

Police raid German real estate giant Vonovia

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Investigators searched the headquarters of Germany's largest housing group Vonovia at the beginning of last week. The Bochum public prosecutor's office and North Rhine-Westphalia State Criminal Office are investigating employees of the group and others on suspicion of bribery and corruption, breach of trust and fraud.

More than 40 private and business premises were searched in North Rhine-Westphalia, Baden-Württemberg, Hamburg and Saxony. Four arrest warrants were executed against Vonovia employees, former employees and business partners of the company. Details were not disclosed by the public prosecutor's office, which referred to the ongoing investigations.

One of the suspects is also alleged to have manipulated contract tenders at the Stuttgart-based GWG Group after leaving Vonovia. The housing company, which belongs to R+V Versicherungen, owns around 15,000 apartments and is significantly smaller than the listed industry giant Vonovia.

Vonovia owns 565,000 apartments in Germany, Austria and Sweden, but mostly in Germany. In Berlin and Brandenburg alone, the company has around 150,000 apartments after the takeover of Deutsche Wohnen in 2021. Its stock market value is currently almost €18 billion.

According to research by broadcaster Westdeutscher Rundfunk and *Süddeutsche Zeitung*, at least two Vonovia employees are alleged to have received bribes of around half a million euros over a 10-year period. In return, they are said to have awarded construction and trade companies contracts worth millions of euros, which in turn charged inflated prices or failed to provide services at all.

The investigation began in 2021, based on an anonymous letter. "The more the investigators found out, the more the picture of a suspected system of

bribery emerged, which is said to have operated in the midst of the DAX-listed company for years," news programme *Tagesschau* reported. Since then, at least 20 people have been under investigation, but according to investigating authorities that number could rise further as they pursue numerous leads.

Vonovia responded to the searches by portraying itself as a victim that was doing everything it could to clear up what had happened. CEO Rolf Buch stated, "We are shocked. It appears that individual employees at our subsidiaries have taken bribes to Vonovia's detriment." He added that this was "unacceptable." The real estate group has since commissioned Deloitte to conduct an internal audit.

The claim that Vonovia was unaware of the incidents for over 10 years and was itself the victim is absurd. Like other large real estate companies, the Bochum-based group is notorious for its excessive greed for profit and its opaque methods of fleecing tenants.

Back in the 1990s, there were similar accusations against the Veba-Immobilien Group, which became Vonovia after several takeovers.

Last year, in an interview with finance daily *Handelsblatt*, Vonovia CEO Rolf Buch announced that rents would rise significantly due to inflation. Tenants' associations indignantly pointed out that inflation was not a legal reason to raise rents.

Even when Berlin's Social Democrat (SPD)-Left Party-Greens Senate (state executive) organized the "Round Table" with representatives of the real estate industry in Berlin during the last legislative period, Vonovia flatly rejected calls for rent increases to be stopped or even limited.

In Berlin and other major cities, housing is now in such short supply that astronomical rents are being demanded. In this situation, Vonovia declared this year that it would no longer begin new construction in Berlin, Potsdam and Dresden. In Berlin alone, the

company stopped the construction of 1,500 planned apartments. A company spokesman justified this with the high level of inflation and increased interest rates. At the same time, the company increased its operating profit by 35 percent to just under €1.6 billion in 2022.

But Vonovia is not only cashing in simply on rental costs. For years, it has been using the ancillary costs it charges to rake in rich profits. A 2018 investigation by news magazine *Der Spiegel* found that the company had set up numerous subsidiaries for this purpose to operate services such as the cleaning of residential complexes and winter services at greatly inflated prices.

As an example, *Der Spiegel* cited a Hamburg residential complex where the costs for winter services (ice and snow clearance, etc.) increased by a whopping 1,900 percent. At the same time, tenants were no longer able to see exactly which services were being provided and which were not. The article reports “erroneous” and “dubious” service charge statements.

Even if Vonovia did not know about the openly criminal machinations of individual employees, it is par for the course in such a company.

The German Tenants’ Association has already warned that tenants are the ones who suffer because of the bribes. A large part of the damage would be paid directly or indirectly by tenants. It will be passed on to tenants via the service charges.

In addition, the company is apparently preparing massive cost-cutting measures. According to reports, the Executive Board is to be reduced in size. It can be assumed that further savings will also be made in personnel and services for tenants. After the raid became known last week, Vonovia’s share price fell by up to 5 percent, and has not recovered since.

The Vonovia case makes it clear once again that there is an urgent need to expropriate the rent sharks without compensation and to transfer their housing stock into public ownership. Housing must not remain a luxury commodity which profit-oriented corporations exploit to massively enrich themselves.

In a referendum in Berlin in 2021, a clear majority voted in favour of expropriating large real estate companies such as Vonovia. Despite this popular vote, the governing coalition of the SPD, Greens and Left Party refused to implement the albeit limited decision. Instead, they set up a “round table” with the real estate lobby to continue safeguarding its profits.

All three of Berlin’s governing parties, which recently suffered heavy losses in elections to the House of Representatives (state legislature), had explicitly supported the merger of Vonovia and Deutsche Wohnen. They were well aware that this would further aggravate the situation facing thousands of households.

To circumvent the outcome of the referendum, the SPD, Greens and Left Party had convened a commission of experts, which has been consulting for months about whether expropriation is legally and financially permissible or even violates the constitution. For their part, the Christian Democrats (CDU), who are expected to provide the next Berlin mayor, have announced they will take legal action against any laws introducing the state takeover of such companies.



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