



BERLINER MIETERVEREIN

Rent Control / Rent Brake in Germany, for example Berlin

Part I

Berlin, January 9th 2018



Let's take a look at the history:

- 1917: First rent-regulation, at first for soldiers/sailors & their households, than across the country
- After second world war/1960/1987: Rent-regulations for new and existing leases have been abolished since 1960 in several german cities and federal states in the private housing sector. Last city which lost a public defined rent was the western part of Berlin in 1987.
- 1971: Essentially for the German rent act was the law about protection against eviction in 1971. From this time it was no longer allowed to withdraw from leases in cause of rent increase and rent increase in existing tenancies has been limited to local comparison rents. With the exception of Munich and Hamburg (till 1974) and Berlin-West (till 1987) rents in new leases have been free.
- 2015: Now – since June 2015 – there is a possibility for the German federal states to adopt a rentbrake for new leases in cities or municipalities with a tight housing market by 10% of the local comparison rent. At least we've got 294 cities with the rentbrake, four federal states without and one executive order law in Bavaria, which is legally void.



How does the rental brake (Mietpreisbremse) works

- 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 represented in tabular overviews (Rent-Index=Mietspiegel) of the rents from existing and new tenancies paid in last four years



What about the effects of the rental brake

- Has not yet the hoped-for effect (we have investigated the effect of the rental brake).
- Many landlords ignore the rental brake or use the loopholes. There are no civil penalties.
- The tenant association therefore demand that the legislature tightening the rental brake.



What about the exceptions/loopholes of the rental brake

- No rental brake for flats in new houses ready to move into up to October 2014 and comprehensive modernisation up to investment costs from more than one third of comparable investment costs of new buildings (nearly 500 €/qm, without costs for the property, in Berlin 43.500 tenancies nearly 6 Mio. €/year too much rent)
- The rental cap does not apply if the previous tenant already paid a rent above the 10% limit (in Berlin 475.000 tenancies from 1.8 Mio. tenancies, nearly 57 Mio. €/year too much rent)
- If the landlord has modernised between the last three years, the rent cap could be exceeded by a rent increase of 11% of investment costs for modernisation (in Berlin 107.000 tenancies)

Furthermore: There are no civil penalties, the rent-brake is temporally limited (five years)



Was the rental brake necessary?

Development of population and housing market in Germany

Year	Proportion Immigration/ Emigration	Completion of flats in new houses
2011	+ 279.207	183.110
2012	+ 368.945	200.486
2013	+ 428.607	214.817
2014	+ 550.483	245.325
2015	+ 1.139.000	247.722
2016	+ 750.000	277.691

In the most big cities/metropolitan areas and cities with universities we have tight housing markets with huge rent increase



Some informations about housing market in Berlin:

Population

- 3,5 million inhabitants (largest city in Germany)
- since 2011 the city has grown by 40,000 to 50,000 inhabitants annually
- Between 2012 and 2015 the city expanded by 175,000 people.
- 84 % of the Berlin residents rent their homes
- 54 % single-person-households



Some informations about housing market in Berlin:

Income situation

- Average household income: 1,600 € monthly
- Housing costs without heating: about 28 % of the net-income
- 55 % of the Berlin households would be entitled to receive a social housing home
- 22,4 % poverty-stricken households



Some informations about housing market in Berlin:

Housing stock

- Berlin has a total of 1.89 million apartments
 - 302,000 condominiums (16%)
 - 300,000 are owned by municipal housing companies, within 35,000 apartments in social houses
 - 105.000 Social housing flats, within 35.000 owned by municipal housing companies



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Rents of new leases Berlin Immobilienscout24 in 2013

		Year of construction							
Tight housing market Example Berlin		Before 1919	1919 till 1949	1950 till 1964	1965 till 1972	1973 till 1990 (West)	1973 till 1990 (East)	1991 till 2002	2003 and later
adress									
Less than 40 qm	simple	9,62	7,71	7,98	7,55	(7,72)	7,62	(9,02)	10,53
	middle	9,71	8,10	8,09	8,73	(7,9)	7,85	9,41	(9,94)
	good	9,99	(9,09)	9,82	10,00	(8,59)	(8,93)	(9,49)	(15,4)
40 till 59 qm	simple	8,59	7,07	6,86	6,62	6,48	6,50	8,14	(12,85)
	middle	8,94	7,12	6,89	7,33	7,33	6,37	7,60	8,99
	good	9,18	8,27	8,55	8,83	8,26	(8,52)	8,79	(12,73)
60 till 89 qm	simple	8,12	7,07	6,33	5,76	6,11	5,24	7,28	11,41
	middle	8,74	7,20	7,11	6,52	6,85	5,30	7,17	9,59
	good	8,94	8,77	8,44	8,12	8,10	7,23	8,85	12,21
90 qm and more	simple	9,01	7,84	6,50	5,65	6,15	5,02	7,58	12,47
	middle	9,31	8,71	(8,33)	6,19	7,09	5,59	7,44	11,26
	good	9,74	9,12	8,30	9,75	8,94	(7,67)	10,01	12,08
In brackets table elements with less than 100 cases									
Average value									
							Regiokontext, Berlin 2015		



