

GERMANY

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Table 1: Housing stock, by ownership in Germany (2022)

Tenure	# of Dwellings	% of total
Social Housing	1,087,000	2.5
– of which: housing cooperatives	172,000	0.4
– of which: municipal housing companies	462,000	1.1
– of which: other types of provider	453,000	1.1
Cooperative housing*	2,037,000	4.7
Municipal housing*	2,436,000	5.7
Private rental	19,424,000	45.1
– of which: small scale landlords	15,850,000	36.8
– of which: private housing companies	3,574,000	8.3
Owner occupier	18,122,000	42.0
Total	43,106,000	

Source: GdW estimates, based on data from the 2022 Census.

Notes: (*) 'Cooperative' and 'Municipal' housing refers to homes that are owned by such housing providers, but which are no longer inside the 'lock-in' period that defines de jure social housing. We can consider that a majority of these homes are a form of de facto social housing.

Origins and brief historical overview

Housing policies and housing sector related interventions occupy a special place in the German economic model. The current housing system is complex and multi-layered, with long reaching historical roots. In terms of the development of the current approach, we can distinguish five main historical stages that have led Germany to the present state of affairs.

Considering for a moment only the case of the former West Germany, after World War II there were large efforts to reduce the number of housing vacancies alongside an overall national housing shortage. This was achieved via large amounts of public funding, which remained robust up until the 1970s. In addition, the use of the *Wohnungszwangsbewirtschaftung* legislation following the war allowed public authorities to assign those in need of housing to privately owned homes, essentially overriding the private property rights of owners, while also providing very strong protections for tenants.¹ Second, from 1970s public social housing investment diminished alongside efforts to liberalise and deregulate the housing market. Third, after the re-unification of Germany there were strong efforts to reintegrate the housing systems of East and West Germany. Fourth, in 1990 the tax privileged status of social housing providers was removed. Finally, in 2006, responsibility for social housing was transferred from the national level to the level of the 16 individual federal states (*Länder*). Thus, the most recent history of public housing policy has been one of diverging regional approaches, with the national government reduced to a secondary, although not inconsequential, role.

Following the devastation of World War II, Germany faced an acute housing shortage, with millions of people displaced and urban areas in ruins. The overall housing loss in the three Western zones was estimated at more than five million dwellings, about half of the pre-1939 housing stock.² In response,

¹ Egner, B. (2012). Housing Policy in Germany, 1945-2010—Continuity and Change. *Panel: Housing, Recession and Policy Change*.

² Kofner, S. (2014). The German housing system: fundamentally resilient? *Journal of Housing and the Built Environment*, 29(2), 255–275. <http://www.jstor.org/stable/43907270>

the Government adopted an object-based promotion model, focusing on the direct funding of housing construction rather than subsidising individual tenants.

The First Housing Law of 1950 established the framework for state-supported housing, providing interest-free construction loans with long-term repayment plans.³ Between 1950 and 1965, approximately nine million apartments were built in West Germany, with 51% designated as social housing.⁴ To qualify for these homes, tenants required a so-called *Wohnberechtigungsschein* (a certificate of eligibility), which were provided based on income or family status; such as being a single parent.⁵ The state provided generous financial supports, and in return homes had to be rented at affordable rents.

However, the obligation to maintain such rents was only temporary. Once public subsidies expired, or public loans were repaid, these apartments transitioned to the private rental market. This partly explains the very strong presence of rental housing in Germany today. This process of transition from time-limited ‘social housing’ to the private rental market remains a defining characteristic of the German housing model today.⁶ Although, as will be explained later, some homes that were nominally private still behave to a great extent as if they were social housing; i.e., homes that are owned by municipalities or rental housing cooperatives.

