The Transition in Social Housing in Germany – New Challenges and New Players After 60 Years

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Abstract Social housing has a long history in Germany from the first still existing social housing ever, the "Fuggerei" in Augsburg (founded in 1521), over the last 100 years from the end of World War I to today's situation where the need in social housing has increased while the number of housing projects and the number of existing apartments in this program has decreased or ended.

Socio-economic changes like demographic evolution, more single households, greater working abilities in bigger cities and an unforeseen highly increased number of migrants within Europe mostly but also from other countries led to the need of affordable housing for a growing number of people who are not able to care for their housing needs in their own responsibility. This is especially true for bigger cities, where the offer of affordable housing is nearly non-existing any more.

The family Fugger, a trade and banking dynasty at their time, established a very modern housing concept, providing good and healthy living space for their workers. In 2018 now some trade companies, discounters (ALDI, LIDL, Norma) and IKEA announce to combine their interest in sales in the inner cities with the municipal interest of redensification of existing housing areas and conversion to ecological urban reconstituting.

Keywords: Social Housing, Germany, Urban Renewal, Commercial Investors

1. INTRODUCTION

The "Fuggerei" is the oldest still existing social housing project in the world. So, there is a tradition for social housing in Germany, but it is commonly agreed that the history of modern social housing began 100 years ago. Within the course of time the situation changed. There was a natural fluctuation including peak times in the need for housing programs, especially after the two World Wars. Nearly ten years ago the projects nearly came to an end for various reasons, such as: the structure of the population had changed, the evolution of demography showed a decreasing need for housing in general – just to name two between many other reasons. As the fixed rent guaranteed in governmental programs ran out over the years with hardly any new housing projects being established, the social housing market almost disappeared. The model of social housing with its characteristics had become less interesting for investors.

In 2018 the situation has changed, companies offering jobs are mainly based in cities, the number of single households is increasing and - most important – the impact of a highly increasing number of migrants on the housing market was not foreseen and therefore not calculated. In Germany social housing was never directly managed or financed by the government or any governmental institutions. The federal state and the states (Länder) provided the legal frame and financial support. The financing itself as well as management and construction was done by housing companies. For most of the time the federal government were in charge by law, but since 2007 the German states are responsible for social housing. This task means a new challenge for the federal government and communities to find investors and rethink the idea of supporting non-profit housing associations, reevaluating different models to achieve that and to integrate affordable housing into city planning.

Current literature about social and affordable housing as well as in this context urban restructure focusses on home ownership and renting (in Germany) and the factors that led to changes. (Urban, 2015; Kohl, 2017, Kronauer, 2018) and the revival of the private rental sector (de Boer, Bitetti, 2014). The interest is of course high to see new developments and the impact of affordable housing (Maschaykh, 2015) and estimations for the...

In this article, we focus on new partnerships for the challenges in social housing in Germany. Newly developing cooperation with trade companies may have an impact on the social housing situation as well as on urban concepts.

2. METHODS

For research on the “Fuggerei” we relied on publishing of the Fugger foundation. For the historical aspects of affordable housing we focused mainly on literature, but also some press articles as well as papers published by the German government answering on request of “Bundestag” (German parliament) parties. All data like on demographic changes and numbers of people migrating from other, mostly eastern European countries as well as third countries like Syria and Afghanistan were all collected from official federal and state government sources. Most of them are up to date and later than 2015. Latter also applies to any estimations for population development. As for trade companies getting involved in the housing market and data on these we relied on many press articles and turnover data published by trade unions or respectively economic press recognized institutes. Social and affordable housing are current and often discussed topics in Germany. We limited our research to the fact that once we had several press sources we would not go in any deeper. Press articles are mostly based on company statements. All of these articles were available in the internet at the time of research (2018). We refrained from going deeper into more historical or social aspects, as we wanted to avoid a mostly political discussion, but focus on the aspect of affordable housing on urban development and redensification.

3. YOUNGER HISTORY OF SOCIAL HOUSING IN GERMANY

Social and affordable housing have a long tradition in Germany with the interesting historical aspect of the “Fuggerei” and the “official” beginning after World War 1.

3.1. The Fuggerei – an outstanding example in the history of social housing

The oldest, world wide example of social housing is the “Fuggerei” in Augsburg in southern Germany. This example shows that the need to provide good housing conditions for people who have restricted access to appropriate living conditions has a long tradition. Jakob Fugger’s intention in the 16th century was to support citizens of the city of Augsburg who were willing to work and had lost their property for reasons they were not accountable for. It was help for people who then help themselves. Beggars or people living on welfare were supported by the church. The tenants then and today must be from Augsburg, catholic, well reverberated and needy. The current inhabitants still pay the same rent as at the time of the donation in 1521 by Jakob Fugger. The rent was never adapted to today’s conditions and is € 0.88 - plus three prayers per day. In addition, the tenants bear the additional costs of about 85 € per month.

