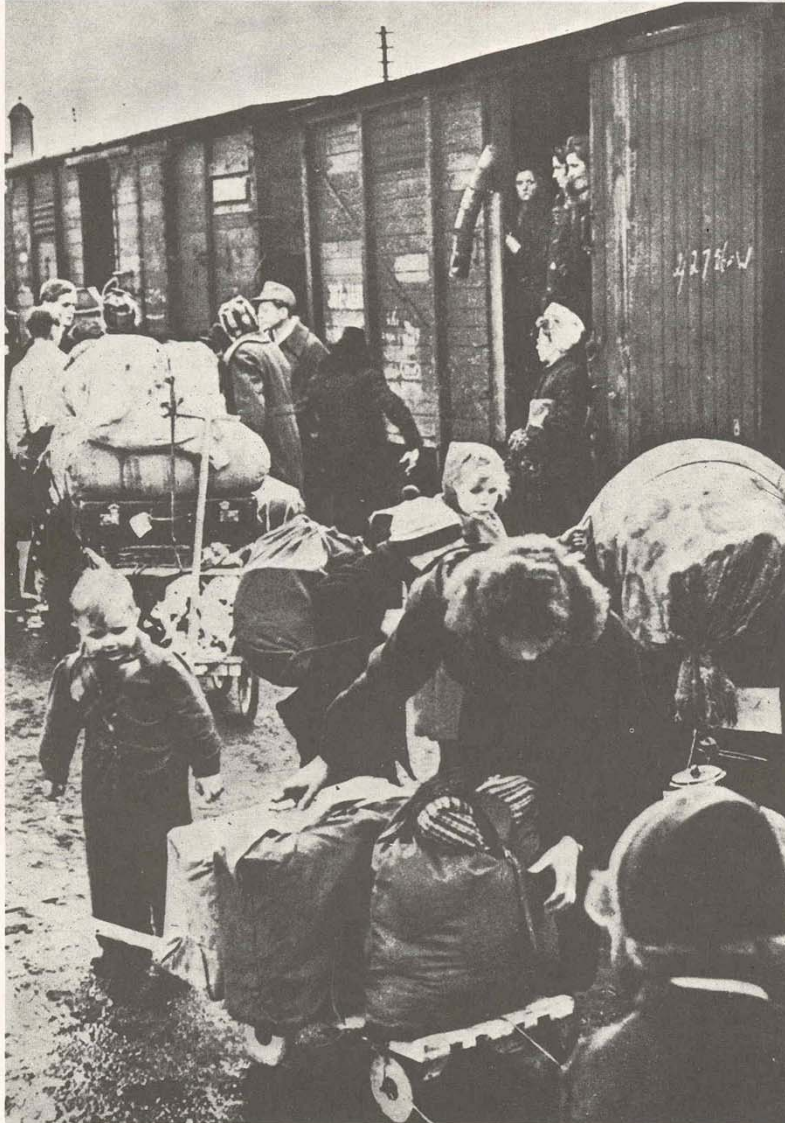
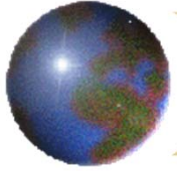
German Housing

German particularities:
- low homeownership rate
and
- big market share of
private landlords



German rental market supply side structure



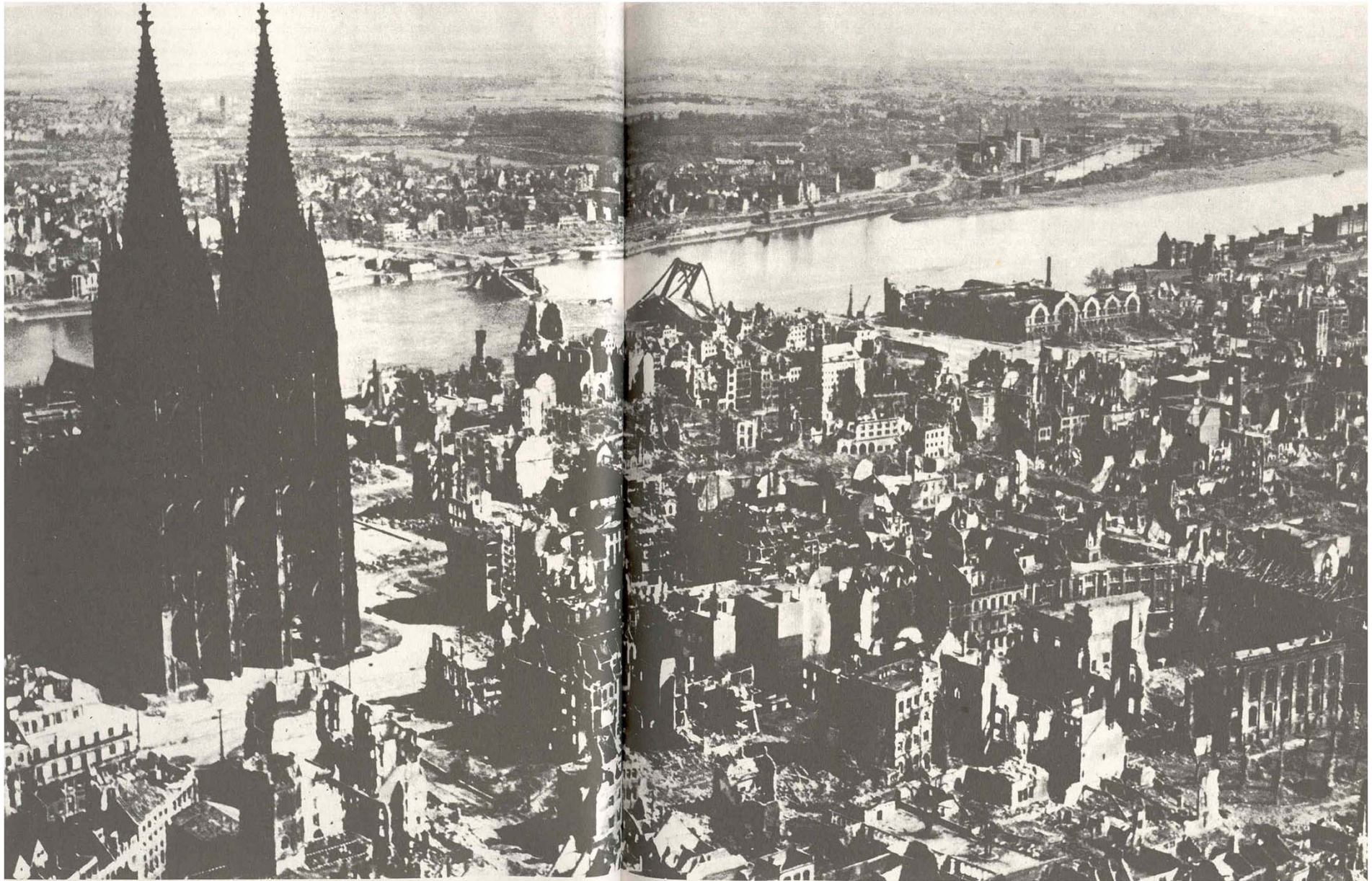


Heimatvertriebene aus Polen treffen im Grenzbahnhof Bebra ein.

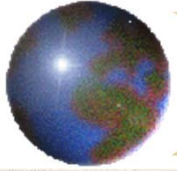
FLASHBACK TO THE ZERO HOUR

German Housing



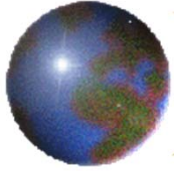


Köln 1945: Die am stärksten zerstörte Großstadt in Deutschland



Durch menschenleere Trümmerstraßen rollten die amerikanischen Armeefahrzeuge. Wie ausgestorben wirkten die Städte. Das Bild zeigt die Theatinerstraße in München mit den Türmen des Domes im Hintergrund.



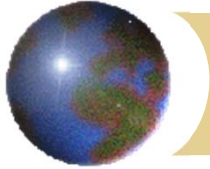


Dok. 1 Kriegszerstörungen in den deutschen Städten

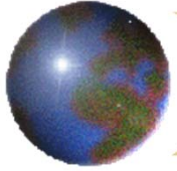


Kofner

(aus: Deutschland unter den Besatzungsmächten 1945–1949, hg. von Hans Dollinger, München 1967, S. 28)

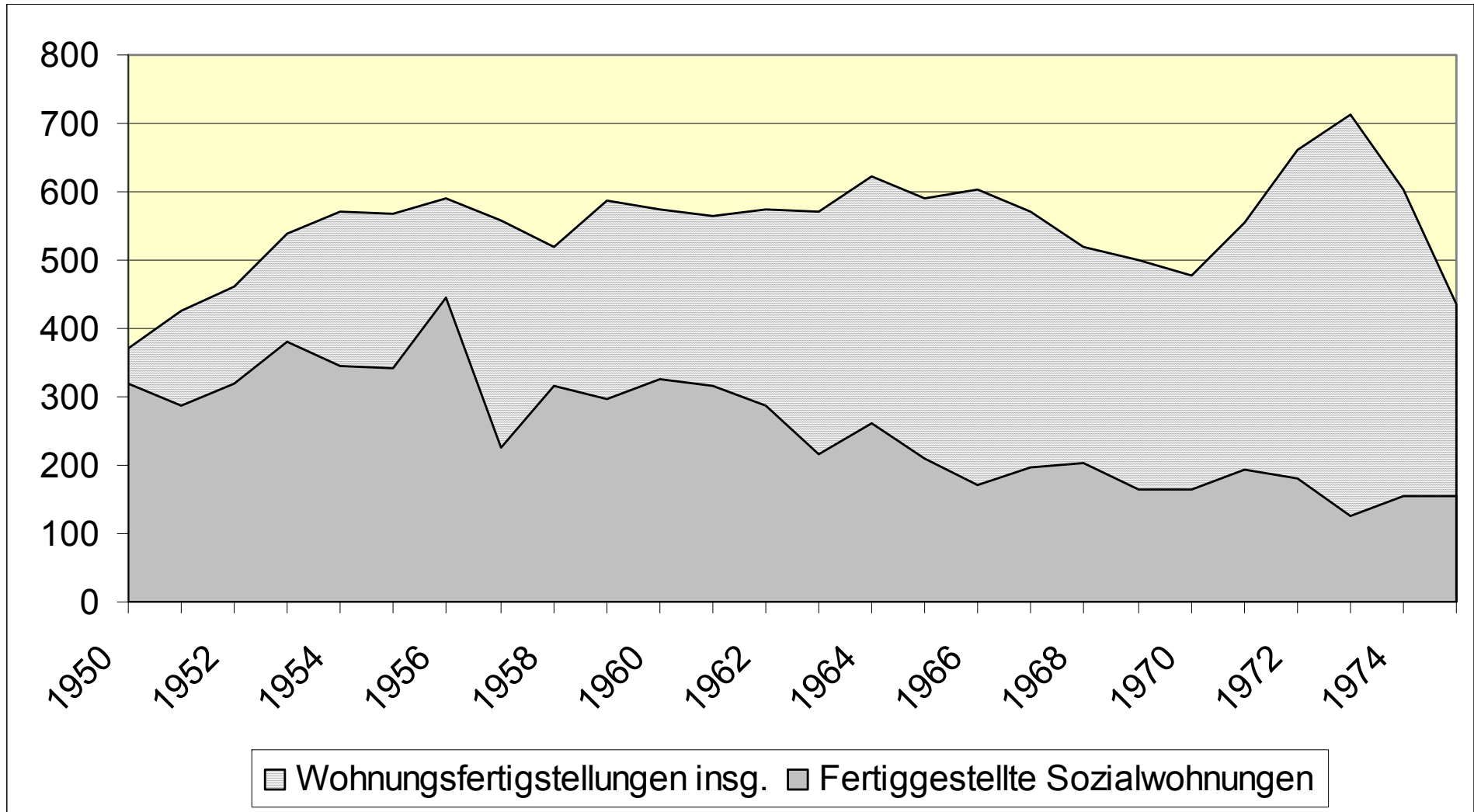
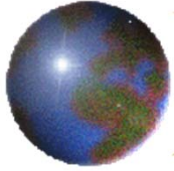


State	Usable housing space in Summer 1948 (per cent of 1939)	Resident population in Summer 1948 (per cent of 1939)
Schleswig-Holstein	89	174
Bayern	87	132
Niedersachsen	87	151
Hessen	82	122
Württemberg-Baden	78	120
Nordrhein-Westfalen	70	106
Bremen	58	94
Hamburg	50	88

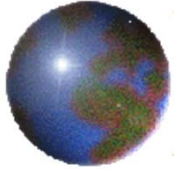


Housing shortfall in 1949

- ✚ 2,2 Mio. dwellings due to destruction (20,3 of the housing stock of 1939)
- ✚ 3,0 Mio. dwellings due to increase in population between 1940 and 1948 (about 1/3 of the remaining housing stock)
- ✚ Another 2 to 2,5 Mio. dwellings shop-worn or fairly serious damaged



total dwellings completed per year social dwellings completed



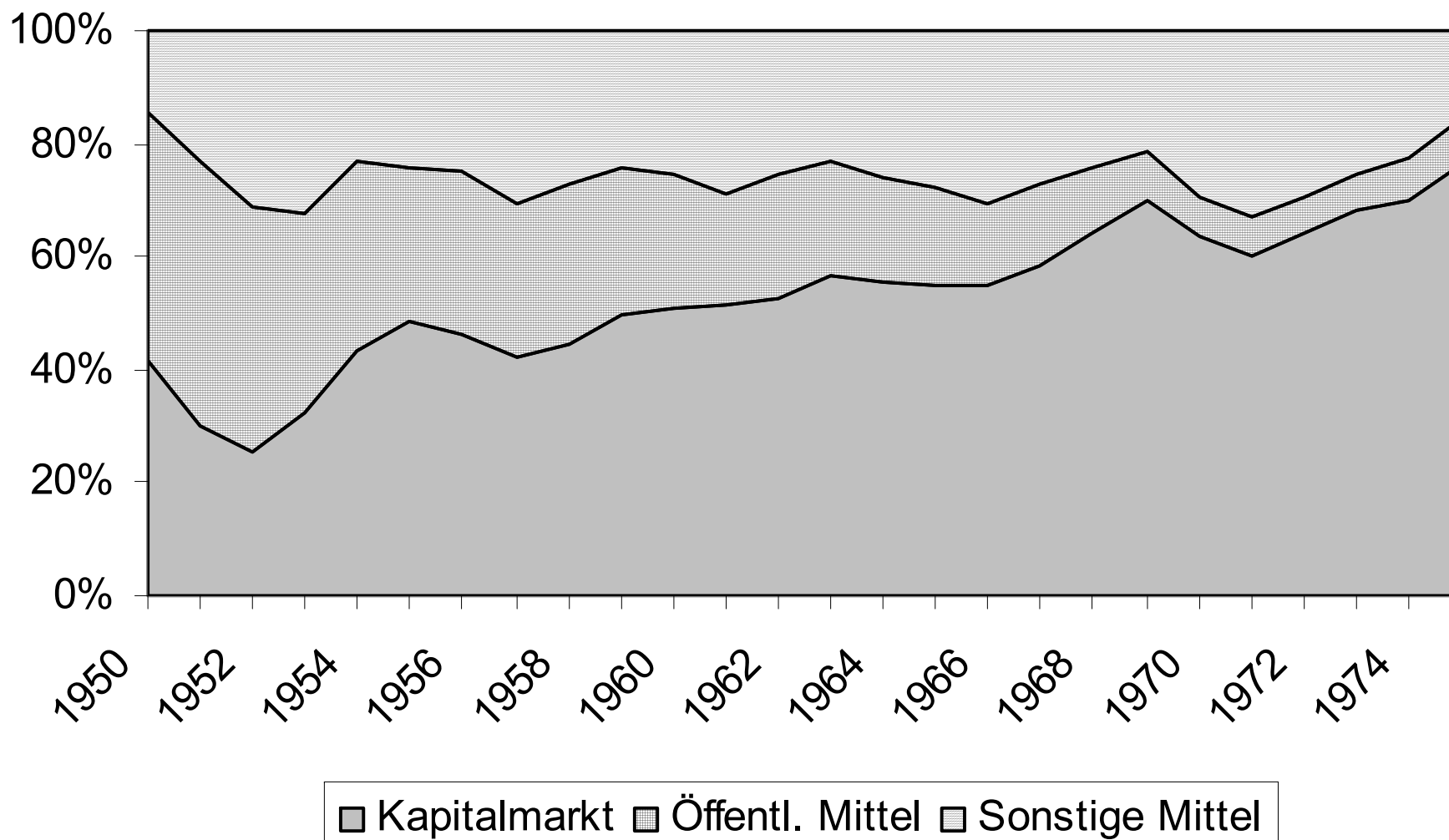
	West		East	
year	Completions in Tsd. Dwellings	per 1.000 Inhabitants	Completions in Tsd. Dwellings	per 1.000 Inhabitants
1951-1960	5.400	10,22	526	2,98
1961-1970	5.599	9,58	764	4,47
1971-1980	4.887	7,93	1.030	6,12
1981-1990	2.937	4,77	1.075	6,47



