

CHRISTOPH TRAUTVETTER

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ANALYSIS OF PROPERTY OWNER GROUPS  
AND THEIR BUSINESS PRACTICES  
ON THE BERLIN REAL ESTATE MARKET

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Christoph Trautvetter and Stefan Thimmel, “RLS Cities: Who Owns the City?” project

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## CONTENTS

Overview: Who owns the city? . . . . .	5
<b>I Who owns Berlin? . . . . .</b>	<b>7</b>
Who owns Berlin's apartments? . . . . .	7
Who is profiting of the real estate boom? . . . . .	9
What is a healthy yield on investment? . . . . .	12
Who are the most ruthless profit maximizers? . . . . .	13
<b>II The different property owner groups . . . . .</b>	<b>17</b>
Private equity firms, asset managers, and institutional investors. . . . .	17
Private equity firms and large asset management companies . . . . .	17
Investment funds and small asset management companies from Germany and abroad . . . . .	18
Institutional investors and mutual funds . . . . .	19
Private real estate companies . . . . .	21
The Big 5: listed real estate companies . . . . .	21
Other private real estate companies . . . . .	24
Private building owners, building-owner associations, owner-occupants. . . . .	25
Large private landowners . . . . .	27
Subdivided buildings and residential property owner associations . . . . .	28
Owner-occupants . . . . .	28
Public, cooperative, and nonprofit . . . . .	30
Municipal housing companies . . . . .	30
Cooperatives. . . . .	33
Nonprofit and church-affiliated owners. . . . .	35
<b>Literature . . . . .</b>	<b>36</b>
<b>Appendices . . . . .</b>	<b>39</b>
I Official statistics on real estate owners: census, microcensus and international role models . . . . .	39
II Methodology of "Who Owns the City?" and list of major real estate owners . . . . .	41
III Index of charts and tables. . . . .	42



## OVERVIEW: WHO OWNS THE CITY?

Who owns the city? Who owns Berlin's two million apartments? Who has been profiting from the steady increase in prices and rents over the past ten years? What does the slogan "no returns on rents" actually mean? Who is a rent shark and who is a responsible landlord? Because, to date, there are neither official lists of property owners nor registries of rents, these questions have remained unanswered or have been subject to wild speculation and stubborn myths. To change this, the Rosa-Luxemburg-Stiftung's project "RLS Cities: Who Owns the City?" has consolidated years of detailed investigations by tenants and journalists into thousands of individual cases and new original research into hundreds of property owners across global corporate registries and financial reports as well as data from official statistics and commercial databases. In this way, the project generates a rough breakdown of property ownership for the Berlin real estate market and reveals important insights for democratic decision-making:

- Via the apartments owned by the State of Berlin, all Berliners hold a share of the city's apartments. On top of this, there are 305,000 owners of a self-occupied house or apartment as well as several hundred thousand members of housing cooperatives. In addition, around 100,000 to 200,000 individuals own an apartment that they rent out. Finally, innumerable small-scale profiteers all around the world are concealed behind investment funds and publicly listed companies. However, several thousand (real estate) multimillionaires who have, until now, often remained anonymous own nearly half of the city.
- Nearly all owners of real estate—municipal housing companies and cooperatives as well as private companies and private owners—have seen increasing profits as a result of the past decade's ballooning rents and falling interest rates. The last two groups also profit from the increased purchase prices. By contrast, many households' rents have gone up at a much faster pace than their incomes, and even wealthy owner-occupiers pay more for their new individually owned apartments than would be justified by the savings in interest rates. This is causing a massive redistribution of wealth from the bottom (young people without assets) to the top (people with large, often inherited, real estate assets).
- With the largely risk-free purchase of a residential building in a good city-center location in one of the world's most in-demand and politically stable metropolises, owners have obtained yields that in some cases amount to more than 20% per year. This cannot be justified with a compensation for risk, nor as a reward for efforts. Instead, the logic of the unregulated (financial) market, facilitated by perennial support measures from politically independent central banks, has led to unintended effects in the real economy that necessitates corrective policies. Housing is not a commodity.
- In order to identify both ruthless profit maximizers and landlords oriented towards the public good, this study analyzes more than one hundred Berlin real estate owners. Among them, it has found a series of owners with scant public reputations holding more than a thousand Berlin apartments, and in some cases even more than three thousand. These range from the US private equity firm Blackstone and the Phoenix Spree investment fund from Jersey to the family foundation Becker & Kries and the heirs of Harry Gerlach.
- Particularly problematic are the large private equity firms, first and foremost Blackstone, with more than three thousand apartments in Berlin. These companies make billionaires out of their executives while still promising their investors continuous two-figure yields. They are looking for fast cash, not long-term investments. They optimize the buildings' yields rather than their livability for tenants. They use shadow banking centers to avoid taxes and preserve their anonymity. And all too often, they prevent their tenants from having a say in decisions and sidestep their obligations to social accountability.
- Generous tax exemptions and lease terminations on the basis of personal use (*Eigenbedarfskündigung*) offer private landlords in this ownership group additional avenues for profit maximization. In these areas, privacy protection rules and a lack of reporting requirements lead to very low transparency, which can be a problem especially in the case of large real estate holdings and the use of complex corporate structures and letterbox companies in secrecy havens. Given the market developments of recent years, the picture painted by lobbyists of the "small" private landlord or landlady, for whom added regulations could portend bankruptcy or an impoverished retirement, are most likely a rare outlier. Buying an apartment to escape runaway rents is usually only an option for very high earners. The subdivision of rented multi-family buildings into individual condominiums for sale chiefly benefits people who already owned property; more than two-thirds of these units become capital investments.
- Because of the low interest rates, housing cooperatives have been able to reduce their costs and extensively renovate their housing stock. In contrast to the impression they made with their sometimes aggressive campaign against the rent cap introduced in Berlin, most of the 27 members of the Federation of Berlin Housing Cooperatives (*Verbund der Berliner Genossenschaften*) had high surpluses. Whereas the municipal housing companies are today bound to clear social policy objectives—ranging from new construction to special-needs apartments to simply facilitating

switching apartments—the cooperatives' primary duty is to their members. Still, by tying up their capital and holding onto their housing stock for the long term, and by facilitating member participation in decision-making, they make an important contribution to affordable housing in the city.

To counteract both the cumulative abuse or strategic erosion of specific rules and the massive redistribution of wealth in real-estate markets over the past ten years, action must be taken on two levels:

1. The data currently available on ownership structures and on the rental market are utterly inadequate for the necessary regulatory and tax measures and considering the issue's importance. Better information and more transparency is needed in order to respond democratically to the social question of the twenty-first century, to introduce evidence-based political measures, and, not least, to combat abuse and organized crime. A registry of buildings and apartments including information on rents and beneficial ownership is one important remedy.
2. Targeted measures must be taken to better regulate the practices of subdividing multi-tenant buildings

into individually owned condominiums, terminating leases for personal use, and trading real estate via company shares (known as "share deals") in order to circumvent preemption rules and real estate transfer taxes. Moreover, in response to the explosion of prices, the state must find a way to tax high passive incomes (for example through a reformed tax on inheritances or assets). In addition, the realization and extraction of extreme appreciations in value should be prevented by imposing price limits (calculated, for example, as a multiple of the annual rental revenue at the time of purchase). Another last-resort element of the toolkit for a long-range city property policy is the expropriation of buildings at realistic prices.

The study's website, [www.wemgehörtciestadt.de](http://www.wemgehörtciestadt.de), features an ever-lengthening list of Berlin real estate owners together with an appeal to all Berlin's renters and to the city's responsible property owners to join the project in filling in the picture and answering the question: Who owns the city? Further cities and countries as well as language versions will be added in future.

## I WHO OWNS BERLIN?

The conflicts surrounding the Berlin real estate market have many layers, ranging from rents rising across the city to rental usury and aggressive eviction strategies by individual landlords, from explosively increasing purchase prices to money laundering and deceitful maneuvers when selling overpriced housing units. Amidst all this, there have been numerous tenants' initiatives that frequently form to stop their building from being sold to anonymous investors, cases of tenants resisting evictions and lease terminations on the basis of personal use, and, last but not least, the Expropriate Deutsche Wohnen & Co. referendum campaign. The large (publicly listed) real estate companies have often been at the center of press reporting and have been the subject of several studies.<sup>1</sup> Regarding owner groups, which span from private equity firms to private investors to housing cooperatives, very little structured information is available, partly because there is scarcely any official data on the proportions of ownership apart from the 2011 Building and Housing Census (*Gebäude- und Wohnungszählung*).

This study seeks to fill that gap, drawing on data compiled by countless tenants and journalists and supplemented by analyses of current statistical surveys, market reports, and individual financial statements. It thereby lays the groundwork for an informed debate on the issues of the rent cap and expropriation and seeks to answer recurrent questions:

- Who are the one hundred biggest landlords in Berlin? What does the Berlin housing market have in common with markets in other German and European cities, and what sets this city apart?
- Have any actors besides the large real estate companies been overlooked despite, perhaps, being even more aggressive?
- Who are the private investors and are they really so “innocent” in relation to current trends, as interested parties often assert?
- How many companies' holdings lie just below the three-thousand-apartment threshold proposed by Expropriate Deutsche Wohnen & Co.? Which companies are these and what are their business practices?
- What role do housing cooperatives play? Has the *Mietendeckel*, the rent cap passed by the Berlin House of Representatives on 30 January 2020 (Act Revising Legal Stipulations on Rent Limits), truly driven them to the verge of bankruptcy, as claimed by some umbrella associations and asserted in certain press reports since mid-2019?
- Last but not least, who is truly suffering and who is benefitting most from the real estate boom, the rent cap, and the repercussions of COVID-19?

### A Note to Readers

Who owns Berlin? There is no conclusive answer to the question that guided this study. It would already be presumptuous “only” to determine the ownership of residential real estate and “only” to describe and compare the most important types of property owners (leaving aside management and other services, construction companies, politicians, businesses, occupants, etc.). But, encouraged by the commitment of innumerable activist tenants, journalists, politicians, and researchers, and building on their extensive foundation, the project “Who Owns the City?” has nevertheless attempted to answer that very question. Following the logic of the most extensive source of data—the decennial Housing and Building Census—owners are divided into four large groups. Within those groups, the study describes another eleven more or less homogenous subgroups of owners and provides information about their main characteristics and the real estate they own. A total of 19 case studies illustrate the range of business models among the different types of owners, as well as varying aspects of typical business practices. The section on the different groups of owners and the respective subgroups, including the case studies, are self-contained. Readers are therefore free to peruse them in any order, or to skip sections. In addition, under [www.wemgehoertdiestadt.de](http://www.wemgehoertdiestadt.de) you will find a continually growing and regularly updated list of owners from each group and subgroup, including information on the real estate they own. Berlin tenants (and soon also tenants from other cities) who would like to know who owns the building they live in will hopefully be able to find the answer there, or they can make their own contribution to a better understanding of who owns their city.

### WHO OWNS BERLIN'S APARTMENTS?

In Germany, as in most countries of the world, real estate comprises the largest share of public and private wealth. Whereas historically it was possession of agricultural landholdings that set wealthy feudal lords apart from their penniless serfs, today it is increasingly possession of land in major cities—now enshrined in democratic rules—that dictates prosperity and

<sup>1</sup> Including, for example, “Profitmaximierer oder verantwortungsvolle Vermieter? Große Immobilienunternehmen mit mehr als 3.000 Wohnungen in Berlin im Profil” (Bonczyk & Trautvetter 2019); “Den Aktionären verpflichtet—Immobilienaktiengesellschaften: Umverteilungsmaschinerie und neue Macht auf den Wohnungsmärkten” (Werle & Maiworm 2019); “Börsennotierte Wohnungsunternehmen als neue Akteure auf dem Wohnungsmarkt—Börsengänge und ihre Auswirkungen” (Bundesinstitut für Bau-, Stadt- und Raumforschung 2017).



participation in society.<sup>2</sup> In 2018, out of Germany's € 15.9 trillion total wealth and assets, 50% consisted of residential buildings (34.5% or € 5.5 trillion) and the associated land (20.6% or € 3.3 trillion), and 28.5% (€ 4.5 trillion) consisted of commercial real estate, including land. At the end of 2018, the market value of Berlin's residential real estate was estimated very roughly at € 380 billion.<sup>3</sup> Compared to other countries, wealth in Germany is very unequally distributed. According to the latest estimates, the wealthiest 10% own 67% of the total assets; the top 1% (equating to 695,000 adults) own 35% of assets. The bottom half of the population possesses essentially no assets: a mere 1.4%.<sup>4</sup> Overall, real estate assets are distributed somewhat more equitably than for example stocks or stakes in companies as nearly half of Germans own their homes. In Berlin, however, the share of residents who own their home—around 16%—is far lower, and the vast majority of high-value apartments in the city center, which have appreciated most quickly, belong to companies or wealthy individuals. With more than 90% of the residents in central districts renting, Berlin is rather unique worldwide. Even in metropolises such as New York and London, the proportion of renters is only 67.8% and 52.5% respectively. In Barcelona, the share is as low as 38.2%.

Whenever the conversation turns to the distribution of real estate assets, there is a tendency to emphasize the small-scale, patchwork nature of the market. This is true—in some respects. The largest owner of real estate in the city, Deutsche Wohnen, holds just 6% of all Berlin apartments (115,000). In comparison to Google's market share in mobile search in Germany (98.2%), for example, this seems like a small fraction. But according to Deutsche Wohnen's 2019 annual report, it still corresponds to some € 18.4 billion in assets.

The total number of real estate owners in Berlin is not known, not even approximately. Yet in 2018, according to the micro census, there were 305,000 home-owning households. According to the Senate Department for Housing's response to a parliamentary enquiry from the Berlin House of Representatives, there were roughly 200,000 Berlin taxpayers with income from rental and leasing amounting to around € 1.5 billion. One can only speculate what portion of that income derives from residential real estate in Berlin. The questions of how many Deutsche Wohnen shareholders there are, and how many pension fund investors indirectly profit from Berlin residential real estate, also remain a mystery.<sup>5</sup> Even if there are several hundred thousand direct and indirect owners in total, at most several thousand companies and individuals are likely to own significant quantities of Berlin residential real estate.

The most important source of information on the ownership breakdown of real estate markets is often the census, and in the case of Germany and Berlin, in particular the Building and Housing Census, which was most recently conducted in 2011. In this census, all real

estate owners in Germany received letters requesting that they identify as one of ten categories of owners. The results showed that private real estate companies and professional investors, at 25%, played a uniquely large role compared to the rest of Germany. This primarily came at the expense of owner-occupiers and private owners. The share of public and collective apartments was likewise comparatively high, another 25%.

In addition, information on real estate owners is surveyed every four years in the micro census, most recently conducted in 2018. Because the respondents in this case are the residents rather than the owners, and because the categories do not match those in the Building and Housing Census, it is not possible simply to follow numbers from one to the next. Yet an overall picture of the data from the 2018 micro census, the current holdings of large real estate owners, and market data by valuation boards and other players supports the conclusion that the breakdown of ownership in Berlin has not changed fundamentally since 2011. Overall, the shares of owner-occupiers (+1%) and municipal housing companies (+2%) have risen slightly. Because of the subdivision and new construction of individually owned apartments, the share held by building associations of individual owners has gone up from 20% to 26%; this value is approaching the equivalent percentages in other major cities. The additional individually owned units have mostly been sold to private owners and then usually rented out. In parallel, private owners have sold housing to private companies and, to a small degree, also to public, cooperative, and nonprofit organizations (due to inheritance or high prices, for example). As a result, these two effects have somewhat canceled each other out. Concerning private real estate companies and private individuals, the statistics from the Building and Housing Census and the micro census diverge widely. They indicate that a large portion of owners identified themselves as private individuals in the Building and

<sup>2</sup> Piketty's (2013) historical analysis shows that around 1,700, agricultural land made up 67 percent of all capital, but only 2 percent in 2010. In the same period, the percentage of housing stock rose from 13 to 61 percent. With this shift, the ratio of assets to income, after a slump between 1920 and 1990, was by 2010 almost at the level of the feudal era. See Piketty's figures and tables: <http://piketty.pse.ens.fr/en/capital21c2> (especially figure 3.2). In Germany, according to the German Federal Statistical Office, around 4 percent of all land is used for housing and around 2 percent for industry and commercial use, alongside agricultural land (51 percent), forest (30 percent), streets and roads (5 percent), and water (2 percent). <sup>3</sup> The value of residential Berlin real estate is the product of the living space (145 million square meters) and the Berlin Senate's average estimate for the cost of expropriation (€ 2,600 per square meter). German assets were calculated from the German Federal Statistical Office's balance sheet for the total economy. Buildings are listed there according to fair value (current cost for new building minus depreciation due to age) and land is calculated by standard ground value, which pushes values down considering price appreciation over the past two years. <sup>4</sup> See the new prognoses in the weekly report (no. 29) of the German Institute for Economic Research (DIW) (in German: [https://doi.org/10.18723/diw\\_wb:2020-29-1](https://doi.org/10.18723/diw_wb:2020-29-1)). This estimate is based on a targeted survey of wealthy individuals and is therefore higher than previous DIW estimates. Thus in 2019, the DIW estimated that the wealthiest 1 percent owned 21.6 percent of total assets (see, in German: [https://doi.org/10.18723/diw\\_wb:2019-40-1](https://doi.org/10.18723/diw_wb:2019-40-1)). The actual percentage, however, is most likely much higher, because even the new estimate does not include all rented property or commercial assets. <sup>5</sup> Minor interpellation by Marcel Lütke (FDP), Berlin House of Representatives, 11 Nov. 2019, (in German: <https://kleineanfragen.de/berlin/18/21546-vermietung-und-verpachtung>). However, whether this income stems from residential real estate in Berlin is unknown, as are the numbers of owners from outside Berlin and of legal persons with rental income from Berlin real estate.

Housing Census even though their real estate is in fact held by a legal entity (such as limited liability compa-

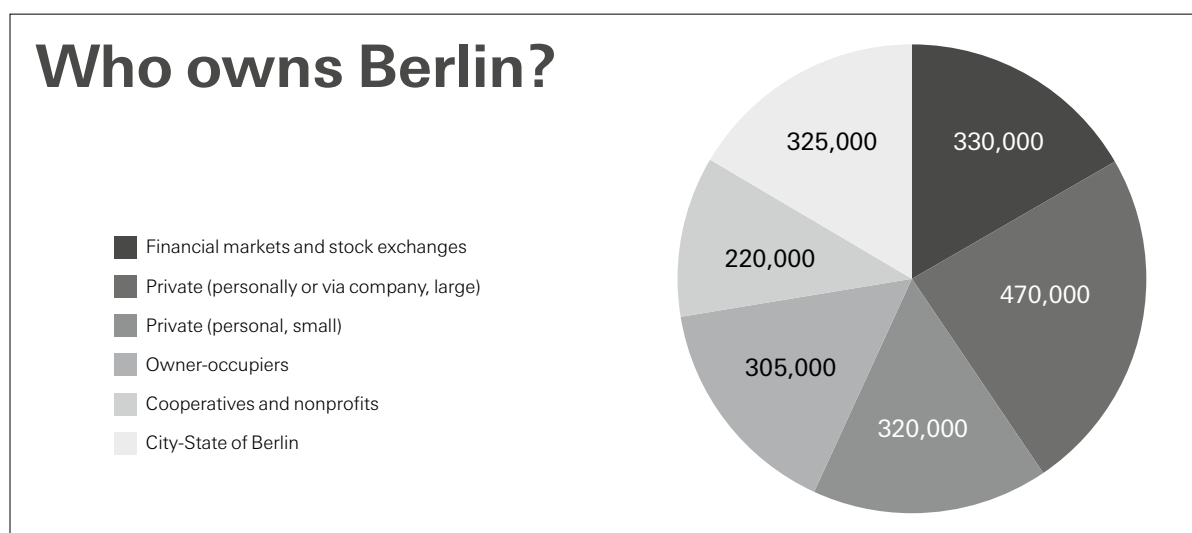
nies) according to the land register (for further details, see Appendix I).