The second aspect to mention is the fact that the “Fuggerei” at its time was a visionary housing project, creating a new style of housing with comparably lots of space for the tenants, own entrances for each unit, a closed, city-like structure near the center of Augsburg. The “Fuggerei” showed already at its time key points of affordable housing today: It provided people who were working but in need with good and healthy housing conditions. It created for that time new standards in terms of houses in a defined space within the city limits and thus had an impact on the city itself. It was a city within the city, the layout of streets for the 67 town houses with 140 units was, unusual for that time, straight. A church and later buildings for a museum and administration were added within the limits of the surrounding walls.

3.2. Some Aspects of Social Housing in Germany from the “Fuggerei” to the 20th century

Cities were a unique European form of settlement that started in the 11. century, north of the Alps later, in the 13th. These cities had rights granted by the authorities such as the right to offer a market, be protected by walls and have city laws, whereas outside the walls country law applied.

The need for affordable housing grew with the urbanization in Germany in context with the industrialization in the late 19th and early 20th century. Even if the need was not officially seen, it was obvious, as the living units were limited to one or two small rooms, the number of people living there was high and used by strangers as well who e.g. paid for sleeping in a bed for a few hours a day. Beside that the same apartment might have been used for one or two inhabitants earning their money there with e.g. sewing. Social housing itself as an official concept of

Figure 1. The “Fuggerei” in Augsburg, Germany, is the world-wide oldest still existing social housing project.
The federal government and the different states of Germany has a 100 years old history. It started in 1918 with the end of World War 1 and the ongoing industrialization, bringing people from rural to urban areas. Soldiers and Germans who had lived abroad came home.

3.3 Development of Social Housing after World War II

The need for housing reached another peak after World War II. In order to satisfy this demand, the young republic opted for the model of object promotion. (see fig. 3) The federal and state governments support mainly the objects (housing) by providing the legal frame and financial support. In social housing the applicants can be supported financially directly, but mostly they benefit of lower rents. The 1950 First Housing Law reflects this decision. Offering non-interest construction loans from budget funds of the federal and state governments with repayment deadlines after 30 to 35 years succeeded decisively to promote housing.

The future tenants need to apply for a “Wohnberechtigungsschein” (voucher that entitles the owner to rent a social housing apartment) that is based on defined requirements such as income or family status (e.g. single parents).

4. THE TRANSITION OF SOCIAL HOUSING

With a growing economy, the government decided to also promote house ownership with subventions and later tax benefits. This finally became the focus. The development of the housing situation after World War II with an increasing offer in housing made it possible to deregulate the housing market, changes of parties in the government increased this development. The focus was the privately-owned house or apartment, social housing decreased, also due to a recession in the 1970s.

But in the late 1980s there was a growing trend for single households, more people born in years of high birth rates started their own households and after 1989 (German reunion) people from Eastern Germany and Eastern Europe moved to West Germany, where the number of housing units had not grown. The government reacted to this development with new programs like “Soziale Stadt” (Social city) and “Stadtumbau Ost” (City Rebuilding East).

In 2007, when the demographic development showed a slowly growing population with people growing older and a decisive need for less housing the government changed the “Grundgesetz” (German constitution). The responsibility for social housing was handed over to the states, the federal government supports the states with compensation payments, a model that will legally end in 2019.

4.1. Increase of inhabitants in bigger cities

The German population overall is estimated to be stable or decreasing. But the situation is different in urban compared to rural areas. (See table 1) Therefore in urban areas the need for affordable housing is especially high. (Please see table 5)

<table>
<thead>
<tr>
<th>City</th>
<th>Population 2015</th>
<th>Est. Population 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>82.5</td>
<td>80.9</td>
</tr>
<tr>
<td>Berlin</td>
<td>3.56</td>
<td>3.82</td>
</tr>
<tr>
<td>Dusseldorf</td>
<td>0.59 (2014)</td>
<td>0.65</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>0.72</td>
<td>0.84</td>
</tr>
<tr>
<td>Hamburg</td>
<td>1.76</td>
<td>1.89</td>
</tr>
<tr>
<td>Hannover</td>
<td>0.52</td>
<td>0.54</td>
</tr>
<tr>
<td>Munich</td>
<td>1.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>2.69 (2014)</td>
<td>2.83 (2035)</td>
</tr>
</tbody>
</table>

Demographic changes are one but not the only reason for a higher need for affordable housing in bigger cities. Jobs are provided in bigger cities, more people move there and companies rent living space for their management. Just to name one example e.g. because of the Brexit London banks and financial organizations have in recent years moved to Frankfurt paying rents that they consider normal for London, but that are extraordinary high for a German city. Many
properties are off the rental market and/or not affordable for families with an average income. The economic aspect for housing companies is higher in such projects than investing in affordable housing.

