

# Germany: Berlin rent cap—a deceptive manoeuvre

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At the end of October, the Berlin Senate (state executive), consisting of the Social Democratic Party (SPD), Left Party and Greens, agreed on a law to regulate rent limits, the so-called rent cap. It is set to be passed at the beginning of next year by the House of Representatives (state legislature), where the three government parties have a majority, and will be valid for five years after it comes into force.

While it is still largely unclear whether the rent cap will actually be implemented in practice, as some lawsuits are pending, it cannot conceal three things:

Firstly, in recent years, rents in almost all major German cities have skyrocketed, leading, on the one hand, to poverty and homelessness, and on the other, to the shameless enrichment of greedy real estate speculators. The frontrunner is Berlin, where rents have risen by more than 106 percent in 10 years.

Secondly, the responsibility for this lies with the SPD and the Left Party in the federal capital, who, like the Greens, the Christian Democrats (CDU/CSU) and the Free Democratic Party (FDP) in the other states, have created the political conditions for this development.

Thirdly, the rent cap eliminates neither the acute housing shortage nor the horrendous profits of the real estate companies. For example, the real estate giant Vonovia, which owns and manages almost half a million apartments, 10 percent of which are in Berlin, expects its total rental income to fall by less than 1 percent as a result of the “cap.”

If passed, the law would apply to around 1.5 million apartments that were ready for occupancy for the first time before 2014. This means that all new buildings constructed after 2014 will already fall out of the rent cap. Furthermore, apartments “in publicly subsidised housing construction and living space in a residential facility” are excluded.

The rent cap is intended to freeze the net monthly rents paid up to the cut-off date of June 18, 2019. This regulation also applies to graduated and index-linked rents. In the case of the first letting of an apartment built before 2014, the upper rent limit may not be exceeded, and in the case of a new letting, the net rent of the previous tenant may not be exceeded.

Under the new law, the rent ceilings, or the so-called rent table, are regulated depending on the fittings and age of the dwelling. From 2022, rents may then be increased by up to 1.3 percent annually as compensation for inflation, up to a maximum of the upper rent limit. Also, when dwellings are modernised, the net rent may rise by €1 per square meter. Particularly high rents, also known as “usurious rents,” which are 20 percent or more above the upper rent limit, may then be capped at 120 percent of the upper rent limit. However, this cap on usurious rents will not come into force until the end of 2020.

The CDU, FDP and far-right Alternative for Germany (AfD), which form the opposition in the Berlin House of Representatives, protested vehemently against the rent cap and threatened to sue. CDU Member of Parliament Jan-Marco Luczak raved against the alleged “planned economy” and called the rent cap a “massive and unconstitutional encroachment on private property.” The AfD faction denounced it as a “socialist rental policy,” and FDP Deputy Christoph Meyer called it a “debate of envy.” CDU faction leader Burkhard Dregger declared, “We will sue in any case.”

Of course, there was also an outcry from the real estate industry. The greedy real estate companies, which have been able to realise fabulous profits in Berlin and other large cities in recent years, see even the smallest restrictions as an inadmissible curtailment of their profit interests. Twenty-three landlord

associations appealed to the Senate in a joint open letter, warning of “massive negative effects on the economy”—i.e., on their profits.

The open letter points out that only 55,000 new apartments were built in Berlin between 2012 and 2017, despite an influx of 287,000 new residents. “With the rent cap, however, the housing industry will drastically reduce its investments in existing housing by up to 90 percent,” the letter says.

The problem of unaffordable rents will not disappear with the rent cap—should it come into force—even if the “red-red-green” (SPD-Left Party-Green Party) Senate says so. The SPD and the Left Party in particular, which together formed the Senate from 2002 to 2011, bear the responsibility for this with their devastating policies.

The red-red Senate has sold 150,000 of 400,000 state-owned apartments to real estate sharks for the purpose of “debt reduction.” This left only 250,000 apartments in state ownership in 2009. For the most part, the apartments were sold off to real estate companies for less than 25 percent of the market value at the time. Since then, the average value of Berlin apartments has more than doubled. The then governing mayor, Klaus Wowereit (SPD), declared in 2011 that “calling rising rents a malaise” was “an old reflex.”

The red-red Senate made €21.6 billion available to rescue the banks in the state of Berlin and pursued brutal austerity measures, which negatively affected all areas of life and caused poverty in the capital to rise sharply. In 2003, Berlin withdrew from the federal and state governments’ employers’ association in order to reduce wages in the public sector by up to 12 percent and cut the number of employees by one third.

While the red-red Senate sold off publicly owned flats, its housing policy permitted the building of more and more expensive luxury flats, especially in the city centre, and led to sharply increased rents. The consequence of this policy was the displacement of tenants into the suburbs. Unaffordable rents meant many apartments were forcibly vacated, leading to increasing homelessness.

According to the estimates of the Bundesarbeitsgemeinschaft Wohnungslosenhilfe e.V. (Federal Association for the Assistance of the Homeless, BAGW), there were 650,000 people without housing in Germany in 2017. In Berlin, about 40,000

people are homeless and about 10,000 of them are forced to live on the streets. Especially now, with the cold weather returning, warm emergency shelters are a vital necessity. The city of Berlin spends around €5.6 million on helping the homeless, €1.4 million more than in 2010. However, the number of homeless people has more than tripled since then.

This year and last, there were mass protests in Berlin against constantly rising rents. In April 2018, 25,000 people demonstrated against exorbitant rents, although the organisers had expected only about 4,000 participants. One year later, 40,000 people demonstrated in Berlin under the motto “Expropriate German housing companies.” In 19 other cities, almost 60,000 people took to the streets.

The Left Party and its pseudo-left appendages officially supported the justified demand for expropriation of the real estate companies. In reality, they never intended to stop the speculators’ orgy of enrichment. As Left Party leader Bernd Riexinger stressed at the time, it was “not about expropriation without compensation.” The party wanted to buy back the apartments, which it had sold to the speculators for a song between 2001 and 2011, for around €7 billion, almost 17 times as much.

In view of the massive protests and disastrous election results for the SPD and the Left Party, the rent cap is to serve as a fig leaf for an anti-social housing policy. But it will not stop the enrichment of the rent sharks, provide affordable housing for all, or hide the right-wing and anti-social policies of the parties controlling the Berlin Senate.

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