Anlage 2 Dwellings completed in Western and Eastern Germany

Jahr year	dwellings completed			
	in Wohn- und Nicht- wohngebäuden in residential and non- residential buildings	thereof in newly constructed residential buildings		
		zusammen total	dwellings in buildings with	
			1 oder 2	3 oder mehr
		Deutschland	Downward trend in new construction since 1997, esp. in multi family buildings	
1996	559.488	485.249	185.802	296.447
1997	578.179	501.120	211.128	290.064
1998	500.690	432.237	220.611	211.626
1999	472.638	406.567	237.331	169.236
2000	423.044	368.531	229.715	138.816
2001	326.187	285.925	185.372	100.553
2002	289.590	253.700	172.874	80.826
2003	268.103	236.088	165.162	70.926
2004	278.008	247.795	177.204	70.591
2005	238.977	210.752	149.069	61.683
2006	248.435	219.777	149.463	70.314
2007	210.729	185.315	124.430	59.859
2008	175.927	152.237	96.369	54.615
2009	158.987	136.518	83.898	51.463

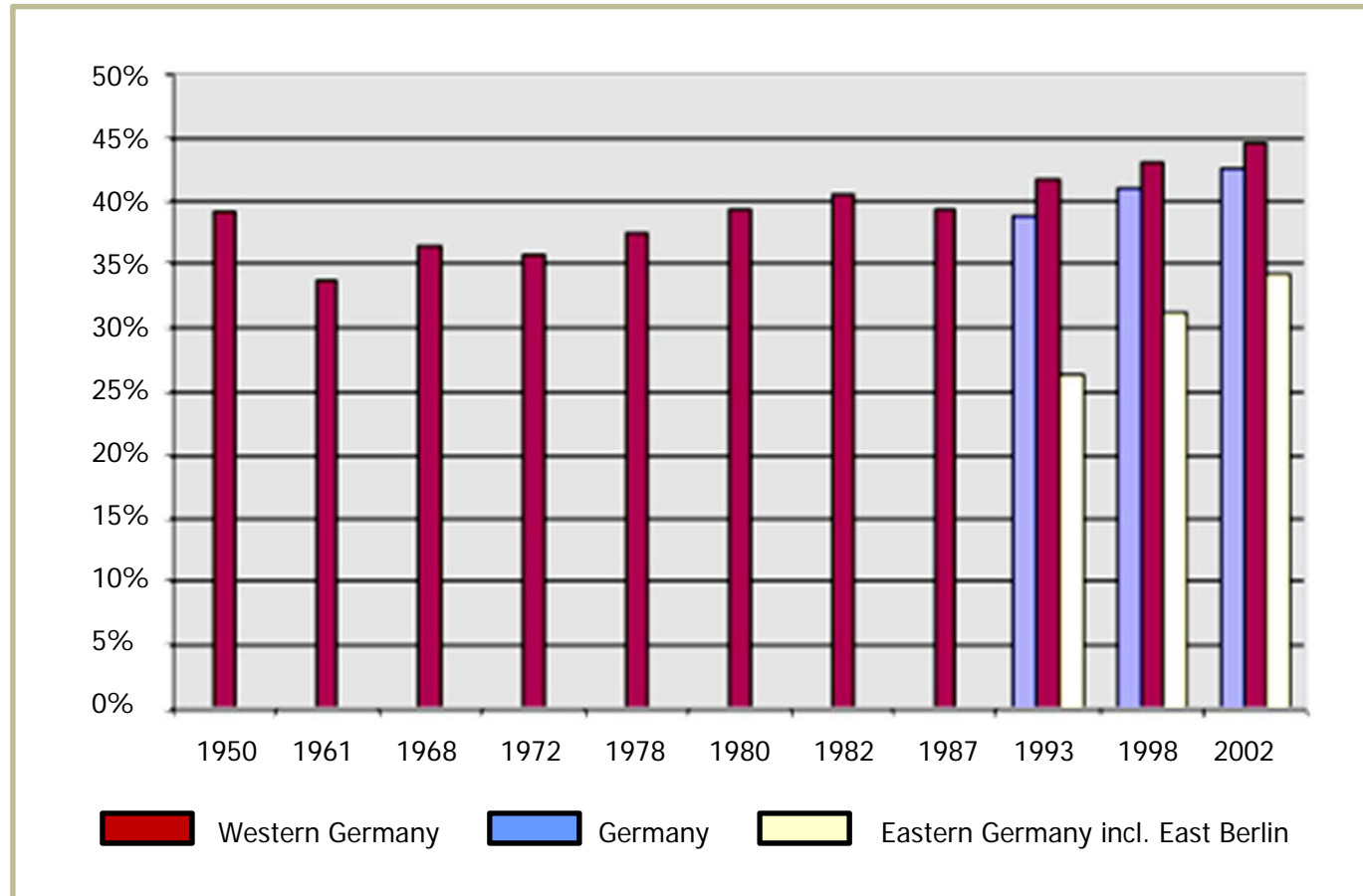
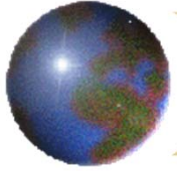
Downward trend in new construction since 1997, esp. in multi family buildings



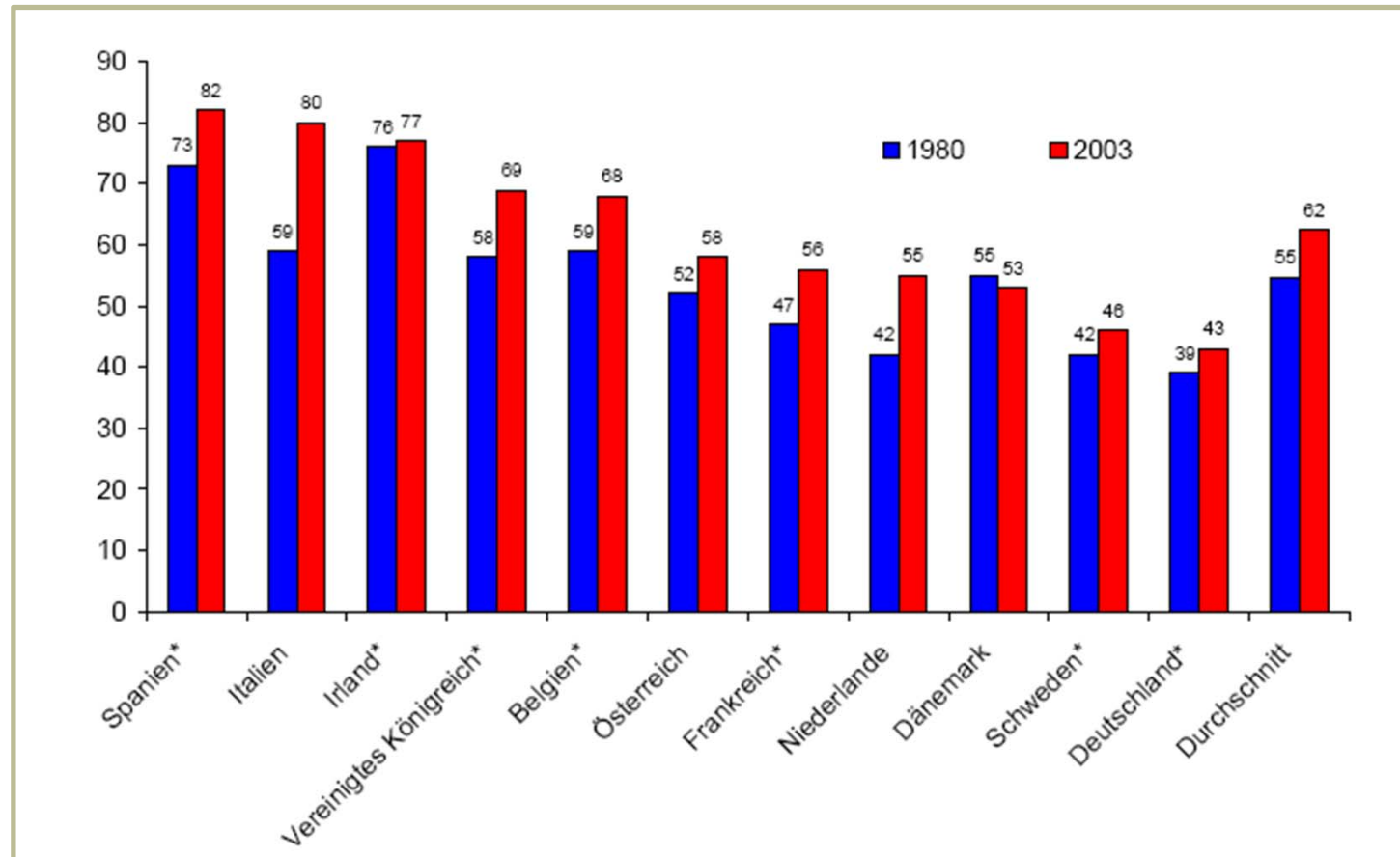
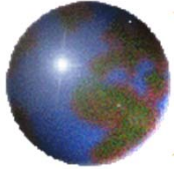
Capital market

Public finance

Other funding



Development of the homeownership rate (Source: Statistisches Jahrbuch 2005)



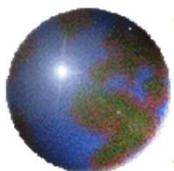
Homeownership rates in chosen EU countries

SP: 1981; IR: 2002; UK: 1981, 2001; B: 1981, 2002; F: 1978; 2002; SE: 2001;

D: 1980 nur Westdeutschland, 2002.

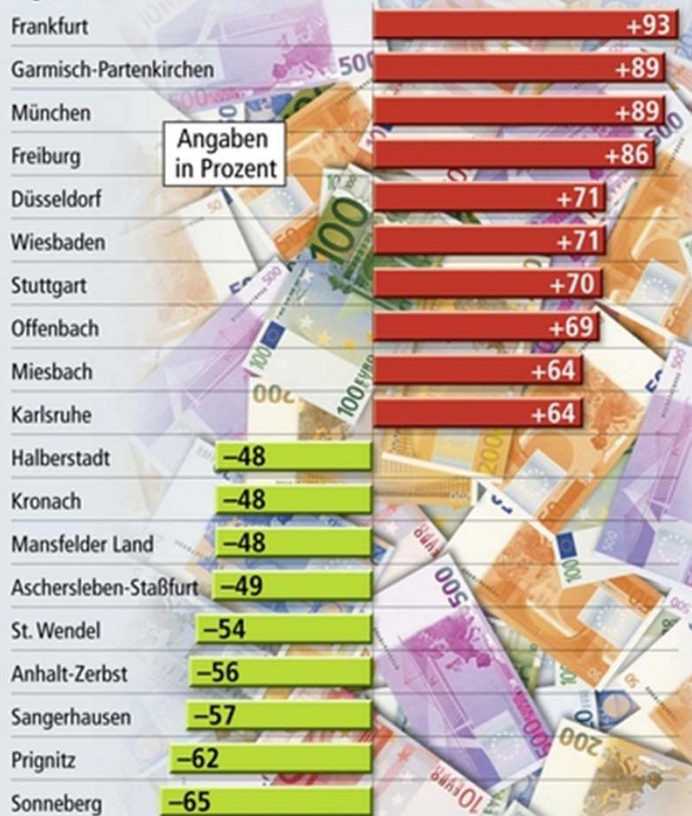
Sources: National Board of Housing et al., 2005; European Mortgage Federation, 2005; IW

Köln



Bezahlbarkeit von Wohneigentum

Wo man viel mehr (+) oder weniger (-) als das durchschnittliche regionale Einkommen braucht



Quelle: empirica/LBS Research

Grafik: infoch@rt.

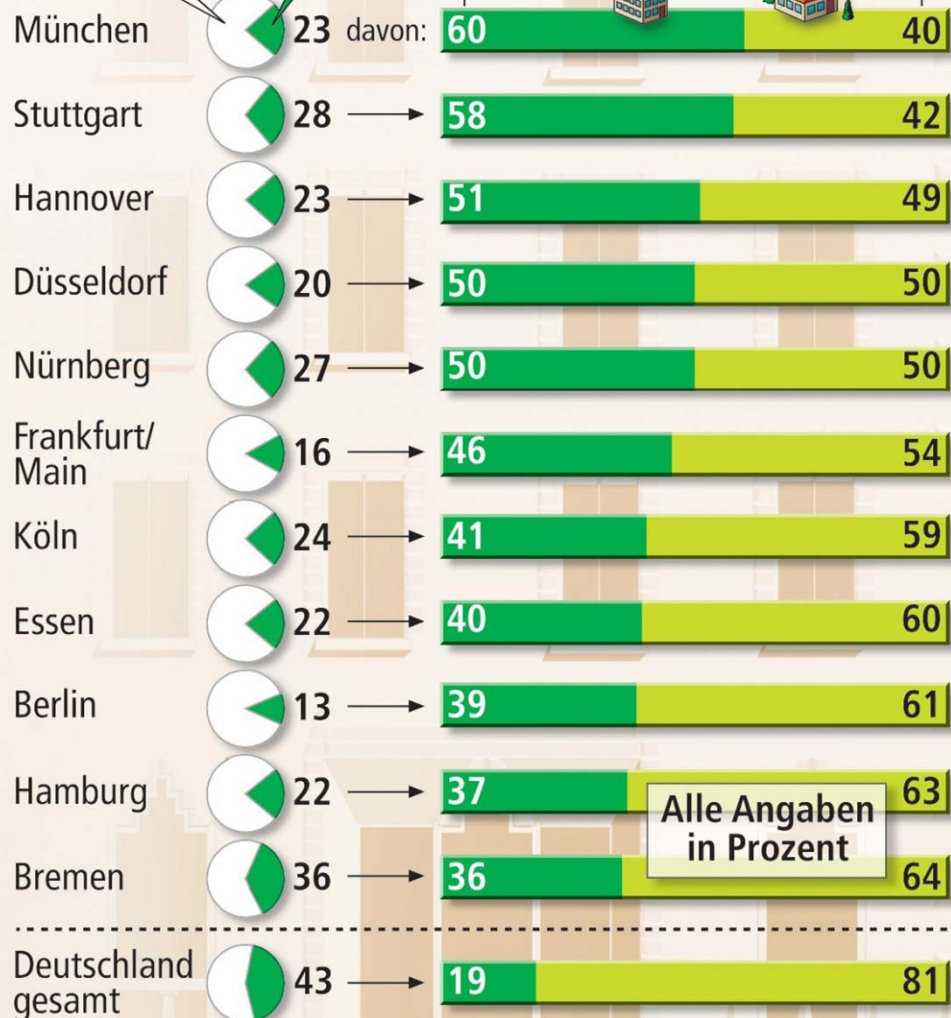
Kofner

Eigentumswohnung oder Eigenheim?