 Especially in all bigger cities, not only Frankfurt, the recent housing initiatives focused on a revitalization of the cities that supported good living situations for people who could afford higher rents. Quarters where formerly low to medium income people lived became high income quarters. This gentrification started in the 1970s when the promotion of privately owned houses supported suburban living and thus led to at that time less attractive living situations in the city centers. Today gentrification plays a big role in bigger German cities.

 Thus the situation for people who depend on affordable living became more difficult, increased by the fact of migrants going to these bigger cities as well.

4.2. The increasing need for housing project in bigger cities

The federal government of Germany states in an answer to the political party “Die Linke”, successor of the SED, eastern German party in the socialist GDR, German Democratic Republic, that the need for affordable housing cannot only be covered by the government, respectively state programs. In their opinion the combination of affordable housing provided by the private sector and social housing will be the solution for creating a sufficient supply to the existing demand. However, the resulting logical question about a definition of “affordable” in this context, cannot be answered.

In 2014 the Hans-Böckler-Stiftung, a trade union institution, calculated a need for app. 1.5 million affordable housing units in 77 bigger cities of Germany for the inhabitants with 60% and less of the medium income (Table 4). In 2015 a governmental institution calculated a need for 1.6 million new affordable housing units within six years.

The waiting period for an apartment differs from officially 6 months, in reality it ranges from less than one year in Munich to 5 years in Frechen (near Cologne).

### Table 2. Reasons why financers find housing programs unattractive

<table>
<thead>
<tr>
<th>Reason for Program Unattractive</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right of municipalities on choice of inhabitants unacceptable</td>
<td>16.3%</td>
</tr>
<tr>
<td>Not fitting promotion via supported loans</td>
<td>11.6%</td>
</tr>
<tr>
<td>Run-time of promotion too long</td>
<td>12.8%</td>
</tr>
<tr>
<td>Missing possibilities to increase rents</td>
<td>30.5%</td>
</tr>
<tr>
<td>Interest rate too low because of missing construction grants</td>
<td>30.8%</td>
</tr>
<tr>
<td>Rents too low because of too little rent grant</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

Source: statistika.com based on Dr. Lübke & Kolber Research

### Table 3. Reasons for financers to find promoted rental housing unattractive

<table>
<thead>
<tr>
<th>Reason for Program Unattractive</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially weak tenants decrease selling potential</td>
<td>30.0%</td>
</tr>
<tr>
<td>Higher administration cost because of socially weak tenants</td>
<td>14.0%</td>
</tr>
<tr>
<td>Higher maintenance cost because of socially weak tenants</td>
<td>14.0%</td>
</tr>
<tr>
<td>Right of municipalities on choice of inhabitants unacceptable</td>
<td>26.3%</td>
</tr>
<tr>
<td>Run-time of more than 20 years</td>
<td>31.0%</td>
</tr>
<tr>
<td>Other tenants are adversely by socially weak tenants</td>
<td>33.0%</td>
</tr>
<tr>
<td>Missing possibilities to adjust rents because of fixed rents</td>
<td>32.2%</td>
</tr>
<tr>
<td>Lower interest rates (in comparison to freely financed construction)</td>
<td>40.5%</td>
</tr>
</tbody>
</table>

Source: statistika.com based on Dr. Lübke & Kolber Research

### Table 4. Undersupply in housing especially for people with lower income

<table>
<thead>
<tr>
<th>City</th>
<th>No. of households with &lt;60% of average income</th>
<th>Under-supply (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berlin</td>
<td>221,758</td>
<td>60</td>
</tr>
<tr>
<td>Duesseldorf</td>
<td>32,195</td>
<td>57.7</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>27,730</td>
<td>50.6</td>
</tr>
<tr>
<td>Hamburg</td>
<td>100,976</td>
<td>67.5</td>
</tr>
<tr>
<td>Hannover</td>
<td>36,570</td>
<td>59.4</td>
</tr>
<tr>
<td>Munich</td>
<td>50,241</td>
<td>60</td>
</tr>
<tr>
<td>Stuttgart city</td>
<td>35,353</td>
<td>58.4</td>
</tr>
</tbody>
</table>

In 2013 Stefan Kofner, Professor at the university of Zittau / Görlitz, asked if the German model of social housing was more resilient than others. We doubt that this question would still be asked today. In most western countries, social housing models ended with the financial crisis. In Germany the main reasons for the decrease are less return on investment in comparison to free construction business and missing possibilities to adjust rents because of the rent fixing in social housing. Please also refer to tables 2 and 3.