**Table 1: Ownership breakdown in selected German cities**

Category	Germany	Berlin	Hamburg	Munich	Cologne	Bremen (city)	Erfurt
Private companies (e.g. banks, funds, etc.)	1.6%	6.8%	1.8%	3.3%	2.0%	1.8%	3.1%
Private real estate companies	5.3%	18.0%	9.6%	11.5%	8.0%	8.2%	8.5%
Private individuals, commonhold, or owner-occupiers <sup>6</sup>	81.0%	49.7%	58.7%	68.4%	74.9%	74.6%	55.5%
→ of which private individuals, not subdivided into commonholds	23.5%	20.5%	21.8%	20.4%	30.1%	21.3%	17.3%
→ of which private individuals, subdivided into commonholds	11.7%	11.3%	12.2%	22.3%	16.7%	12.3%	14.5%
→ of which owner-occupiers	44.9%	15.3%	23.6%	24.4%	26.7%	39.6%	21.0%
Public, cooperative, and non-profit	12.1%	25.5%	30.0%	16.8%	15.1%	15.4%	32.8%
→ of which public	6.2%	14.5%	14.7%	10.1%	8.3%	10.5%	12.9%
→ of which cooperatives	5.1%	9.9%	14.2%	4.1%	6.1%	3.4%	19.6%
→ of which non-profits	0.8%	4.9%	1.8%	4.8%	1.4%	1.6%	1.7%
Total	100%	100%	100%	100%	100%	100%	100%

Source: Original compilation, based on 2011 Building and Housing Census<sup>7</sup>

**Chart 1: Owners of Berlin residential real estate, 2019**



Source: Original estimates based on 2011 Building and Housing Census; see appendix for additional sources

An investigation by Savills, a real estate services provider, identified a total of 180 named professional property owners holding approximately 828,500 rental apartments in Berlin (2019). The “Who Owns the City?” project has identified and analyzed more than two hundred such owners to date. Together with the tenants and responsible owners, this search and analysis process will continue in the future on an ongoing basis.<sup>8</sup>

#### WHO IS PROFITING FROM THE REAL ESTATE BOOM?

*“From 2015 onwards, nearly all budgetary forecasts for Berlin therefore anticipate a long-lasting and accelerating decrease in the number of households and a corresponding drop in the demand for apartments [...] With the current housing surplus in the range of a*

*hundred thousand apartments, mostly in modest residential buildings, a future shortage of modest apartments is very unlikely.” (Empirica 2003, 20)*

“Boom Boom Berlin” was the heading of the “2020–21 City Report” by the real estate service provider Aengevelt Research. Its founder, Wulff Aengevelt,

<sup>6</sup> Buildings divided into individual units are listed under residential property owner associations (*Wohnungseigentümergeinschaften*) and not under different groups of owners. Each owner is later asked separately about the individual unit, but that method is different and less stringent. Therefore, there is a slight discrepancy between the overall number in line 3 and the division into divided and non-divided apartments among private owners in lines 4 to 6. <sup>7</sup> Information on other cities can be found at: <https://ergebnisse.zensus2011.de/?locale=en>. Statistical units: dwellings; type: type of ownership and use of dwelling, without holiday rentals and empty apartments. <sup>8</sup> The most current list can be found at: [www.wemgehörtdiestadt.de](http://www.wemgehörtdiestadt.de) (in German).

even calls this boom the “result of a continuous thirty-year trend towards becoming the capital city of real estate” (Aengevelt Research 2020: 2). The forecasts in the early 2000s sang a different tune. A 2002 analysis of the municipal housing companies commissioned by the Berlin Senate and conducted by E&Y, a consulting and auditing agency, concluded that these companies were hopelessly indebted and ought to be urgently sold. By contrast, investors such as Blackstone and Cerberus smelled a deal and were grateful to purchase the Siedlungs- und Wohnungsbaugesellschaft Berlin (GSW), which had previously been city-owned and nonprofit, at a bargain price.<sup>9</sup> In 2003, an expert commission overseen by the forecasting institute Empirica even identified a surplus of apartments (particularly among “basic” apartments), which they expected to grow further after 2015 (see Empirica 2003). Nevertheless, international investment funds such as Taliesin quickly noticed that there were profitable rental apartment buildings for sale in Berlin; in fact, they were even cheaper than their material value. They pounced, and even while the boom was delayed by the global financial crisis, they continued buying buildings from indebted investors and individuals at very low prices.<sup>10</sup>

In the end, they were right and the reality materialized quite differently from Empirica’s predictions. Berlin experienced a large influx of newcomers, and purchase prices began to explode in 2012–13. Some greedy real estate owners exploited loopholes in the rental price regulations to raise rents more quickly than actually permissible, or liquidated their holdings (as did Taliesin) at huge profit margins. Many other, more conservative owners, including the municipal housing companies and cooperatives, raised rents within the scope of what was legally allowed and renovated their housing stock with the help of falling interest rates. Because some landlords simply forgot to raise rents or voluntarily declined to do so, the increase in rents has been distributed very unevenly across different owners and even amongst old and new leases signed by the same owner for units within the same building. For more than three years, experts—including Empirica—have been warning that due to an up-tick in new construction, a leveling-off of newcomers to the city (with an unresolved demographic problem), and the risk of raising interest rates, the purchase prices of residential real estate are as much as 30% inflated.<sup>11</sup>

In 2019, many housing cooperatives fulminated against the introduction of the rent cap in Berlin and painted a dark picture of their future profitability. And in light of expensive acquisitions and extensive new construction in combination with planned tightening of social obligations, in 2020 the local *Tagesspiegel* newspaper even warned of an exorbitant increase in the debt burdens of the municipal housing companies by 2023 (see Kiesel 2020). This plainly illustrates how broadly characterizations of the status quo can

diverge, and thus how starkly studies’ findings can differ depending on their perspectives and when they were written. Which of the cited predictions will come true remains unclear.

Over the past ten years, the Spring 2020 Report on the Real Estate Sector, commissioned by the German Property Federation (ZfA), found that in Berlin—as in other large German cities—rents have risen at a faster rate than incomes and, furthermore, purchase prices are rising more quickly than would be justified by higher rents or lower interest rates.<sup>12</sup>

- Between 2010 and 2019, rents for newly-let apartments have risen more steeply in Berlin than anywhere in Germany (+42%, adjusted for inflation) and much more sharply than incomes (+4%), but were still comparatively low in 2019 at an average of €9.60 per square meter. Because it was predominantly rents for luxury apartments in attractive districts that rose in 2019, while the overall average and the rents of less-attractive apartments fell for the first time, the experts conjecture there might be some preliminary difficulties finding tenants in the lower-end segment (e.g. in northern Charlottenburg). Overall, however, they remain cautious as to whether a trend can be inferred from this scant data and, if so, how to explain it (Feld et al. 2020: 178 ff.). Because high incomes have risen more quickly for many years, and given that people with high incomes often own their own homes, the rent to income ratio has gone up the most among the lower income strata across Germany. The rent to income ratio ranges from 39.1% (for the poorest 10%) to 15.7% (for the richest 10%).<sup>13</sup> In the big cities and for rents on recently signed leases, the ratios and the differences are generally even higher.
- Across all of Germany, the quickest rise in purchase prices over the past decade was in Berlin (+177%), but at €4,012 per square meter, the average remained at a comparatively low level. According to the 2020 Spring Real Estate Industry Report, purchase prices in Berlin rose 84% more quickly than rents through 2018, and even continued rising in 2019 despite falling rents in listings. Part of this discrepancy (around 40%) can be explained by interest rates, which were lowered once again in

<sup>9</sup> The original analysis is not available but was discussed in an article in *Mieterecho* (see Gerhardt 2015). <sup>10</sup> See the 2007 prospectus (available upon request) of Taliesin Property Fund, founded in 2005. See Trautvetter 2016 for more general information on Taliesin. <sup>11</sup> See Jahrborg 2017 for an overview of the varying prognoses. <sup>12</sup> When interest rates fall, buyers with enough equity can take on higher mortgages at the same price and owners of mortgaged real estate can reduce costs by refinancing. At the same time, the value of the real estate, and any future rental income it may produce, rises due to what is known as the “discount factor”. Future rental income is therefore worth less each year, because interest could have previously been earned off of that income. The lower market interest rates are, and with them the discount factor, the higher the value of future rental income and therefore the value of the property. Between 2010 and 2019, interest on 30-year government bonds sunk from 3.25 to 0 percent. <sup>13</sup> The quotient is gross rent without utilities to net household income. These studies are summarized well in a Twitter thread by Marcel Fratzscher (in German) from 28 July 2020 (<https://twitter.com/MFratzscher/status/1288010865988505606>). The data were analysed in Dustmann et. al. (2018) and in a study by Sagner et. al. (2020), based on Socio-Economic Panel data.

2019. At the same time, this discrepancy between purchase prices and rents reduces the expected yield for purchases to a mere 2% on average (assuming resale in 20 years and rents and selling prices rising with inflation).

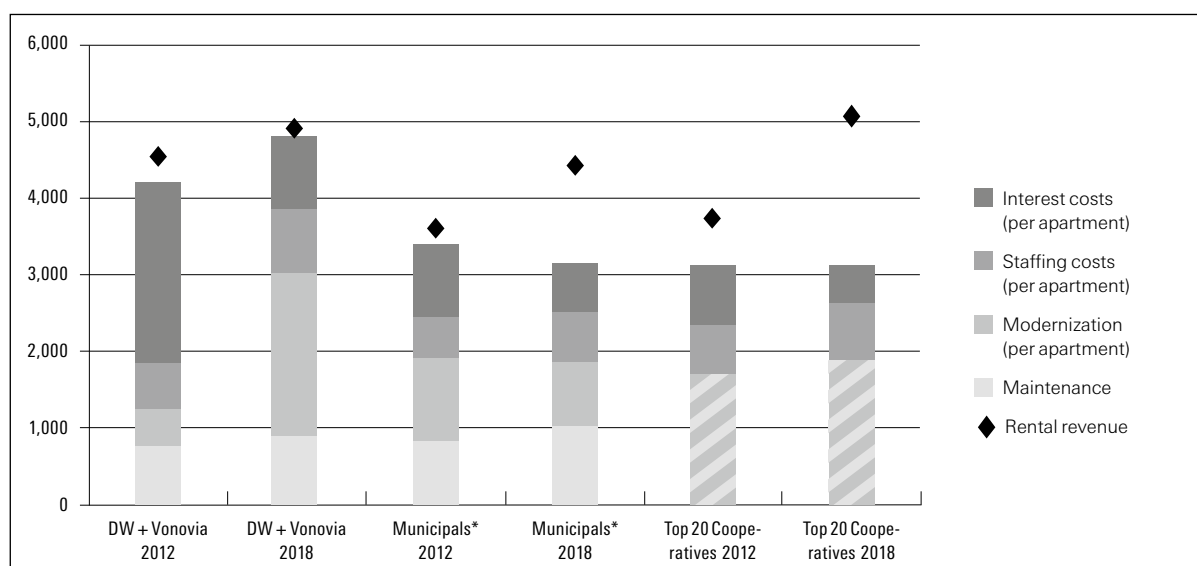
It remains to be seen how the situation will develop in the coming years; it also depends on how incomes (in other words, the purchasing power to afford higher rents) as well as supply and demand (in other words, the pressure on tenants to accept higher rents at the same income level and thus sacrifice their quality of living). In no small part due to discussions around the rent cap and the rent freeze, there are a wide variety of expectations regarding future trends in rents. The profits gained to date from the real estate boom have been distributed very unevenly across the various groups of owners:

- Sellers of real estate and apartments, especially those who purchased or inherited their property before 2012–13 and are now reselling at high prices, are the primary profiteers. Over just a few years, they have pocketed appreciations of more than 300% in some cases, and often do not even have to pay taxes on their earnings. After holding property for ten years, private individuals and foundations are exempt from taxes on appreciations in value. Professional investors can circumvent taxes through what is known as “share deals”: instead of selling deeds to the real estate outright, they sell shares of an internationally registered company to which the real estate belongs. More and more investors seem to be taking the strategy of subdividing multi-tenant buildings and selling the apartments piecemeal. In doing so, they “elevate” the total potential appreciation in value. They minimize the undeniably taxable profits

on these sales by passing on part of the profits as interest payments to affiliated companies registered in tax havens.

- Housing companies with long-term engagements benefit from rising rents concurrent with falling interest costs. The municipal housing companies, housing cooperatives, and long-term oriented private landlords at first only benefit indirectly from the rises in selling prices (through improved access to credit). In their financial statements (and tax returns), they value their real estate according to purchase prices. Thus, on paper, they grow poorer due to the effects of wear and tear, and they may never tap into their so-called hidden reserves. Nevertheless, even with moderate rent increases, they have massively increased their annual profits thanks to sharply falling interest rates, as illustrated in chart 2.
- Buyers of apartments who are able to front the necessary higher down payment receive loans that are more favorable. However, if purchase prices rise more quickly than interest rates fall, they pass on the entire interest-rate advantage to the seller and even pay more on top. In that case, they too are disadvantaged by the current circumstances. According to calculations by the “real estate sages” (*Immobilienweisen*) at the German Property Federation, the expected yields for real estate investors are low throughout Germany, but especially paltry in Berlin, where they have recently fallen to just 1% on average. This is still better than the zero yield on normal savings (even negative, accounting for inflation) and undoubtedly better than having no assets at all. But for buyers who purchased property since 2017, perhaps even at above-average prices (or below-average quality), their yields are highly contin-

**Chart 2: Rental revenue and expenses by owner group, 2012 and 2018, in €**



Source: Original calculations, based in part on company annual reports (in some cases varying definitions/demarcation of maintenance and modernization); further details in the respective sections

\* Municipal housing companies

gent on trends in rents and interest rates, and by extension future selling prices. If an investor bought a medium-quality apartment at € 4.012 per square meter and rented it out for € 8.44 per square meter, according to the calculations of the “real estate sages,” he would achieve a yield of 2% (adjusted for inflation) after selling it 20 years later—but only if the rent and the selling price increased by 1.5% annually. If the rent rises more slowly due to the rent cap (1.3% starting in 2022) or the selling price falls, for example because interest rates are raised again, this quickly turns into a loss.

- The biggest losers are renters, particularly those who are not enjoying rising incomes and have had to move in recent years (due to growing families, for example) or are newcomers to Berlin. Due to the high demand, apartment owners have not passed the cost reductions resulting from low interest rates to their tenants and advertised rents have even risen considerably more rapidly than incomes. There are renters whose landlords voluntarily abstain from issuing regular rent increases or forget to raise the rent; on average, these tenants even benefit from rising incomes. But on the other side are renters whose existing rents have risen more quickly than their incomes due to being

indexed to the cost of living (*Indexmiete*), subject to pre-scheduled increases (*Staffelmiete*), or regularly raised within the limits set by the rent freeze (up to 15% in three years until reaching the comparative rent typical in the neighborhood). Then there are those renters, frequently profiled in the press, whose landlords have raised their rents disproportionately quickly through high modernization surcharges or by strategically displacing specific tenants. Finally, even recent arrivals to the city with lucrative jobs, despite being part of the displacement process, are among the losers when they pay the excessive rents of € 15 per square meter demanded for one of the few available apartments. Thus, they are “perpetrators” and “victims” at once.

Despite all this, rents in Berlin—whether measured in absolute terms or as a proportion of income—have still not reached the levels of other major cities in Europe or around the world. Although rent comprises 36% of income on average (sometimes much more), placing it beyond the limit of an affordable rent (30%), Berlin tenants are still doing well by comparison. However, from a global perspective, the ratio of purchase price to rent in Berlin already paints a very grim picture for the future.<sup>14</sup>

**Table 2: Price comparison among selected cities**

City	Monthly rent (in €)	Monthly income (in €)	Purchase price (€ per sq. m)	Restaurant meal (in €)	Ratio of rent to income	Purchase price as multiple of annual rent
New York	2,988	5,093	13,338	21.60	59%	37.2
London	1,939	3,228	11,651	16.90	60%	50.3
Barcelona	959	1,446	4,524	11	66%	39.3
Berlin	924	2,536	5,772	8.75	36%	52.0

Source: Numbeo<sup>15</sup>

### WHAT IS A HEALTHY YIELD ON INVESTMENT?

As described in the previous section, business practices and profits from real estate investments each vary widely—both between different groups of owners and among individual investors of the same type. The key differences relate to the following factors: acquisition costs (closely linked to year of purchase); willingness to sell at maximum prices (which is scarcely compatible with the mission of municipal housing companies, for example); and the handling of rent raises and management fees (because of investment managers’ performance fees, these service charges are especially high in buildings owned by private equity companies and investment funds).

Because housing is a human right and a basic human need, many renters have rallied around the demand “No Return on Rents” (*Keine Rendite mit der Miete*). Depending on how returns are measured and defined, this does not necessarily mean there can never be surpluses. Berlin real estate needs investments and the growing population needs more apartments. Without renovations to improve energy efficiency, climate goals

cannot be met, and plenty of apartments are urgently in need of modernization. In a social market economy, or so the theory holds, those who take risks by tying up capital for the long term are rewarded in good times with a yield on their investment. This produces real estate yields both from rent surpluses and from appreciated value. In the best-case scenario, and by relying on cheap loans, the return on equity can then be increased.

The yields on Berlin real estate in recent years—primarily from the explosive price appreciations—have nothing to do with a healthy return on risk, but are in fact a clear sign of a financial market that has gotten out of control. Anyone who bought an apartment building before 2015 in Berlin, a stable and growing capital city and metropolis, often paid less—around € 1,500 per square meter—than the building was worth, and the

<sup>14</sup> The reference value of the individual categories and therefore also the values differ here from other sources such as the Spring Real Estate Industry Report (for example, a typical city centre price of € 5,772 vs. a median price of € 4,012 per square meter), but is consistent within itself for the purposes of this comparison. Statistics for other cities and reference values can be found at: [www.numbeo.com/cost-of-living/prices\\_by\\_city.jsp](http://www.numbeo.com/cost-of-living/prices_by_city.jsp). See also the online annex of this study: [www.wemgehörtdiestadt.de](http://www.wemgehörtdiestadt.de). <sup>15</sup> See [www.numbeo.com/cost-of-living/prices\\_by\\_city.jsp](http://www.numbeo.com/cost-of-living/prices_by_city.jsp).

land underneath it was practically thrown in for free. This owner might now subdivide the building several years later and sell one of the apartments at €4,500 per square meter to a young family that, desperate to find an apartment near work, takes on heavy debts to do so. This is a form of usury that, while perfectly legal by market logic, is a far cry from a “well-earned profit.” What level counts as a “healthy” yield is chiefly a sociopolitical question. It is the role of politics, when needed, to correct for market failures with regulations

and to compensate for injustices when they exceed the socially acceptable level, for example via taxes or, in extreme cases, through public expropriation. The yield thermometer (chart 3) contains examples of yields from Berlin residential real estate. Because the definitions of yield may vary slightly, and the calculated yields are always mere snapshots that are highly contingent on the period of observation, this chart is explicitly not intended as a ranking of the highest-yield real estate investors.

Chart 3: Yield thermometer

>15	An investor who bought a share of Deutsche Wohnen in January 2012 for € 10.27 and sold it in December 2019 obtained an annualized yield on the investment of 21.6 percent. <sup>16</sup> If that investor had to offload the stocks—for example due to public expropriation without compensation—the loss after deducting dividends would be € 5.20.
14	
13	
12	
11	Since 2004, Akelius has recorded a total annual yield on its real estate portfolio of 11 percent. Of that figure, 4.2 percent came from rent surpluses and 6.8 percent from value appreciation. The highest yield was recorded for 2016, at 20.7, and as much as 24.2 percent in Germany. The yield on equity for the entire period was far greater: 23.2 percent. <sup>17</sup>
10	In its 2019 annual report for its Core+ real estate investors (covering real estate in metropolises like Berlin with a low risk profile and low leverage), Blackstone reported a yield on equity of 10 percent after deducting management fees and the profit-sharing bonus. <sup>18</sup>
9	Between April 2010 and June 2020, the German investment fund Wertgrund WohnSelect D, which is open to private investors, recorded a yield after expenses of 94.98 percent, corresponding to about 9 percent per year. <sup>19</sup>
8	An historical analysis values the average yield on German real estate since 1871 at 7.82 percent per year: about one-third from appreciation and two-thirds from rental surpluses (Jordà et al. 2017).
7	
6	
5	
4	Since at least 2007, members of the Berliner Baugenossenschaft cooperative (BBG) have received a 4-percent dividend on their shares of the cooperative, one of the highest rates in Berlin. Whereas that amounted to 68 percent of the net profit in 2007, by 2018 it was only 16 percent thanks to the sharply risen profits. The remaining profits were transferred to the reserves, so departing members never see them.
3	The foundation Nord-Süd-Brücken purchased the land at Zossener Str. 48 and leases it for up to 100 years to the non-profit organization that owns the building on that plot. For this, it charges 3 percent interest per year.
2	When the municipal housing companies review whether it would be economical to purchase a property instead of a private investor (by exercising the right of pre-emptive purchase, or <i>Vorkauf</i> ) at the listed price, they typically calculate based on financing costs of 2 percent. For years now, rental surpluses on currently owned apartments that sometimes far exceed this rate have been reinvested instead of being paid out.
1	Someone who invested in a 30-year German federal bond in 2019 received precisely 0 percent interest. In 2010, that figure was 3.25 percent. The average over the past decade was 1.6 percent. <sup>20</sup>
0	Regular consumers have not received any interest on their savings for many years already. The same is true for the shares of most housing cooperative members. Because of 1–2-percent inflation, their money is losing value. When contrasted with the price appreciations on Berlin apartments, this creeping confiscation is even more severe.