Wohneigentumsquote* in ausgewählten Städten – aufgeteilt nach Besitzern einer Eigentumswohnung und Besitzern eines Einfamilienhauses

*Haushalte mit selbst-genutztem Wohneigentum

Mieterhaushalte

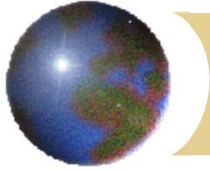


Alle Angaben in Prozent

Quelle: Statistische Landesämter, LBS Research

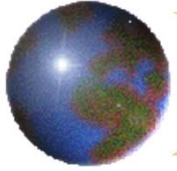
Grafik: infoch@rt.

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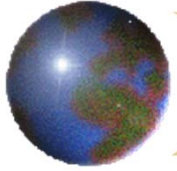
Sub-markets

- ✚ Criteria for the definition of housing submarkets:
 - ✚ ongoing tenancies and newly concluded rental agreements: different legal treatment
 - ✚ housing quality, esp. location („Wohnwertmerkmale“ enumerated in § 558 of the German Civil Code)
 - ✚ regional submarkets (Munich vs. Görlitz)
 - ✚ Social housing „market“ with special rent and eligibility limits (< 1,7 Mio. dwellings) and general housing market

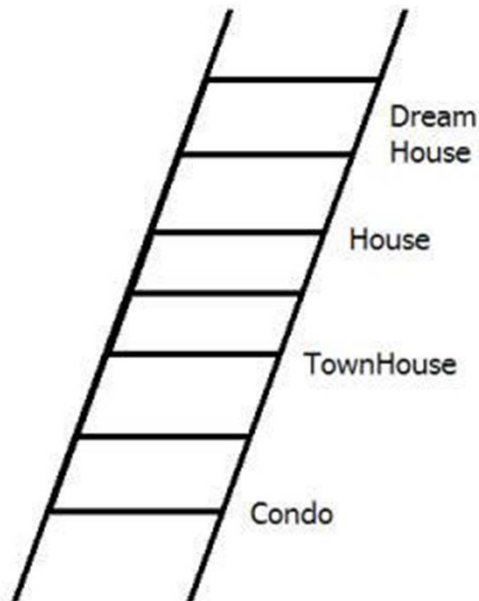


Distinctive characteristics of the German PRS

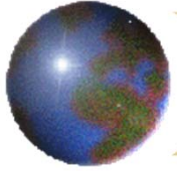
- ✚ outstanding relative size of the PRS: 76,7 per cent of the rental, 46,8 per cent of the total housing market
- ✚ sector dominated by small private landlords (enjoying good reputation)
- ✚ broad range of target groups served:
PRS → cornerstone of housing provision
- ✚ low degree of capital market-orientation
- ✚ low level of state interference
 - ✚ minor role of nonprofit providers
 - no more public interest housing
 - social housing in secular decline
 - ✚ relatively market-oriented rental laws (2nd generation)
 - ✚ relatively low level of subsidies
- ✚ no cultural fixation on homeownership → reason for large market share?



Attitudes towards homeownership

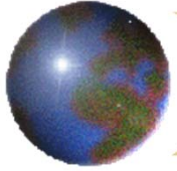


- ✚ Rent or buy decision kulturell geprägt
- ✚ „property ladder“ vs. „Once in a lifetime“
- ✚ renting as a widely accepted form of tenure
- ✚ Polarized markets
- ✚ stay tenant despite of financial ability to buy a home
- ✚ Accessibility of mortgage credit: no Subprime-sector in Germany



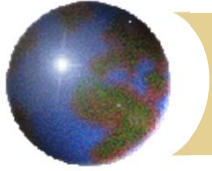
Does the homeownership rate explain the volume of mortgage credit?

- ✿ What determines the homeownership rate?
- ✿ Historical factors:
 - ✦ e.g. reconstruction Western Germany
 - ✦ Privatisations Eastern Europe
- ✿ Cultural factors
 - ✦ G: Acquisition of housing property in early / middle of 30s for whole life; before rental housing
 - ✦ Spain: „Climbing the property ladder“
 - ✦ Italy: Acquisition of housing property in early / middle of 30s incl. massive subsidies from family; before „Hotel Mama“
- ✿ Availability of mortgage credit: direction of causation unclear
 - ✦ Is the homeownership rate low because only a small volume of credit is granted?
 - ✦ Or is the mortgage credit volume small because the homeownership rate is low ?



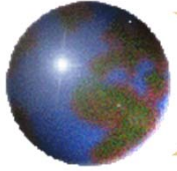
Supply side dynamics

- ✚ Homeownership rate rising slowly (> 40 per cent)
- ✚ Share of public suppliers falling slowly
- ✚ Share of private landlords including institutional suppliers still rising



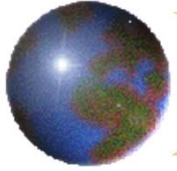
Landlord characteristics

- ⊕ Small private landlords
- ⊕ Private companies
- ⊕ Financial investors
- ⊕ Public landlords
- ⊕ Cooperatives



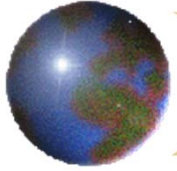
(Small) private landlords

- ⊕ Heterogenous group: age, income, ownership
- ⊕ Predominantly self-employed or pensioners
- ⊕ Predominantly Amateur-landlords
- ⊕ motives of investment not completely un-economic, but extremely long-term investment horizon and extreme preference for security of investment
- ⊕ Relatively good Reputation among tenants – because they serve a broader range of target groups (quality, income)?



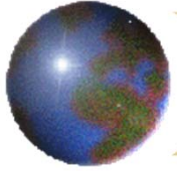
(Small) private landlords

- ✚ 84 per cent market share in PRS, 58,4 per cent of total rental stock
- ✚ a third of the dwellings held by private landlords is situated in one or two-family houses (4,3 Mio. units)
- ✚ Differences as compared with private housing companies:
 - ✚ Average stock size
 - ✚ Personal liability
 - ✚ Tax treatment of the investment



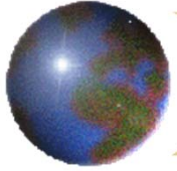
Profitability of private rental property

- ✚ For the whole of Germany 41 per cent of the owners derive profit from their surveyed buildings.
- ✚ The same proportion achieves cost coverage and 9 per cent of the owners make losses.
- ✚ East German landlords are worse off. Only 20 per cent of their buildings made a profit and 43 per cent were in the red.



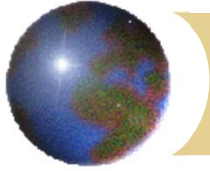
Stock composition

- ✚ 45,7 per cent of the privately held buildings were finished before 1919 (compared with only 8 per cent of all buildings). East: 89,4 per cent (!) Why?
- ✚ Often monuments or covered by redevelopment or preservation statutes.
- ✚ Hence the private landlords are important players for all urban redevelopment purposes.



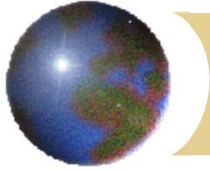
Investment behavior, financing of investments and use of tax advantages

- ✦ One out of five privately held dwellings is subject to stock investment per year.
- ✦ The investment motives are object-related for the most part. Profit expectations and the use of public subsidies only play a minor role in this respect (BMVBS 2007, p 90).
- ✦ The major investment hurdles are low rents and lack of equity capital.
- ✦ The most important part of the financing of the investments is equity capital (63 per cent for Germany as a whole, 50 per cent for Eastern Germany).
- ✦ considerable information deficit among private landlords relating to possible public subsidies (BMVBS 2007, p 88-89).

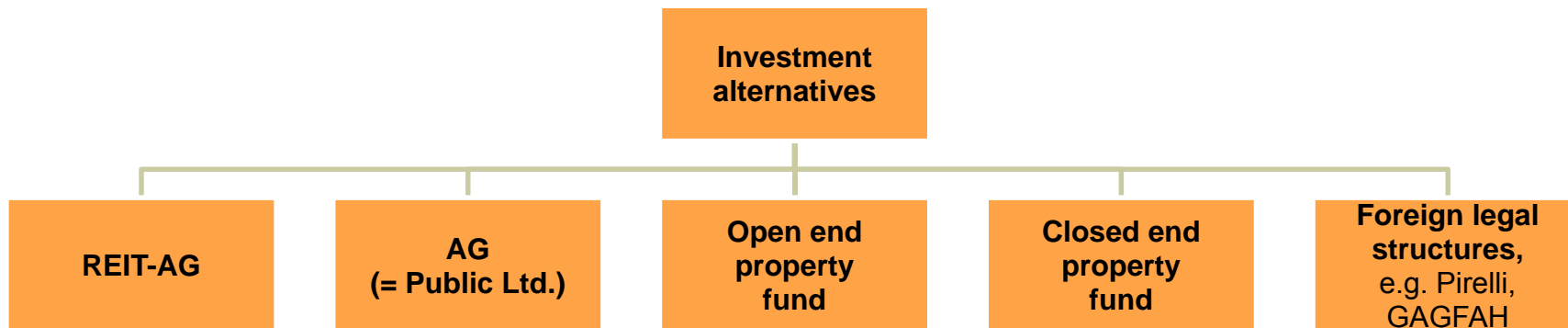


Use of tax advantages

- ✚ The use of tax subsidies is widespread.
- ✚ The offsetting of losses of renting and leasing activities is most common (2 out of 3 landlords making us of it).
- ✚ Only a quarter of the owners used the possibility of deducting maintenance expenditure independent of the purchase act.
- ✚ The extra depreciations are hardly ever used, although 12 per cent of the investing owners declared their buildings as qualified.



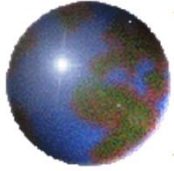
Indirect investment in German residential real estate



Kofner, S.: Wohnimmobilien-Aktiengesellschaften, in: Wohnungswirtschaft und Mietrecht, 61. Jg. (2008), Heft 2, S.68-72.



Wohnungsfonds



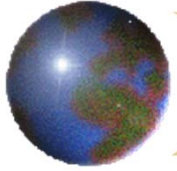
Financial investors



Kofner, S.: Private Equity, in: Wohnungswirtschaft und Mietrecht, 59. Jg. (2006), Heft 3, S. 133-137.

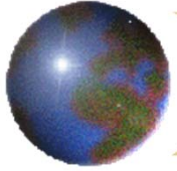
- ✦ re-allocation of a considerable part of the public and company housing stock since 1997
 - ✦ mostly social dwellings
 - ✦ or former public property (Volkseigentum)
 - ✦ some company housing
- ✦ Buyers: Private equity, German / foreign Public Ltd., institutional investors
- ✦ Market almost dried out in the financial crisis

http://www.hogareal.de/Alt_REITs_Kofner_08_04_g.pdf



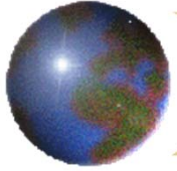
Financial investors

- ✚ Privatisation has almost come to a halt
 - ✚ Political risks
 - ✚ Availability of debt capital
 - ✚ Other investments of financial investors suffering from the crisis
- ✚ yield pressure on existing engagements in German housing
 - ✚ liquidation of investments (Blackstone and Cerberus) or
 - ✚ increase profitability (Fortress)

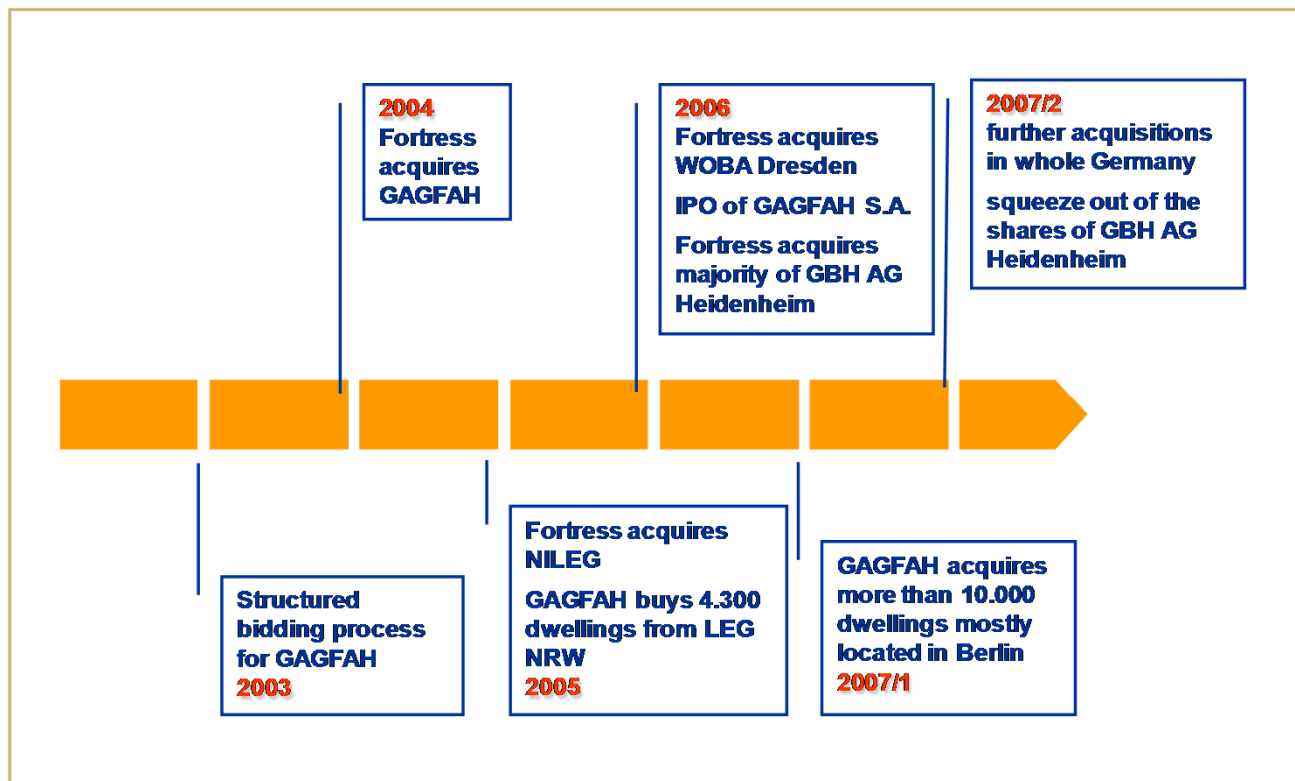


New investors

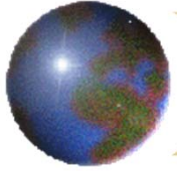
- ✚ German / foreign Public Ltd., equity funds and institutional investors have begun to take the place of opportunistic investors
- ✚ longer time horizon, more modest expectations of return and often more competence and experience in the field of efficient management of large housing portfolios
- ✚ Cases in point: Foncière des Régions, RREEF / Pirelli Real Estate, and the Fortress-controlled Gagfah group.