In 1961, there were around 16 million homes in West Germany—of which 10 million were rented (including both social and private rental). By this time, three key pillars of German housing policy had been established: the construction of social housing, the promotion of homeownership, and financial support for lower-income households through direct subsidisation, such as the main housing allowance (*Wohngeld*).⁷ While the early post-war years were characterised by strong government intervention in housing, the strong economy led to a shift in priorities. The Second Housing Act (II. WoBauG) aimed to create a diverse housing stock that would cater to different social groups by regulating prices, while also encouraging homeownership.⁸ The Government introduced tax incentives and subsidies to promote homeownership, reducing the emphasis on social housing. By the 1970s, the recession further diminished investment in social housing, and deregulation gained momentum.

The housing situation in East and West Germany had diverged significantly before reunification. In East Germany, social housing was largely controlled by the state under a centrally planned social and economic model. More than two-thirds of new housing that was built was managed by municipal authorities, with an additional 25% organised through workers' housing cooperatives.⁹ By the late 1980s, the dominant housing stock consisted of mass-produced pre-fabricated buildings (so-called ‘Plattenbau’) in peripheral residential areas. However, following reunification, these neighbourhoods faced increased abandonment as new housing options emerged, leaving lower-income and elderly

³ Parys, A. W. (2021). Social and Affordable Housing in Germany: Retrospective and New Challenges. *Ekonomia Międzynarodowa*, 45, 47-69.

⁴ In Germany, following World War II, the main task in social housing policy was for the production of dwellings to satisfy the demand of a growing population, with an increasing standard of living. In the 1960s and 1970s there was an object-based social housing –involving direct investment of public money– constructed by non-profit companies (return on investment limited to 4% per year) owned by the municipalities, churches, unions, cooperatives, etc, build for specific target groups. The suppliers of social housing dwellings were required to accept tenants under income limits, with limitations on size of flats and number of rooms

⁵ Zabel, R., & Kwon, Y. S. (2019). The Transition in Social Housing in Germany – New Challenges and New Players After 60 Years. *Architectural Research*, 21(1), 1-8.

⁶ Parys, A. W. (2021).

⁷ Ibid.

⁸ Whitehead, C., & Scanlon, K. (2007). *Social Housing in Europe*. London School of Economics

⁹ Parys, A. W. (2021). *Social and Affordable Housing in Germany: Retrospective and New Challenges*. *Ekonomia Międzynarodowa*, 45, 47-69.

populations behind.¹⁰ In West Germany, social housing had evolved into a mix of subsidised rental housing, cooperative housing, and privately financed homeownership. By the 1980s, state housing programmes had increasingly embraced private investment as a means to sustain social housing development, leading to gradual privatisation.¹¹

After reunification, the German state sought to reintegrate and align the two distinct housing systems of the former East and West Germanys. In the 1990s, housing demand surged due to demographic changes, including the rise of single-person households and the strong migration of East Germans and Eastern Europeans to the former West Germany.¹² This placed immense pressure on many urban housing markets, where supply did not keep pace with demand. The Government responded with initiatives such as the “*Soziale Stadt*” (Social City) and “*Stadtumbau Ost*” (Rebuilding the City East) to revitalise urban housing and infrastructure; but also demolish some vacant properties.¹³ Rather than find a middle ground, the ultimate policy objective became to ‘westernise’ the housing system of the former East. This caused considerable fiscal strain on the federal government, with a need for public subsidies and investment in improving the quality of the East German housing stock.

The significance of social housing increasingly started to decline after reunification. The abolition of public interest housing (*Wohnungsgemeinnützigkeit*) in 1990 removed tax privileges for social housing providers, and accelerated the privatisation of formerly public housing companies.¹⁴ Today, the stock of social housing in Germany is relatively small, at just 2.5%. This includes both cooperatives and municipal housing providers (which are required to be financially self-sufficient, and at least manage to cover their operating costs through their revenues), as well as private profit-oriented companies, who provide social housing in return for public financial supports, or as a condition for obtaining construction permits.¹⁵ The number of social rental dwellings has fallen sharply, from over four million in the 1960s to around 1.1 million today.¹⁶

CASE STUDY / KEY POLICY FEATURE

A declining social housing sector – a brief explanation

The decline in the number of social homes reflects two main factors.

