

Germany's housing crisis: 700,000 more homes needed

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At a press conference in Berlin on January 12, 2023, the Social Housing Alliance presented the results of its recent study, “Building and Housing in Crisis—Current Developments and Repercussions on Housing Construction and Housing Markets.” Based on its research, the new study comes to the alarming conclusion that there is currently a shortage of 700,000 homes in Germany.

On entering office, the federal government, a coalition of the Social Democratic Party (SPD) Greens and the neo-liberal Free Democratic Party (FDP), pledged to build 100,000 new homes per year. In fact, only 20,000 social housing units (i.e., housing for less well-off members of society) have been completed.

The study was prepared by the Pestel Institute in Hanover and the Arbeitsgemeinschaft (ARGE) für zeitgemäßes Bauen in Kiel (Working group for contemporary building in Kiel). It was commissioned by the Berlin-based Social Housing Alliance, which includes the trade union IG BAU and the tenants' association, as well as a Caritas social welfare association and two building associations active in housing construction.

The study finds a record shortage of affordable housing and especially of social housing. In its first year in government, the coalition of the SPD, Greens and FDP only managed to complete 250,000 to 280,000 new flats instead of the 400,000 planned.

In addition, the situation is likely to worsen. Many social flats are coming to the end of their contract period, and too few new ones are being built. On the other hand, the population increased from 80.5 million in 2011 to around 84.5 million in 2022. While births in 2022 fell to their lowest level since 2014, and the death surplus reached a record high (not least due to the pandemic), net immigration rose to a peak of 1.5 million, largely due to the intake of refugees from Ukraine.

Matthias Günther, head of the Pestel Institute and responsible for the study, spoke about this development at a press conference on January 12. According to Günther, the situation on the social housing market is dramatic. At the same time, Germany already has a “record housing shortage of more than 700,000 missing flats.” According to Günther, it is the “largest housing deficit in more than 20 years.” He added, “In the case of affordable housing, the already massive supply gap is getting bigger; in the case of social housing, it's long since reached an intolerable level.”

The *Tagesschau* newspaper highlighted the housing crisis in a special report on January 12. The report read: “Millions of social housing units are lacking. The smallest number are being built in

areas where housing is needed, because that's where the least money can be made for the construction industry.”

As it turns out, the stock of social housing is actually in decline. During the 1990s there were about 3 million social housing units in Germany; today there are only 1.1 million. The report is based on figures from the social association VdK, according to which there is currently a need for 5 million social housing units. VdK President Verena Bentele points out that today not only people who have been living in poverty or on low wages for a long time are dependent on social housing, but also a large number of families who were relatively well off a few years ago, but who are now in financial difficulties due to huge rent increases and the explosion of energy costs.

In common with the study, the *Tagesschau* report points out the discrepancy between the number of social housing units pledged and those actually built in 2022: in fact, the number of social housing units at the end of the year was down by about 27,000 compared to 2021. And in the course of the year, the number of social housing units which lost their controlled rent status after 25 to 30 years exceeded that of the 20,000 new state-subsidised buildings.

The Building and Housing in Crisis report shows that building projects, whether subsidised or not, are generally becoming more and more expensive. This is due to a number of factors: a large increase in the price of building materials as a result of disrupted supply chains since the coronavirus, rising inflation and the explosion of energy prices associated with the anti-Russian sanctions, and increased interest rates on bank loans. In the past, investors in state-subsidised construction projects were still able to earn a return on their investment, even with basic rents of €6 per square metre. But today, any such returns are eaten up by extra costs. For this reason, many cities only continue work on current construction sites, but hardly plan any new projects.

At the press conference on January 12, Professor Dietmar Walberg, ARGE Institute director, summed up the current construction costs: “The new construction of a rental flat in a large city today costs on average almost €3,980 per square metre. Added to this are apportioned costs of a good €880 for the land. Together, that makes almost €4,900 for a square metre of living space in rental housing. With that, we have clearly placed ourselves out of a range that makes freely financed new construction possible in the first place.” According to his forecast, by the middle of this year the cost of new construction will have increased by 148 percent,

almost two-and-a-half times the figure from 2000.