Development of the Gagfah group

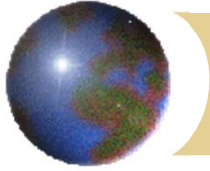


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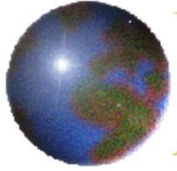
What's the difference?

- ✪ Which value drivers are used differently by the new investors?
 - ✦ Reduce costs significantly (esp. personnel)
 - ✦ Reduce overall maintenance costs significantly
 - ✦ Raise rents wherever possible
 - ✦ Reduce the overall vacancy rate significantly
- ✪ Additional revenue and profit by selective tenant privatisations
- ✪ permanent financial pressure from the capital market
- ✪ permanent pressure on employees:
 - ✦ Management by objectives
 - ✦ Periodic reports about the state of target achievement
 - ✦ If necessary immediate and consequent counteraction



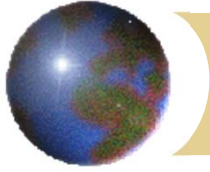
Public landlords

- ✪ chiefly municipal housing organisations with statutory territorial restraint
- ✪ no specific legal form (usually GmbH = Ltd.)
- ✪ subject to the same tax and rental laws like their private competitors
- ✪ historically social housing provider role (West)
- ✪ business mission ambiguous between public interest (= social return) and profit maximization: Do they belong to the PRS?
- ✪ no access to equity capital → restrained in new developments
- ✪ Privatisation pressure waned. How long?
- ✪ merger activity still limited (zones of influence)



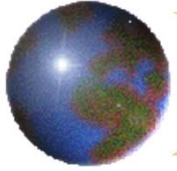
Cooperatives

- ✚ different roots East / West
- ✚ limited engagement in new development
- ✚ disproportionate number of older tenants
- ✚ difficult generation change
- ✚ static role in the housing market
- ✚ A model for the future?



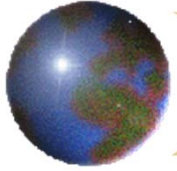
Cooperatives – role at the housing market

- ✚ Limited engagement in new development: rather static role
- ✚ In general, the cooperatives do not sell their rental property or convert them into condominiums
- ✚ Average stock size West: 1.200 units (Eastern coops are larger)



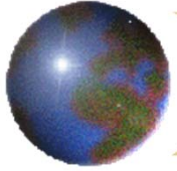
Cooperatives – age structure of the members

- ✚ 55 per cent of the members in the West are older than 50
- ✚ Dwellings usually worn off after moving out of long-time tenants
- ✚ Homogeneous vintages → vacancy risks
- ✚ Difficult change of generations – especially when regional housing market is relaxed
- ✚ Low level of engagement in voluntary bodies
- ✚ No interest in new development and social isolation



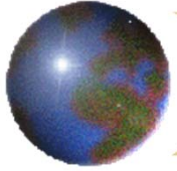
Cooperatives – old stock (in the West): sustainable?

- ✪ In western states: 51 per cent of all dwellings built before 1959 – only 13 Prozent after 1980!
- ✪ Problems:
 - ✦ Small layouts
 - ✦ Barrier-free accessibility
 - ✦ High energy consumption
- ✪ Modernization costs for the target group of elderly people very high



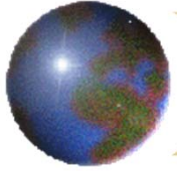
Cooperatives – deferred modernization due to lack of finance

- ✚ Low level of modernisation:
 - ✚ Protection of the users
 - ✚ Resistance from organs
 - ✚ Small coops lack equity capital
- ✚ Not yet covered : adaption of the dwellings to current needs



Cooperatives - conclusion

- ✚ Middle course between rental and owner-occupied housing
- ✚ As economic units exposed to competition
- ✚ Not acquirable, crisis-proof, close to the people, alternative draft to globalisation
- ✚ Small, innovative cops → wohnbund
- ✚ Not suitable for housing provision of problematic groups (Schmoll) → for fear of social unrest
- ✚ A model for the future?



Supply side subsidies

- ✦ no general tax subsidies: linear depreciation (2 resp. 2,5 per cent for older buildings (but degressive depreciation for new development was the rule until 2005)
- ✦ extra depreciation according to in § 7h resp. 7i of the German income tax law for monuments and buildings covered by redevelopment or preservation statutes
 - Year 1-8: 9 per cent
 - Year 9-12: 4 per cent
- ✦ Capital gains taxation in favour of private holding
- ✦ KfW-programmes: residential property modernisation and CO₂ saving
- ✦ BAFA-subsidies for investment in renewable energies
- ✦ State supply side subsidies
- ✦ Federal supply side subsidies
 - Programme „Städtebauliche Erneuerung“
 - Programme „Städtebaulicher Denkmalschutz“
 - Programme „Soziale Stadt“
 - Programme „Stadtumbau Ost“

Social housing

- Specific subsidies for rental housing until end of the 90s
- Since 2006: sole task of the states
- Compensation payments: 518,2 Mio. € p.a. until 2013
- Financial volume altogether ca. 1 Mrd. € p.a.
- Focus :
 - Target groups: families, disadvantaged groups
 - Owner-occupied housing
 - Development of new rental social dwellings
 - (energetic) modernization
- Setting of quality standards
- Further programmes of local communities



Current federal programmes

Urban development – cooperation with states and communities

- Urban redevelopment East and West
- Inner city programme
- Conservation of monuments

Kooperation with KfW development bank

- Energetic construction and renovation
- Reconstruction according to the needs of elderly people
- Target: Making the housing stock fit for demographic and climatic requirements

Target groups

- Federal government supports investment in housing
 - Investment in owner-occupied dwellings
 - Investment in rental stock (e.g. private landlords, housing companies, cooperatives, local authorities)
- All age groups, because younger people profit from a barrier-free environment, too



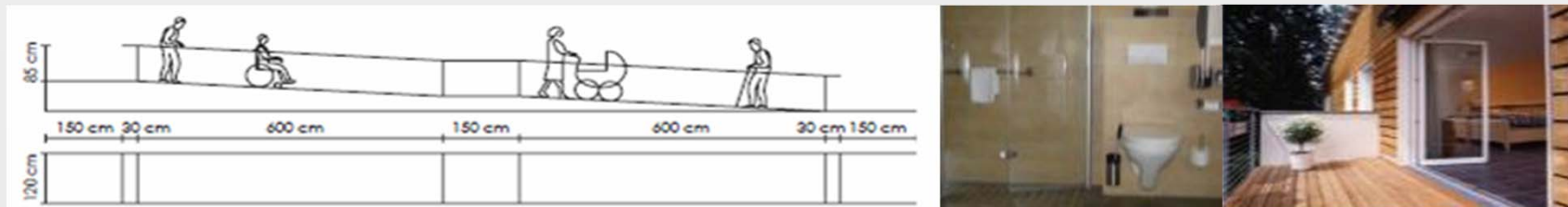
Subsidies for energy-efficient construction / renovation

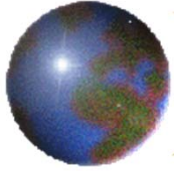
- Setting of quality standards
- Interest rate subsidies or investment grants
- Federal budget resources
 - 2006 to 2009: altogether 6 Mrd. €
 - 2010 and 2011: ca. 1,1 Mrd. € in each year
- Model projects, public relations, contests



Reconstruction according to the needs of the elderly

- Adaptions measures in housing stock, environment and infrastructure
 - Setting of quality standards
 - e.g. adaption of bathrooms, installation of elevators, ramps
- Interest rate subsidies, investment grant planned
 - 2009: 80 Mio. € federal budget resources
 - 2010 and 2011: 80 Mio. €, plus 20 Mio. € for inv. grant in each year
- Model projects, public relations

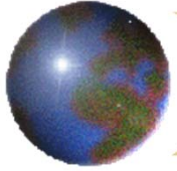




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German Housing

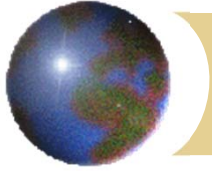
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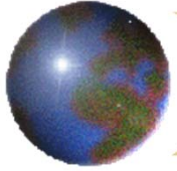
German Housing

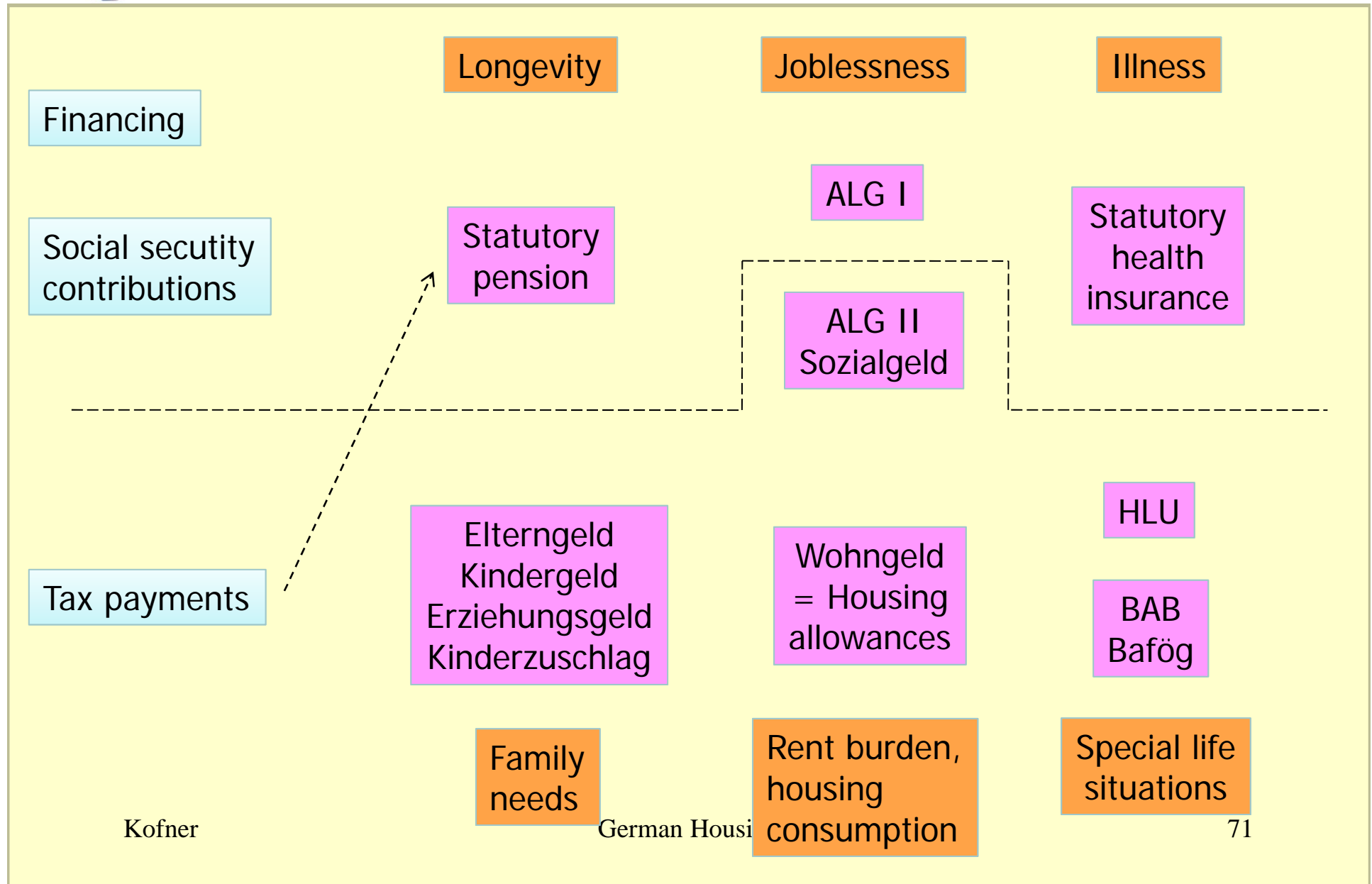
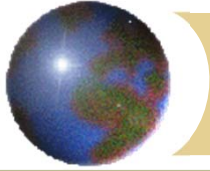
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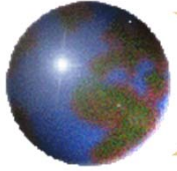


Private owners in Brandenburg: Finance and impediments to invest

- ✚ Subsidies: level of awareness:
 - ✚ tax subsidies: 82 %
 - ✚ KfW-programmes: 75 %
 - ✚ urban redevelopment programmes: 50 %
 - ✚ state supply side subsidies: 50 %
- ✚ Main investment impediments:
 - ✚ lack of equity capital: 46%
 - ✚ rental housing market situation: 33 %