Firstly, the sale of some publicly owned homes in the 1990s. This included the sale of almost all housing owned at the federal level; e.g., the homes that had been owned by the national railway company and other public bodies. Strained municipal financial situations also provoked some sales.¹⁷

The second, and more consequential, factor has been the process of “secular shrinkage”. This refers to the process by which a greater number of social housing units exit the ‘lock-in’ period

¹⁰ Whitehead, C., & Scanlon, K. (2007). *Social Housing in Europe*. London School of Economics. P 92

¹¹ *Ibid.*

¹² Parys, A. W. (2021).

¹³ Zabel, R., & Kwon, Y. S. (2019). *The Transition in Social Housing in Germany – New Challenges and New Players After 60 Years*. *Architectural Research*, 21(1), 1-8.

¹⁴ Kofner, S. (2017). *Social Housing in Germany: An Inevitably Shrinking Sector?*. *Critical Housing Journal*, 4(1), 61-71. <https://doi.org/10.13060/23362839.2017.4.1.325>

¹⁵ Under Germany’s federal Baugesetzbuch (BauGB), municipalities can use städtebauliche Verträge (§ 11 BauGB) or land-disposal rules to require social housing set-asides whenever they grant building rights or sell public land

¹⁶ Based on German Census 2022; and Kofner, S. (2017).

¹⁷ For a more detailed overview of the system of privatisations, see: Housing Europe (2020). *The Sale of Social and Public Housing in Europe*.

each year than enter it. In other words, recent levels of development of social housing have lagged behind levels seen roughly three decades prior.

However, this leads to an interesting situation, as in reality many homes that leave the lock-in period continued to behave very much like they are still social housing. This is because many of these homes are owned by municipal housing companies (MHCs) or rental cooperatives.

This, therefore, creates two distinct categories of social housing in Germany:¹⁸

1. “*De jure*” social housing, as it is sometimes called by researchers, is the housing which is built with state financial support and which must offer affordable rents to targeted groups during an agreed upon period of time (“lock-in” period);
2. “*De facto*” social housing is no longer in the “lock-in” period, but the owners continue to provide it at below market rents rent, and based on eligibility criteria similar to those that apply to *de jure* housing. Such homes are officially classified as being ‘private rental’ in national statistics.

Table 2: Long-term Development of the Social Housing Sector in Germany

Year	Social Rental Housing Stock (Million Dwellings)	Percentage of Total
1968	3.7	18.9%
1987	4.0	15.3%
2003	2.1	6.8%
2013	1.5	3.6%
2015	1.4	3.3%
2022	1.1	2.5%

Sources: Bundesregierung 2017, IWU 2005; Census 2022

In 2006, a major federal reform transferred responsibility for social housing from the national government to the individual states (*Länder*).¹⁹ This marked a shift towards a decentralised public housing policy, with federal support reduced to financial compensation for state governments. Since the 2006 constitutional reform, the *Länder* have had sole responsibility for social housing policy formulation, the distribution of public funds, and implementation—with the federal government providing financial supports. Municipalities play a complimentary role by managing construction rights, allocating housing allowances, administering local rent indices (*Mietspiegel*), and overseeing subsidised housing distribution.

In recent years, demand for affordable housing has outpaced supply, exacerbating rental price increases and limiting access to social housing.²⁰ Pressures on the housing system were further exacerbated in the late 2010s, reflecting both the increase in the number of single-person households, as well as the sharp rise in the number of migrants fleeing conflicts abroad.²¹ Recognising the persistent need for affordable housing, the federal government initiated a legislative amendment to the Basic Law.

¹⁸ Housing Europe (2020). The Sale of Social and Public Housing in Europe.