Source: original compilation

## WHO ARE THE MOST RUTHLESS PROFIT MAXIMIZERS?

Every building has its own story, and so does every business decision from purchase to sale, including decisions about repairs or renovations, demolition and new construction, across-the-board rent increases, or when to make exceptions. For this reason, the concept of business practices is always an abstraction and a generalization when applied to individual owners, and all the more so when describing entire categories of owners. Comparisons across different starting positions and time periods are always tricky. Nonetheless, this study will attempt at minimum to provide a

basis for statements about trends through structured comparisons and illustrative examples. In doing so, it

<sup>16</sup> Sum of dividends and appreciation calculated from the difference to the acquisition price on 31 December 2011. <sup>17</sup> The total yield is the ratio of operative profits and appreciation to value of the real estate portfolio at the end of the year. The figures can be found at: [www.akelius.com/site/binaries/content/assets/pdf/investor/historical-figures/historical-figures-2020-q1-engv2.xlsx](http://www.akelius.com/site/binaries/content/assets/pdf/investor/historical-figures/historical-figures-2020-q1-engv2.xlsx) (table “Key Figures”); the statements for Germany were found in the respective annual reports under “Segment Reporting”. <sup>18</sup> Blackstone calculates the Net IRR (internal rate of return) as annualized dividends and multiples of invested capital (MOIC) in relation to capital invested (Blackstone 2019: 99). <sup>19</sup> The BVI yields indicated here include appreciation and dividends minus fund management costs. More information on the fund (in German) at: [www.wohnselect.de/wertentwicklung/](http://www.wohnselect.de/wertentwicklung/). <sup>20</sup> Average value weighted according to the time period between the maturity dates of various 30-year government bonds (2010, 2012, 2014, 2017, and 2019). Details (in German) at: [www.deutsche-finanzagentur.de/de/private-anleger/bundeswertpapiere/bundesanleihen/](http://www.deutsche-finanzagentur.de/de/private-anleger/bundeswertpapiere/bundesanleihen/).

will draw upon the following five factors, selected for their relevance and quantifiability.<sup>21</sup>

### 1. Yield: Payouts to shareholders and executives

The differences between various owners' business practices often begin with varying objectives. Whereas some housing cooperatives are not authorized by their charters to earn any permanent profits, others promise their collective owners up to 4% yields. On the high end, some private equity firms pledge regular yields of as much as 10% to 15% for their risk-tolerant investors. Alongside fixed management fees, typical fund managers receive additional compensation for transactions and sometimes lavish profit-sharing deals for appreciations in value (but rarely share losses). Between private companies, on one end, and public, cooperative, and nonprofit organizations on the other, there are sometimes (but not always) significant differences in executive compensation and success criteria.

### 2. Speculation: Short-term purchases and sales or long-term investments in new construction

Especially over the past few years, many investors have come to Berlin to profit in the short term from the rising values of existing real estate. Some investment funds enter the market with the advance plan of departing it soon (generally after around ten years). This is in contrast to housing cooperatives, many of which built a large portion of their apartments themselves and in some instances have been managing these same apartments for more than a century. Somewhere in between these two lie private real estate companies, which view themselves as long-term property managers but, in continuously optimizing their portfolios, achieve a fairly large portion of their profits through purchases and sales. For a few years now, and in light of the rent freeze and rent cap, some of the Big 5 are now engaging in new construction and project development for the first time, or are acquiring fully developed projects. Among private owners, there are professionally managed communities of co-heirs (*Erbengemeinschaften*), in which more than three generations have already profited from the family's wealth or in which the second generation manages the estate as if it were their own home. Sometimes, given the high prices achievable, children try to convert their parents' former apartments into quick cash.

### 3. Rent: Price vs. apartment quality

Providing apartments that meet tenants' needs at the lowest possible price should be the result of a functioning market and of a good state housing policy. Within all the owner groups, there are examples in Berlin of well-managed buildings whose tenants do not have to wait long for repairs, buildings that have been renovated according to the tenants' wishes with a fair distribution of the costs (which are not necessarily higher). At the same time, there are landlords who exploit the supply scarcity—caused by natural

restrictions and prolonged planning and construction timetables—to offer apartments at inflated prices and to raise rents at an above-average pace through turnover or by instituting pre-scheduled rent raises (*Staffelmieten*) and modernization surcharges. Frequently, apartments are also neglected by their landlords without those landlords lowering the rent.

### 4. Finances: Transparency of financial indicators, taxes and accountability

Real estate revenues are normally taxed where they are earned, i.e., here in Berlin. Through tax avoidance or even outright evasion, some owners and owner groups systematically violate this principle. To do so, they use tax havens inside Germany such as Zossen or Schönefeld (Berlin suburbs) or complex corporate structures abroad (chiefly in Luxembourg).<sup>22</sup> By registering their ultimate corporate entities in secrecy havens such as Switzerland, the British Virgin Islands, or the Seychelles, they circumvent Germany's standard obligation of disclosing the true owner and financial details. Whereas large listed companies and municipal housing companies are in the public eye and are obliged to publish extensive information, many other owners (some of them with billions in real estate holdings) fly entirely under the radar—partly because the land register in Germany is not publicly accessible due to data privacy concerns.

### 5. Responsibility: Concentration of property vs. transparency and the public good

In the case of some landlords, the majority of revenues flow to a very small group of especially wealthy investors from Germany and abroad. In other cases, it is small shareholders and retirees from around the world who harvest the profits. Sometimes the owners of rental units are even nonprofit institutions. Whereas some tenants are in direct contact with their landlords, in other cases the owner is unascertainable even after extensive research; these owners frequently do not even know what is being done on their behalf. Structurally, housing cooperatives have the strongest obligations to their members and therefore also to tenants, but depending on their size and configuration, they feature a wide assortment of participation models; they also vary in their openness to social issues that go beyond the direct interests of their members. Large private real estate companies and municipal housing companies alike are, at least sometimes, subject to stronger accountability obligations and have more established participation structures than small landlords. At the same time, they also have a greater

<sup>21</sup> Similar indicators, but not specific to the real estate sector can also be found for the 20 criteria for measuring the common good: see, in German, French, and Dutch, <https://web.ecogood.org/de/unsere-arbeit/gemeinwohl-bilanz/gemeinwohl-matrix/>. The Möckernkiez-Genossenschaft (a cooperative based in the Tempelhof-Schöneberg district) is creating one of the first indices for the common good for a real estate company. <sup>22</sup> For current examples and information on the Zossen model, see Keller 2020.

capacity to influence the local market and housing policy as well as a greater degree of professionalism.

Table 3 includes information about one selected representative of each of the four owner groups analyzed in this study as well as a purely illustrative thumbs-up/thumbs-down ranking. The study's website lists additional examples along with the option for tenants and landlords to add further information. The medium-term intention is for this to develop into a ranking system. Based on the table and other examples from the study, some preliminary conclusions can be drawn:

1. On its own, classifying an owner into a specific category (private company, private real estate company, private individual, municipal/collective/nonprofit) does not automatically enable inferences about business practices. There is large variation within each of these owner groups.
2. Some (major) actors are even more problematic than Deutsche Wohnen in terms of their transparency and accountability, but in some cases also in terms of their yield maximization and the extremity of their speculation. This is particularly true of private equity firms. The largest representative of this group, and the entity that invites the most criticism in many respects, is Blackstone.
3. Private owners are not automatically better than financialized real estate companies. Particular red flags among this group include the lack of transparency in regard to the size of their real estate holdings, their business practices, and their utilization of the option to terminate existing leases by registering personal use. They also profit from special tax exemptions.
4. In almost every respect, (large) housing cooperatives are less problematic than other private-sector owner groups. However, there is a need for improvement in their camp as well. In particular, they could do more to strengthen their orientation towards the common good.



Table 3: Comparison of four residential real estate owners

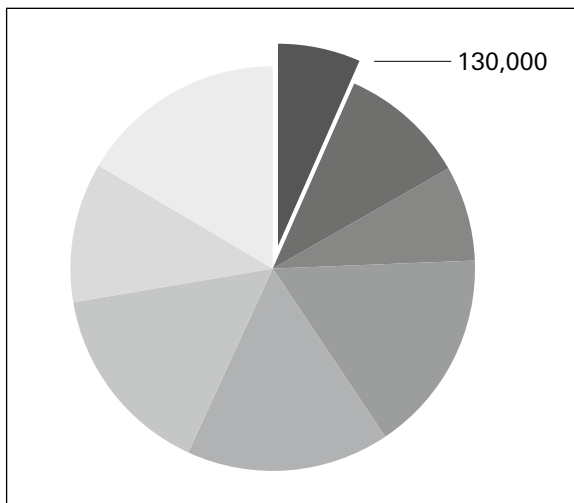
	Blackstone (Private equity firms, asset managers, and institutional investors)	Deutsche Wohnen (Private real estate company)	Family B. (private owners)	BBG (Public, cooperative, and nonprofit)
<b>Yield</b>	<ul style="list-style-type: none"> <li>Very high promised yields overall (10–15%)</li> <li>Very high management fees</li> </ul>	<ul style="list-style-type: none"> <li>High emphasis on shareholder value and dividends</li> <li>High management salaries</li> </ul>	<ul style="list-style-type: none"> <li>Target yields unknown</li> <li>No intermediary asset managers</li> </ul>	<ul style="list-style-type: none"> <li>Precise salaries of board members unknown, probably moderate</li> <li>Falling pressure on dividends, “company value” growing as success factor</li> </ul>
<b>Speculation</b>	<ul style="list-style-type: none"> <li>Short planning horizons overall (4–10 years); somewhat longer-term for Core+</li> <li>Speculates on existing real estate rather than investing in new construction</li> </ul>	<ul style="list-style-type: none"> <li>Manages existing stock, just starting new construction</li> <li>Profits on 2019 sales: €186 million (8% of profit, 7,181 apartments incl. individually owned units)</li> </ul>	<ul style="list-style-type: none"> <li>Succession unclear</li> <li>Portfolio development unknown</li> </ul>	<ul style="list-style-type: none"> <li>Since 1886</li> <li>Constructs new buildings on a regular basis, recently sold plot due to restrictions</li> </ul>
<b>Rent</b>	<ul style="list-style-type: none"> <li>Rent raise after the announcement of the rent cap (withdrawn)</li> <li>Individual cases of neglected maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Annual raises of 3% (2012 to 2019)</li> <li>Average €6.97 (2019)</li> <li>Resistance to rent freeze and rent cap</li> <li>Since 2019, “pledge to tenants”</li> <li>Individual cases of modernization instead of maintenance</li> </ul>	<ul style="list-style-type: none"> <li>According to reports from multiple tenants, rents were raised every three years, sometimes with proven errors to their disadvantage</li> <li>“Personal use” claims exploited to find new high-rent tenants</li> </ul>	<ul style="list-style-type: none"> <li>Annual rent increases 2.9% (2012–2018), average €6.43 (2018)</li> <li>Maintenance as success factor</li> </ul>
<b>Finances</b>	<ul style="list-style-type: none"> <li>Consolidated financial statement, incl. Berlin housing stock, but with scant information</li> <li>Tax avoidance via Luxembourg + Cayman Islands</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive annual and quarterly reports</li> <li>No subsidiaries in tax havens</li> </ul>	<ul style="list-style-type: none"> <li>No financial data available</li> <li>No taxes on value appreciation</li> <li>Possibility of tax-exempt gifts/inheritance</li> </ul>	<ul style="list-style-type: none"> <li>Detailed and public financial statement with information on rents, none on board members’ salaries</li> <li>Voluntarily abstains from tax exemption due to one-time taxes; nevertheless, hardly pays any taxes on profits</li> </ul>
<b>Responsibility</b>	<ul style="list-style-type: none"> <li>Predominantly wealthy investors and pensioners, no transparency</li> <li>Tenants have no role in decisions, no local management</li> </ul>	<ul style="list-style-type: none"> <li>Only some information about shareholders public, anonymous investors behind asset management companies from shadow banking centres</li> <li>Tenants have limited role in decisions, tenant survey</li> <li>Headquarters in Berlin, high accountability and social commitment alongside high market power and PR</li> </ul>	<ul style="list-style-type: none"> <li>Owners directly visible in land register, unknown for many years due to land register’s lack of transparency</li> <li>Direct contact with tenants in some cases</li> <li>Public figure from Berlin</li> </ul>	<ul style="list-style-type: none"> <li>Details on number and shares of cooperative members listed in financial statement, members largely known as tenants</li> <li>Decisions made by representative assembly and supervisory council</li> <li>Social commitment</li> </ul>

Source: Business reports and original research

## II THE DIFFERENT PROPERTY OWNER GROUPS

The large, market-listed real estate companies have been front and center of the debates on the housing market both in the press and among the population, first and foremost Deutsche Wohnen. Their business practices have been the subject of multiple studies (see Bonczyk & Trautvetter 2019; Werle & Maiworm 2019; Bundesinstitut für Bau-, Stadt- und Raumforschung 2017). But little structured information is available to date about other types of owners—from private equity companies to private investors or building and housing cooperatives—in part because there is little official data on ownership structure aside from the 2011 Building and Housing Census (*Gebäude- und Wohnungszählung*). The following section provides an overview of four different property owner groups and eleven subgroups. It summarizes the typical characteristics of each group and presents illustrative cases within that group.

### PRIVATE EQUITY FIRMS, ASSET MANAGERS, AND INSTITUTIONAL INVESTORS



Traditionally, in most countries in the world, institutional investors such as insurance companies or pension funds invest predominantly in commercial real estate. In Berlin however, institutional investors and fund managers control a relatively large proportion of the residential housing market: around 7%, or 130,000 apartments.<sup>23</sup> Within this group are numerous investors with very different business practices, from large American and British private equity or asset management companies and their insurance company funds to wealthy private investors, as well as small public and private mutual funds for small investors, which are sold by both private banks and *Sparkassen* or public savings banks. Unlike the listed companies, these groups usually do not manage and maintain their housing stock themselves, but task an

asset manager with this job, who is remunerated by a fixed percentage of the property's value and of its appreciation (but is not penalized for value losses). While Deutsche Wohnen owns around one hundred apartments per employee, the private equity firm Blackstone owns about one thousand apartments. A recent study makes a convincing case that American asset management companies control an ever-larger share of the market, but do not use their power to monitor property management, improve conditions on the rental market, or make retirement products more lucrative. Instead, they mainly use it to maximize their own wealth (Braun 2020).

### Private Equity Firms and Large Asset Management Companies

Private equity firms manage the assets of institutional investors such as insurance companies and very wealthy individuals. Through non-listed funds, they make mostly high-risk investments, for example in unlisted shares (private equity) or real estate with high upside potential—usually with the aim of quickly selling at a profit. These firms promise their investors annual yields of 10% to 15%. Sixteen of the largest private equity firms are headquartered in the US, while the remaining four are based in the UK. There are around 240 private equity funds in Germany, but they rarely invest in residential real estate (see Metzger 2019). Many private equity corporations take advantage of tax loopholes or use tax havens like Luxembourg or the Cayman Islands to avoid tax liabilities. The investors themselves are almost always anonymous.

Large American private equity corporations like Cerberus and Blackstone took a leading role in the privatization of public housing in Berlin in the late 1990s and early 2000s (see Schäfer 2006). Their actions there, but also for example in Dresden and Kiel, earned them the label of *Heuschrecken* or locusts, a designation about which Stephen Schwarzmann, founder and CEO of Blackstone, personally complained to Angela Merkel in 2007. Since then, they have sold off most of the apartments they bought in the wake of privatization to large, listed real-estate companies (see Metzger 2019). But a few years ago, they returned to Berlin.

<sup>23</sup> The 2011 census subsumes all companies that do not rent real estate as their primary business under "commercial companies" (*privatwirtschaftliche Unternehmen*). In most large German cities, these accounted for 3 percent or less of all owners. Exceptions in 2011 were Dresden (6 percent) and Leipzig (4 percent).

**Case 1: Where Raising the Rent is the Boss's Business**

By its own account, Blackstone managed real estate assets worth nearly € 500 billion in late 2019, primarily on behalf of institutional investors (including pension funds of 31 million US retirees) but also wealthy private individuals and, via intermediaries, small-scale investors. Since 2018, it has added more than 3,000 Berlin apartments to its portfolio. These are part of its "Core+" business area, which specializes in stable assets in global metropolises. The apartments in question were purchased on the expensive side at more than € 3,000 per square meter. By the time of the purchase, a large portion of the recent price appreciation had already been claimed by the previous investors (see Reuters 2017; Immobilienmanager 2018).

One of the buildings in Blackstone's portfolio is located at Heegermühler Weg 43. This building was constructed in 1994 using public funds from the City of Berlin. Between late 2007 and early 2008, its financially struggling (private) owner sold it to the Jersey-based investment fund Taliesin (for more on Taliesin see Garcia & Trautvetter 2016). Blackstone acquired the building in late 2017 together with 1,000 other apartments. As is frequently the case with such investments, the transaction was executed as a tax-free share deal—by selling company shares instead of property deeds—via a series of letterbox companies in Jersey and Luxembourg.

Since its construction in 1994, the rents in one sample apartment were raised from an initial € 5.37 to 6.45 per square meter in the year of the takeover (2008). The Jersey-registered investment fund then raised it upon the release of each new rent index until 2017, most recently to 8.27 euro per square meter. The tenants had usually been informed of rent raises by the property management company at the end of a given year. By contrast, the final rent raise notification was personally signed by the executives in Luxembourg and delivered to tenants by the caretaker of the building on 11 June 2019—the same day the property owners association Haus & Grund called upon landlords to raise rents due to the rent cap, which was coming into effect on 17 June 2019.<sup>24</sup> The rent hike has since been withdrawn.

**Case 2: Rapid-Fire Subdivision and Resale**

Carlyle manages a worldwide portfolio of real estate investments worth approximately € 15 billion. Since 2016, it has added around ten Berlin buildings, which are incorporated into the Cayman Island-based fund's structure via several intermediary companies in Luxembourg. As certified by company annual reports, the rent yields also travel along this path via internal company loans with interest rates of up to 4.75 percent. In contrast to the inter-company loans, the interest rates on the Berlin Volksbank's loans to the local Carlyle subsidiary are a mere 1 percent.

One building at Corinthstraße 53 in Berlin's Friedrichshain neighbourhood offers a prime example of

Carlyle's strategy of reaping profits as quickly as possible. Shortly after the tenants learned the identity of their building's new owner in early 2019, a large sign was hung in the building's entrance with the inscription "Apartments for Sale". The previous owners—two private real estate investors from Hamburg—had subdivided the building's deed before selling. In the period that followed, the courtyard, stairwells, and facade were all renovated and new elevators and balconies were planned. Several months after the building had been purchased for an estimated € 3,500 per square meter, apartments were listed for sale at nearly double the price per square meter.<sup>25</sup>

**Investment Funds and Small Asset Management Companies from Germany and Abroad**

Alongside the large private equity corporations, a slew of smaller asset management companies and investment funds from Germany and abroad are active in Berlin's housing market. Many of them maximize their profits not only through aggressive management practices, but also by avoiding taxes wherever possible. Usually, they guarantee investors full anonymity. Nevertheless, they are rarely objects of public scrutiny. In 2017, the "Paradise Papers"—a trove of leaked documents from a large law firm—provided a rare glimpse behind the workings of one of these funds, Phoenix Spree from Jersey, Great Britain (see Terberl et al. 2017). Yet even in those internal documents, most investors could not be identified. As Phoenix Spree wrote in their 2018 annual report, with only 2,516 apartments, the company was optimistic that it would remain unaffected by debates over expropriation in Berlin.<sup>26</sup>

**Case 3: Optimization for Executives and Investors, Suboptimal for Tenants**

*"Through proactive asset management, we optimize mispriced and mismanaged residential and commercial income-producing assets in established property markets such as Germany and the US." Optimum Evolution (2018 annual report)*

Optimum Asset Management is a Malta-based asset management company that, by its own account, administers assets valued at € 1.4 billion. Its clients are primarily European institutional investors and asset management companies, but around 10 percent

<sup>24</sup> See for example, in German, [www.sueddeutsche.de/wirtschaft/mieterhoehung-berlin-haus-und-grund-1.4483529](http://www.sueddeutsche.de/wirtschaft/mieterhoehung-berlin-haus-und-grund-1.4483529). <sup>25</sup> More information about Corinthstraße 53 (in German) can be found in the ARD documentary, "Was Deutschland bewegt. Wohnen. Miete. Abzocke" (broadcast 7 Oct. 2019); online at: [www.daserste.de/information/reportagedokumentation/dokus/sendung/wohnen-mieten-abzocken-100.html](http://www.daserste.de/information/reportagedokumentation/dokus/sendung/wohnen-mieten-abzocken-100.html) and on Twitter: @CorinthStr53. <sup>26</sup> The exact quote (on p. 27): "There has recently been a well-documented grass roots proposal in Berlin for a referendum which proposes to expropriate properties of large Berlin landlords with over 3,000 units under management. The Property Advisor continues to monitor developments in relation to the proposed referendum, but feels that since the Company owns 2,516 units the outcome of the referendum is unlikely to affect the Portfolio."

of its clients are high-net-worth private investors. Approximately half of Optimum's assets are invested in German residential real estate, chiefly in Berlin.<sup>27</sup> The Luxembourg-registered Optimum Evolution Fund SIF and its sub-funds have been active in Berlin since approximately 2009. According to their 2018 report, they controlled a total of 2,883 apartments in Berlin and the surrounding area.