Excessive rents in the large cities are already driving more and more people into hardship. More than 11 million tenant households in Germany are entitled to a housing entitlement certificate (WBS), and thus to social housing. However, social housing is only available for one in 10 of those entitled. As the report shows, there are only 1.1 million social housing units left in Germany.

By contrast, at the end of the 1980s, there were still about 4 million social housing units in West Germany alone. While in 1987 there were 25 social housing units for every 100 tenant households, today there are only five and this disparity is expected to worsen.

The Alliance demands that the government and the state urgently create a special fund for social housing. As a first step, €50 billion are needed for this special fund by 2025. This is the only way to achieve the target of 380,000 social housing units in this legislative period, set by the government in its coalition agreement. Three-quarters of the sum for the special fund “Social Housing”—at least €38.5 billion—must come from the federal government, the Alliance demands. The rest to be financed by the individual German states.

How is the federal government reacting to this alarming report?

Far from drawing conclusions from the report and providing the necessary financial means as soon as possible to build new social and affordable rental housing, Federal Minister for Housing, Urban Development and Construction Klara Geywitz (SPD) responded with the terse statement: “I presume that the figure of 400,000 flats in 2022 and 2023 is unachievable.”

The minister is seeking to buy time, declaring that a new construction target of 400,000 dwellings per year is realistically only achievable from 2024. Although the final completion statistics for 2022 will not be available until May, neither Geywitz nor other members of the government assume that this target will be reached.

Contractors also express strong doubts that the target can be reached in the foreseeable future. The television station ntv quoted on January 23 under the headline “Hard times for people looking for housing—Geywitz cashes in on the coalition’s housing construction target,” the assessment of the Federal Association of German Housing and Real Estate Companies (GdW) is that, at least in the medium term, the construction of just 200,000 flats per year is realistic.

The study presented by the Social Housing Alliance presents a great deal of valuable information on the housing shortage as one of the major social issues facing the working class. The demands for massive investment in social housing and more generally the construction of affordable housing are necessary and justified.

However, the results and analyses of the same study show that no positive change can be expected from the current government any more than from previous ones. After all, it is previous governments, in which the SPD has played a leading role, which are responsible for the catastrophic situation on the housing market.

Most recently, the government led by Olaf Scholz (SPD) was able to pull a special fund of €100 billion for the Bundeswehr out

of the hat, and the budget for militarism and war is constantly being increased. At the same time, spending on health and education was massively reduced in the latest federal budget. The government has switched to warfare, and there is no money left in its war chest to combat social problems.

In Berlin, there were already mass protests in 2018 and 2019 against the deplorable housing situation, and the demand to expropriate major property companies, such as Deutsche Wohnen, gained mass support. Tens of thousands of people also took to the streets in many other cities against housing shortages and exploding rents.

On September 27, 2021, the day for the election of the government, 56.4 percent of Berliners voted in a referendum for the expropriation of the big housing corporations that rake in profits from the misery of millions of people. However, the Berlin Senate, a coalition of the SPD, Greens and Left Party, which hypocritically supported the referendum during the election campaign, has ditched the majority decision of the city’s electorate.

The *World Socialist Web Site* wrote about this development in its article *Large majority of Berlin voters back expropriation of German property companies*: “In order to enforce real expropriations and to ensure affordable and adequate housing, no faith can be placed in the established parties and unions. Only an independent movement of the working class, which is beginning to move into struggle, can carry out these demands.

The Socialist Equality Party (SGP) also formulated this strategy in its appeal: The expropriation of the rental sharks requires a socialist program. It states: “No social problem can be solved without expropriating the banks and corporations and placing them under the democratic control of the working class. Their profits and assets need to be confiscated and the trillions given to them last year recovered. The world economy must be reorganized on the basis of a scientific and rational plan.”

The struggle for this perspective is more urgent today than ever.



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