¹⁹ Kofner, S. (2014). The German housing system: fundamentally resilient? *Journal of Housing and the Built Environment*, 29(2), 255–275. <http://www.jstor.org/stable/43907270>

²⁰ Kofner, S. (2017). *Social Housing in Germany: An Inevitably Shrinking Sector?*. *Critical Housing Journal*, 4(1), 61-71. <https://doi.org/10.13060/23362839.2017.4.1.325>

²¹ Parys, A. W. (2021). *Social and Affordable Housing in Germany: Retrospective and New Challenges*. *Ekonomia Międzynarodowa*, 45, 47-69.

In 2019, the German Bundestag approved an amendment to the Basic Law, officially reintroducing federal involvement in social housing financing. From 2020 onward, the *Bundesländer* began receiving direct federal subsidies to implement and expand social housing programmes. The Länder were required to provide co-financing and document the use of federal funds to ensure accountability and transparency. This constitutional change reflected the Government's recognition of the persistent social housing shortage, as well as its desire to be seen to prioritise housing affordability amid rising demand and market pressures.

The role of government and other actors in the provision of social housing

Germany adheres to a federal system of government, with strong devolution of powers on many issues—including housing—to the regional governments (i.e., Länder). However, the national government does still have some role to play. The Federal Ministry of Housing, Urban Development and Building (*Bundesministerium für Wohnen, Stadtentwicklung und Bauwesen, BMWSB*) is responsible for developing and implementing different housing policies, including the allocation of funds. The federal government provides financial support to the regions for the construction and maintenance of social housing, although the primary responsibility for housing policy still lies with the Länder. As such, the use of federal funds varies from region to region.

The Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), provides research and data to inform housing policy decisions. The BBSR conducts studies on housing trends, affordability, and the effectiveness of housing programmes; providing valuable insights to policymakers at all levels of government. Since 2009, its tasks also include the implementation of funding and investment programmes directed towards cities and municipalities.²²

One of the key recent initiatives at the national level is the Alliance for Affordable Housing (Bündnis für bezahlbares Wohnen),²³ which brings together stakeholders in the German housing construction industry. The Alliance aims to boost the construction of new housing, with a goal of building 400,000 homes per year, of which 100,000 should be social housing. Under the programme agreed in 2019, the federal government will step up transfers to regional governments to support the development of social housing. €21.65 billion in federal funds for social housing are earmarked to be transferred in the 2022-2028 period (€2 billion in 2022; €2.5 billion in 2023, €3.15 billion in 2024; and €3.5 billion for each year from 2025 onwards).²⁴ As federal funding will be added to regional co-financing, it is expected that the actual availability of funds to support the creation of social housing will be at least double this amount.²⁵

The Länder hold exclusive authority over the actual implementation side of social housing provision, using what we can consider to be a form of 'public-private partnership' (PPP) whereby housing providers receive a public subsidy of one form or another in exchange for offering dwellings to eligible households (i.e., *Wohnberechtigungsschein*, or those with a certificate of eligibility), for a fixed period at a reduced rent.

As in neighbouring Austria, the devolution of social housing policy to the state level has resulted in quite some divergence in terms of how social housing programmes have developed between different parts of the country, with some states offering comparatively more generous supports. These will be outlined in the following section of this chapter.

²² See: https://www.bbsr.bund.de/BBSR/EN/about-us/federal-institute/_node.html

²³ See: <https://www.bundesregierung.de/breg-en/news/affordable-housing-2134122>

²⁴ See: <https://www.bmwsb.bund.de/Webs/BMWSB/DE/themen/stadt-wohnen/wohnraumfoerderung/soziale-wohnraumfoerderung/soziale-wohnraumfoerderung-node.html>

²⁵ Housing Europe (2025). The State of Housing in Europe – 2025.

At the more local level, municipalities play a vital role in the provision of social housing. They are responsible for earmarking land for construction, issuing building permits, and managing social housing units within their jurisdictions; usually via the municipal housing companies (MHCs) that they control. Municipalities also provide financial support and subsidies to housing cooperatives and private-sector entities involved in the construction and management of social housing.