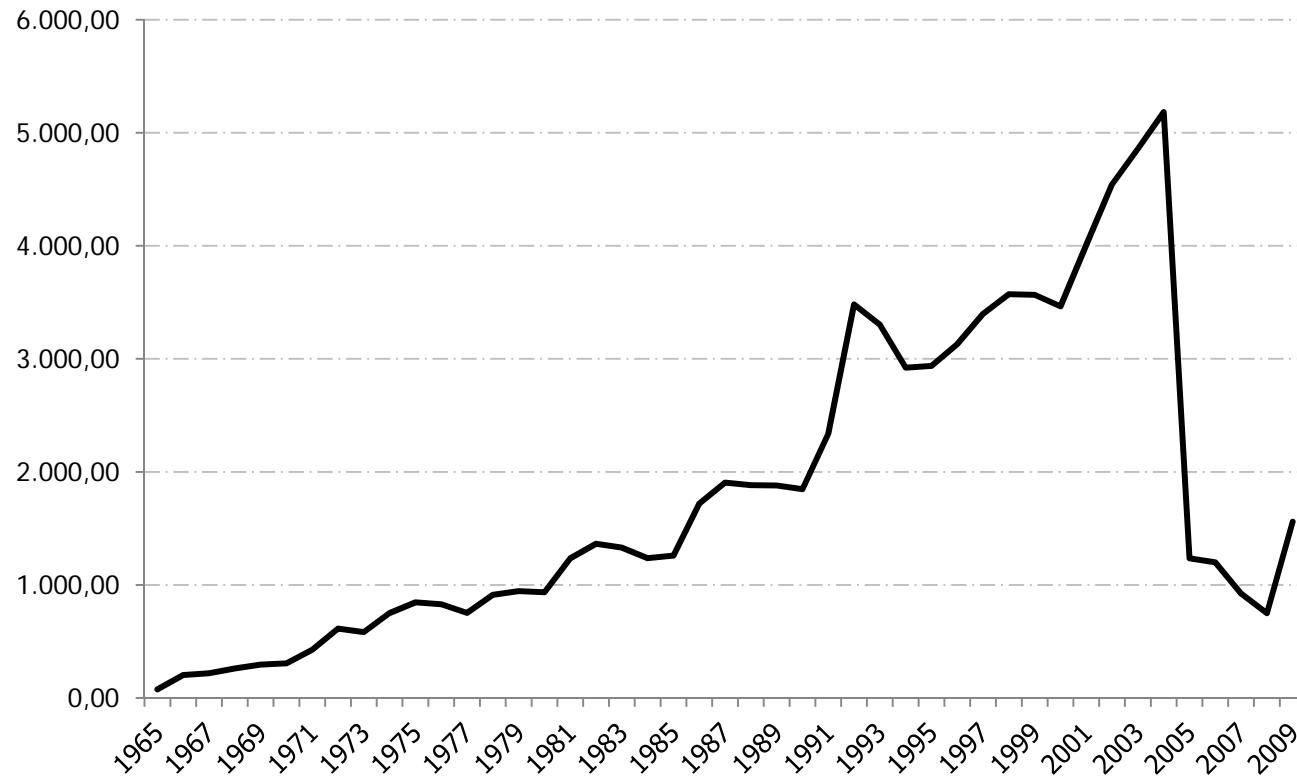
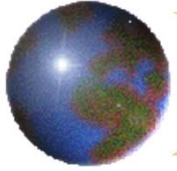




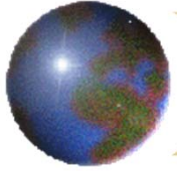


Wohngeld

- ✪ Factors determining how much Wohngeld a household could claim for:
 - ✦ number of family members in the household
 - ✦ total annual family income
 - ✦ amount of rent or mortgage payment that qualifies for support
- ✪ Legal claim irrespective of the status of the dwelling
- ✪ Income ceilings and rent ceilings depending on household size and local rent level
- ✪ Lump sum subsidy for heating costs (50 Cent / m²)
- ✪ „Lastenzuschuß“ for homeowners

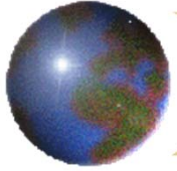


**Long term development of Wohngeld
expenditures in Germany, Mio. €, current
prices**



ALG II = Unemployment benefit stage two

- ⊕ Access: able to work and insufficient income
- ⊕ to cover socio-cultural basic needs
- ⊕ Housing costs fully covered, but only for an „adequate“ home (subject to size and rent ceilings)
- ⊕ Problems:
 - ⊕ Heating costs: lump sums
 - ⊕ Lack of small dwellings
 - ⊕ Social segregation
 - ⊕ Homeowners: principal, same size and rent ceilings, modernisation, maintenance



Tenants

- ⊕ German PRS not focused on special target groups
- ⊕ serves a rather broad range of market segments in terms of quality and size
- ⊕ No small number of Germans deliberately choose to be tenants for their whole life although they could afford a home of their own.
- ⊕ No “residual sector”, but a cornerstone of housing provision for all parts of the population.
- ⊕ decisive for the stability and sustainability of the financial sector

Demographic transition

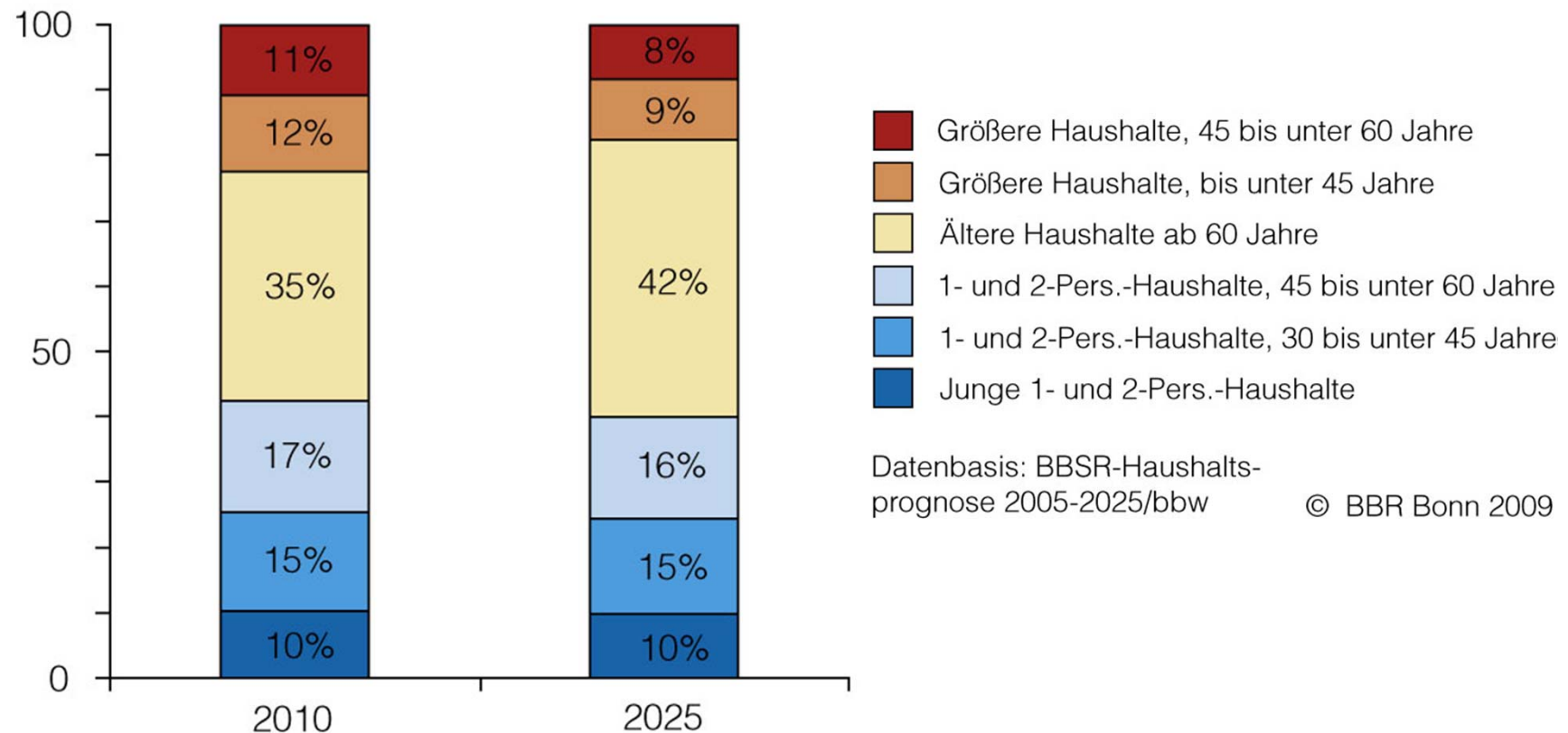


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Types of household: Shifting size and age structure (2010 vs. 2025)

Haushaltstypen 2010 und 2025

Anteil in %

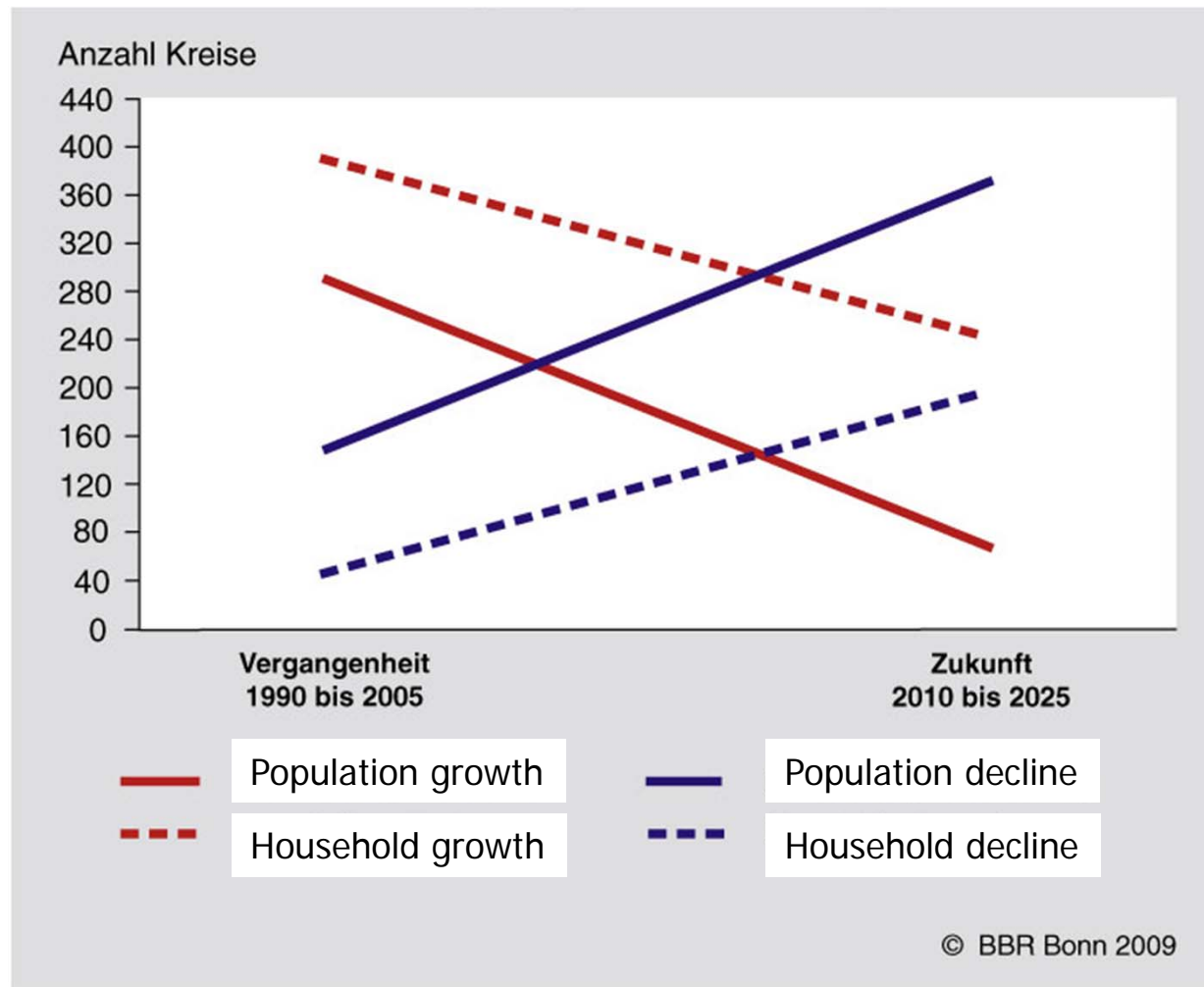


Growing/shrinking regions



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Number of urban districts and district-free cities with
growing/shrinking population and households

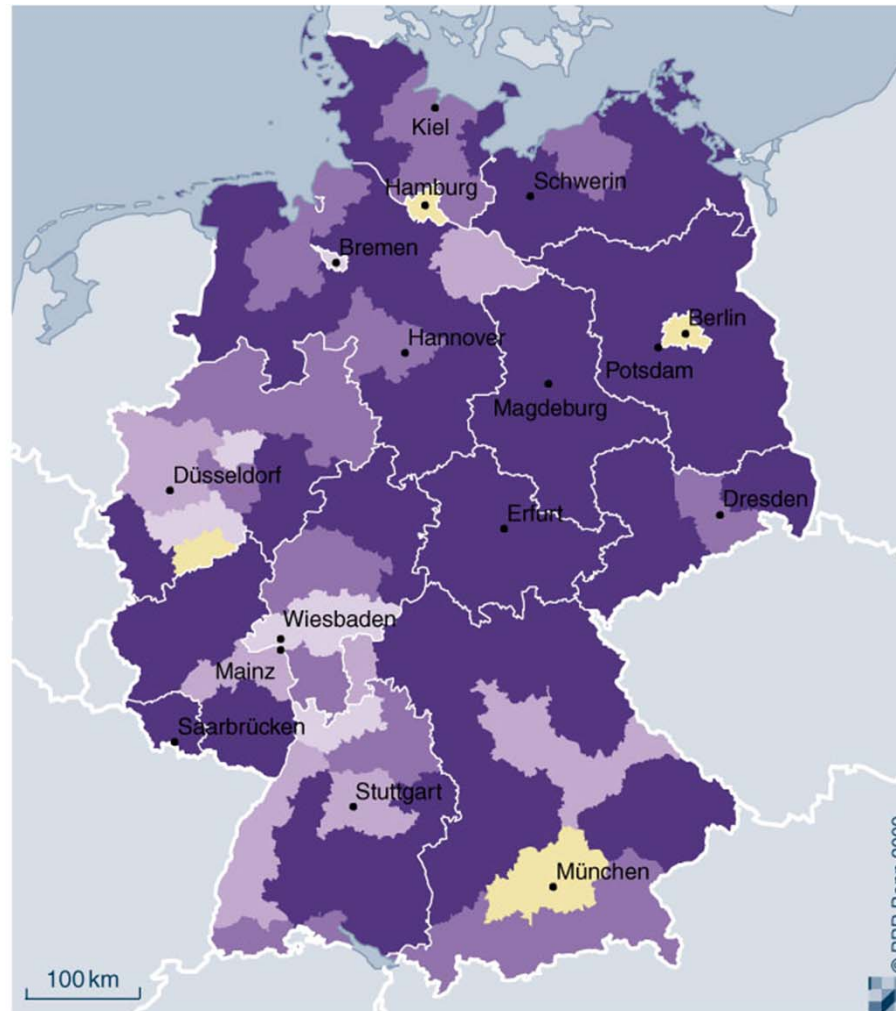


Regional vacancy rates



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Vacancy risks for multi-family houses until 2025 (forecast)



Zu erwartendes Leerstandsrisiko in Mehrfamilienhäusern

- very high
- high
- medium
- low
- very low

Datenbasis: BBSR-Wohnungsmarktprognose 2025
Geometrische Grundlagen: BKG, Raumordnungsregionen, Stand 31.12.2006

Anmerkung: Die Abschätzung des Leerstandsrisikos wurde aus der prognostizierten negativen Entwicklung der Flächennachfrage im Geschosswohnungs-Mietbestand 2005 bis 2020 abgeleitet:

sehr geringes Leerstandsrisiko = Nachfragewachstum von mehr als 1%

geringes Leerstandsrisiko = Nachfragezuwachs/-rückgang um +/-1%

mittleres Leerstandsrisiko = Nachfragerückgang von 1 bis unter 5%

hohes Leerstandsrisiko = Nachfragerückgang von 5 bis unter 10%

sehr hohes Leerstandsrisiko = Nachfragerückgang von 10% und mehr

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Decline in the construction of new housing

