

Germany's biggest real estate company announces new round of rent increases

Markus Salzmann

12 June 2022

Germany's largest housing company, Vonovia, has announced large rent increases and other real estate companies are expected to follow suit. For millions of families in Germany housing has already become unaffordable.

Vonovia CEO Rolf Buch justified the announcement with rising inflation. "If inflation is permanently at 4 percent, rents in future will also have to rise accordingly every year," Buch told the business newspaper *Handelsblatt*. Otherwise, he claimed many landlords would experience difficulties (!).

The reference by Vonovia to rising inflation is just a pretext: The driving force behind the planned increases is naked greed.

Vonovia increased its rents in the first three months of this year to an average of €7.40 per square metre, i.e., 3.1 percent more than a year earlier. In Berlin, the company increased rents by as much as 8 percent. Overall, rents in Germany rose by an average of 1.7 percent during this period, which means Vonovia leads the pack. In the last six years, rents for Vonovia flats have increased by nearly 22 percent.

Against this background, Vonovia's promise to increase average rents by no more than 1 percent per year for the next three years, and then in line with the rate of inflation cannot be taken seriously. It was already clear at the beginning of 2021 that the so-called "Future and Social Pact" agreed between the Berlin Senate and Vonovia was not worth the paper it was written on—with many tenants reporting increases of up to 9 percent.

Vonovia is Germany's largest housing group with a total of 565,000 flats in Germany, Austria and Sweden, with most of its property in Germany. Following its takeover of the Deutsche Wohnen group last year, the company owns around 150,000 flats in Berlin alone.

As a result, the real estate company group is making fantastic profits at the expense of tenants. In 2020, it increased its operating profit by over 10 percent to €1.35 billion, even after the Berlin Senate had imposed a (very temporary) rent cap following massive protests from tenants. Last year the company's profits rose to €1.7 billion and, with a share price of €1.66, paid out the highest dividend in its history.

Along with Vonovia, other large real estate companies have also increased rents, in some cases drastically. Rents nationwide have increased over the past year by 4.6 percent for existing flats and 7.6 percent for new buildings. The front-runner in rent increases is Berlin, followed by Cologne, Frankfurt and Hamburg.

The internet property company Immoscout24 expects further massive rent increases over the next 12 months of up to 6 percent in Berlin and 4 percent in Hamburg, Frankfurt, Munich and Cologne. Rents for new flats are expected to rise by 8 percent in Berlin and 7 percent across Germany over the same period.

Thomas Schroeter, managing director of Immoscout24, also made clear that the rent increases are only conditionally related to rising inflation rates. "Even before the drastic increase in the inflation rate, rents had risen significantly, especially in big cities," he said. "It is not only becoming more and more expensive, but also more and more difficult to find a flat in the conurbations."

In addition to rapidly rising rents, households face soaring ancillary costs. For an average flat with gas heating, the costs for heating and hot water increased by 35.7 percent from February 2021 to February 2022. The cost of electricity rose by 13 percent over the same period, according to Immoscout24.

For a 70-square-metre flat this results in additional

costs of around €31 per month compared to last year. If energy costs continue to rise, the additional costs for heating, hot water and electricity will soar to around €92 per month by the end of the year, i.e., for a 70 sq.m. flat, an additional annual burden of around €1,100.

In addition, Vonovia and other real estate companies have announced they will cut back on investment. The share prices of some real estate companies have come under pressure following the recent decision by central banks to reverse their ultra-low interest rate policy. Investors therefore expect cuts. This means that fewer flats will be built, which, under conditions of increasing demand, creates the pretext for even greater rent increases.

Resistance to the unscrupulous greed of the real estate sharks has been growing for years. More and more people have to spend a major part of their income on rent and utilities, the demand for accommodation is omnipresent and growing in all major cities, and even two-income families struggle to find affordable housing. All over Germany, and especially in Berlin, there have been large demonstrations against excessive rents. Last September, in a popular referendum, almost 60 percent of the population in Berlin voted in favour of expropriating large housing corporations.

While the majority in Berlin was clearly in favour of expropriation, the city's Senate—a coalition of the Social Democratic Party (SPD), the Greens and Left Party—has not only ignored the result of the referendum, it has continued to defend the interests of the real estate sharks.

The Senate's response to Vonovia's latest announcement is utterly hypocritical. The dual chairpersons of the Greens in Berlin, Susanne Mertens and Philmon Ghirmai, declared that against the background of soaring energy prices, "Vonovia's announcement to raise prices is a slap in the face for tenants."

The truth is that the Greens, together with Berlin's mayor Franziska Giffey (SPD), oppose expropriating the large property holdings and, as part of a so-called "housing alliance" between the Senate and the real estate industry, have intensified their cooperation with the real estate sharks against the tenants.

A recent proposal by the Senate parties to cap rents at 30 percent of net income is nothing more than hot air.

The proposal is meant to distract from the fact that the Senate is ruthlessly enforcing the interests of the real estate companies against the population. The fact is that the SPD-Left Party-Green Senate bears direct responsibility for Vonovia's latest rent increase proposal.

Last summer, the SPD, the Greens and the Left Party explicitly supported the merger of Vonovia and Deutsche Wohnen, although it was perfectly clear that the costs of the takeover would be passed onto tenants.

At that time, Giffey's predecessor, Michael Müller (SPD), announced a "new cooperation between politics and business" that was "not confrontational but cooperative," thereby defending the interests of Vonovia and Deutsche Wohnen. The then senator for urban development and housing, Sebastian Scheel (Left Party), also welcomed the merger and described cooperation between the corporations and the Senate as "progress."

In fact, the unceasing torrent of rent increases makes only one thing clear: housing is a basic right and cannot be treated as a commodity. The big real estate corporations must be expropriated without compensation. This is only possible through the mobilisation of the working class on the basis of a socialist programme.



To contact the WSWS and the
Socialist Equality Party visit:
wsws.org/contact