Municipalities often collaborate with local non-profit organisations, housing cooperatives, and other stakeholders to develop and implement housing policies tailored to the needs of their communities. They also play a crucial role in providing support services to social housing tenants, including access to social services, education and training, and employment opportunities.

In terms of the actual provision of social housing, we can identify three primary providers:

1. **Municipal Housing Companies (*Wohnungsbaugesellschaften*)** – MHCs are key to the provision of social housing in Germany. These companies are owned and operated by municipalities and provide affordable housing to low-income households and other vulnerable groups. They can take two primary legal forms; public-law entities (*Eigenbetriebe* or *Anstalten*) or private-law companies (100% municipal GmbH/AG). They must at least break even, and should aim to build up reserves in order to help finance renovations and other necessary investments in the homes they provide. In cities like Berlin and Munich, municipal housing plays a crucial role in preventing displacement and ensuring social cohesion.²⁶
2. **Housing Cooperatives (*Wohnungsbaugenossenschaften*)** – Cooperatives also play an important role in the provision of social housing in Germany. Housing cooperatives are member-owned organisations that provide affordable housing to their members. They operate on a not-for-profit basis, with any surpluses generated reinvested in the cooperative to maintain and improve the housing stock.²⁷ They often work closely with municipalities and other local authorities to develop and implement housing policies tailored to the needs of their communities.²⁸
3. **Private sector** – Private actors, like housing developers, institutional investors, and property management companies, can also provide social housing. In return for public financing supports, they agree to offer homes at regulated below market rents to eligible households for at least as long as such supports are offered. In practice, once public supports have been repaid or expire, rents tend to increase to market prices—though complying with local restrictions on maximum allowable annual rent increases, meaning this does not happen immediately. It means that formerly ‘social’ homes can become indistinguishable from private rental housing that has not received such public financial support. As such, these providers are typically profit-oriented, and do not align well with the common conceptualisation of social housing in Europe. The remainder of this chapter will, therefore, focus on municipal and cooperative providers.

The financing of social housing, and public housing supports

Table 3: Typical financing structure for new social housing developments

Type of funding	% of total		General comments
	Municipal Housing Companies	Cooperatives	
Promotional Banks	50-70%	50-70%	e.g., Landesförderbanken; KfW

²⁶ Kofner, S. (2014). The German housing system: fundamentally resilient? *Journal of Housing and the Built Environment*, 29(2), 255–275. <http://www.jstor.org/stable/43907270>

²⁷ Kofner, S. (2017). *Social Housing in Germany: An Inevitably Shrinking Sector?*. *Critical Housing Journal*, 4(1), 61-71. <https://doi.org/10.13060/23362839.2017.4.1.325>

²⁸ Whitehead, C., & Scanlon, K. (2007). *Social Housing in Europe*. London School of Economics.

Own Equity	~ 20 %	Undefined	Both MHCs and Cooperatives should build up surpluses over time to help support investments in new construction (and renovations)
Direct Grants	~ 5-10%	~ 5-10%	One-off regional subsidies or land contributions
Commercial Banks	Undefined	Undefined	Typical mortgage loan from a commercial bank. Cooperatives usually prefer to use funds from their own credit institutions
Members' Savings (Spareinrichtung)	N/A	~ 25%	Capital provided at low rates of interest from special savings institutions attached to the cooperative housing sector
Sale of cooperative shares (tenant equity)	N/A	~ 25 %	It is standard practice for cooperatives to seek an equity contribution from their tenants to co-finance development

Source: *Housing Europe analysis of various sources*

Notes: These figures are quite approximative, and it must be taken into account that the level and forms of public subsidies vary from region to region.²⁹

Social housing in Germany is traditionally defined as housing constructed with public subsidies, intended to be rented out at below market rates to low-income households. This definition aligns with the notion of subsidised rental housing, wherein federal or state support is provided during the construction phase to cover costs and maintain affordability. As outlined in the previous section, ownership of these units is diverse. However, as already noted the status of “social housing” (*soziale Wohnraumförderung*) in Germany is time-limited.

