



To the point!

Cross-Asset- and Strategy-Research

The lack of housing as a social issue

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July 19, 2024

Germany urgently needs to ensure more affordable housing

The housing market in Germany remains extremely tight, particularly in the segment of affordable housing. The country is currently facing a shortfall of over 700,000 homes, a figure that is on the rise. In the segment of reasonably priced rentals the scarcity is particularly pronounced, and there especially in metropolitan areas.

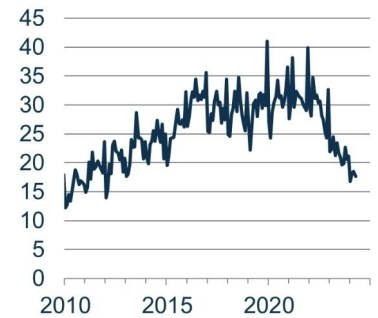
Prices for residential properties are stabilizing in Germany. While this may be welcome news for homeowners, it offers little solace to the majority of the population: [52 percent](#) of individuals in Germany live in rented accommodation. No nation in the EU has a higher share of tenants. The factors contributing to the stabilization of house prices actually adversely affect the vast majority of tenants: population growth, a precipitous decline in housing starts (see Fig. 1), along with rising rents (particularly for new leases). This situation highlights a growing discrepancy between supply and demand.

Housing poverty: Germany compares poorly

The issue of housing scarcity has been a longstanding debate between the Alps and the Baltic Sea. But how widespread is the problem really? The answer is quite alarming and continues to worsen. Look no further than the prevalence of 'housing poverty', which measures the percentage of the population living in households that have to spend more than 40% of their disposable income on housing. In this regard, Germany ranks unenviably high (see Fig. 2). Moreover, rents for new contracts have recently seen significant hikes, potentially exacerbating the problem further.

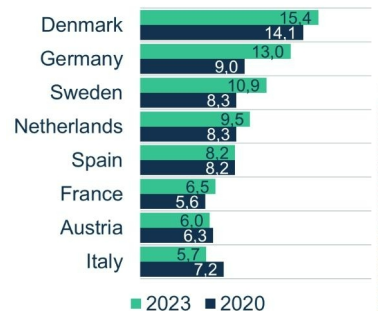
Housing shortage rises

Fig. 1: Building Permits in Germany



Source: Destatis, LBBW Research

Fig. 2: Housing Poverty in 2020 and 2023



Source: European Commission, LBBW Research

Amid ongoing labor shortages and demographic shifts, unemployment has become less of a concern for most workers. This elevates the housing problem to the primary social challenge in Germany. While it might be tempting to leave the resolution of this problem to market forces, I would warn against this approach. It could further endanger the already fragile social fabric. Discontent stemming from existential fears about such basic needs as shelter can quickly spiral into radicalization. As a society, we should not risk testing out where the breaking point lies.

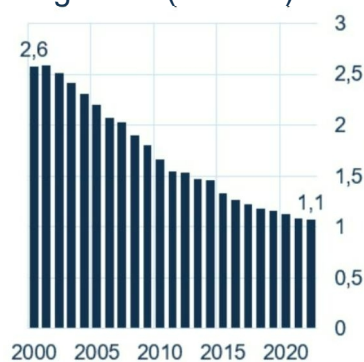
The way forward

It's critically important to boost the availability of housing in Germany, particularly the inexpensive options. However, the country is witnessing the culmination of a prolonged trend of a dwindling social housing sector (see Fig. 3). Since the millennium, nearly 200 social housing units have been lost every day, despite a growing residential population. The impact on housing poverty is starkly illustrated when looking at the example of Vienna, which has consistently maintained a strong portfolio of municipal properties. Almost half of the apartments in the Austrian capital are owned by the city or nonprofit organizations. In contrast, in Berlin only about a quarter are such properties. This difference underscores a broader national trend. Notably, the rate of housing poverty in Austria is less than half of that in Germany (see Fig. 2).

Thus, I see a pressing need for bolder intervention from the German authorities. This goes beyond acting as a developer of new housing estates, although that is also important. More land must be allocated for housing projects. Furthermore, overly complex regulations should be streamlined to stimulate the supply side. Providing subsidized loans to support new developments may also help. The most unpromising strategy, however, is continuing with the current set of policies.

Housing costs have become the central social issue

Fig.3: Social housing units with occupancy obligations (millions)



Source: Destatis, LBBW Research

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