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Berliner Mietspiegel 2013 (Local comparison rents)

		Year of construction						
		Before 1919	1919 till 1949	1950 till 1964	1965 till 1972	1973 till 1990 (West)	1973 till 1990 (East)	1991 till 2002
adress								
Less than 40 qm	simple	6,66	6,35	5,52	5,86 -		6,13 -	
	middle	6,81	6,55	5,72	6,09 -		6,39 -	
	good	6,87	6,19	6,45	7,7 -		7,87 -	
40 till 59 qm	simple	5,57	5,31	5,19	4,92	6,33	5,27	6,97
	middle	5,82	5,51	5,28	5,28	6,46	5,35	7,1
	good	6,17	6,07	5,53	6,03	7,41	6,64	7,93
60 till 89 qm	simple	5,19	5,22	4,73	4,5	5,88	4,62	6,58
	middle	5,67	5,28	5,23	5,01	6,1	4,75	6,87
	good	6,03	6,08	5,58	6,07	7,74	5,34	7,77
90 qm and more	simple	5,17	5,48 -		4,28	5,63	4,56	6,7
	middle	5,3	5,33	5,45	4,88	6,64	4,64	6,93
	good	5,77	5,56	6,55	7,18	7,92	5,38	8,57
Average value					SenStadtUm 2013			



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Difference between new lease rents/local comparison rents Berlin 2013 in €

		Year of construction							
		Before 1919	1919 till 1949	1950 till 1964	1965 till 1972	1973 till 1990 (West)	1973 till 1990 (East)	1991 till 2002	2003 and later
adress									
Less than 40 qm	simple	2,96	1,36	2,46	1,69		1,49		
	middle	2,90	1,55	2,37	2,64		1,46		
	good	3,12	2,90	3,37	2,30		1,06		
40 till 59 qm	simple	3,02	1,76	1,67	1,70	0,15	1,23	1,17	
	middle	3,12	1,61	1,61	2,05	0,87	1,02	0,50	
	good	3,01	2,20	3,02	2,80	0,85	1,88	0,86	
60 till 89 qm	simple	2,93	1,85	1,60	1,26	0,23	0,62	0,70	
	middle	3,07	1,92	1,88	1,51	0,75	0,55	0,30	
	good	2,91	2,69	2,86	2,05	0,36	1,89	1,08	
90 qm and more	simple	3,84	2,36		1,37	0,52	0,46	0,88	
	middle	4,01	3,38	2,88	1,31	0,45	0,95	0,51	
	good	3,97	3,56	1,75	2,57	1,02	2,29	1,44	

BMV/Regiokontext, Berlin 2015



Difference between new leases rents/local comparison rents Berlin 2013 in %

	adress	Before 1919	1919 till 1949	1950 till 1964	1965 till 1972	1973 till 1990 (West)	1973 till 1990 (East)	1991 till 2002	2003 and later
Less than 40 qm	simple	44,4	21,5	44,5	28,9		24,3		
	middle	42,6	23,7	41,5	43,3		22,8		
	good	45,5	46,9	52,3	29,8		13,5		
40 till 59 qm	simple	54,2	33,2	32,2	34,5	2,4	23,3	16,8	
	middle	53,5	29,2	30,5	38,8	13,5	19,0	7,0	
	good	48,8	36,2	54,6	46,5	11,4	28,3	10,8	
60 till 89 qm	simple	56,4	35,4	33,8	28,0	3,9	13,5	10,7	
	middle	54,2	36,4	35,9	30,2	12,3	11,5	4,3	
	good	48,3	44,2	51,2	33,8	4,7	35,4	13,9	
90 qm and more	simple	74,4	43,1		32,0	9,3	10,0	13,2	
	middle	75,6	63,3	52,8	26,8	6,7	20,4	7,3	
	good	68,8	64,1	26,7	35,8	12,9	42,6	16,9	
average		55,6	39,1	40,3	34,0	8,6	20,0	11,2	

BMV/Regiokontext, Berlin 2015



The rent brake was urgently necessary in Berlin

2013:

- 87% of rents from new leases, registered by portal of Immoscout24 above local comparison rents (lcr)
- in the average to 2,50 €/qm, within about 47,6% (old houses: 55%) above lcr

- 74,5% of rents from new leases, registered by portal of Immoscout24 **above** rent cap (Mietpreisbremse, lcr + 10%)
- in the average to 2,31 €/qm, within about 37,9% above lcr

- Theoretically the tenants of Berlin should have save money in amount of 90 – 100 Mio. €/a year by in average 65 qm big flats