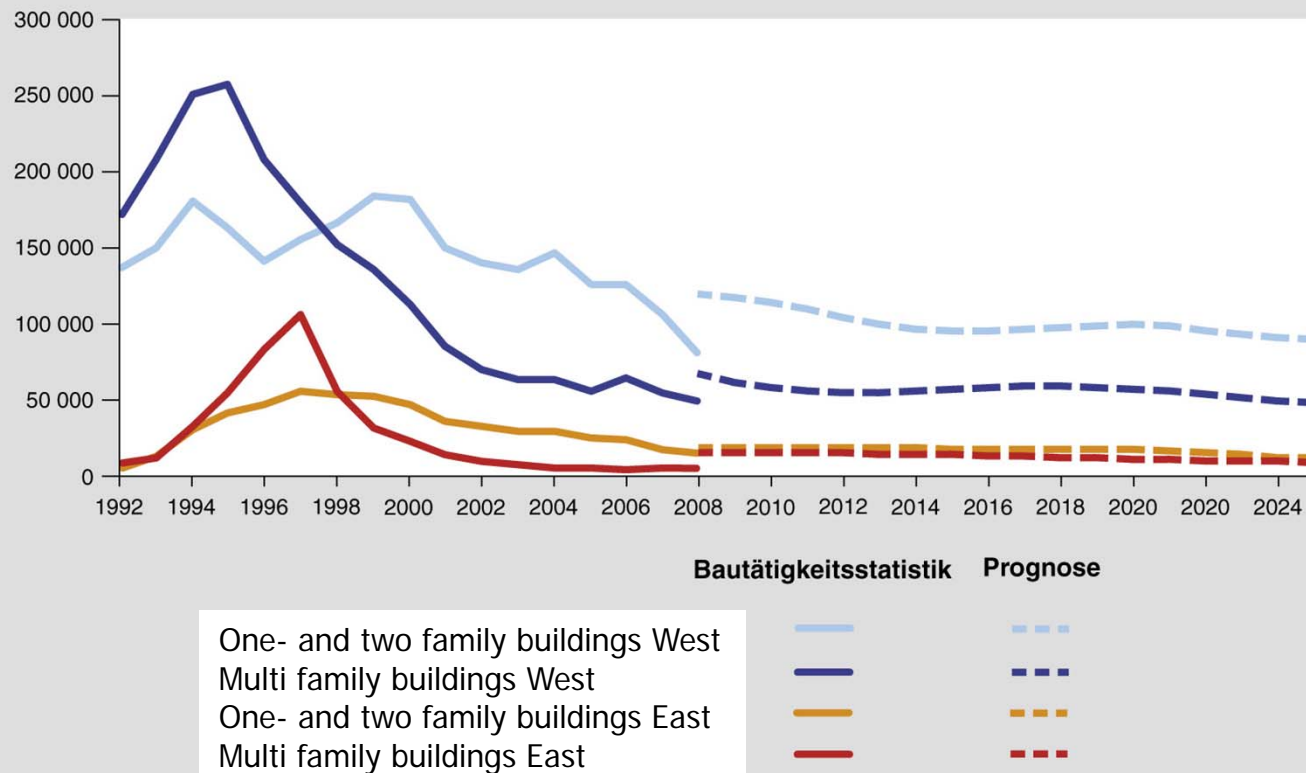


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Annual new constructions differentiated by segments (multi-family vs. single- and two-family houses)

Bautätigkeit nach der Gebäudegröße

Fertiggestellte Wohnungen in neu errichteten Wohngebäuden



Datenbasis: BBSR-Wohnungsmarktbeobachtungssystem,
BBSR-Wohnungsmarktprognose 2025, Statistisches Bundesamt

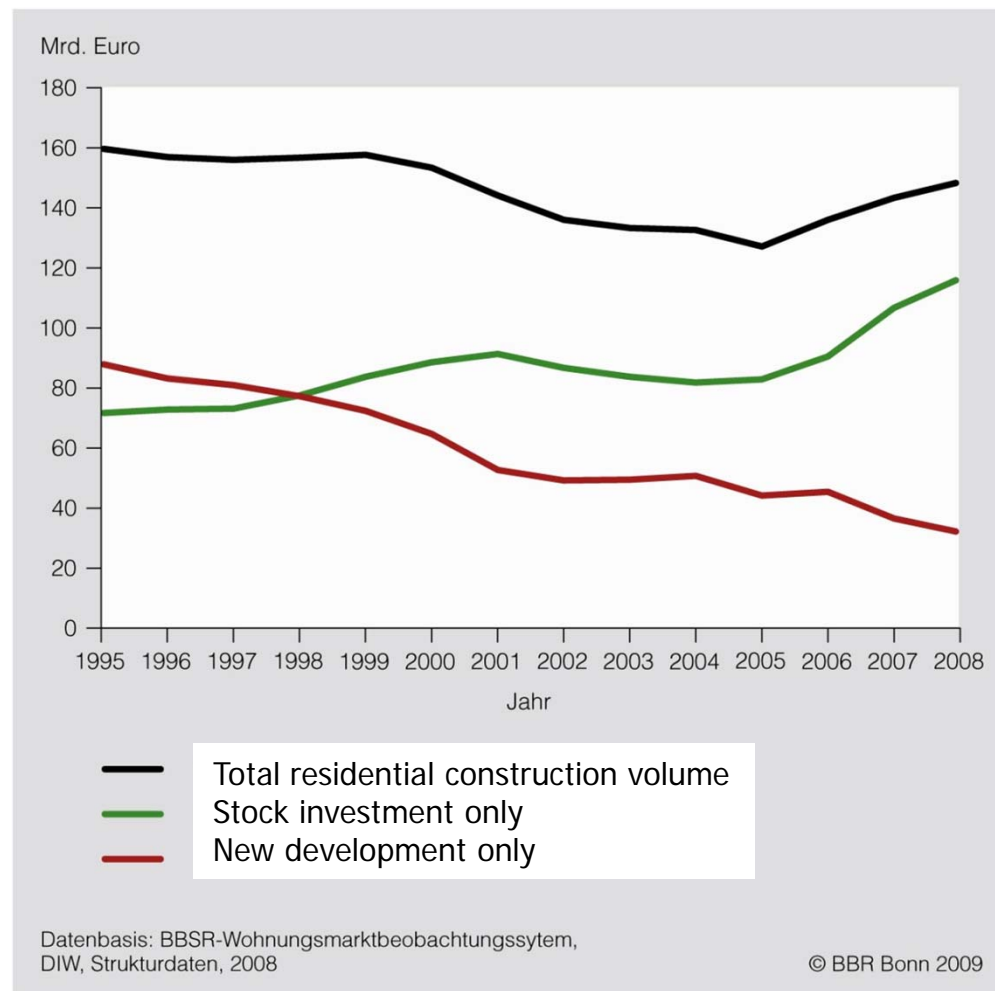
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Development of housing stock investments



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Total construction volume, investment for modernisation/repair, new building investments (in € bn)

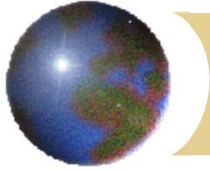


Existing statistics from official, semi-official and private data providers



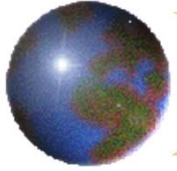
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	Quelle	Hrsg.	Aktualität, Periodizität
Amtliche Sekundärdaten (Auswahl) Official secondary data	Bestandsfortschreibung	Statist. BA	2005, jährlich
	Mikrozensus, Zusatzbefragung zur Wohnsituation (MZ)	Statist. BA	2002, vierjährig
	Gebäude- und Wohnungszählung 1995	Statist. BA	1995, einmalig
	Gebäude- und Wohnungsstichprobe 1993	Statist. BA	1993, einmalig
	Einkommens- und Verbrauchsstichprobe (EVS)	Statist. BA	2003, fünfjährig
	Volkswirtschaftliche Gesamtrechnung (VGR)	Statist. BA	2006, vierteljährlich
Semi-official secondary data	Sozioökonomisches Panel	DIW	2004, jährlich
	KfW-Kreditvergabestatistik	KfW	2006, monatlich
Other data: lobby groups and other institutions	GdW-Jahresstatistik	GdW	2005, jährlich
	Deutscher Immobilienindex	Deutsche Immobilien Datenbank GmbH	2005, jährlich



Total number of households arranged according to household size

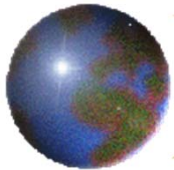
Year	Total Tsd.	1 Pers. %	2 Pers. %	3 Pers. %	4 Pers. %	> 5 Pers. %
2009	40 188	39,8	34,2	12,8	9,7	3,6
2008	40 076	39,4	34,0	13,1	9,9	3,6
2007	39 722	38,7	34,0	13,4	10,3	3,7
2006	39 766	38,8	33,6	13,5	10,3	3,7
2005	39 178	37,5	33,9	14,0	10,8	3,9
2004	39 122	37,2	34,1	13,8	10,8	4,1
2003	38 944	37,0	33,8	14,0	11,0	4,2
2002	38 720	36,7	33,7	14,2	11,1	4,2
2001	38 456	36,6	33,6	14,3	11,3	4,3
2000	38 124	36,1	33,4	14,7	11,5	4,4



Housing need



- ✚ Number of households expected to rise until 2025
- ✚ Currently housing deficits in certain metropolitan areas
- ✚ But also regions with considerable vacancies
- ✚ Demographic housing need at least 200.000 units per year plus 175.000 units because of the aging housing stock (Source: Pestel Institut 2009)



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German Housing

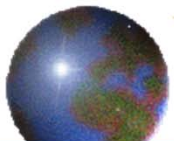
85



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German Housing

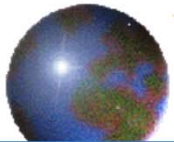
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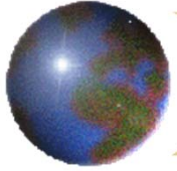
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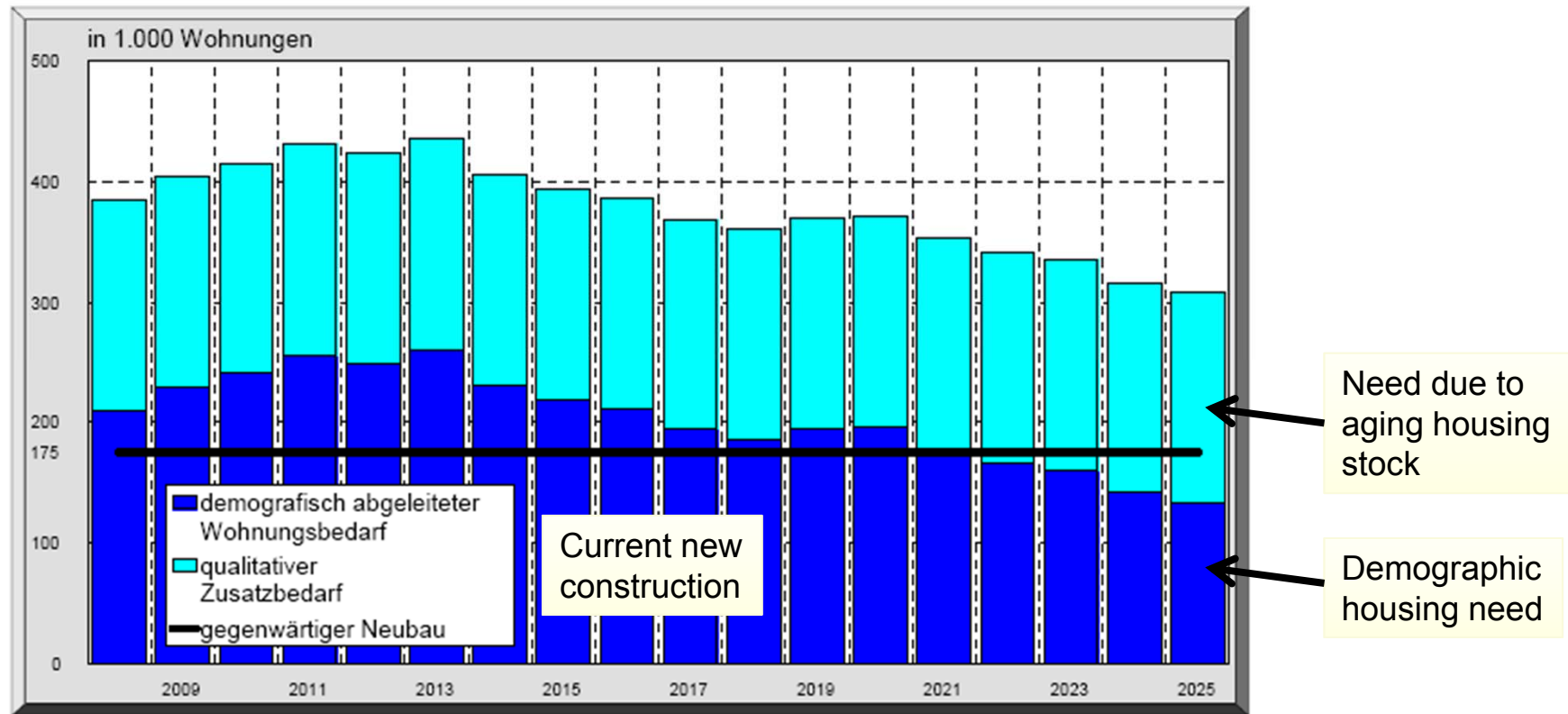
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German Housing