### Table 5. In bigger cities, the need exceeds the offer by far, except Dresden

[Graph showing the undersupply in housing]
4.3. Municipalities’ policies looking for new partners

Models to close the gap between offer and need rely on the fact that this is not possible with governmental support alone, private investors are crucial. So far private investors were found in companies solely dedicated to that specific task, construction companies, developers, etc. New opportunities might be found in companies for which housing opportunities in city centers are essential for their business, so they share a mutual interest with the municipalities.

Already for some years the commerce invested into real estate not only for building retail subsidiaries but also in combination with housing. The communities are very interested in these kinds of projects where the precious space in city centers above the so far one floor high stores is used for apartments. The number of permissions where a new supermarket requires a combination with housing or e.g. a day care center seems to increase. New building permission is e.g. in Berlin only granted if the new store fits into the city’s concept of urban redensification and if it provides a hybrid use.

4.4. Trade Companies sharing mutual interest?

In 2018 two discounters, Aldi Nord and Lidl surprised with the announcement that they will provide housing, respectively a children’s day care on top of their subsidiaries.

Trade companies realize that shopping habits of the younger generation changed. Their ecological interest is high and therefore they prefer to do their errands and shopping close to their living by walking or by bike. This demands for stores in the city, not on the outskirts as e.g. furniture outlets so far provided it or in malls like ALDI and Lidl preferred. In the cities space is limited and expensive, one store buildings are a no go.

The municipalities support this as they want lively and livable cities.

Table 6. Ranking of the biggest Grocery Discounters in Germany (2017)

<table>
<thead>
<tr>
<th>Discounters</th>
<th>Turnover in Million €</th>
<th>Aldi Nord</th>
<th>Netto Marken-Discount (Edeka)</th>
<th>Netto (Discounter)</th>
<th>Penny</th>
<th>Penny Home</th>
<th>Penny Home Supermarket*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aldi Nord</td>
<td>11.73</td>
<td>11.65</td>
<td>11.60</td>
<td>11.56</td>
<td>11.50</td>
<td>11.53</td>
<td>7.00</td>
</tr>
<tr>
<td>Lidl</td>
<td>20.40</td>
<td>20.40</td>
<td>20.35</td>
<td>20.25</td>
<td>20.23</td>
<td>20.22</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Aldi Nord is one the big discounters in Germany, the turnover in 2017 was 11.73 billion €. Per company data it is organized in 32 regional companies that run 2.240 stores with 35.000 co-workers and 2.500 trainees.

Lidl, being the biggest discounter in Germany with a net turnover of 20.4 billion € in 2017 in Germany, 68.8 Euro worldwide. The company, per its own data, is organized in 38 regional companies with 3.300 stores. They employ more than 70.000 co-workers.

Aldi announced two projects. In Berlin, they plan 30 projects, the first one with 50 to 60 units. Renting prices of 30% of the units will be limited to Euro 6.50/m², the other 70% will cost a maximum of Euro 10/m². The latter corresponds to the lower end of the Berlin Mietspiegel (rent index for all of Berlin). So these planned apartments are not completely a social housing project, but the maximum prices are capped for the gross of the offered apartments and 30% are offered on social housing level.

Lidl plans a similar project, but so far renting prices are not officially announced. The company only states that the rents will be on the same level as in the respective area.

The other Lidl project is to build “metropole stores” that need significantly less space as parking will be provided under the building. More metropole stores, the first ones with 110 and 70 housing units in Frankfurt, are planned and construction started. Like this the city of Frankfurt can increase the infrastructure quality by redensification. Lidl announced this type of project also for Hamburg, including a hotel and a day care.