According to annual reports and tenant statements, that includes the housing complex Mehringplatz West, which was acquired in 2013 along with 13 Berlin buildings at an average price of € 1,100 per square meter. Since then, the tenants have complained of severe neglect in the housing stock—with problems including rats in the basement, building-wide moisture and mould, and drug dealing in the hallways. The tenants have waited in vain for necessary repairs to the water pipes and wiring, and have even been forced to pay out of pocket for dehumidification after water damage. Meanwhile, according to its 2018 annual report, the corresponding sub-fund recorded a value appreciation of 23 percent that year (+ € 127.8 million). Accordingly, the value of a share in that sub-fund rose from € 944 in 2011 to € 2,278 in 2018; by basic arithmetic, investors generated a profit per apartment of € 40,000 in 2018. As is typical for investment funds, the managers receive 1 percent for the building's value as a fixed commission along with 20 percent of all profits or value appreciations that go beyond 8 percent per year. For 2018, that corresponded to a total of € 6.1 million in fixed commissions and € 18 million in profit-sharing, or about € 11,000 per apartment. Overall, Optimum recorded around € 50,000 in profit per apartment in 2018. Because the typical tenant only paid around € 10,000 in rent that year, this signified the accrual of a huge imaginary mountain of debt that would have to be paid off sometime in the future by higher rents (or by selling at overinflated prices).

#### Case 4: Three Question Marks from Liechtenstein

In 2020, tenants from the buildings at Oranienstraße 25 and Schönhauser Allee 57 independently reported problems with two investment funds from Luxembourg: Victoria Immo and Albert Immo.

Both are registered as a special type of Luxembourg limited partnership (SCSp) whose owners are not recorded in Luxembourg company registries. However, unlike most other investment funds, each fund has a single owner who controls more than 25 percent of shares and is therefore obliged to be listed by name in the new register of beneficial ownership. In both cases, those named are three lawyers from a multi-family office, which is an asset management company for especially wealthy families from Liechtenstein. Apparently, they administer a share of the Tetra-Pak fortune for its heirs (for more details, see Trautvetter & Henn 2020; Šustr 2020a). The two fund managers of Victoria Immo and Albert Immo

jointly manage real estate assets worth hundreds of millions of euro, but publish very little information on this matter. According to company descriptions, the assets primarily consist of residential and commercial real estate in Berlin, but it is scarcely possible to estimate the number of apartments. The (commercial) tenants of Oranienstraße 25 reported that after the building's purchase by Victoria Immo (in the middle of the Coronavirus epidemic), notifications were issued of lease terminations and rent increases up to as much as € 38 per square meter. Albert Immo recently applied to subdivide Schönhauser Allee 57 into individually owned apartments.

#### Institutional Investors and Mutual Funds

Alongside private equity companies and asset management companies large and small, there are also institutional investors who invest directly in real estate, for example the Danish pension fund PFA, which many trade unions pay into, or open-end or mutual funds whose real-estate investments mostly cater to retail investors. These are joined by many state pension funds such as, and to take the example of Bavaria, the Bayerische Rechtsanwalts- und Steuerberatersversorgung for the legal professions; the Bayerische Versorgungskammer for civil servants; or the Bayerische Apothekerversorgung for pharmacists. These funds have long-term goals; they invest outside of the most important cities (so-called A cities) and usually have smaller yields. In 2018, the Scope rating agency did a comparative analysis of 19 open-ended real estate funds with 17 of them specialized in commercial real estate and two of them in residential real estate. They reported yields of 3.1% (commercial) and 7.5% (residential) respectively.<sup>28</sup> This confirms Piketty's (2013) notable finding in a comparison of asset yields of American universities, that the smaller the investor's assets, the lower the yields.<sup>29</sup>

#### Case 5: Danish Pensioners vs. Berlin Tenants

PFA, a cooperatively organized Danish pension fund and insurance company, promises its customers the freedom to live life to the fullest. PFA manages assets totalling € 64 billion (of which € 6.5 billion are invested in real estate) for around 1.3 million insurance customers. In 2019, out of a total of € 7.7 billion in investment income, some € 3 billion was paid out to customers. Over the past five years, the average yield on all products has been 5.57 percent; for its real estate investments, PFA conservatively expects 3.5 percent.<sup>30</sup> In 2018, PFA purchased a large German real estate portfolio from another institutional investor for more than one billion euro. This included several Berlin

<sup>27</sup> See: [www.optimu-mam.com/about-us/](http://www.optimu-mam.com/about-us/). <sup>28</sup> See [www.scopeanalysis.com/ScopeAnalysisApi/api/downloadstudy?id=1b2dd537-47f5-4b3f-9672-a662d443155c](http://www.scopeanalysis.com/ScopeAnalysisApi/api/downloadstudy?id=1b2dd537-47f5-4b3f-9672-a662d443155c). <sup>29</sup> Detailed tables at: <http://piketty.pse.ens.fr/en/capital21c2> (see especially table 12.2). <sup>30</sup> This and more information on the PFA website: <https://eng-lish.pfa.dk/about-pfa/pfa-overview/pfa-in-brief/> and in their 2019 annual report.

residential buildings. In the course of this transaction, a total of 258 apartments in the Mitte and Neukölln districts were pre-emptively purchased (exercising the right of first refusal) by the municipal housing companies WBM (Wohnungsbaugesellschaft Berlin-Mitte) and Stadt und Land. However, a cry for help from tenants at Gleditschstraße 49–69, which encompassed 117 apartments in the Tempelhof-Schöneberg district, went unanswered. Several months later, in June 2019, tenants reported that they had been issued a 15 percent rent increase.<sup>31</sup>

#### Case 6: A Real Estate Fund for Everyone

Munich-based Wertgrund Immobilien oversees five funds specializing in German residential real estate: WohnSelect D (launched in 2010 for private investors), Spezialinvest Wohnen D (launched in 2013 for institutional investors), Wohnen D (launched in 2014 for one individual investor), Wohnen D2, and Immobilieninvest Nord. The mutual fund Wertgrund WohnSelect D is specialized in residential real estate in major cities and growing municipalities. Whenever the fund is refinanced and expanded, in a process known as a “cash call”, there are regularly more willing investors than funds needed. Wertgrund plans to invest progressively more of the extra money into new buildings and projects as well as state-subsidized residential space (see Wertgrund Immobilien 2020, for example). The portfolio encompasses 2,013 apartments across Germany, 580 of them in Berlin. The Berlin apartments are spread across five properties. The largest housing complex is located in the northern part of the Tempelhof-Schöneberg district, near Nollendorfplatz.<sup>32</sup> Nearly all of the properties were renovated soon after acquisition.

#### Case 7: Housing REITs, a New Form of Investment in Berlin

Together with financial investors, CR Capital Real Estate is planning to establish an operating company incorporated as a “real estate investment trust” (REIT, classified in Germany as a subtype of the *Aktiengesellschaft*). According to a press release dated 31 July 2020, this REIT intends to invest primarily in newly built residential real estate in Berlin and its surrounding suburbs. It emphasizes that new buildings are not subject to the rent cap, and therefore aims at a rental yield on investment of 7 percent to 8 percent. Germany first introduced real estate investment trusts as a legal entity in 2007, partly under pressure from the lobbying group Initiative for Germany as a Financial Centre (*Initiative Finanzstandort Deutschland*). Like some real estate funds, these trusts pay neither corporate taxes nor business taxes. To be eligible for this status, a minimum of 75 percent of their assets must be invested in real estate and, thanks to resistance from tenants’ associations and others, they are not permitted to own apartments built before 2007. In addition, they must pay out 90 percent of their revenue to

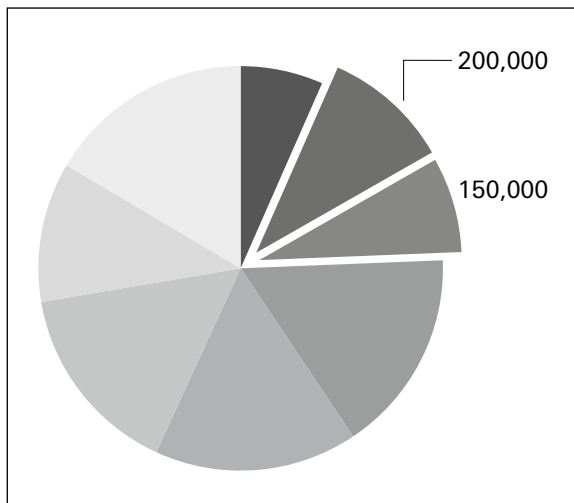
their investors, who in turn pay a withholding tax on the income. In Germany, REIT are required to be publicly listed on a stock exchange, which makes them subject to strict transparency requirements and enables small and flexibly negotiable ownership stakes. With this, they are contributing to the further financialization of the housing market and enabling their investors to earn capital income that is taxed at a lower rate than their employment income. Unlike Deutsche Wohnen and Blackstone, CR Capital Real Estate restricts its scope to new buildings, which are expensive to begin with.

#### Case 8: On Behalf of Dentists from Schleswig-Holstein

The Fortis Group, established in 2013, specializes in maintaining and developing pre-war buildings that are centrally located in Berlin and Potsdam. By its own account, it has purchased 59 real estate properties to date. A number of tenants, including some from the buildings at Lenbachstraße 7, Rigaer Straße 35, Samariterstraße 8, and most recently Pannierstraße 11, have reported rent increases of up to 300 percent, pointless and overpriced modernizations, and invalid legal motions attempting to force tenants to agree to modernization measures. Frequently, apartments are subdivided and listed for sale at more than € 5,000 per square meter. Investors in the Fortis Group include the Dentists’ Association of Schleswig-Holstein, which is responsible for dentists’ pensions and has appointed a representative to the Group’s supervisory board. When approached about these problems, the Dentists’ Association did not initially respond, but, as with Fortis itself, it proved willing to engage in dialogue following public pressure, which also came from its members. However, according to tenants, these conversations did not lead to significant improvements. After the Fortis Group recently changed legal forms several months ago to become a German *Aktiengesellschaft* (joint-stock company), the Dentists’ Association’s stake is no longer a matter of public record. Lastly, Fortis’s tax-avoidance strategies have included taking advantage of the regional tax haven of Zossen, in Brandenburg, and “share deals” (tax-exempt sales of company stock)—which is especially noteworthy given that the Finance Minister of Schleswig-Holstein, the government official overseeing the Dentists’ Association, is himself an avowed opponent of share deals.<sup>33</sup>

<sup>31</sup> A good overview of PFA real estate buys can be found in the publication of the Berliner Mieterverein (Garcia-Landa 2019). The daily newspaper *Berliner Morgenpost* reported on these business practices (Latz & Kugler 2019) and the rent hike is documented at: [www.gleditschstrasse.de/neuer-eigentuemer-verlangt-15-prozent-mehr-miete/#more-675](http://www.gleditschstrasse.de/neuer-eigentuemer-verlangt-15-prozent-mehr-miete/#more-675). <sup>32</sup> Images and more information (in German) on the portfolio at: [www.wohnselect.de/portfolio/berlin-nollendorfplatz/](http://www.wohnselect.de/portfolio/berlin-nollendorfplatz/). <sup>33</sup> For more information on the Fortis Group, see: [www.fortis-group.de/about/](http://www.fortis-group.de/about/). See also Krieg 2019; Stüben 2019; and Trautvetter & Henn 2020 (example 3).

## PRIVATE REAL ESTATE COMPANIES



In Berlin in 2011, private real estate companies owned nearly 350,000 apartments or a market share of almost 20%—a very high percentage in comparison to other German or foreign cities. This stock has been built up considerably over the past ten years. While the largest five companies owned around 70,000 apartments in 2012, by 2019 that number had risen to around 195,000. This period included, for example, Deutsche

Wohnen’s acquisitions of the successor company of GSW (already privatized and listed) and GEHAG, Vonovia’s take-over of Buwog, Aroundtown’s acquisition of TLG Immobilien, and finally, ADO Properties’ acquisition of Adler Real Estate.

**The Big 5: Listed Real Estate Companies**

*“Deutsche Wohnen is present on the ground in Berlin and is not some faceless fund in a tax haven.”*

*Michael Zahn, Deutsche Wohnen 2019 Annual Report*

Taken together, the five largest (in terms of property owned) listed real estate companies –Deutsche Wohnen, Vonovia, ADO Properties, Covivio, and Grand City Properties—owned around 195,000 apartments in Berlin in 2019.<sup>34</sup> That is slightly less than they owned in 2018, but more than twice as many units as in 2012.

As listed companies, they must comply with higher transparency requirements and, for example, provide quarterly reports on key financial figures as well as announce any acquisitions of more than 3% of capital shares. In contrast to this, most shareholders are anonymous asset management companies headquartered in tax havens. Private shareholders who hold less than 3% of capital shares appear only in the company’s internal share registry and often even the companies themselves do not know who ultimately owns their stocks.

**Who owns Deutsche Wohnen?**

As in Berlin’s real estate market as a whole, many different groups of owners have a stake in Deutsche Wohnen, from anonymous investment funds to institutional (e.g. government) investors, from family offices to the small number of shares owned by the old lady next door. The starting points and strategies of shareholders vary greatly; there are long-term investors with large unrealized appreciation as well as those speculating on short-term gains and private investors who have recently bought in despite inflated share prices. And as in the larger market, the data is difficult to come by. Deutsche Wohnen’s annual report lists all shareholders who hold more than 3 percent of total shares. As with many companies listed on the DAX exchange (and SDAX and MDAX), in 2019 these were large UK and US asset management companies such as BlackRock (10.31 percent), Massachusetts Financial Services Company (9.94 percent), Schroders plc (3.1 percent), and State Street Corporation (3.1 percent), as well as the Norwegian national fund (6.93 percent).<sup>35</sup> Private analytics companies provide information on most institutional investors and their shares: around 400 asset management companies, hedge funds, and pension funds, also mostly from the US or UK, which hold 73.5 percent shares in total.<sup>36</sup> But in whose name and with whose money these groups invest is almost always unknown. The names of individual shareholders who own the remaining 26.5 percent of shares can be found on the list of attendees at annual shareholder meetings—but only if they attend. Every sixth person in Germany owns stocks either directly or through funds. However there is a huge geographical discrepancy, ranging from almost 0 percent in Erfurt and 5 percent in Berlin to 66 percent in Starnberg. The differences vary greatly relative to income.<sup>37</sup>

A 2019 study found that the Big 5 have recently concentrated on increasing their housing stock through acquisition and on modernization measures that lead to higher rents. Rarely have they built new units (Bonczyk & Trautvetter 2019). A comparison of Deutsche Wohnen with the municipal real estate company Gewobag showed that both average rents and rent hikes were slightly higher for Deutsche Wohnen properties. Average rents at Deutsche Wohnen properties were around rent index

<sup>34</sup> Although it has been a listed company since 2019, Akelius Residential Property AB (14,038 apartments) was categorized as an “other private real estate company” for the purpose of this study, because most voting shares are in the hands of a private foundation with its seat in the Bahamas. For more information see Case 10. <sup>35</sup> See Deutsche Wohnen’s 2019 annual report, p. 8: <https://ir.deutsche-wohnen.com/websites/dewohnen/English/3200/geschaefts-und-zwischenberichte.html>. <sup>36</sup> Private analytics companies include, for example, Refinitiv (Thomson Reuters) and Orbis (van Dijk). The number of shareholders and the percentage of their shares differs depending on day and source. In its 2019 annual report, Deutsche Wohnen simply listed 66.62 percent of shareholders as “other” and did not disclose the percentage of floating shares or institutional investors. A geographic overview of the 250 largest shareholders shows a clear concentration in the US and London: <https://oxforduni.maps.arcgis.com/apps/MapSeries/index.html?appid=45b-297be2a52414d82e5b48d24b2135a>. <sup>37</sup> The numbers are from a survey of 45,000 residents of Germany published in 2018 in comdirekt bank’s 2018 investment atlas, analysed in the daily newspaper *Süddeutsche Zeitung* on 1 Jan. 2018.

**Table 4: The major publicly listed real estate companies and their housing stock in Berlin**

	2012	2013	2014	2015	2016	2017	2018	2019
Deutsche Wohnen SE*	40,692	108,411	106,798	106,756	110,673	114,289	115,612	115,740
Vonovia SE*	12,992	12,875	13,579	30,588	32,654	38,664	41,943	42,241
ADO Properties S.A.	14,533	14,522	14,511	14,500	22,064	20,649	22,202	17,924**
Covivio SE*	2,778	5,494	3,476	1,457	1,928	15,771	15,970	15,813
Grand City Properties S.A.*	1,140	2,470	4,085	6,460	6,270	8,276	8,141	7,580
<b>Total</b>	<b>72,135</b>	<b>143,772</b>	<b>142,449</b>	<b>159,761</b>	<b>173,589</b>	<b>197,649</b>	<b>203,868</b>	<b>199,298*</b>

Source: Original compilation, based on company annual reports

\* These figures refer to the Berlin metropolitan area. How many of those apartments lie outside city limits is usually not clear from the financial reports. During the discussion on the rent cap, TAG Immobilien, which most recently reported 10,000 properties in the Berlin metropolitan area in its 2019 financial statement, disclosed that only 300 of those properties were located within the borders of Berlin.

\*\* Including 1,699 apartments from Adler Real Estate that only finalized their transfer into the portfolio in the second quarter of 2020. The financial statement for the second quarter of 2020 indicates 19,089 housing units belonging to the group, which has since been renamed the Adler Group.

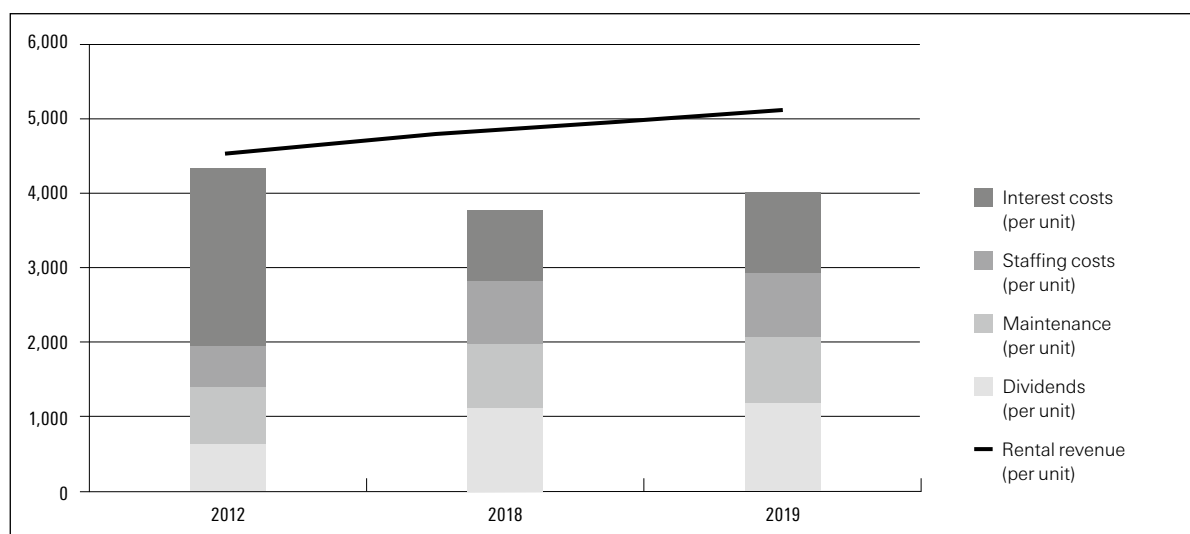
(*Mietspiegel*) levels, while Gewobag units were slightly under the index. This study shows an increase in both investments in modernization and higher rents in new contracts for Big 5 properties, while rents have stagnated in new contracts with municipal real estate companies despite significant new construction. The key difference between private companies and municipal companies and cooperatives, however, is the constant reevaluation of the housing stock and the company value. While municipal companies do not distribute any profits and cooperatives calculate yields based on deposits, the increase of private companies' profit margins through rent increase also leads to the increase of dividend payments. As chart 6 demonstrates, dividends make up a significant percentage of rent income, with a rising tendency since 2012.

The rent cap (*Mietendeckel*) adopted in 2020, together with increased public pressure, led to myriad reactions, including a PR campaign by Deutsche

Wohnen and comprehensive shifts in business strategy. Particularly noteworthy is ADO's reaction, a company that had previously invested only in pre-existing Berlin apartments. In 2019, they sold some of their Berlin apartments to the municipal company Gewobag, acquired a portfolio of real estate across Germany from Adler Real Estate, and entered a strategic collaboration with Consus Real Estate AG, a real estate developer. Consus in turn had already acquired the CG Gruppe in 2017, a developer with many large Berlin real estate projects in its portfolio (e.g. Steglitzer Kreisel, Forum Pankow, and Quartier Bundesallee).<sup>38</sup> This move was presented in the Adler Group's 2019 annual report as

<sup>38</sup> See Zawatka-Gerlach 2020 on the merger and more information on overlapping personnel and consequences for the plots in development: [www.immobilien-zeitung.de/157440/spiel-mit-grundstuecken](http://www.immobilien-zeitung.de/157440/spiel-mit-grundstuecken) (after registration). For a company perspective of the merger (in German) see [www.consus.ag/consus-real-estate-ag-consus-integriert-cg-gruppe-ausbau-der-fuehrenden-marktstellung-integration-der-cg-gruppe-in-die-consus-schreitet-weiter-voran](http://www.consus.ag/consus-real-estate-ag-consus-integriert-cg-gruppe-ausbau-der-fuehrenden-marktstellung-integration-der-cg-gruppe-in-die-consus-schreitet-weiter-voran). Deutsche Wohnen (ISARIA) and Vonovia (Bien-Ries) also acquired developers in 2019–20.