88



Housing need until 2025 with a net immigration of 100.000 persons per year

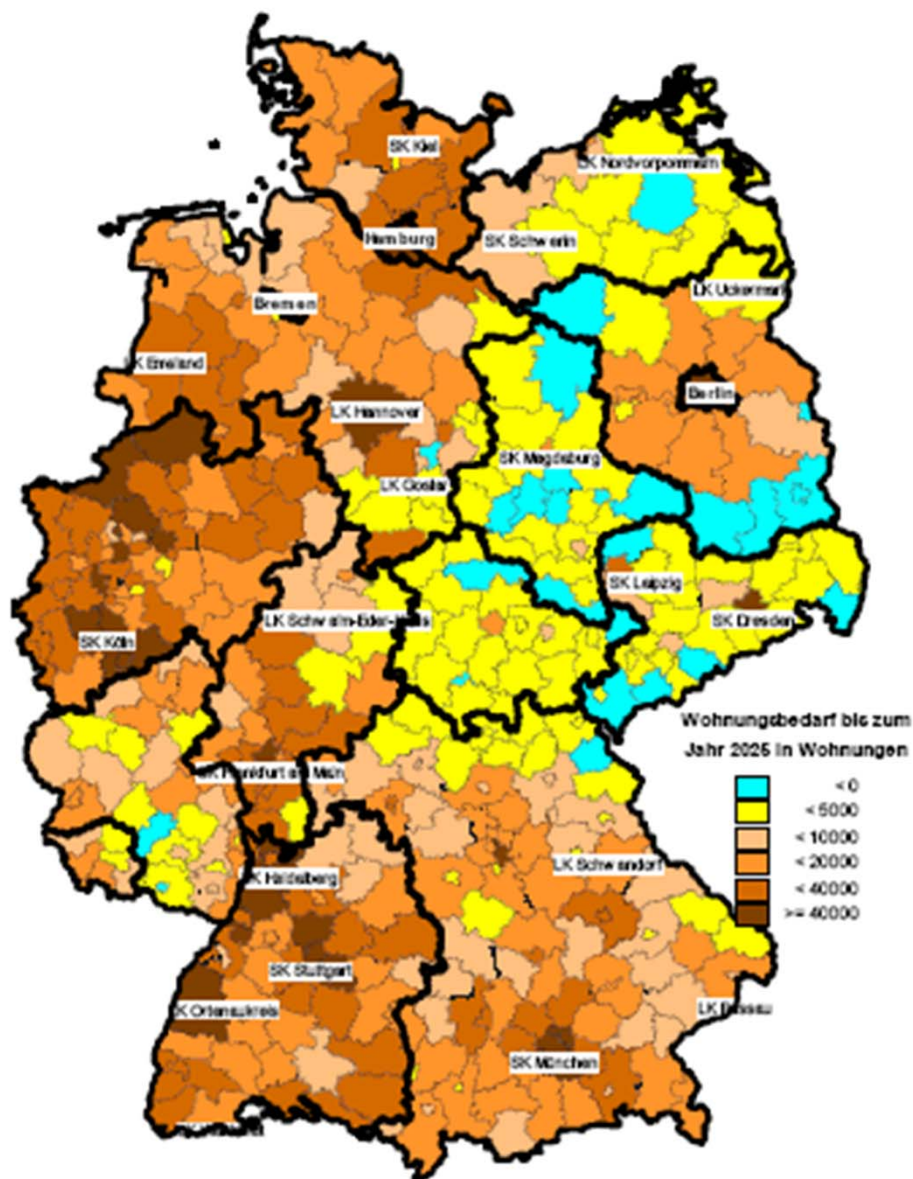


Source: Pestel Institut 2009, p.10

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German Housing

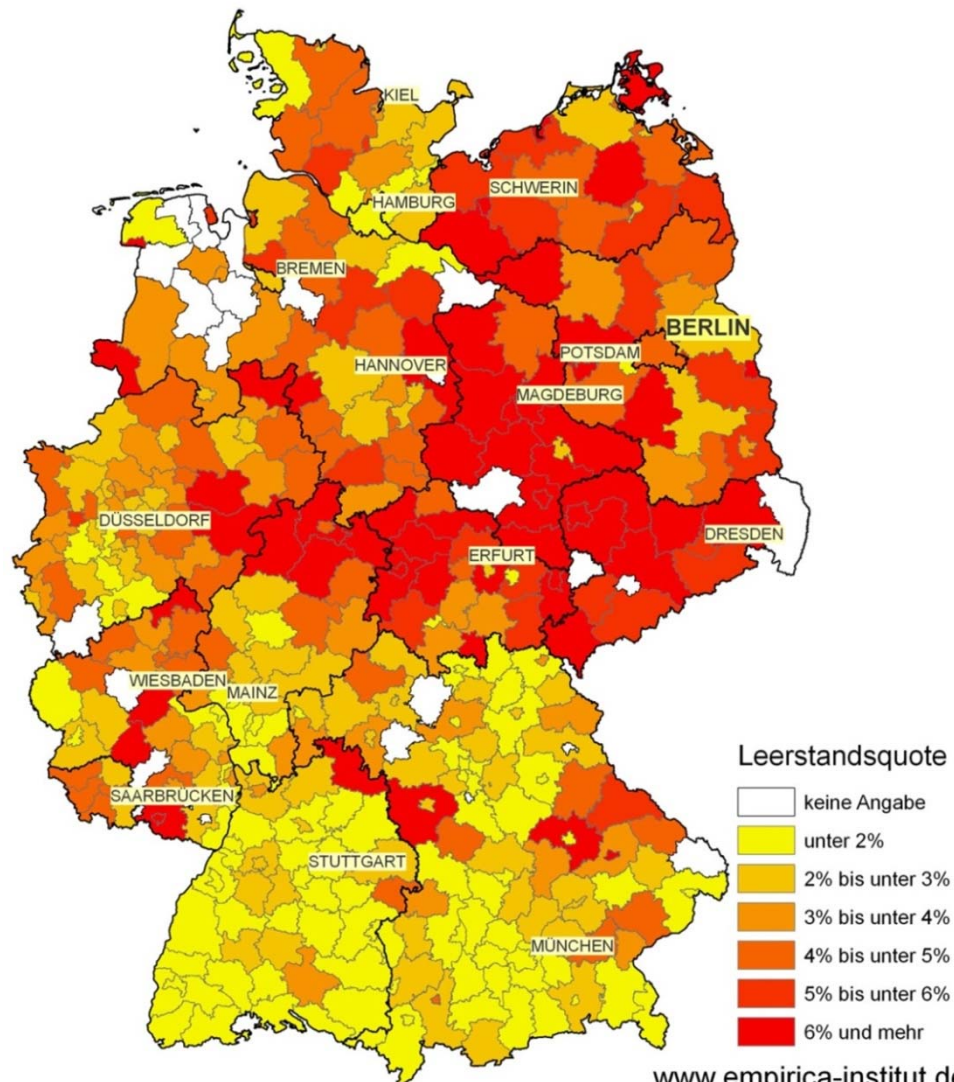
89



Housing need until 2025
with a net immigration
of 100.000 persons per year

Techem-empirica-Leerstandsindex 2007

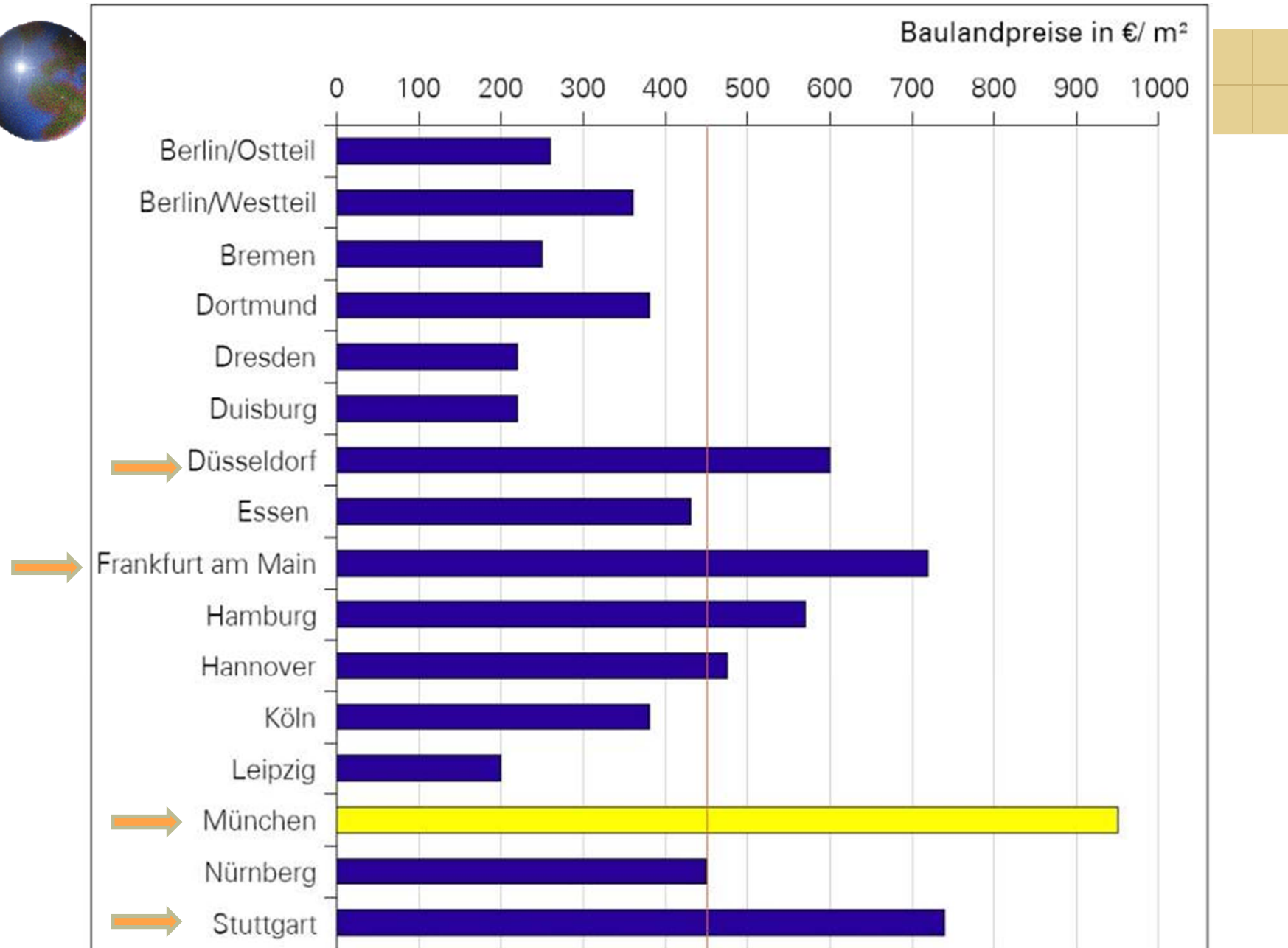
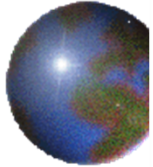
Leerstandsquote von Geschosswohnungen (Kreisgrenzen)



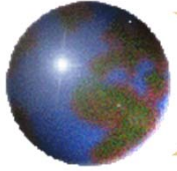
Vacancy rates in 2007
source: Techem / empirica

www.empirica-institut.de

ousing



Quelle: IVD - IVD-Wohn-Preisspiegel 2007 / 2008



The regulatory framework is uniform and relatively stable over time since 1971: reliability for investors

Relevant regulation

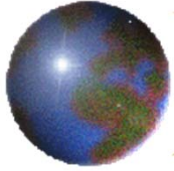
- ✦ In **case of letting** landlords can demand a rent up to 50 / 20 per cent above the (market-oriented) local reference rent.
- ✦ in an **ongoing rental contract** local reference rent as a strict upper limit
- ✦ additional **rent cap** of 20 per cent in three years
- ✦ Rent increase **in case of modernisation**:
 - ▣ modernisation costs per dwelling times 11 per cent per year (share in the costs)
 - ▣ payable until the landlord raises the rent referring to the local reference rent next time
 - ▣ in case of termination of the tenancy no share in the cost from subsequent tenant (→ local reference rent plus 50 / 20 per cent)



Baualter Ausstattung		Wohnungen von unter ... bis ... m ² Wohnfläche			
		bis 40	über 40 bis 60	über 60 bis 90	über 90
		A	B	C	D
bis 1948 schlecht	1	4,64 3,36 - 6,62	4,68 3,54 - 6,19	4,51 3,57 - 6,02	4,87 * 3,68 - 5,50
	2	5,88 4,69 - 7,20	5,69 4,56 - 7,00	5,51 4,15 - 6,81	4,85 3,82 - 6,20
	3	5,71 * 5,24 - 7,12	5,77 4,97 - 8,00	5,34 4,50 - 6,97	5,16 3,55 - 6,37
teil ausgestattet	4	7,61 5,80 - 11,09	7,83 5,87 - 10,00	7,61 6,11 - 10,04	7,39 5,42 - 12,47
voll ausgestattet - unsaniert					
voll ausgestattet - teilsaniert	5	11,49 9,64 - 17,50	12,00 8,53 - 16,00	11,59 6,95 - 16,00	10,00 6,01 - 14,00
voll ausgestattet - vollsaniert					
1949 bis 1970 teil ausgestattet	6	6,99 6,33 - 7,61	6,06 5,49 - 6,85	5,92 5,36 - 6,60	5,95 * 4,20 - 7,14
	7	6,26 5,84 - 7,50	7,02 6,35 - 7,55	6,81 5,65 - 7,93	5,56 * 5,49 - 7,58
	8	7,48 6,74 - 8,53	7,06 6,26 - 8,25	7,00 6,20 - 7,97	7,12 5,56 - 9,48
voll ausgestattet - unsaniert	9	9,67 6,87 - 11,34	9,48 6,48 - 10,69	9,00 8,06 - 9,92	9,30 * 8,70 - 9,84
voll ausgestattet - teilsaniert					
voll ausgestattet - vollsaniert					
1971 bis 1990 teil ausgestattet	10	6,72 6,36 - 7,50	6,49 5,98 - 7,40	6,27 5,84 - 6,72	
	11	6,35 5,78 - 7,71	5,80 5,40 - 7,10	6,26 5,42 - 7,13	6,36 5,78 - 6,75
	12	7,04 5,79 - 9,70	6,65 5,77 - 7,70	6,52 5,77 - 8,27	6,30 5,79 - 7,20
voll ausgestattet - unsaniert	13	10,20 6,98 - 13,16	8,97 6,41 - 10,76	9,60 7,84 - 10,77	8,61 * 6,17 - 10,84
voll ausgestattet - teilsaniert					
voll ausgestattet - vollsaniert					
1991 bis 1999 voll ausgestattet	14	14,00 7,39 - 16,50	11,46 7,39 - 15,00	12,00 7,39 - 15,00	12,40 12,00 - 15,30

Local reference rent

- basically empirically determined
- enumeration of factors contributing to rent price formation („Wohnwertmerkmale“)
- market-oriented: no short-term windfall gains
- role of rent indices („Mietspiegel“)



Long term Rent development in Western Germany

Year CPI average growth rate average rent average growth rate real growth

Jahr	Preis-index ¹	Durchschnittl. Zuwachs	Durchschnittl. Miete DM ²	Durchschnittl. Zuwachs	reale Zunahme der Mieten
1972	44,9		2,98		
1973	48,1		3,17		
1974	51,4		3,37		
1975	54,5		3,59		
1976	56,8		3,82		
1977	58,9		4,06		
1978	60,5	5,10%	4,32	6,38%	1,29%
1979	63,0		4,58		
1980	66,4		4,87		
1981	70,6		5,16		
1982	74,3	5,27%	5,48	6,13%	0,86%
1983	76,7		5,73		
1984	78,6		6,00		
1985	80,2		6,28		
1986	80,1		6,57		
1987	80,3	1,57%	6,87	4,62%	3,06%

Year CPI average growth rate average rent average growth rate real growth

Jahr	Preis-index ¹	Durchschnittl. Zuwachs	Durchschnittl. Miete DM ²	Durchschnittl. Zuwachs	reale Zunahme der Mieten
1988	81,3		7,26		
1989	83,6		7,66		
1990	85,8		8,09		
1991	89,0		8,55		
1992	92,5		9,02		
1993	95,8	2,99%	9,53	5,61%	2,62%
1994	98,4		9,86		
1995	100,0		10,19		
1996	101,3		10,54		
1997	103,2		10,91		
1998	104,1	1,68%	11,28	3,43%	1,75%
1999	104,8		11,43		
2000	106,3		11,59		
2001	108,4		11,75		
2002	109,9	1,36%	11,91	1,37%	0,00%
1972-2002		3,03%		4,73%	1,70%