Figure 4. Lidl, planned metropole store in Frankfurt

Figure 5. ALDI Nord in Berlin

Shopping habits, especially in the young generation, have changed. The global furniture company IKEA sees the necessity to place stores closer to the customers who in the big cities often don’t use the car any more but want to easily reach their destination by bike or public transportation. For that reason, IKEA is thinking about new concepts as well, planning a complete city quarter. One new store has already been built in the city center of Munich. Other projects will integrate housing units and will like this show an impact on the urban environment.
4.5. Municipalities and companies come together

Projects like these are of high interest, Berlin in 2017 organized a Supermarktsgipfel (super market summit) that is supposed to be repeated annually. With this it follows Munich, where a meeting like this was organized in October 2016. The mayor of Munich invited representatives of the major discounter to convince them of the idea of a redensification of the city with new housing projects but also new parking spaces by new buildings on stilts. Osnabrueck, a city with 163,505 inhabitants in 2017 invited to a Supermarktsgipfel as well. Also the city of Leipzig pushes the idea of using one-floor-high buildings for a redensification and use of that space for housing or facilities for a better infrastructure.

Figure 6. IKEA, store model for Munich

5. DISCUSSION

The present paper describes some of the aspects of the changes in social and affordable housing in Germany and describes new partners coming to the rental market. Social housing has a very old tradition in Germany, but in today’s meaning started after World War I with another peak after World War II. In the following decades, there were many changes like in demography and tendencies to more single households. The German government reacted very soon with a changing focus in subvention from promoting housing to privately owned houses and apartments. Later the programs showed flexibility to changing needs by introducing tax benefits instead of subventions but also new programs. In 2007 politics and experts assumed less need for social housing and the federal government decided to change the legal conditions and the states became responsible and most programs came to an end. Due to migration within Europe but also from other countries the overall population grew only slightly, but unexpectedly high in bigger cities. A growing number of single households and gentrification are contributing to the fact that the need for affordable housing grew unexpectedly within recent years.

With limited space within the cities the municipalities need to find new models for financing affordable housing while at the same time they want to stay competitive within the range of German cities and therefore focus on providing good living space in their cities respecting e.g. sustainability and the need for social infrastructure, e.g. day care centers.

As the basis for promotion of affordable housing has changed the number of investing housing companies has decreased. New partners are welcome to the municipalities. Some trade companies introduce themselves as new partners. They see changes in the shopping habits of their clients. They all need space within the city centers and therefore offer to combine their stores with housing unity or e.g. day cares, a hotel or public parking.

With the initiative of German commercial enterprises providing housing in city centers a circle seems to close, if we think of the “Fuggerei”. Up to today these are niche projects, it is too early to judge the impact on the future situation of affordable housing in Germany.

As this paper focuses on a current topic based on a historical development there is literature on social housing in Germany in

Table 6. Overview on some of the discounter’s projects

<table>
<thead>
<tr>
<th>Trade Company</th>
<th>Place</th>
<th>Projects</th>
<th>Affordable housing / Social infrastructure</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALDI</td>
<td>Berlin</td>
<td>50 to 60 units</td>
<td>30% of the units Euro 6.50/m2 (level of social housing), 70% maximum of EURO 10/m2 (lower end of average rents in Berlin)</td>
<td>In planning, estimated date 2020, 15 more projects announced</td>
</tr>
<tr>
<td>LIDL</td>
<td>Berlin</td>
<td>50 to 60 units</td>
<td>Not yet defined, on the level of surrounding area</td>
<td>Finished</td>
</tr>
<tr>
<td>Frankfurt</td>
<td></td>
<td>“Metropole stores” with 110 / 70 units</td>
<td></td>
<td>Not announced</td>
</tr>
<tr>
<td>Hamburg</td>
<td></td>
<td>“Metropole stores” with 110 / 70 units with day care / hotel</td>
<td>Not announced</td>
<td>Under construction</td>
</tr>
<tr>
<td>IKEA</td>
<td>Munich</td>
<td>First store in city center is a pilot for new ones including housing units</td>
<td>In planning</td>
<td></td>
</tr>
</tbody>
</table>
general but not on the possible impact of trade companies. For these new developments are research was limited to recent press articles.

This said we see that housing management is a new task for trading companies and the future will show if they can do this successfully or maybe sell the buildings to housing management companies.

We think that these new projects can help to solve the tight housing situation and have an impact on redensification in the city centers thus also influencing the revitalisation of the cities in making them more lively and interesting to live there by combining housing, living (e.g. shopping) and work. However, the author being based in the German context is aware that in his home country new planning decisions are always intensively discussed by various groups, such as inhabitants, ecologically orientated groups, industry and small store owners. They might strongly oppose the idea of big commercial companies having a possibly growing impact on city renewal.

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