**Chart 4: Rental revenues and expenses for Deutsche Wohnen and Vonovia; 2012, 2018, and 2019, in €**



Source: Original compilation, based on company annual reports

For the other companies, some of the information or comparable figures were missing.

follows: “Successful companies know when and how they have to adapt to the markets.” And: “We continue to focus on increasing rents through active asset management and targeted investments to modernize, refurbish, and reposition our properties.”

At the time of writing, the impact of the rent cap and the Coronavirus crisis varied greatly for the respective members of the Big 5. While Deutsche Wohnen, Vonovia, and Grand City reported higher operating margins for 2019, ADO and Covivio had lower revenues. However, all five again reported significant profits from the increase in the value of their Berlin residential real estate portfolios. Covivio mentioned in its 2019 annual report that the rent cap had no impact on its rating under the conditions applicable at the time. While Vonovia experienced an uptick in share prices both at the end of 2019 and in June 2020, the price of Deutsche Wohnen shares fell at the end of 2019 in comparison with 2018, but was almost back at their 2018 value by June, despite the Coronavirus. Both ADO, which has a strong focus on Berlin property, and Covivio, which has many commercial properties and hotels in Italy and France in its portfolio, were hit harder by the rent cap and by the Coronavirus crisis. While an investor with shares in the thirty companies listed on the German DAX index (including Vonovia and more recently Deutsche Wohnen) had an annualized earnings yield of 10.6% between 2011 and 2019, the earnings yield of Deutsche Wohnen shares was as high as 17.2%. Furthermore, Deutsche Wohnen shares had dividend yields of 4.4%.<sup>39</sup>

#### Case 9: Expropriate Deutsche Wohnen?

Deutsche Wohnen, with holdings of nearly 115,000 apartments in Berlin equivalent to around 6 percent market share, is by far the city’s largest and most visible landlord. In response to the debate over expropriation, in late 2019 Deutsche Wohnen organized several dialogue forums, launched an online dialogue (*fares-wohnen.berlin*), and paid for large advertisements around the city. Back in July 2019, the company had already made a “promise to tenants”: that it would reserve 25 percent of new apartment vacancies for low-income subsidized housing, would avoid cases of tenants losing their apartments due to modernizations or rent increases, would invest € 6 million per year in new construction and social engagement, and would adhere to the rent index. With that, Deutsche Wohnen was the first private real estate company, and the only one as yet, to adopt key demands from the cooperation agreement between the city-state of Berlin and the municipal housing companies, albeit in diluted form. In the 2019 annual report, this is explicitly described as a “clear alternative to sweeping regulation”.<sup>40</sup> According to the report, that year there were 700 instances in which already-issued rent increases were fully or partially withdrawn.<sup>41</sup> However, no further details on this were published. Nevertheless, regarding the valuation of its housing stock, the report indicates that Deutsche Wohnen expects a continuous rise of rents on new leases, which averaged € 9.10 per square

meter at the end of 2019 (+ 3.38 percent). Apart from a large new construction project with 1,400 rental units outside Potsdam and an increase in attic conversions in Berlin, the company’s new construction activities remain minimal, although the rents they can charge for new apartments are limited neither by their “promise to tenants” nor by rent regulations. After their acquisition of the Munich-based housing developer ISARIA, new buildings worth € 3 billion are slated to be constructed over the next decade. Alongside offices, real estate for nursing facilities, and new apartment buildings in other cities, apartments in Berlin comprise only a small fraction of those construction plans.<sup>42</sup>

#### Case 10: Property Owners and COVID-19

Because they are in the spotlight and have higher transparency requirements, listed real estate companies were among the first companies to publicize information related to COVID-19. In a press release dated 8 April 2020—around two weeks after the first lockdown—Vonovia reported that less than 1 percent of tenants had approached the company with problems related to the Coronavirus. Vonovia offered individual solutions (for example rent deferrals) and referred tenants to public support programs, so they did not expect any impact on profitability.<sup>43</sup> Vonovia also declared that the company would refrain from raising rents until September 2020. After rents had been raised by 5.8 percent in the first three months of 2020, this only brought the annual forecast down from 4 percent to 3.8 percent. At the shareholders meeting of 30 June 2020, dividends were raised by 9 percent to € 1.57 per share.<sup>44</sup> This raise was made despite protests by the Critical Shareholders Platform (*Plattform kritischer Immobilienaktionär\*innen*).<sup>45</sup> The shareholders of Deutsche Wohnen voted on 5 June 2020 to set up a Coronavirus support fund with a volume of up to € 30 million, financed by cutting dividend payments by € 0.05 per share.<sup>46</sup> At € 0.90 per share, dividend payments were still 4 percent higher than in the previous year.

<sup>39</sup> These annualized yields are calculated as geometric average returns. The mathematical averages—assuming total yields of 255 percent for Deutsche Wohnen and 125 percent for the DAX are 31.2 and 15.6 percent, respectively. For individual years and other time periods see [www.boerse.de/performance/Dax/DE0008469008](http://www.boerse.de/performance/Dax/DE0008469008) and [www.boerse.de/performance/Deutsche-Wohnen-Aktie/DE000A0HN5C6](http://www.boerse.de/performance/Deutsche-Wohnen-Aktie/DE000A0HN5C6). This overview makes it clear that the development of Berlin real estate prices studied here has been a period of particularly high yields. <sup>40</sup> Deutsche Wohnen’s July 2019 promise to tenants can be found at: [https://www.deutsche-wohnen.com/fileadmin/images/ueber-uns/Presse/Deutsche\\_Wohnen\\_SE-Our\\_promise\\_to\\_our\\_tenants.pdf](https://www.deutsche-wohnen.com/fileadmin/images/ueber-uns/Presse/Deutsche_Wohnen_SE-Our_promise_to_our_tenants.pdf). <sup>41</sup> According to a press release, this figure increased to 800 cases by 1 July 2020 ([www.deutsche-wohnen.com/ueber-uns/presse-news/pressemitteilungen/ueber-4000-mieter-profitieren-von-mieter-versprechen-der-deutsche-wohnen/](http://www.deutsche-wohnen.com/ueber-uns/presse-news/pressemitteilungen/ueber-4000-mieter-profitieren-von-mieter-versprechen-der-deutsche-wohnen/)). <sup>42</sup> An interview (in German) with CEO Michael Zahn on acquisition plans can be found at: <https://www.deutsche-wohnen.com/bauen-wohnen/neubau-und-quartiere/wir-bauen-fuer-sie/wir-investieren-umfangreich-in-neubau/>. <sup>43</sup> Vonovia has since removed this claim from its website. Vonovia also mentioned the Coronavirus in press releases dated 23 March and 16 June 2020. Here mention was made of a letter sent to tenants advising them of the possibility of making individual arrangements in case of hardship and informing that there would be no evictions or rent hikes before September 2020. <sup>44</sup> Press release dated 30 June 2020: <https://investoren.vonovia.de/websites/vonovia/English/4080/news-detail.html?newsID=1991251>. <sup>45</sup> Vonovia’s statement can be found at: <https://mieteraktionärin.de/solidarity-not-dividends-vonovia/>; more information on YouTube: [https://youtu.be/HKLFN4\\_zSv4](https://youtu.be/HKLFN4_zSv4). <sup>46</sup> See the press release dated 5 June 2020 (in German): [www.deutsche-wohnen.com/ueber-uns/presse/pressemitteilungen/deutsche-wohnen-aktionare-stimmen-fuer-reduzier-te-dividende-und-geben-klares-bekanntnis-fuer-solidaritaet-in-der-corona-krise/](http://www.deutsche-wohnen.com/ueber-uns/presse/pressemitteilungen/deutsche-wohnen-aktionare-stimmen-fuer-reduzier-te-dividende-und-geben-klares-bekanntnis-fuer-solidaritaet-in-der-corona-krise/).



### Other Private Real Estate Companies

As defined by the 2011 Building and Housing Census, private real estate companies include all companies that are neither municipal, cooperative, or nonprofit whose primary purpose is the ownership and rental of real estate. This category thus includes all companies that are not primarily asset or fund managers, or, for example, home improvement retailers, supermarket chains, or breweries. The distinction is not always clear and categorization was most likely not always easy for the property managers, owners, and occupants who filled out the census questionnaires. The following can thus only be considered a rough classification and it is not one hundred percent congruent (on this see also Appendix I). While most of the large real estate companies are found in commercial databases because of their market activity, small real estate companies usually do not disclose their activities. Their number, too, can only be estimated. Most likely, somewhere between two and three hundred companies that each own more than one hundred apartments are active in Berlin (the companies that have been identified are listed in the online Appendix with further information). These companies include foreign firms that specialize in stock management (e.g. Akelius), companies with Germany-wide portfolios (e.g. TAG Immobilien and Westgrund, both listed real estate companies with a small housing stock in Berlin), as well as companies with a focus on Berlin (e.g. Becker & Kries or Harry Gerlach). Then there are many companies that focus mostly on housing “development” and sometimes quickly sell off their buildings as a package or as individual units (e.g. Accentro, Mähren, Lebensgut, Arcadia Estates, Wollenberg & Partner, and Trockland). Finally, there are those companies that manage the real estate investments of wealthy individuals, such as Augustus Capital for the Samwer brothers; Assoziation Bankum for the family of René Benko, owner of the Karstadt department store chain; Aramid for the heirs of Munich entrepreneurs; or other companies in Luxemburg, Cyprus, and the Virgin Islands for the Pears brothers.

Some of the larger (and a few of the smaller) private real estate companies provide information about their assets and profits in their annual reports and/or on their websites, as well as information about the profits of their subsidiaries and their real estate. Others are registered in tax havens like the British Virgin Islands, Switzerland, or the Seychelles, where they are not required to make financial information public. Often, they do not even have a website. Accordingly, it is almost impossible to compare their business practices. One study on the Berlin districts Mitte and Friedrichshain-Kreuzberg, conducted from 2013 to 2015 (Beran & Nuissl 2019), concluded that the displacement of tenants by private real estate companies was mainly due to rent hikes and a lack of maintenance. The relative percentage of displaced to non-displaced tenants was significantly higher for private real estate compa-

nies than for municipal companies and cooperatives, but lower than for small private owners, who are more likely to issue lease terminations (for example on the basis of personal use).

#### Case 11: Self-Made Billionaires from the North

Shares of two large real estate companies active in Berlin are listed on the alternative First North Growth Market in Stockholm. Yet in these companies, unlike at Deutsche Wohnen for example, stock market shareholders play only a secondary role. The first company, Akelius (14,038 apartments in Berlin at last count), listed 220 million shares totalling € 385 million on the First North Growth Market. But these shares only represent 6.41 percent of the company's total shares and 0.68 percent of shareholder voting power. In addition, the participation in the company's assets and dividends is capped. Main shareholders are three foundations in the Bahamas affiliated with and established by the company's founder Roger Akelius, who earned his first million with tax-saving tips. Less well known is the second company, Heimstaden, with 2.3 million shares of preferred stock on the First North Growth Market and owned by 2,192 shareholders representing 13.8 percent of all shares and 1.6 percent of voting power. The main shareholder is a Norwegian investment company controlled by Ivar Tollefsen, who, newspapers claim, earned his first million renting DJ equipment in the 1980s. At the end of 2019, he owned more than 100,000 apartments across Europe, mostly in Sweden, Denmark, Norway, and the Netherlands, as well as 2,292 apartments in Germany, most likely including 484 apartments in Spandau bought in 2018. In late 2019, the Skjerven Group, an investment company seated in Berlin, bought another 21 buildings in Berlin and six buildings in Bielefeld for Heimstaden, for a total of 599 new apartments. In May 2020, the company bought more buildings comprising 300 apartments in the Berlin districts of Mitte, Wedding, and Pankow. In September 2020, authorities examined the rights of first refusal for two package buys by private British individuals. The first package included 16 buildings.<sup>47</sup> The second was for 130 buildings.<sup>48</sup> Parallel to these buys, Heimstaden launched a PR offensive to convince the public of its tenant-friendly policies and the long-term investment strategy of the Scandinavian pension fund behind it. But the website of the Skjerven Group, which made the buys, tells a different story: “We will proactively manage your investment portfolio to optimize your ROI.”<sup>49</sup>

<sup>47</sup> According to an article in the daily newspaper *neues deutschland* (Šustr 2020b), the five buildings were part of a 16-building package deal. <sup>48</sup> See (in German): <https://www.tagesspiegel.de/wirtschaft/immobilien/mietmarkt-berlin-von-wem-kauft-ivar-tollefsen-6000-wohnungen-in-der-haupt-stadt/26237330.html>. <sup>49</sup> Whether or not Skjerven's practices really are “tenant-friendly” should be tested against the case of Eisenbahnstraße in Wilmersdorf, where they bought 270 apartments in 2017 which they resold as micro-apartments in late 2018. See <https://twitter.com/200Haeuser/status/1286184383347658752> (in German).

### Case 12: The Family Foundation from Zossen: A Candidate for Expropriation?

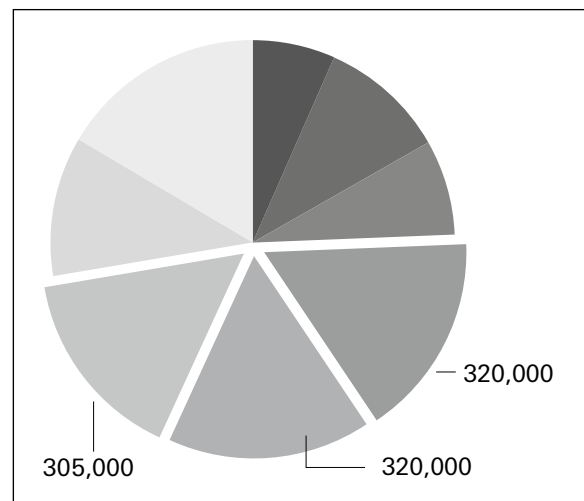
The family foundation Becker & Kries is almost unknown, yet it owns almost 3,000 apartments in Berlin. The fortune amassed in the post-war years by the architect Georg Becker and the bank director Günter Kries is managed professionally. There is almost no information about the foundation on the internet—aside from two photos and scanty information on an old company website. The two men put their fortunes into the family foundation back in 1962. The transparency register lists the donors' descendants and adopted children as the foundation's beneficiaries. One list of 16 private real estate billionaires in Germany includes the alleged 30 beneficiaries of the Becker, Schrader, Westphal, and Kries families (Family Office Research 2020). With a total of 3,611 units in Germany, mostly in and surrounding Berlin, as well as a comprehensive portfolio of commercial real estate in Germany and Canada, *Manager Magazin* puts the family at 230th place (with assets in value of about € 0.7 billion) in its list of high net-worth individuals.<sup>50</sup> In the past ten years, Becker & Kries have had an average surplus of € 28 million per year, of which around € 4 million is paid out each year. The family raised reserves by € 100 million in 2019 to pay for construction projects in Nauen, Schönefeld, and Berlin, as well as other developments. Appreciation within the family foundation are not initially taxable. Instead of inheritance tax, every 30 years the foundation pays a substitute inheritance tax (*Erbersatzsteuer*).<sup>51</sup> Furthermore, the corporate group that manages the foundation's assets is headquartered in Zossen, a tax haven with commercial taxes of only 7 percent (as opposed to 14.35 percent in Berlin).

### Case 13: At Home with the Sons and Daughters

With large colourful facades on its buildings and website, the Harry Gerlach real estate company has a clear corporate identity. On its website, the company claims ownership of more than 65 buildings in Berlin. It was founded more than 40 years ago by Harry Gerlach, a "self-made entrepreneur, niche-finder, real estate lover, shipping company businessman from Hamburg with Berlin in his heart".<sup>52</sup> Gerlach's daughter took over management of the company in January 2020 and, as the annual report states, was given a share of the real estate holdings as a gift. A questionable exemption from the inheritance and gift tax laws (and its interpretation by the fiscal authorities) has created an absurd situation in which more than 300 apartments can be passed on tax-free as long as the management company exists for long enough. Although the Federal Fiscal Court (*Bundesfinanzhof*) of Germany attempted to close this loophole with a 2017 decision, Gerlach's daughter seems to have paid almost no taxes. This is perhaps not surprising, since in 2018 the German Federal Ministry of Finance directed fiscal administrations not to implement the judgement.<sup>53</sup> Further shares of the real estate fortune belong to Gerlach's sons and

a family foundation. In an interview on the company's homepage, the new managers describe the company philosophy as intensive maintenance of the buildings and ensuring that tenants feel truly "at home". But because the Harry Gerlach Group does not provide financial information for the company as a whole, taking advantage of multiple exceptions to disclosure obligations, the annual reports reveal little about company policy and even less about rents.<sup>54</sup> Altogether, the reports of the family's individual companies indicate fixed assets of over € 100 million for 2018 and a surplus of almost € 5 million. From late 2019 to mid-2020, the company listed 21 apartments on Immoscout at prices varying between € 8 and € 17.60 per square meter for an average price of € 10.10 per square meter. The new owners thus seem to be making the most of rising rents and thereby maximizing their profits.

### PRIVATE BUILDING OWNERS, BUILDING-OWNER ASSOCIATIONS, OWNER-OCCUPANTS



Very little is known about private landlords, but a lot is said about them whenever regulation is discussed. According to the 2011 Building and Housing Census, 37.5% of rental units were owned by private individuals. Real estate associations—from the German

<sup>50</sup> The full list for 2019 (with German descriptions) can be found at: [www.readsmarter.de/finanzen-wirtschaft/die-reichsten-deutschen-2019-top-1000-reichenliste-mm/](http://www.readsmarter.de/finanzen-wirtschaft/die-reichsten-deutschen-2019-top-1000-reichenliste-mm/). <sup>51</sup> For more information (in German) see: [www.unternehmerkompositionen.com/2019/04/04/familienstiftung-und-immobilieninvestments-erfolgreiche-unternehmen-machen-es-vor/](http://www.unternehmerkompositionen.com/2019/04/04/familienstiftung-und-immobilieninvestments-erfolgreiche-unternehmen-machen-es-vor/). <sup>52</sup> Wer ist Harry Gerlach? See, in German: [www.harry-gerlach.de/unternehmen/interview/](http://www.harry-gerlach.de/unternehmen/interview/). <sup>53</sup> For background information see for example (in German): <https://www.mazars.de/Home/ber-uns/Aktuelles/Nachrichten/Archiv-2018/Erbschaftsteuer-Wohnungsunternehmen>. <sup>54</sup> According to Section 326 of the German Commercial Code (*Handelsgesetzbuch*), micro-share capital companies and limited liability companies (GmbH & Co KG) as defined in Section 267 do not need to publish their balance sheets and are not subject to inspection if two of the following three characteristics apply: they have less than 50 employees, their balance sheet total is under € 6 million, or they have an annual turnover of under € 12 million. Only Harry Gerlach & Söhne GmbH & Co KG voluntarily published their profit and loss statement. Pursuant to Section 290 of the Commercial Code, companies under joint control must further publish a joint consolidated balance sheet. This apparently does not apply to many family companies. The figures in this case are extrapolated from the sums of individual balance sheets.

Property Federation (ZIA) via Haus & Grund to the Berlin-Brandenburg Association of Housing Companies and Cooperatives (BBU)—often reference this statistic to argue that the German (and Berlin) housing market is dominated by small-scale owners. They like to paint the picture of an independent baker or a retired widow, friendly private landlords who depend on rental income for their old age. Upon closer examination, this argument rarely holds up (and is in most cases downright false).

1. **Some of the owners recorded as private individuals by the Building and Housing Census are in fact companies or legal persons.** The statistics in the census are based on the written self-disclosures of the owners or their building managers. When that data is compared with micro census data, for which inhabitants were interviewed, fewer unit owners are private individuals, and more are private companies. This results in a discrepancy of around 200,000 apartments, most likely due to incorrectly completed Building and Housing Census questionnaires (for more details, see Appendix I).
2. **The typical small landlord owns only one apartment, but this group earns only a small percentage of all rental incomes. Furthermore, small landlords in Germany are rarely dependent upon their rental income.** The German Federal Office for Building and Regional Planning (2015) gathered information on almost three thousand owners of rental units in multiple-tenant buildings in 196 German municipalities. This data implies that the typical private landlord (57%) owns only one rental unit, and 87% own fewer than five. As much as 67% of private landlords have a total net monthly income (including rental income) of under € 5,000 and can thus be considered small in the broadest sense. However, rental income (before expenditures for maintenance and modernization) only made up 14% of this group's total income, and only 8% (or € 104) for landlords who had a net income of under € 2,000. Furthermore, in the household survey of the German Socio-Economic Panel, only 19.1% of German landlords had rent and lease incomes that exceeded € 10,000 per year—but this group of approximately 750,000 households received more than two-thirds of all income from rentals and leases.<sup>55</sup>
3. **More than half of privately owned Berlin rental units belong to those few private landlords who own more than five apartments (usually the owners of large, undivided multiple-tenant buildings).** According to the Building and Housing Census and in contrast to the German average, most Berlin apartments (around 1.5 out of 1.9 million) are located in buildings with more than six units; around half are even located in buildings with more than 13 units. Of the approximately 600,000 privately-owned rental units, almost half are in one of the city's 24,000 large apartment buildings. Thus they

automatically belong to a landlord with more than six apartments.