Reality since rent cap – start June 2015

Development of rents in new leases

- Portal Immobilienscout24

1-2015: 8,50 €/qm monthly / 5-2015: 8,80 €/qm monthly

6-2015: 8,53 €/qm monthly / 8-2015: 8,50 €/qm monthly

- Portal Immowelt

5/2015: 9,30 €/qm monthly

6/2015: 9,10 €/qm monthly / 8/2015: 9,40 €/qm monthly

9/2015: 9,60 €/qm monthly

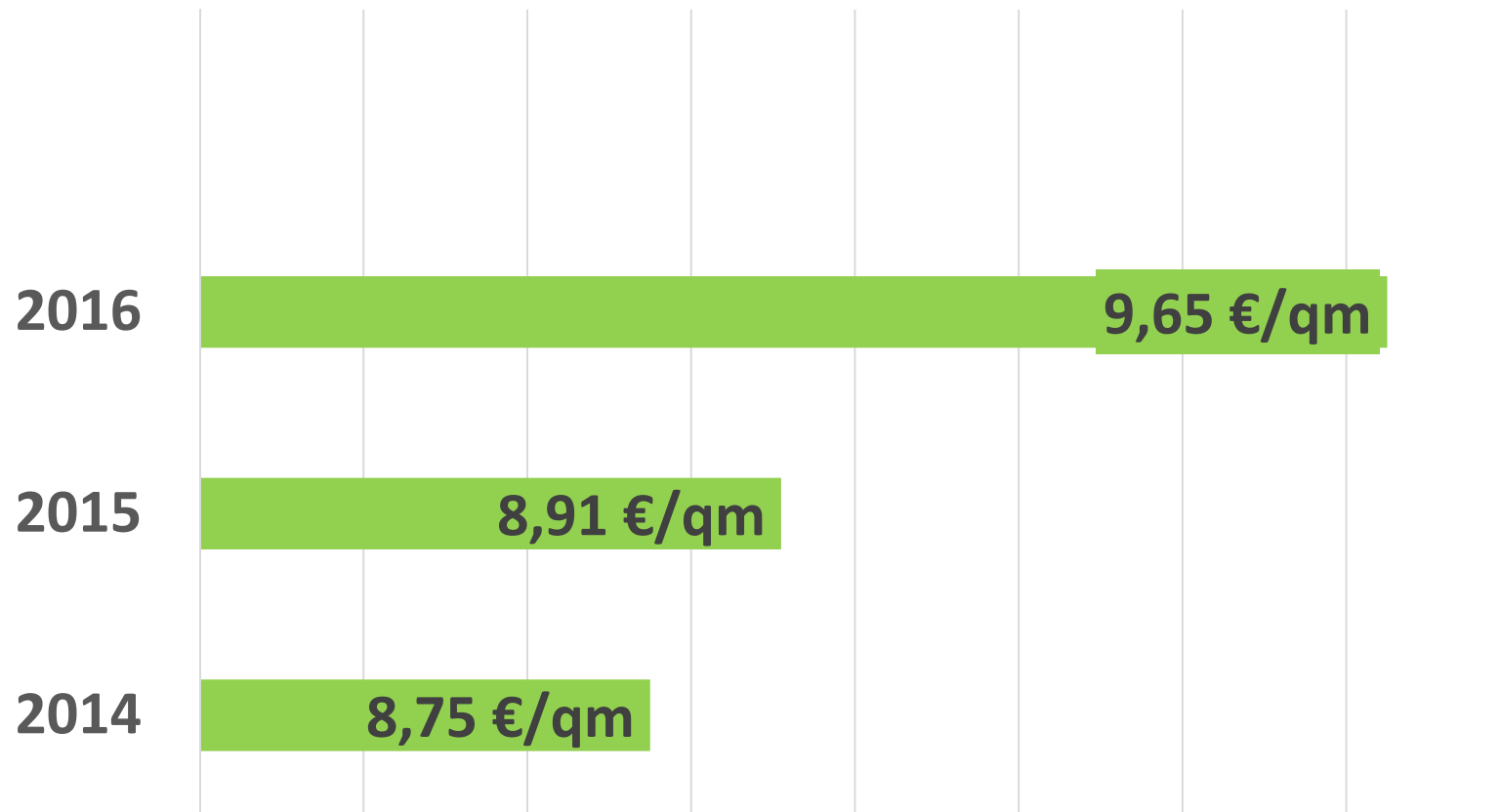
- Rent cap

Lcr in average (Mietspiegel 2015): 5,84 €/qm/monthly

Lcr with cap in average 2015: 6,42 €/qm/monthly



Development of rents in new leases





Research about rent cap effects

- **50.000 offers** for leases have been examined.
- **More than 90%** of the offers exceed in old houses the rent cap.
- The landlords in Berlin expect to realise in the inner-city 9,- €/qm in average, irrespective of the cap.
- Average rent of new leases in 2015 (without exceptions) **8,67 €/qm** monthly. The rent cap was exceeded to **2,18 €/qm** monthly (**31-35%**), by old houses to **3,32 €/qm** monthly.
- Exceeding rents in districts: **Friedrichshain-Kreuzberg 3,64 €/qm** monthly and **Charlottenburg-Wilmersdorf 3,10 €/qm** monthly



Requirements

- **The rent cap** must be **unlimited**
- **Abolition of exceptions and loopholes** (for example furnished apartments)
- **Civil penalties** for landlords exceeding the rent cap
- **Right to reclaim** overpaid rents till start of tenancy
- **Obligatory basis** of the local comparison rent overview (rent-index) for rent cap



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Thank You very much for Your attention.