

# Berlin sees big rent increases

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Rents in Berlin have increased in the last two years by an average of 7.9 percent. This was revealed in a report on the city's rent index (Mietspiegel) presented by Ingeborg Junge-Reyer (Social Democratic Party, SPD), the urban development minister in the Berlin Senate (city government).

The SPD-Left Party coalition that controls the Senate in Berlin and implements policies exclusively in the interests of the large housing corporations and financial speculators is responsible for the dramatic increase in rents in the city.

According to the Berlin's tenants' association, investors on the German housing market were able to make the highest returns in Berlin in 2010. Since it took office, the SPD-Left Party Senate has privatised 150,000 publicly owned apartments, and the remaining housing corporations controlled by the city government are obliged to focus on turning a profit. The construction of public housing has been halted completely, and the requirement for private housing contractors to provide so-called affordable "social housing" has been lifted, leading to extreme rent rises. The existing methods for maintaining the stock of affordable housing, such as the prohibition on using housing for other purposes, are not being used by the Senate.

In 2004, the Senate sold off the state-owned housing company GSW to the investors Goldman Sachs and Cerberus, handing over control of 65,000 homes. The company is now listed on the stock market, and shareholders want to see their dividends. In 2009 alone, the new owners sucked out almost half a billion euros from the company, while the modernisation and maintenance of apartments have been neglected and GSW rigorously pursues defaulting tenants.

The rent index published by the Senate downplays the average increase in rents and serves thereby as a basis for further rent increases. Property owners can automatically increase their rents every three years by up to 20 percent if these lie below the "local comparative rent". The rent index is also used as a guideline in setting rent levels for new tenancies.

Since the index only considers tenancies that were taken out during the last four years or where rents were increased, but does not include more favourable rents that have not changed, the Senate's calculations of the rent index are distorting the figures.

Many housing companies regard the new index as a license to once again increase rents dramatically. Before 2009, the annual rate of increase for rents was only 0.8 percent, but in the last

two years this has risen fivefold. The average monthly cost per square metre for an apartment (excluding ancillary costs) is now €5.21 instead of €4.83 previously. In addition, the price of heating, water, garbage disposal, etc., due to the cuts and privatisation policies of the Senate, have also pushed up costs.

The average rent increase is now 7.9 percent. However, the increase is far higher in some districts and for some types of housing. For about one quarter of all privately owned buildings the rent increase is above 10 percent.

The net increase for small apartments below 40 square metres is on average 8.5 percent, for medium-sized apartments (60 to 90 square metres) 7.6 percent, and for large apartments (about 90 square metres) 9.3 percent. In some 60,000 new apartments in Berlin the rent is now around €7 per square metre per month.

In more attractive traditional buildings built before 1918 the rent increase is especially high, 11.8 percent. For those living in old buildings without modern heating or a proper bathroom, which usually accommodate those on low incomes, the unemployed and students, rents are shooting up by as much as 17.5 percent.

Young people protested against the increase in rent levels at a press conference, describing themselves as having been made "superfluous". The Berlin housing market is a "playground for the rich, and the Senate is playing along", one said.

In contrast, Development Minister Junge-Reyer claimed there was still a large stock of vacant dwellings, and that therefore there was no shortage of housing in Berlin. Increasingly in Berlin, however, apartments are being transformed into offices, clinics and tourist accommodations, and the stock of available living space is becoming increasingly scarce.

From the perspective of the tenants associations, counter-measures are needed. These include new regulations banning the re-purposing of residential accommodation, an extension of the restriction on contract termination, an extension to 10 years of protection against landlords reclaiming occupancy for "personal use". Tenants advocates also want a consent requirement when landlords seek to convert rental properties into owner-occupied condominiums in many Berlin residential areas, as well as restrictions on the powers of the Senate to preemptively purchase property.

But despite the significant decline in vacant properties and the increasing conversion of rental properties into owner-occupation, leading to a continuous reduction in the housing

supply, the Senate is taking no action.

Housing market experts blame the increasing number of households in the city and the resulting growing demand for apartments for the increase in rents. They call for the construction of more affordable housing and say what is needed is a doubling of new builds from 4,000 to 8,000 apartments a year to slow the increase in rents. But the Senate has clearly rejected initiating a new wave of social housing building.

Meanwhile, there are only about 100,000 apartments in Berlin that can be rented for less than €4 per square metre per month. Particularly hard hit by the rent increases are some 400,000 welfare recipients in Berlin. They face being forced to relocate into cheaper apartments, or they must pay higher rents from their existing benefits because the job centre will not contribute towards higher costs.

One in five of those who share their accommodation, amounting to almost 70,000 individuals, pay rent above the upper rate prescribed by the Senate for accommodation costs. This is particularly critical for two-person households dependent on welfare. Nearly 40 percent of this group are forced to reduce their housing costs below a minimum gross monthly rent of €444. One third of three- and four-person households are affected.

Last year, the number of welfare recipients who were forced to move tripled compared to 2009, with 1,195 households being forced to move into cheaper accommodation. A year earlier the figure was just 428. Since 2006, a total of 3,292 households dependent on welfare have had to move. Nevertheless, the total cost of accommodation that must be paid for by the Berlin city government has risen. In 2006, some €1.36 billion was needed for 346,000 households; in 2010 this had risen to €1.44 billion for 332,000 households.

The Senate has eliminated financial support for 28,000 of the city's 170,000 public housing units. Consequently, these apartments are now no longer regarded as social housing. Their owners can demand the full cost of rent, even if the customary reference rent in a particular area is well below this level.

For example, tenants in the Fanny Hensel settlement in Kreuzberg will now have to pay €9.62 rent per square metre instead of €5.33 as previously. The settlement is located near Potsdamer Platz. In the past, this area was home to many low-paid earners and welfare recipients. After the fall of the Berlin Wall in 1989 the district has been re-integrated into Berlin's downtown and has become a coveted residential area. A 50-square metre apartment now costs €830 a month including heating and hot water, representing a rent of €13.02 per square metre.

For tenants who cannot pay these extremely expensive rents the state-owned Degewo and Gewobag housing companies no longer have any low-cost housing on offer near the settlement. People are thus forced to leave their traditional surroundings and move to the suburbs.

Rapid rent increases due to the elimination of state financial

supports are also affecting Koloniestrasse in Wedding, where currently €15.66 per square metre is being demanded in rent. In Kreuzberg's Kochstrasse, rents were increased by 120 percent in February.

The Berlin Senate claims its hands are tied. Landlords can charge the full cost of rent, because otherwise an "undue restriction on their property" would exist, according to the Senate. In fact, since the federalism reforms of 2006, Germany's länder (states) are authorized to implement their own legal regulations covering social housing. Several states have done this. In Baden Württemberg and Schleswig Holstein the rent-costs principle was abolished in favour of a comparative rent system. According to the Berlin Residents' Association, "The Senate has so far failed to adopt timely regulations to protect those in social housing".

The examples cited show that what has happened did not come as a surprise, but is a result of the Senate's deliberate policies. The Senate policy of pushing out low-income households is meant to "improve" certain areas of the city.

Apart from a two-week extension of the deadline for tenants to vacate their apartments, and the possibility (only in the last resort) of a grant to pay for the move, the Senate has done nothing for those whose tenancies have been terminated. This means that in a former working class district such as Prenzlauer Berg, the gentrification of the attractive traditional buildings over the last 20 years has seen the replacement of almost the entire population. Students, pensioners and those on low incomes can no longer afford to live there.



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