4. **Anyone who owns more than five apartments in Berlin does not have to worry about their old age, even with rents of five to six euro per square meter.** That at least holds true for all those owners who are not deeply in debt and who bought before prices rose sharply around five years ago.<sup>56</sup> Securing an average annual retirement income of € 40,000 over a 20-year period requires assets with a total value of € 800,000 or, after discounting (i.e. including an average yield), € 600,000. Thanks mostly to the increase in prices over the past few years, the average Berlin apartment is now worth over € 200,000.<sup>57</sup> A sale in the form of a life annuity, for example, would in most cases guarantee a comfortable retirement. And even without selling, in most cases rental incomes of five to six euro per square meter cover running costs and value retention while still providing decent yields.
5. **The friendly independent landlord does of course exist, but no one knows how often. What is known, however, is that private landlords are particularly problematic for tenants because they are able to terminate leases on the basis of personal use.** A study on displacement in Berlin (Beran & Nuisl 2019, 141) found that as early as 2013 to 2015, people moving out of individually owned apartments were leaving involuntarily at above-average rates, and that the reason for the displacement was more likely to be lease termination (27.9% compared to 5.6% for apartments owned by private real estate companies, 6.2% for municipal real estate companies, and 11.1% for cooperatives). No reliable data is available on the average rent in individually owned units.

<sup>55</sup> See Wirtschaftsfaktor Immobilien 2017 (in German) at: [www.zia-deutschland.de/fileadmin/Redaktion/Meta\\_Service/PDF/Endfassung\\_Gutachten\\_Wirtschaftsfaktor\\_Immobilien\\_2017.pdf](http://www.zia-deutschland.de/fileadmin/Redaktion/Meta_Service/PDF/Endfassung_Gutachten_Wirtschaftsfaktor_Immobilien_2017.pdf). <sup>56</sup> According to the Federal Office for Building and Regional Planning (2015), the average price in Germany was around € 1,500 per square meter, and about one-third of the total price was mortgaged at the time of the survey. <sup>57</sup> The Statistical Office for Berlin-Brandenburg lists the average size of a Berlin apartment as 73.2 square meters. The 2019 report of Berlin's municipal business development bank IBB states that Berlin's Land Valuation Board (*Gutachterausschuss*; assessment of residential and commercial real estate) found that the average asking price for Berlin real estate was € 2,180 per square meter, but € 4,777 for a privately-owned individual apartment.

***Eigenbedarfskündigung*— Lease termination on grounds of personal use**

Section 573 of the German Civil Code and its interpretation allows owners entered in the land register to terminate their tenants' leases for personal use. "Personal" can mean for themselves and their immediate families, as well as for other members of their "household" (if the relationship is close, this can include in-laws, aunts, cousins, or great-nephews).<sup>58</sup> Whether a need exists is decided on a case-by-case basis; in the past, "need" has been defined very broadly.<sup>59</sup> Thanks to a 1992 court decision, tenants have the right to view all land register entries in their landlord's name to ensure that he or she does not own another, equivalent apartment.<sup>60</sup>

**Large Private Landowners**

A clear delineation of both "private" and "large" landowner is difficult. Accordingly, classification as a large private landowner is not easy either. Following the logic of the Building and Housing Census, only those who are listed in the land register as private individuals (or joint heirs) are "private owners". In that case, large private real estate owners such as the Pears brothers from Great Britain, the Samwer brothers from Berlin, or the Benko family from Austria should all count as corporate owners, because they own their property indirectly through firms (with an often complicated structure). However, our analysis of Berlin real estate owners turned up many limited liability companies (GmbHs and GmbH & Co KGs) that listed the name of the property in the company name and often belonged directly to a (Berlin-based) family. A comparison of the Building and Housing Census with the micro census shows that at least some owners must have recorded these companies as "private individuals" in the Building and Housing Census. An entry in the land register is also important for the right to terminate a lease for personal use. This right is actually only afforded to private individuals in the register, although in the past, it has also been granted to partnerships under the German Civil Code (*Gesellschaften bürgerlichen Rechts* (GbR)).

To define a large landowner as owning more than five units seems a rather low bar considering Berlin's two million apartments. However and as explained above, of the very few people in Germany who own rental units at all (4.9 million households), even fewer own more than five (643,000 households). Due to the high value of Berlin real estate (and its recent sharp rise), most of these individuals own real estate assets of over € 1 million (after subtracting the mortgages and adding other real estate assets in Germany and abroad). This means they are in the top 1% in terms of wealth (encompassing almost 700,000 adults) and are among those who have profited most from the recent explosion in prices.<sup>61</sup>

**Case 14: The Berlin Family Clan**

Ernst B. is a politically active notary public. Together with his wife and four children, he owns (mostly as an individual with no intermediary company) more than 20 houses in Berlin at an estimated value of over € 100 million. He and his housing stock became known because of his practice of repeatedly terminating leases on the grounds of personal use (see Walther 2020; Bischoff & Keller 2020).<sup>62</sup> Most recently, Ernst B. tried to evict long-term tenants from Reichenberger Straße 73 in Berlin-Kreuzberg, supposedly so that his niece could move in. The court struck down the eviction proceedings. However, the tenants report that a new court case is being prepared. Newspapers reported that in the preceding years, tenants were evicted from other apartments in the same building, ostensibly to make room for his four children, his oldest son, his son-in-law with his children, and a nephew. Only the latter now actually lives there. Alongside cheap apartments, Ernst B.'s relatives can look forward to an almost tax-free inheritance. Owner-occupied property is not taxed, nor are gifts of up to € 400,000 per child and parent. And these tax-free gifts can be made every ten years. Anyone who starts gifting early enough can, like Ernst B., pass on millions of euro to the next generation tax-free. And if B. and his descendants agree on the right of usufruct and write it into the land register, he will retain control over his real estate as long as he lives.

**Case 15: Will Trade Apartment Building for Castle**

Since 2018, a number of Berlin apartment buildings have been up for sale, including the building at Krossener Straße 36. The tenants say that the owner needs the money to refurbish his castle. No buyer was found for the price first asked (45 times the rental income). Finally, a foundation from Liechtenstein wanted to buy it for 37 times the rental income. After continuous protest and large-scale mobilization, the occupants gained pre-emptive rights and the house was bought by the cooperative, Diese eG. Diese eG was formed in May 2019 to enable tenants to make pre-emptive purchases. It finances the purchases through member equity, public subsidies, and bank mortgages.<sup>63</sup> That strategy did not work in the case of Paul-Roberson-Straße 38. Shortly after the death of the building's owner, whom tenants praised for taking good care of the building into his old age and for being satisfied with

<sup>58</sup> See, for example, case file VIII ZR 247/08. <sup>59</sup> See, in German, <https://www.haus.de/immobilienideen/eigenbedarfskuendigung>. In the case VIII ZR 232/15, a GbR was able to terminate a lease for personal use. On this, see (in German) <http://juris.bundesgerichtshof.de/cgi-bin/rechtsprechung/document.py?Gericht=bgh&Art=en&nr=77086&pos=0&anz=1>. <sup>60</sup> Ruling of the Landgericht Mannheim on 22 January 1992, AZ 6 T 26/91. <sup>61</sup> The German Institute for Economic Research calculated that, among the population over 17 in late 2017 (69.25 million people), the top 1 percent had real estate assets in value of € 1,153,155. See, in German, DIW Wochenbericht 40/2019: [www.diw.de/de/diw\\_01.c.679909.de/publikationen/wochenberichte/2019\\_40/vermoegensungleichheit\\_in\\_deutschland\\_bleibt\\_trotz\\_deutlich\\_steigender\\_nettovermoegen\\_anhaltend\\_hoch.html](http://www.diw.de/de/diw_01.c.679909.de/publikationen/wochenberichte/2019_40/vermoegensungleichheit_in_deutschland_bleibt_trotz_deutlich_steigender_nettovermoegen_anhaltend_hoch.html). <sup>62</sup> See also, in German, <http://wem-gehoert-kreuzberg.de/index.php/bleibe-n/5273-umwandlung-und-eigenbedarf>. <sup>63</sup> More information (in German) at: [www.krossener36.de](http://www.krossener36.de).

social rents, his heirs sold the house to the same Liechtenstein foundation and Aramid Immobilien GmbH & Co KG, which managed its holdings. The foundation belongs to a wealthy Munich man who inherited the family company and went on a buying spree in Berlin while suing his Munich tenants for not accepting modernization measures. In the building on Paul-Roberson-Straße, the commercial rents, which are still not regulated, are to be raised—a typical consequence of high building prices and the profits made by the sellers. One of the tenants is the Maja birthing house, and the midwives who run it have been very active in trying to save their space and negotiate a fair lease.<sup>64</sup>

### Subdivided Buildings and Residential Property Owner Associations

When the Building and Housing Census was completed in 2011, there were 317,238 residential buildings in Berlin, 156,643 of which had only one dwelling (mostly private homes). In addition, there were 103,973 large multi-family houses with seven or more apartments; 1,510,599 of Berlin's 1,868,905 apartments were located in such buildings. Since 1951, the Act on the

Ownership of Apartments and the Permanent Residential Right (*Wohnungseigentumsgesetz*) has allowed the subdividing of multiple-tenant buildings into individually owned apartments. Since then, subdivided buildings have increasingly been developed and, since the late 1980s, existing buildings have been divided. In 2011, there were 381,259 apartments in subdivided buildings, most of which belonged to private individuals (322,880 apartments) and almost 70% of which were rented out.

Since then, 34,899 new individually owned apartments and 15,261 individually owned private homes have been built and 105,111 apartments have been subdivided in existing buildings and often (but not always) sold to individuals.<sup>65</sup> At the end of 2019, there were 521,269 individually owned apartments in Berlin as well as 171,904 buildings with just one or two apartments. At the same time, there were 40,000 more owner-occupants—from 258,300 in 2010 (micro census) or 276,219 in 2011 (Building and Housing Census) to 305,000 (micro census) in 2018. More than 70% of the new individually owned apartments and homes were therefore bought as investments and rented out, as in the past.

**Table 5: Subdivided, owner-occupied, and rented apartments owned by private individuals**

	Rented	Occupied by owner	Total
Private individual, subdivided	202,575 (of 249,069)	120,305	322,880
Private individuals, not subdivided	368,617	155,914	524,531
Total	571,192 (of 1,523,854)	276,219	847,411 (of 1,868,905)

Source: Original compilation, based on 2011 Building and Housing Census

### Case 16: The Secret Subdivider in the Heart of Kreuzberg

Around 35 years ago, Nikolaus Ziegert founded a company. His philosophy was that “as many people as possible should be able to own real estate in order to build sustainable and effective assets for their personal development and financial security”. In 1985, he sold his first apartments in the Berlin district of Steglitz, followed by a building on Nostitzstraße in the Kreuzberg district. In 1992, he developed a new tax-efficient building in Steglitz and in 2015 even founded a foundation to promote property ownership.<sup>66</sup> When the building on Dieffenbachstraße 29 was sold by a private owner in 2019, the tenants wanted to know the identity of the person who had bought it and what they were planning to do with the property. But the buyer—Lebensgut Beta 3 GmbH & Co KG—was hidden behind a law office on Kurfürstendamm and a corporate shell manager located in the corporate tax haven of Zossen. It took more than one year of intensive research by the Rosa-Luxemburg-Stiftung's “Who Owns the City?” project, and an article in the daily newspaper *Berliner Zeitung*, before it was confirmed that the company, along with a dozen other companies that owned nearly

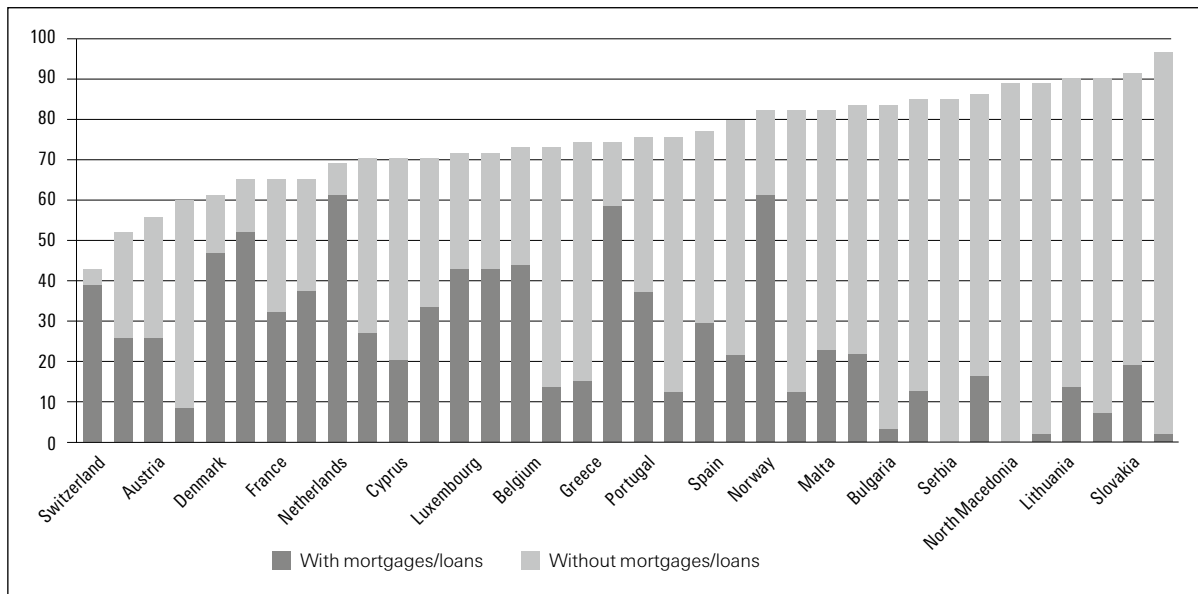
100 buildings in Berlin, belonged to Ziegert and his business partners. Ziegert justifies his secret dealings with the need to avoid a competitive disadvantage. If he were to buy openly, he would “have to pay significantly higher prices” due to his prominence. The company claims to have overlooked filing a disclosure in the new transparency register (see Keller 2020).

### Owner-Occupants

With 55% of the population living in rental units, Germany is a country of tenants in international comparison and Berlin, at 85%, is its undisputed capital. With less than 10% of residents owning the apartment they live in, it is not by chance that the Friedrichshain-Kreuzberg district is one of the global epicenters of the tenants' movement.<sup>67</sup>

<sup>64</sup> More information (in German) at: <https://geburtshaus-maja.de/geburtshaus-maja-bleibt/>. <sup>65</sup> 2019 IBB Housing Market Report (reflecting statistics from 2018, summary available in English). Information on new apartments can be found in Table 16. For 2019 statistics, compare the Real Estate Market Report for 2019–20 of Berlin's Land Valuation Board (*Gutachterausschuss*, in German): [www.berlin.de/gutachterausschuss/marktinformationen/marktanalyse/artikel.175633.php](http://www.berlin.de/gutachterausschuss/marktinformationen/marktanalyse/artikel.175633.php). <sup>66</sup> On Ziegert, see: [www.ziegert-immobilien.de](http://www.ziegert-immobilien.de). <sup>67</sup> According to the microcensus, the percentage of owner-occupied apartments in Berlin as a whole rose to 16.2 percent in 2018, and to 8.6 percent in the district of Friedrichshain-Kreuzberg, but fell to 5.5 percent in the district of Mitte.

Chart 5: Homeownership rate in Germany versus other countries



Source: original compilation, based on 2018 Eurostat<sup>68</sup>

\* Data from 2017

The private ownership of housing is an explosive topic. Supporters argue that ownership of residential property is a key ingredient of building assets in provision of old age, especially because it cultivates frugality in the long-term. According to the supporters, owners are more concerned with maintaining their apartments and are allegedly better citizens, because they make a long-term commitment to a neighborhood and their personal assets depend upon a good residential environment.<sup>69</sup> For that reason the federal *Baukindergeld* program, founded above all at the insistence of the conservative political party CSU, spends a total of €9.9 billion in grants for families with children to build or buy a house or apartment. The liberal FDP calls for striking the property transfer tax (*Grunderwerbssteuer*) for all those who buy residential property for the first time. Opponents of ownership hold that buying residential property is often a risky investment for people with low incomes and no inheritance, and that renting is often better suited to today's changing lifestyles and demand for flexibility. They believe—as does the employer-affiliated German Economic Institute in Cologne—that *Baukindergeld* is a costly bonus that only benefits families who would have been able to buy a house or apartment anyway and can thus, considering the tight housing markets, be seen as a gift from the state to real estate owners, who can raise prices accordingly.<sup>70</sup> Initial analyses show that in the main, *Baukindergeld* aids investment in existing municipal properties.<sup>71</sup> At the same time, prices for apartments have risen sharply in recent years in Berlin. According to the 2019 report on the housing market by Berlin's municipal business development bank IBB, the average price per square meter was €4,777, or around €350,000 for an average-sized

apartment. For investors who had often bought their buildings for around €1,000 per square meter and then subdivided it into individual units, this has meant very large profit margins; for most Berlin residents however, those prices are unaffordable. In light of this market situation, the proposal to improve social equity through grants for less affluent people to build (real estate) assets is an unreachable goal, at least not through acquisition of an apartment in Berlin.

In debates on taxes (e.g. property taxes) and the regulation of the housing market (e.g. *Baukindergeld*) the textbook example is often the young family that recently took out a large mortgage to buy their own home in Prenzlauer Berg. However, according to the 2018 micro census, only 37.5% of owner-occupiers in Berlin are still paying mortgages. Furthermore, at only 21.4%, families with children under 18 are a minority of owner-occupiers. It is true however, that the higher the income bracket, the higher the percentage of owner-occupants. Only 14.9% of this group earn middle incomes (net monthly household incomes between €2,000 and €3,500), while 53.6% of households with a net monthly income over €6,000 are owner-occupiers. Around half of all owner-occupiers live in apartments, and the other half in one- or

<sup>68</sup> See: [https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc\\_lvho02&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_lvho02&lang=en). <sup>69</sup> A study by the Eduard Pestel Institute commissioned by the *Verbandebündnis Wohneigentum* (Alliance for Residential Property) provides an overview of the arguments, the historical development of residential property ownership, and the debate on subsidies sparked by the introduction of *Baukindergeld* in 2018. See: [www.pestel-institut.de/blog/2018/04/18/studie-wohneigentum-zur-alterssicherung/](http://www.pestel-institut.de/blog/2018/04/18/studie-wohneigentum-zur-alterssicherung/). <sup>70</sup> See for example (in German): <https://www.zeit.de/politik/deutschland/2018-04/iw-studie-baukindergeld-gutachten-kritik>.

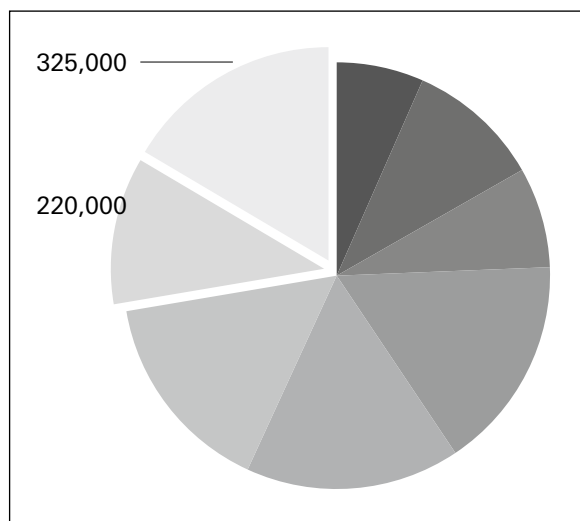
<sup>71</sup> The analysis was conducted in the fall of 2019, one year after the introduction of the *Baukindergeld* scheme and after around one-third of the funds had been requested (2.8 billion euro). See (in German) <https://www.tagesschau.de/wirtschaft/wohngipfel-bilanz-uebersicht-101.html>.

two-family homes.<sup>72</sup> More than a third are over the age of 65, while young people are usually excluded by high prices, unless they have inherited money.

**Case 17: Well-Maintained and Nevertheless Affordable**

In 1978—when housing was still cheap in Berlin—12 friends bought a building on Zossener Straße 5 in the Kreuzberg district. After the mortgage was paid, there was so much surplus rental income each year that the house could be completely refurbished and the facade painted. Almost 40 years later, the building was subdivided. All decisions were then made by a majority vote of the owner association. Individual units could be passed on to the occupants’ children and theoretically also rented or sold. A few buildings down, on Zossener Straße 48, a group of occupants tried to emulate the model and in 2016 bought their building directly from an investor, at a much higher price. But in contrast to Zossener Straße 5, the *Mietshäuser Syndikat*, a syndicate of owner associations, was part of the contract and stipulated that the building could not be subdivided or sold (for more on this see Garcia-Landa & Trautvetter 2019).

**PUBLIC, COOPERATIVE, AND NONPROFIT**



Berlin’s six municipal housing companies top the list of the city’s property owners. Before the fall of the wall, they owned almost 500,000 units, but afterwards reduced this stock through sales and privatizations to only 260,000. Since then, they have expanded their share to 320,000 by building and buying.<sup>73</sup> In many ways comparable to the municipal companies, even if they are not public, are the almost 80 housing cooperatives in the city, which own around 188,000 apartments. There are also other public real estate companies, such as Berlinovo, which is mostly owned by the city-state of Berlin, or BIMA, which is federal, as well as apartments that belong to NGOs or churches.