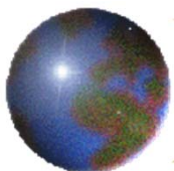
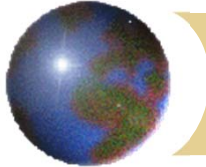


Tabelle 2 Development of rents and consumer prices in Germany

Jahr	Net rents excl. service charges		Consumer price index	
	Index 2000 = 100	Year on year growth rate Per cent	Index 2000 = 100	Year on year growth rate Per cent
2000	100,0	1,2	100,0	1,5
2001	101,1	1,1	102,0	2,0
2002	102,5	1,4	103,4	1,4
2003	103,6	1,0	104,5	1,0
2004	104,5	0,9	106,2	1,7
2005	105,4	0,9	108,3	2,0
2006	106,5	1,0	110,0	1,7

Quelle: Statistisches Bundesamt, Verbraucherpreisindex für Deutschland



Benchmarks in ongoing tenancies December 2006

	Per square meter	per dwelling (70 m ²)	share of gross rent incl. heating costs
	Euro		Prozent
Net rent excl. service charges	4,84	339	66
+ „cold“ service charges	1,41	99	19
= gross „cold“ rent	6,25	438	85
+ heating costs	1,07	75	15
= gross rent incl. heating costs	➡ 7,32	513	100
For information only service charges total	➡ 2,48	174	➡ 34

Quellen: SOEP, Deutscher Mieterbund, Berechnungen des BBR

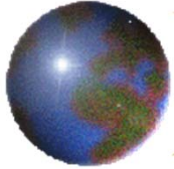


Tabelle 4 Development of rents ongoing tenancies / first occupancy

<div> <div>Building type</div> <div>Quality</div> <div>Jahr</div> </div>	Old building		New building		First occupancy	
	medium	good	medium	good	medium	good
	Year on year growth rate per cent					
2003	0,6	2,6	1,1	-0,2	-0,6	-0,5
2004	1,0	0,3	0,0	-0,3	1,0	0,9
2005	1,9	1,9	1,9	2,9	0,4	0,8
2006	1,5	1,5	0,2	0,1	0,1	0,1

Quelle: IVD-Wohnimmobilienpreisspiegel, Berechnungen der BBR

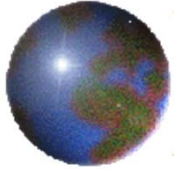


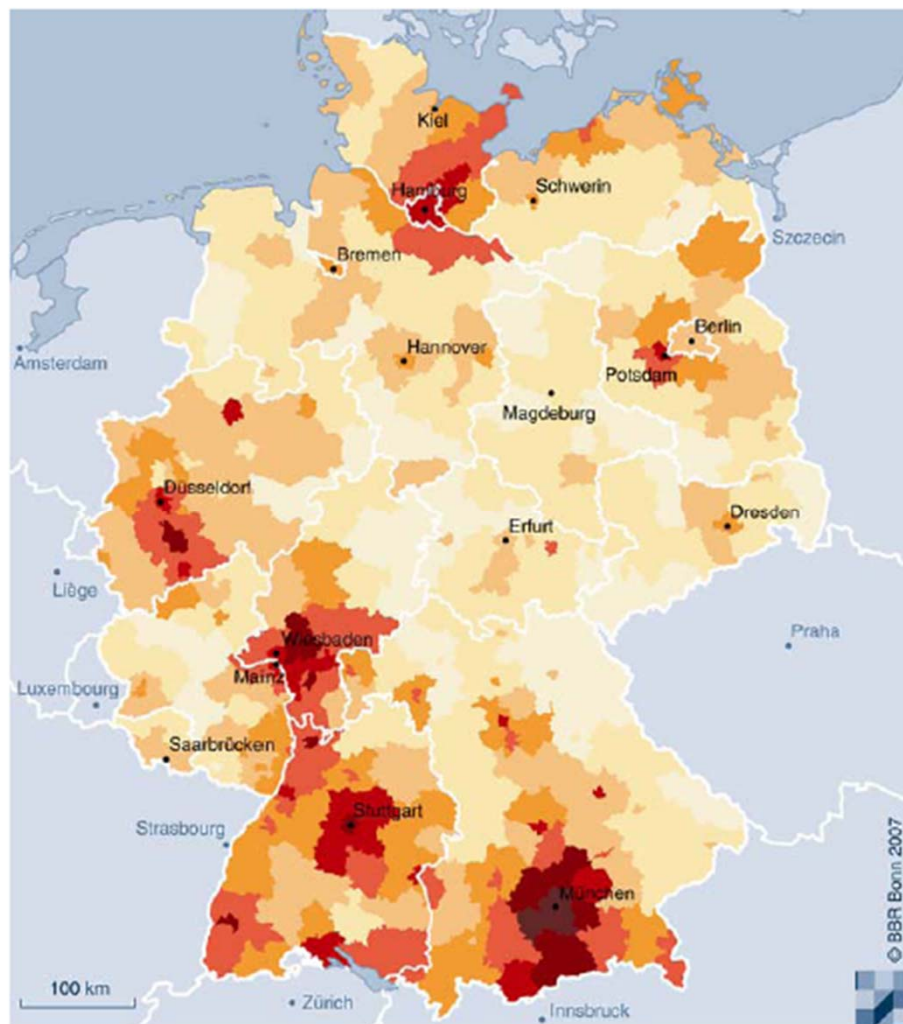
Tabelle 5 Rents in ongoing tenancies / first occupancy 2006

<div> <div>Building finished</div> <div>Quality</div> </div>	till 1948		as of 1948		2006	
	medium	good	medium	good	medium	good
Community size	Net rent excl. service charges Euro per square meter					
bis unter 100.000 Einw.	4,50	5,40	4,80	5,50	5,80	6,50
100.000 bis unter 500.000 Einw.	4,90	5,80	5,50	6,20	6,50	7,25
500.000 und mehr Einw.	5,00	7,50	5,70	7,60	6,60	7,90
Insgesamt	4,85	6,30	5,50	6,60	6,40	7,20

Quelle:IVD-Immobilienpiegel



Abbildung 2 Neu- und Wiedervermietungsrenten 2006



**Neu- und Wiedervermietungsrenten
(Angebotsrenten) 2006 in Euro je m²**

**Neu- und Wiedervermietungsrenten
(Angebotsrenten) 2006 in Euro je m²**

	bis unter 4,5		6,0 bis unter 7,0
	4,5 bis unter 5,0		7,0 bis unter 8,0
	5,0 bis unter 5,5		8,0 bis unter 9,0
	5,5 bis unter 6,0		9,0 und mehr

Kreise, Stand 31.12.2005 (modifiziert)

Quelle: BBR-Wohnungsmarktbeobachtungssystem

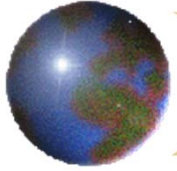
Datengrundlage: IDN Immodaten GmbH

Rent level in 2006 by region:
metropolitan regions as growth
poles

Anmerkungen:

In Brandenburg innere Differenzierung der Kreise
nach engerem Verflechtungsraum und äußerem
Entwicklungsraum.

Regionalkreis Hannover differenziert nach Stadt
Hannover und ehemaligem Umlandkreis Hannover.



Affordability

- ✚ Rental burden: 25,5 per cent of income in 2005
- ✚ Depends on consumption level in terms of quality and quantity
- ✚ Also on household size
- ✚ Engel-Schwabesches Gesetz still valid

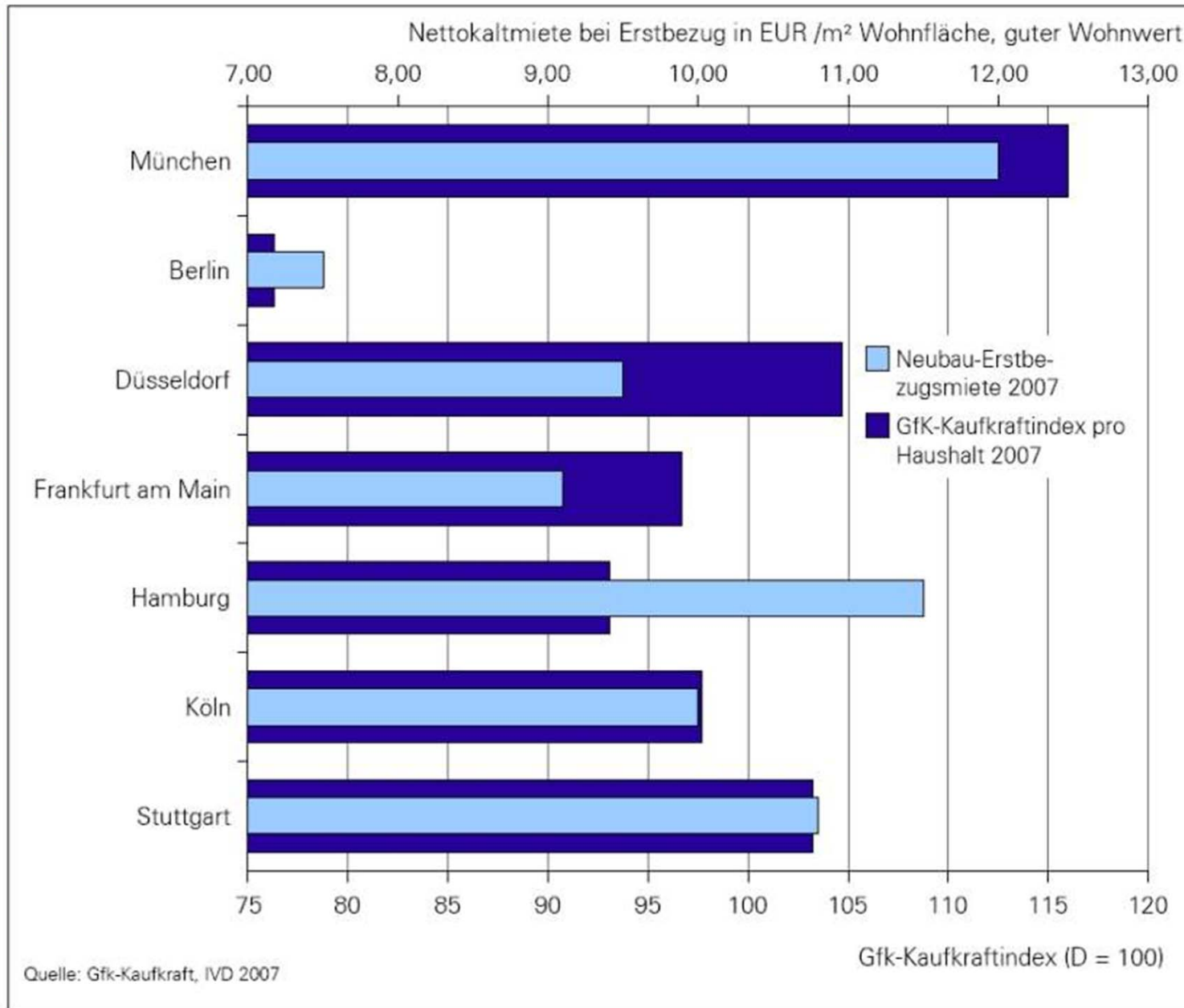
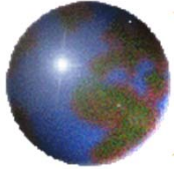


Abbildung 29: Vergleich Erstbezugsmieten und GfK-Kaufkraftindex im Städtevergleich

Kofner

German Housing



Anlage 6 Mietbelastung der Hauptmieterhaushalte nach Haushaltsmerkmalen in Prozent

Feature	Germany	West	East
Insgesamt	25,5	25,8	24,3
Household size			
1 Person	28,5	28,7	27,7
2 Personen	22,5	22,8	21,5
3 Personen	23,4	24,0	21,3
4 und mehr Personen	23,2	23,5	21,7
Number of children			
1 Kind	24,9	25,0	24,6
2 Kinder	24,5	24,5	24,5
3 und mehr Kinder	26,4	26,4	26,4
ohne Kinder	25,6	26,0	24,2
Household net income			
bis unter 900 Euro	39,8	41,1	36,7
900 bis unter 1.300 Euro	31,3	32,5	27,8
1.300 bis unter 2.000 Euro	25,4	26,1	23,0
2.000 bis unter 3.200 Euro	20,3	20,9	17,6
über 3.200 Euro	15,1	15,4	13,1
Employment situation			
Erwerbstätige	23,5	23,8	22,3
Erwerbslose	33,4	34,1	31,8
Rentner	26,6	27,8	23,6
Year moved in			
vor 1981	24,4	25,5	21,1
1981 bis 1990	24,2	24,8	21,6
1991 bis 2003	25,4	25,5	24,8
2004 und später	27,5	27,4	27,7

Quelle: SOEP 2005

Rent burden of
main tenant
households per cent

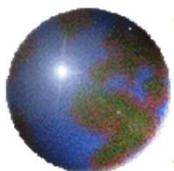
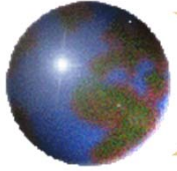


Tabelle 11 | Rent burden before and after Wohngeld

Household size	2002		2003		2004		2005		2008	
	Rent burden		Rent burden		Rent burden		Rent burden		vor	nach
	vor Wohngeld	nach Wohngeld	vor Wohngeld	nach Wohngeld	vor Wohngeld	nach Wohngeld	vor Wohngeld	nach Wohngeld		
Deutschland insgesamt										
1	46,1	34,3	48,3	35,3	49,3	35,9	45,6	37,4	45,7	35,9
2	40,6	29,3	41,6	29,1	42,2	29,5	40,3	31,1	42,3	32,5
3	37,0	24,8	37,7	25,2	38,0	25,5	37,2	26,5	37,9	29,0
4	32,8	20,9	33,4	21,3	33,9	21,0	31,7	22,0	33,1	24,9
5	31,4	18,9	31,9	19,1	32,4	19,0	29,7	20,0	31,4	22,6
6 und mehr	30,7	16,4	31,3	16,5	31,3	16,5	28,4	17,4	-	-
Insgesamt	41,2	29,3	42,9	30,1	43,8	30,7	40,6	31,6	39,3	30,0



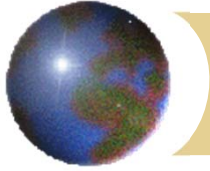
- ✦ Subsidies for homeownership on low level
 - ✦ Eigenheimzulage cancelled
 - ✦ no tax subsidies: consumption good
 - ✦ subsidies focussed on energy savings and provision for retirement (as part of pension plan subsidies)

✦ Social housing in constant descent

- ✦ The stage is set for an important role of private rental housing.
- ✦ Subsidies for rental housing negligible
 - ✦ energy savings
 - ✦ modernisation
 - ✦ no general tax subsidies (linear depreciation)

✦ rent caps burden some only in the short run → "Vergleichsmiete" is market-oriented

- ✦ Public housing in constant descent
 - ✦ privatisations
 - ✦ little new developments due to financial restrictions



Policy and theory trends

- ✚ Privatisation and social return
- ✚ The role of REITs
- ✚ Subsidies for homeownership
- ✚ Difference between housing need and number of completions
- ✚ Vacancies and housing shortages
- ✚ ...