**Municipal Housing Companies**

Municipal housing companies (*landeseigene Wohnungsunternehmen*), are corporations that function in much the same way as private-sector companies and are owned solely by the city-state of Berlin. In principal, the managers strive to make a profit and the company pays taxes. However, no profits have been distributed to Berlin for many years, and the city can influence corporate policy through the supervisory board and other bodies, as well as through legal rulings. Since a crisis in the early 2000s, these companies have regularly increased their profitability by raising rents and eliminating old debt or unprofitable holdings.<sup>74</sup> As a result of a slew of political guidelines on their housing policies, their socio-political importance has grown since 2012.

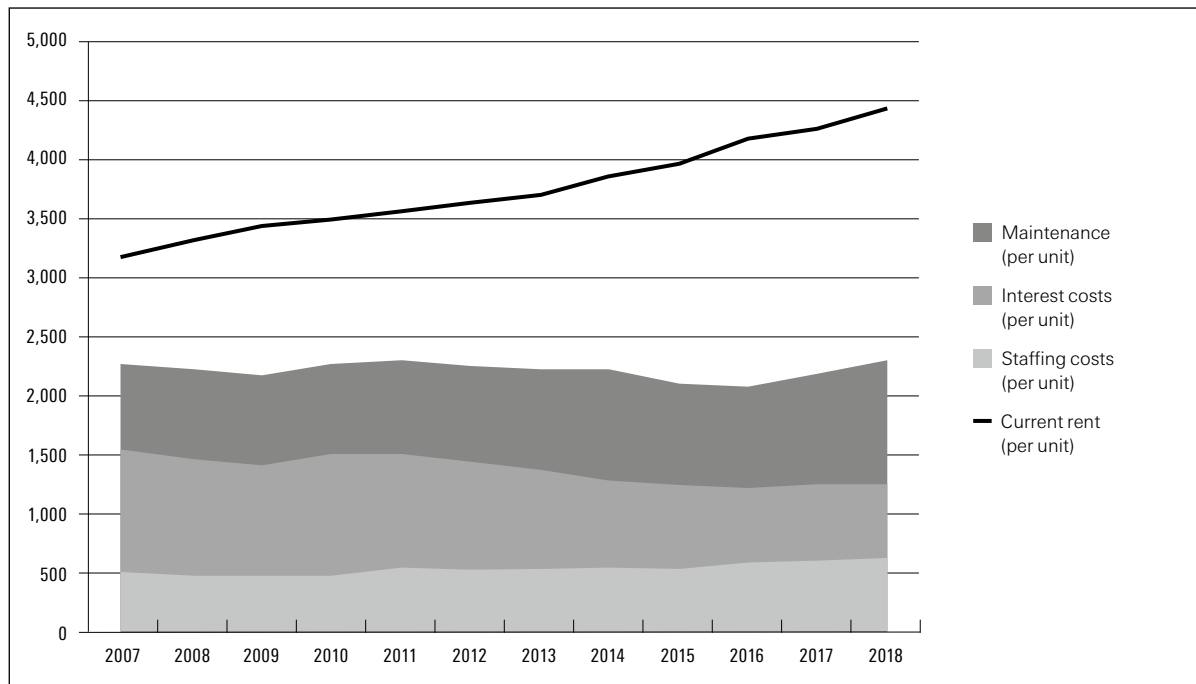
*What do the municipal housing companies contribute to a social housing market?*

Both the companies’ political aims and the city’s influence have shifted in recent years. Reeling from costly social housing programs of the 1990s, alongside high residential vacancies and a shrinking population—as well as debt from the 2001 bank scandal—in 2002 the auditing company E&Y was hired to write a report on the viability of Berlin’s housing companies.<sup>75</sup> They recommended that housing stock be “adapted to a realistic and actually needed level,” resulting in the privatization of the entire municipal company GSW, as well as in sales of individual and groups of apartments to pay back debt. But as early as 2006, political support for further privatization had waned.<sup>76</sup>

In September 2012, the municipal housing companies joined together in an “Alliance for Social Housing Policy and Affordable Rents” (*Bündnis für soziale Wohnungspolitik und bezahlbare Mieten*) and promised to expand their recently depleted housing stock to 300,000 apartments by 2016, with a medium-term goal of 400,000. Further commitments—including limited rent increases, hardship clauses, quotas for subsidized housing, legalizing apartment switching, more participation, and annual reports on the achievement of these objectives—were regulated by the Berlin Housing Supply Law (*Wohnraumversorgungsgesetz*) in 2016.<sup>77</sup> Furthermore, a public-law institution,

<sup>72</sup> Results of the 2018 Microcensus for Berlin: Wohnsituation, Tabelle 13. <sup>73</sup> In the Building and Housing Census, municipal housing company stock is distributed among the categories “federal”, “state”, and “municipal” housing companies. <sup>74</sup> In contrast to the companies in the comparison group in chart 2 (Deutsche Wohnen + Vonovia, Top 20 Cooperatives), the growing percentage of newly constructed apartments raised the average value of buildings and therefore also the total sum of annual write-offs. <sup>75</sup> An evaluation conducted by Empirica for the city of Berlin in March 2003 states on this: “From 2015 onwards, nearly all budgetary forecasts for Berlin therefore anticipate a long-lasting and accelerating decrease in the number of households and a corresponding drop in the demand for apartments... With the current housing surplus in the range of a hundred thousand apartments, mostly in modest residential buildings, a future shortage of modest apartments is very unlikely” ([www.stadtentwicklung.berlin.de/wohnen/anschlussfoerderung/emp072lp.pdf](http://www.stadtentwicklung.berlin.de/wohnen/anschlussfoerderung/emp072lp.pdf)). <sup>76</sup> Gerhardt (2015) provides a good summary and a political analysis of these developments. <sup>77</sup> An overview (in German) of the elements of the alliance and the Berlin Housing Supply Law can be found at: <https://stadtentwicklung.berlin.de/wohnen/wohnungsbau/de/mietenbuenndnis/>. Part of the Berlin Housing Supply Law is the “Law on the social alignment and strengthening of the municipal housing companies for a sustainable housing supply” which can be found, in German, at: <http://gesetze.berlin.de/jportal/?quelle=jlink&query=WU-AusrStpercentC3percentA4rkG+BE&psml=b sbeprod.psmI&max=true&iz=true>.

Chart 6: Rental revenues and expenses, municipal housing companies, 2007 to 2018, in €



Source: Original compilation using data partly based on financial statements and profit-sharing reports (see also Gerhardt 2020)

*Wohnraumversorgung Berlin*, was set up for the “development, monitoring, and continuation of the corporate policy guidelines of the municipal housing companies as regards compliance with their duties on the Housing Supply and Housing markets.”<sup>78</sup> In April

2016, a “Roadmap for 400,000 Municipally-Owned Affordable Apartments” was released. Finally, in April 2017, the left-social democratic coalition, newly elected in 2016, passed a cooperation agreement that has since been elaborated.

#### Who owns the city’s subsidized housing?

Apartments for low-income tenants are either subsidized directly by the state or within new building schemes. Between 1952 and 1997, and again since 2014, there have been a number of different subsidy programs with varying timeframes and conditions. These include rent control, regulated by the German Tenancy Act (*Wohnbindungsgesetz*) and guided by the costs of the apartment, which includes a stipulation that apartments can only be rented by someone in possession of a *Wohnberechtigungsschein*, a certificate confirming eligibility for subsidized low-income housing. In early 2019, there were around 93,000 rent-controlled apartments that had been subsidized before 1997; some until 2055, most slated to return to the free market much earlier.<sup>79</sup> Because of problematic subsidy criteria, some of these apartments have rents higher than the index rent. There were also problems with irregular rentals and exemptions from renting to low-income tenants. What is more, more people have a right to low-income housing than there are apartments available. Overly generous government guarantees and charges of corruption related to housing construction programs led to the Berlin banking scandal in 2001, and to the end of the city government’s grand coalition and the administration of the long-time conservative mayor from the Christian Democratic Union party, Eberhard Diepgen. Not until 2016 was a commission of experts tasked with compiling detailed data on the stock of subsidized housing in Berlin.<sup>80</sup> At that time, one-third of Berlin’s subsidized apartments was in the hands of municipal companies (26 percent), or cooperatives and not-for-profit organizations (8 percent). Most belonged to property companies or private real estate companies (49 percent) and GbRs, partnerships under the German Civil Code, which are often used by private investors as a vehicle for investments (14 percent). The Berlin Housing Act was reformed in 2017, following recommendations by the expert committee.

The results of this 2017 agreement can be monitored in the annual progress reports:

- In 2019, as in the previous years, the average rent was under the rent index (€6.22 vs. €6.63 per square

<sup>78</sup> See (in German) <https://stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/>. <sup>79</sup> For further details on new construction see (in German): [https://stadtentwicklung.berlin.de/wohnen/sozialer\\_wohnungsbau/index.shtml](https://stadtentwicklung.berlin.de/wohnen/sozialer_wohnungsbau/index.shtml) <sup>80</sup> The data stems in part from the IBB and the Berlin Senate. The report (in German) can be found at: [https://stadtentwicklung.berlin.de/wohnen/sozialer\\_wohnungsbau/reform/index.shtml](https://stadtentwicklung.berlin.de/wohnen/sozialer_wohnungsbau/reform/index.shtml).



meter). Ongoing rents were raised less than in the previous year (0.6% vs. 1.39%). In 3,450 cases, rents were raised due to modernization. Rents raised in ongoing contracts and after modernizations were subject to caps (30% of the household income). However, these caps applied to only 190 cases in 2019, and in 61 of those cases, rent was only lowered to an affordable level upon application. At €7.43 per square meter, the average rent for new contracts was the same as in 2018 and far below the city average of €10.45.

- For new contracts in existing buildings, the hardship quota (for homeless people, refugees, assisted living, etc.) was exceeded at 16.2%. In contrast to the private real estate market, re-letting to people eligible for subsidized housing was highest in the most popular central neighborhoods (Friedrichshain-Kreuzberg at 67.2%) and lower in the outlying areas.
- According to the apartment switching portal set up in 2017, 190 tenants moved to other apartments belonging to “their” municipal housing company in 2019 without experiencing rent hikes.<sup>81</sup>
- When leases were terminated (3,841 times), most tenants (87.8%) made use of legal counseling services, which often led to reinstatement of the lease and/or further agreements (1,595). Some tenants in municipal housing were however evicted (429), even in apartments in which the tenant was present or still living (199), and only very rarely was an alternative apartment offered (3).
- About half of the stock, especially in larger apartment blocks, has advisory boards, amounting to 111 altogether, and the 47 tenants’ councils have a vote and a guest seat in the respective supervisory boards.

*How can the percentage of apartments owned by municipal housing companies be raised long-term?*

The share of municipal housing on Berlin’s real estate market varies greatly; from 39.7% in the Lichtenberg district to 4.5% in the district of Steglitz-Zehlendorf. The growth envisioned in the 2016 roadmap—a total of 400,000 units by 2026—entails the acquisition of around 80,000 apartments, of which 26,600 should be bought from the existing stock and 53,400 newly built (17,800 units as subsidized housing).

In 2019 alone, the municipal housing companies bought 11,943 apartments, 1,365 of which by exercising the right of preemptive purchase. In light of the sharp rise in prices, this is problematic. For example, some former GSW apartments sold cheaply in 2004 were bought back at prices that were many times higher. Furthermore, the increase in demand caused by the municipal housing companies drives prices even higher, and the expensive real estate is a liability for the future profitability of the municipal companies—which also reduces the flexibility of social housing policy.

After not building for a long time, in 2012 the municipal housing companies began their own develop-

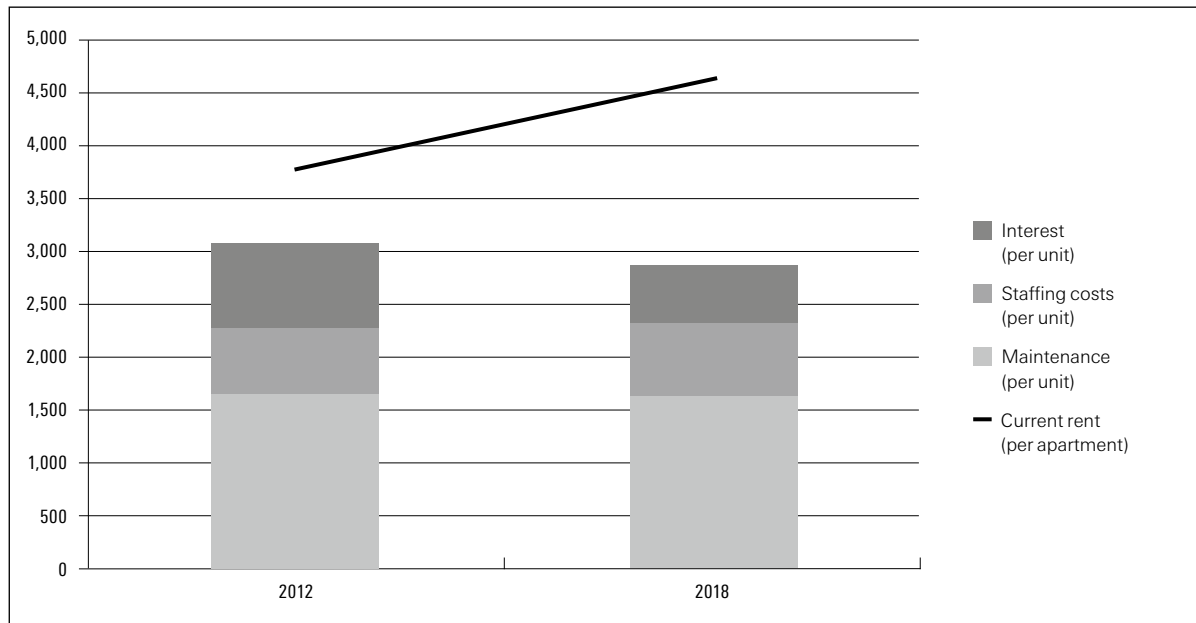
ment projects: refurbishing attic space, building more densely on land they already owned, and developing new land. To this end, they received “free” parcels from the city of Berlin as a non-cash contribution. As the owners of 4,029 of 18,999 new apartments, the municipal housing companies are the city’s most active builders (see Schönball 2020).<sup>82</sup> However, many of these buildings were actually turnkey projects, in which the municipal companies bought the apartments from a developer. A detailed comparison of 163 projects planned or implemented by the municipal housing companies, regional housing companies, and municipal real estate companies in other large German cities came to the conclusion that the building price (without land) for all projects by the different groups was relatively high. Furthermore, at the time of the 2018 study, the rising costs of municipal housing company projects were mostly compensated through economization. With an average cost of €2,427 per square meter (without land), they were much more expensive than apartments from their stock, on which mortgages were in the main paid off, and comparable in price with preemptive buys of existing buildings (including land).

#### Case 18: City-Owned, but Not a Real Estate Company

Berlin Immobilien Holding (later renamed Berlinovo) was founded in 2006 in the wake of the Berlin bank scandal of 2001–02 to deal with the real estate transactions previously managed by the *Bankgesellschaft Berlin*. The holdings consisted in the main of real estate funds with comprehensive rental guarantees and repayment guarantees after the funds’ estimated 25- to 30-year lifespan (around 2020 to 2030). With such advantageous guaranties and conditions for investors, including special funds for associates of the bank managers and members of the political parties governing the city at the time, the CDU and the SPD, the *Bankgesellschaft Berlin* had disproportionately expanded its real estate business. In a planned sale to a British investor in 2011, the *Bankgesellschaft* reported annual losses of €140 million and covered up risks from guaranties totalling €21.6 billion. One SPD politician explained the reason for the failed sale as follows: “It’s an election year. That’s always a bad time to sell apartments”, illustrating the change in public opinion since 2003 (see Rada 2011; Sethmann 2011). Considering the boom in real estate in recent years, the low-performing fund might even turn a profit in the end (see Fahrhun 2017). It must be said, however, that Berlinovo’s practices are often more akin to those of

<sup>81</sup> See in German: [www.inberlinwohnen.de](http://www.inberlinwohnen.de). <sup>82</sup> Official statistics on new construction only distinguish between four large groups of builders, and results vary. In 2018, around 7,000 of the 17,000 newly built apartments were intended to be sold to private individuals. In this period, the large private housing companies built hardly any new apartments, and the cooperatives only built several hundred. Project development buyers, in addition to the municipal housing companies, included institutional investors such as pension funds.

**Chart 7: Rental revenues and expenses of the 20 largest Berlin housing cooperatives, 2012 and 2018, in €**



Source: Original compilation, based on company annual reports

financial investors (e.g. charging additional “shadow” rents alongside rents that lie under the rent cap; see Paul 2020). One reason for that is that Berlinovo only has a roughly 90-percent share of the real estate fund and must maximize profits for the owners of the remaining 10 percent. Berlinovo can also only take over shares with the consent of the shareholders—a long-term and absurd aftermath of inconsequentially addressing the bank scandal.

### Cooperatives

There are cooperatives in every Berlin district. Many are more than fifty or even one hundred years old; some were founded only recently. According to the IBB report on housing, Berlin cooperatives owned 184,628 apartments in 2018. Most cooperatives—alongside Deutsche Wohnen and Vonovia, and the municipal housing companies—are members of the BBU, the Berlin-Brandenburg Association of Housing Companies and Cooperatives, which has 80 members from cooperatives holding a total of around 180,000 apartments. Twenty-seven of these cooperatives joined in an association of cooperatives, the *Berliner Verbund der Genossenschaften*, which ran its own PR campaign and led the campaign against the rent cap. Twenty-five other Berlin cooperatives founded their own alliance in 2017, the *Junge Genossenschaften Berlin*.

In political discussions, the cooperatives repeatedly stress their moderate rents, their conservative financial calculations, their long-term view, their earmarked funds, and a business model based on tenant participation. For those reasons, their demands include preferential treatment regarding building plot allotments or the rent cap. Since 2012, they have bought several

municipal plots and received 20% of municipal areas slotted for development. In the meantime, there are multiple support programs for cooperative housing, which is touted as an alternative to the municipal housing companies in preemptive purchases. Historically, too, cooperatives owe a good deal of their growth and their strength to public support and funding.<sup>83</sup> Almost in parallel to the municipal housing companies, in recent years they have increased their profitability thanks to low interest rates and rising rental income, and have refurbished a considerable amount of their stock. At the same time, they warn—most recently in the discussion on the Berlin rent cap—that more regulation would threaten their business model and their existence.

Normally, cooperatives finance their real estate investments from a combination of member shares (as equity) and mortgages or, in some cases, interest from member savings (as loans). Like the municipal housing companies and many other real estate companies, most cooperatives have a high share of loans (> 50%). Interest rates on those loans have fallen sharply in the past few years (from around 4% to sometimes only 1%, depending on the financing structure). Since rents have risen continuously for almost all cooperative apartments, and the number of vacant apartments is falling, almost all cooperatives have larger surpluses, less debt, and more liquidity for investments.

Changes in rents for cooperative apartments are comparable to developments for the municipal housing

<sup>83</sup> Edition 409 of the tenants' rights magazine *Mieterecho* has as its sole focus the role—and history—of the cooperatives. See (in German) [www.bmgbev.de/mieterecho/archiv/2020/me-single/article/am-staatlichen-tropf/](http://www.bmgbev.de/mieterecho/archiv/2020/me-single/article/am-staatlichen-tropf/).

**Table 6: Cooperatives' rent rates and rent hikes**

Cooperative	2018 rents in € per square meter	2012 rents in € per square meter	Rent increase per year
bbg Berliner Baugenossenschaft eG	6.43	5.41	2.9%
Charlottenburger Baugenossenschaft eG	5.32	4.72	2.0%
Beamten-Wohnungs-Verein zu Köpenick eG	5.42	4.74	2.3%
Wohnungsgenossenschaft FRIEDENSHORT eG	4.49	3.95	2.2%
Wohnungsbaugenossenschaft Neues Berlin eG	5.71	5.37	1.0%
Wohnungsbaugenossenschaft VORWÄRTS eG	5.57	4.86	2.3%
Wohnungsgenossenschaft Marzahner Tor eG	5.28	4.7	2.0%
Fortuna Wohnungsunternehmen eG	5.44	4.32	3.9%
Wohnungsbaugenossenschaft Köpenick Nord eG	5.31	4.71	2.0%
Wohnungsbaugenossenschaft Wuhletal eG	4.86	4.5	1.3%
Wohnungsbaugenossenschaft Wilhelmsruh eG	6	5.5	1.5%

Source: Original compilation, based on business reports

Housing cooperatives selected for list based on data availability

companies. According to the BBU, average rents in existing units were far below municipal housing company rents (€5.51 vs. €6.22 per square meter). Of the 80 cooperatives analyzed, only 21 published their average rent in their annual report, and only 11 compared current rents to 2012 rents. In those cases, average rents fluctuated, depending on location and condition, between €4.49 per square meter (Friedenshort) and €6.43 per square meter (bbg Berliner Baugenossenschaft) and rose 2.53% annually between 2012 and 2018 (from €4.70 to €5.50 per square meter). According to BBU's 2019 annual report, rents in newly let units were below those of municipal housing company rents (€7.23 vs. €7.43 per square meter).

Cooperatives differ greatly in terms of management structure and tenant participation. Some cooperatives have volunteer boards and tenants are very involved; others have professional boards and member participation is limited to occasional voting. While some cooperatives, such as Bremer Höhe, are engaged in social projects such as housing for refugees and other marginalized groups, others focus exclusively on benefitting their own sometimes homogeneous members. However, generally, it can be said that cooperatives encourage participation because of their structure (tenants as voting owners with a share in the cooperative), size (under 10,000 apartments), and spatial concentration (usually active in only a few districts). Some members, however, are skeptical of this, including the Grassroots Cooperative Initiative (*Initiative Genossenschaft von unten*). They criticize for example an internal proposal made to change the charter of the Berlin-Brandenburg Association of Housing Companies and Cooperatives that would make criticism of cooperatives and the work of their boards more difficult and would pave the way for allowing legal persons such as real estate companies a seat on the board or supervisory committee.<sup>84</sup>

Housing cooperatives can apply for tax-free status and their structure allows them to forgo payment of property transfer taxes when passing on shares in the cooperative. A law passed in late 2019 aims to prevent so-called family cooperatives (*Familiengenossenschaften*)—cooperatives in which shares are owned by investors rather than tenants—from abusing this tax benefit.<sup>85</sup>

#### Case 19: Berliner Baugenossenschaft eG (bbg)

Berliner Baugenossenschaft eG (bbg), founded in 1886, claims to be the oldest cooperative in Berlin. Our study (based on the bbg's publicly available annual reports) found it to be the third largest in the city (7,026 units). The only larger cooperatives were Beamten-Wohnungs-Verein zu Berlin eG (7,212 units) and Wohnungsgenossenschaft Lichtenberg eG (10,134 units). With annual average rent increases of 2.9 percent since 2012, bbg was the second-fastest not-for-profit owner to raise rents. At €6.43 per square meter (6.63 per square meter for subsidized housing), their rents were also highest. In its 2017–18 annual report, the bbg declined to raise rents further, although it would have been legal. Despite a surplus of almost €4 million, the bbg paid no taxes in 2018, although it had decided against transforming into a tax-exempt cooperative that only lets (and does not build) apartments, because they then would have had to pay a one-time tax on value appreciation. The bbg paid dividends of 5 percent (€750,000), the highest percentage of all of the cooperatives studied. However, because these dividends are calculated based on the nominal value of

<sup>84</sup> For more information see (in German): [www.genossenschaft-von-unten.eu/](http://www.genossenschaft-von-unten.eu/). <sup>85</sup> The use of family cooperatives as a tax loophole was uncovered by *Spiegel* magazine in late 2019 (Wassermann 2019). The loophole was partly closed by a revision of the law shortly thereafter. On these changes see for example (in German): [www.immobiliien-investment-akademie.de/neues-gesetz-schraenkt-steuervorteil-le-durch-familiengenossenschaften-ein/](http://www.immobiliien-investment-akademie.de/neues-gesetz-schraenkt-steuervorteil-le-durch-familiengenossenschaften-ein/).

the investment and not, as in listed companies, based on the (raise in the) share price, total dividends were low in comparison to rental income and sank from 69 percent in 2012 to only 16 percent most recently. The remaining profits were used for refurbishing and modernization or added to the reserves, to which cooperative members have no access, even when they leave. One building plot was sold due to “new regulations and contradictory requirements”.<sup>86</sup>

### **Nonprofit and Church-Affiliated Owners**

In 2011, a further 18,577 apartments belonged to not-for-profit organizations other than the municipal housing companies and cooperatives. The results of this study have shown that the largest not-for-profit organization active on Berlin’s housing market is

the Protestant Hilfswerk-Siedlung GmbH, which owns 4,607 apartments of its own and manages a total of 10,000 units.<sup>87</sup> Other church owners include the Catholic Aachener Siedlungs- und Wohnungsgesellschaft and the Protestant Church district of Lichtenberg-Oberspree. All church-affiliated owners share nonprofit status with owners such as the Brost Foundation, the Fürst Donnersmarck Foundation, and the British owner, St. John’s College. Since foundations are not required to publish annual reports and most nonprofit landlords are small organizations, little information is available about them. One transaction that recently made headlines was a building bequeathed to the Berlin Jewish Hospital Foundation and sold against the late donor’s wishes as expressed in his last will and testament (see Jüdisches Krankenhaus Berlin 2020).

<sup>86</sup> See bbg’s 2017–18 annual report (p. 47, in German): <https://bbg-eg.de/aktuelles/bbg-publikationen/>. <sup>87</sup> For more on the Hilfswerk-Siedlung GmbH, see Rosa-Luxemburg-Stiftung 2019.

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## APPENDICES

### I OFFICIAL STATISTICS ON REAL ESTATE OWNERS: CENSUS, MICROCENSUS AND INTERNATIONAL ROLE MODELS

Theoretically, every ten years a major census of the population as well as buildings and housing is held across Germany as well as throughout Europe. The most recent census took place 2011 and previously in 1995 (for the region of former East Germany) and 1987 (in what was then West Germany). Because of the Coronavirus, the next census will probably not be held until 2022. The primary goal is to count the population as accurately as possible. To this end, data from the address registry of residents, from the German Federal Agency for Labor, and the surveyors' offices is evaluated and rectified via extensive random questionnaires (covering around 10% of the population). For the Building and Housing Census, the statistical offices of each German state compile a registry of owners using the registry of addresses and the data from the local tax offices (primarily property taxes), utility companies (gas, water, etc.), and as needed the land and property registries. Commercial real estate companies and in some cases property management companies provide additional lists of holdings and owners. Following this all owners, housing managers, or even—if the former two cannot be ascertained—residents, receive a questionnaire in the mail containing questions about each building and its individual apartments if applicable. In 2021 or 2022, the census will also gather information on vacancies and net rent excluding service charges for the first time. Because nearly two-thirds of respondents in 2011 answered by postal mail (and not online), a hypothetical stack of all the completed questionnaires would have been 8,848 meters tall. In 2021 or 2022, the nearly 14 million homeowners will be requested to respond online if possible.

In response to the question “Who owns the building?” respondents could choose among eight categories (commonhold owners, private individual[s], housing co-operative, private sector housing company, other private sector company, municipality or municipal housing company, Federal/State, or nonprofit organization, e.g. church). In the case of an individually owned apartment within an apartment building, respondents were always supposed to choose the option “commonhold owners,” specify the given apartment's usage type (occupied by owner, rented, vacant) and then classify the owner among four categories (private individual[s]; private sector company; public sector company, church or the like; housing co-operative). The individual categories are only briefly explained in the instructions at the end of the questionnaire.

For the current study, a particularly problematic issue is the distinction between private individuals(s) (defined in the instructions as natural persons and

groups such as communities of heirs), private sector housing companies, (versus housing cooperatives), and “other” private sector companies (defined as all companies owning dwellings that were not primarily purchased to be rented out, e.g. banks, insurance companies, or funds).<sup>88</sup> The very frequent configuration of a *GmbH* (limited liability company) or *GmbH & Co KG* (a limited partnership whose general partner is itself a *GmbH* company) directly under private ownership might in some cases have been categorized under “private individual(s)” instead of “other private sector company.” The similarly frequent situation whereby the owner is a *GbR* (partnership under civil law)—which counts as a company, but its shareholders act as natural persons and must be recorded in the land register—is not sharply demarcated. And there is no unambiguous explanation of how to classify property companies that exclusively rent out properties but have complex ownership structures. Additionally, in one out of five (for apartments, one out of two) cases, information about the building's (or apartment's) owner had to be added or corrected retrospectively. Yet an audit against external sources (such as the land register) was not performed.

In addition to the census held once per decade, the “Microcensus” is conducted on an annual basis. This asks a random sample of around one percent of the population detailed questions about their working and living conditions. Every four years (2010, 2014, and 2018), the sample is also asked for information about their housing situation. The questionnaire included questions about rent (total amount, monthly operating costs, other expenses), apartment usage (as owner of the building or of the apartment; as the main tenant or sub-tenant; not applicable, e.g. rent-free) and, beginning in 2018, about the owner.

Unlike the census, however, this ownership information is gathered from the tenants' perspective and only broken down into five non-congruent categories (private individual as resident, private individual as landlord, private sector company, public institution, housing cooperative/building cooperative/building association). Vacancy is estimated by the interviewer and not indicated by the owner. This results in significant discrepancies from the census. For one thing, the rate of vacancy is considerably higher in the Microcensus (apartments that seem vacant are in fact rented out; owners incorrectly fail to report vacant apartments). For another, when compared to the 2011 Census, the 2018 Microcensus listed more apartments in the category of housing cooperative (+ 220,000) and fewer in the categories of public institution (– 155,000)

<sup>88</sup> The English version of the questionnaire can be found at: [https://www.zensus2011.de/SharedDocs/Downloads/EN/Questionnaires/Census\\_of\\_buildings\\_and\\_housing.pdf?\\_\\_blob=publicationFile&v=8](https://www.zensus2011.de/SharedDocs/Downloads/EN/Questionnaires/Census_of_buildings_and_housing.pdf?__blob=publicationFile&v=8).



**Table 7: Comparison between 2011 Building and Housing Census and 2018 Microcensus**

	2018 Microcensus		2011 Census	Difference (between 2018 & 2011)
Owner-occupiers	305,000	Owner-occupiers	276,219	28,781
Private individual	373,400	Private individual(s)	368,617	-197,792
		Commonhold	202,575	
Private-sector company	534,700	Private-sector real estate company	324,253	55,692
		Other private-sector company	123,138	
		Commonhold	31,617	
Housing cooperative	407,200	Housing cooperative	178,714	220,412
		Commonhold	8,074	
Public institution	130,900	Municipality or municipal housing company	191,411	-155,966
		German federal or state government	70,048	
		Non-profit organization, e.g. church	18,577	
		Commonhold	6,830	
<b>Total*</b>	<b>1,751,200</b>		<b>1,800,073</b>	<b>-48,873</b>

Source: Original compilation

\* Excluding vacation apartments and vacant apartments

and private individual as landlord (– 200,000). Aside from the actual changes in the intervening years, the first observation may be attributed to many apartments belonging to municipal housing companies having been incorrectly assigned to the category of cooperatives. Given that the corresponding statistics from the Microcensus exceed the housing cooperatives' known stock by more than 200,000 apartments, we can assume that: a) some of the apartments belonging to private sector companies were assigned to this category, and b) some of the apartments assigned to private individuals in the census were categorized there as belonging to private sector companies. Overall, the 2018 Microcensus gives indications that a) the share of private landlords has fallen and b) apartments owned by legal persons (*GbR*, *GmbH*, etc.) were assigned to the category of private individual in the 2011 Census.

An analysis of the true breakdown of ownership based on land and property registries has never been conducted to date for Berlin, but is theoretically possible, as demonstrated by isolated studies into the ownership of agricultural land. By contrast, the names of all real estate owners listed in the land register in New York are published periodically.<sup>89</sup> The same is done for all of England and Wales.<sup>90</sup> Similarly, in 2019, the authorities in the Netherlands ascertained the country's top three hundred real estate owners.<sup>91</sup> Interestingly, in both the British and Dutch cases, the data was published in response to requests from citizens and/or journalists. Meanwhile, a legal claim filed by the Berlin House of Representatives demanding access to Deutsche Wohnen's inventory of housing stock was rejected by the Federal Court.<sup>92</sup>

Given the high costs of the census (according to estimates from the Federal Statistical Office, the 2011

edition cost € 670 million and the 2021 is projected to cost € 1.4 billion), Germany is also considering switching to a registry-based census.<sup>93</sup> In addition, there are plans to introduce a registry of buildings and apartments, which already exists in other European countries (e.g. Switzerland, Austria, and Scotland). In parallel, there are ongoing discussions in Berlin about a rental registry (*Mietenkataster*, i.e. a registry of apartments for the city's administrative use). Recent studies from the UK show that such a registry, especially alongside a transparent land registry, can bring considerable improvements. They found that missing records on property owners in England resulted in tax losses of around £ 1.73 billion per year. Newham, a borough of London, was able to increase its tax revenues by £ 115 million thanks to a registry of property owners.<sup>94</sup>

<sup>89</sup> An analysis of the data—which, albeit, does not solve the issue of anonymous owner structures, an even greater problem in the US—can be found at: <https://whoownswhat.justfix.nyc/>. <sup>90</sup> In the UK, information on sale prices and ownership is available and free to everyone, sometimes also online for a fee. Since a freedom of information query a few years ago, information on the property owned by British and foreign companies (but not by private individuals or not-for-profit organizations) is also published monthly as an online Excel spreadsheet. See <https://use-land-property-data.service.gov.uk/datasets/ccod> and [www.gov.uk/guidance/hm-land-registry-overseas-companies-that-own-property-in-england-and-wales#access-the-data](https://www.gov.uk/guidance/hm-land-registry-overseas-companies-that-own-property-in-england-and-wales#access-the-data). <sup>91</sup> The list was compiled by Dutch authorities at the request of a newspaper and was based on land register data. It states that the largest private owner has a total of 5,820 apartments; there are four (private) real estate billionaires and twelve private individuals in the Netherlands who own more than 1000 apartments each. Two brothers with ownership of 90 apartments are number 300 on the list of largest property owners. In comparison, the percentage of privately owned rental units and thus also large private owners in Berlin is probably much higher; the results, however, do most likely resemble those for Germany as a whole, albeit on a larger scale. For more details, see (in Dutch): <https://www.volkskrant.nl/nieuws-achtergrond/wie-zijn-de-grootste-huisbazen-van-nederland-be7d2e6f/>. <sup>92</sup> German Federal Court decision of 9 January 2020 (AZ V ZB 98/19—KG). <sup>93</sup> On this, see (in German): [www.destatis.de/DE/Methoden/WISTA-Wirtschaft-und-Statistik/2019/07/anforderungen-perspektiven-register-zensus-072019.pdf?blob=publicationFile](https://www.destatis.de/DE/Methoden/WISTA-Wirtschaft-und-Statistik/2019/07/anforderungen-perspektiven-register-zensus-072019.pdf?blob=publicationFile). <sup>94</sup> See [www.taxwatchuk.org/landlord\\_tax\\_evasion/](https://www.taxwatchuk.org/landlord_tax_evasion/).

**Table 8: Projection from 2011 Building and Housing Census up to 2019**

	2011	Change	2019	Source
Private company (e.g. bank, fund, etc.)	128,964	Chiefly changes of owners within the group; sales to a listed company ("exit"); acquisition of new residential portfolios and construction projects – Taliesin sold to Blackstone (> 1,000) – Blackstone, Round Hill, and Petrus fund sold to Deutsche Wohnen (6,900 + 1,639 + 5,300)	130,000	Transfer database, expert interviews
Private real estate companies	341,038	Growth of the Big 5's role primarily through mergers with other real estate companies; acquisition of apartments and residential portfolios from institutional investors and private owners; sale of individually owned apartments and isolated package sales to municipal housing companies (2019); scant new construction – GSW taken over by Deutsche Wohnen (ex-Cerberus, then stock exchange) – Further takeovers/purchases by Blackstone, BauBeCon, Barclays, Accentro, Patrizia, Predac, Conwert, Buwog, Gagfah, TLG	350,000	Estimation partly based on Microcensus and market data
→ of which Big 5	72,135 <sup>95</sup>		199,298	2019 financial reports
Private individuals + commonholds	925,577	Sale, e.g. due to inheritance or high prices, purchase of individual units	943,000	Value after subtracting other categories
→ of which commonhold	381,259	Increase due to subdivision and new construction (+105,111 and 35,000); mostly rented out, in some cases still owned by other owner groups (in 2011, just 322,880 of the individually owned units belonged to private individuals)	520,000	Official statistics
→ of which owner- occupiers	276,219	Mostly in new single-family or two-family houses (+15,000) and individually owned apartments	305,000	2018 Microcensus
Public, cooperative, and non-profit	473,326		545,000	
→ of which municipal housing companies	267,091	Increase from new construction (15,000) and acquisitions (35,000)	323,507	2019 financial reports
→ of which cooperatives	182,744	New construction by some cooperatives	188,000	Berlin Senate
<b>Total</b>	<b>1,868,905</b>		<b>1,968,315</b>	<b>Projection from 2018</b>

Source: Original compilation

## II METHODOLOGY OF "WHO OWNS THE CITY?" AND LIST OF MAJOR REAL ESTATE OWNERS

For around three years now, the project "Who Owns the City?" by the Rosa-Luxemburg-Stiftung has been investigating the breakdown of ownership on the Berlin real estate markets, assisting tenants in their search for their buildings' owners, building connections among activists and experts, and organizing talks and workshops for interested parties. Over the coming months, the project is slated to be expanded to other cities in Germany and around Europe.

In Germany, owners of real estate are registered by property and land registry offices, but this information is only accessible in isolated cases, specifically if evidence of "legitimate interest" is presented to the responsible registrar. For this reason, the lion's share of the research and data collection began with data about an owner recorded in the land register or listed on a tenant's lease that was either provided to the project directly by journalists or tenants or published by Correctiv and Der Tagesspiegel's joint crowd-sourcing project or in other contexts.

Beyond these sources, this study utilizes further information from other publications and commercial databases, including IZ Research's transaction database.

Obtaining information about owners and finances of the companies recorded in the land register required "manual" research, which is very time-consuming. This information is sourced from publicly accessible company registries both in Germany (especially the Company Register, the Transparency Register, and the Federal Gazette's database of annual financial statements) and in other countries (such as Luxembourg, Austria, and the United Kingdom) as well as commercial databases such as Northdata and opencorporates.com (free to use, but lacking ownership information) and Orbis (expensive, but including electronically structured, publicly accessible ownership information from nearly all company registries worldwide). Where available, the information thus obtained was compared against statements about housing stock from a given company's website as well as data on real estate listings from Immoscout and other platforms. Further information on research methods can be found in the project's research manual for tenants (in German, Garcia-Landa & Trautvetter 2019) and in its research report about the Transparency Register and its European equivalents (Trautvetter & Henn 2020).

<sup>95</sup> Figures from late 2012, approximate values for Grand City and ADO.

The project is compiling the information described above—especially in regard to the quantity and addresses of apartments—for the list of Berlin real estate owners, which can be viewed on the Rosa-Luxemburg-Stiftung’s website for the project (in German, [www.wemgehörtciestadt.de](http://www.wemgehörtciestadt.de)). Most of the ownership information gathered by tenants dates from between 2018 and 2020, but some of it is older. Depending on availability, the information on housing stock comes from financial statements released at the end of 2019 or 2018; in some cases, it is only a rough estimate on the basis of the asset overviews listed there. Because

the value of real estate varies from case to case and real estate can change hands at any time, the list only paints an imprecise portrait of selected owners at differing moments in time. For reasons of data privacy, the names of private owners are not recorded. To keep the list up to date and expand it step by step, the project continues to rely on the contributions of Berlin tenants. Via the online search bar, users can find out whether a specific landlord and/or building has already been researched and recorded and obtain further information upon request. If they do not find a landlord or a building with the search function, information can also be provided.

**Table 9: Overview of ten companies with the largest real estate holdings in Berlin**

Company	Group	Type	Apartments in Berlin
Deutsche Wohnen SE	Private real estate companies	Big 5	115,740
Gewobag Wohnungsbau AG	Public, cooperative, and non-profit	Municipal housing companies	69,794
Degewo AG	Public, cooperative, and non-profit	Municipal housing companies	69,132
HOWOGE Wohnungsbaugesellschaft mbH	Public, cooperative, and non-profit	Municipal housing companies	62,262
Stadt und Land Wohnungsbauten-Gesellschaft mbH	Public, cooperative, and non-profit	Municipal housing companies	48,656
Gesobau AG	Public, cooperative, and non-profit	Municipal housing companies	42,390
Vonovia SE	Private real estate companies	Big 5	42,241
WBM Wohnungsbaugesellschaft Mitte mbH	Public, cooperative, and non-profit	Municipal housing companies	31,282
Adler Group S.A.	Private real estate companies	Big 5	19,098
Vonovia SE	Private real estate companies	Big 5	15,813

Source: Original compilation, based on business reports for 2019

### III INDEX OF CHARTS AND TABLES

- Chart 1: Owners of Berlin residential real estate, 2019
- Chart 2: Rental revenue and expenses by owner group, 2012 and 2018
- Chart 3: Yield thermometer
- Chart 4: Rental revenues and expenses for Deutsche Wohnen and Vonovia; 2012, 2018, and 2019
- Chart 5: Homeownership rate in Germany versus other countries
- Chart 6: Rental revenues and expenses, municipal housing companies, 2007 to 2018
- Chart 7: Rental revenues and expenses of the 20 largest Berlin housing cooperatives, 2012 and 2018
- Table 1: Ownership breakdown in selected German cities
- Table 2: Price comparison among selected cities
- Table 3: Comparison of four residential real estate owners
- Table 4: The major publicly listed real estate companies and their housing stock in Berlin
- Table 5: Subdivided, owner-occupied, and rented apartments owned by private individuals
- Table 6: Cooperatives’ rent rates and rent hikes
- Table 7: Comparison between 2011 Building and Housing Census and 2018 Microcensus
- Table 8: Projection from 2011 Building and Housing Census up to 2019
- Table 9: Overview of ten companies with the largest real estate holdings in Berlin



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