Before the 1970s, social housing in Germany was predominantly funded through capital grants and low-interest loans, with the federal government covering the associated costs. These loans, often provided for periods of up to 40 years, typically covered around 50% of construction costs. This approach allowed for the rapid post-war expansion in housing, but imposed a significant financial burden on public budgets. The reliance on fixed subsidies also exposed governments to interest rate fluctuations, creating long-term fiscal challenges. In West Berlin, for example, the state initially offered direct loans, but switched in 1969 to a reimbursement system, where developers borrowed from private banks and the city later reimbursed the costs. While this reduced initial expenditures, it ultimately increased long-term costs and contributed to unsustainable levels of public debt. By 2001, Berlin had to discontinue its social housing programme due to the overwhelming debt burden.

The 2006 constitutional reform marked a fundamental change by transferring full responsibility for social housing to the *Bundesländer* (states). The federal government, while stepping back from direct oversight, continued to provide financial assistance through block grants and the KfW (*Kreditanstalt für Wiederaufbau*)—a government-owned development bank primarily supporting energy-efficient renovations and age-friendly housing adjustments.³⁰ States supplemented these federal funds with their own resources, leading to a more diverse and regionally tailored funding landscape. Local governments also started financing investments through the sale of public land at below-market prices

²⁹ For a good overview of the different ways in which regional housing supports are allocated, see: WDdDBW (2022). *Soziale Wohnraumförderung in den Bundesländern – Überblick über Voraussetzungen und Finanzierungsrahmen (WD 7 – 3000 – 067/22)* [Social housing support in the federal states – Overview of requirements and financing framework]. Berlin: Deutscher Bundestag.

³⁰ Kofner, S. (2017). *Social Housing in Germany: An Inevitably Shrinking Sector?*. *Critical Housing Journal*, 4(1), 61-71. <https://doi.org/10.13060/23362839.2017.4.1.325>

and reinvesting profits from the sale of some of its existing stock.³¹ Additionally, municipalities supported social housing investments by selling plots of land below market value or granting construction benefits through zoning regulations.

In 2019, the German Bundestag approved an amendment to the Basic Law, officially reintroducing federal involvement in social housing financing. From 2020 onward, Bundesländer began receiving direct federal subsidies to implement and expand social housing programmes. Nonetheless, the Länder are still required to co-finance these programmes and to provide detailed documentation on the use of federal funding.

Municipalities further contribute to social housing investment by reallocating profits from older, fully amortised housing into new developments. Additionally, they implement land-use policies such as *Sozialgerechte Bodennutzung* (SoBoN) in cities like Munich, requiring developers to allocate a portion of new developments to affordable housing. These measures reflect a shift toward public-private partnerships to balance social and financial objectives.³²

Overall, like in neighbouring Austria, dedicated social housing providers in Germany (i.e., the MHCs and cooperatives) use a blend of different financing sources to develop new homes. This can include a mix of their own equity (i.e., from whatever surpluses they may generate), private loans, public financing supports of various types, and in the case of the cooperative providers, funds made available from special cooperative savings institutions (i.e., *Spareinrichtung*).

Promotional Banks

In the German model, there is a very significant role played by specialist financing institutions. In this regard, there is a national institution called *Kreditanstalt für Wiederaufbau* (KfW). It is the main national public promotional bank, founded in 1948 to distribute post-war redevelopment funds. KfW puts together different funding windows. These sometimes align themselves with the development or renovation of social housing. One recent example was a KfW initiative to help households to cover the cost of buying shares in housing cooperatives (this practice will be explained below). The acquisition of shares could be financed via a loan from the KfW with interest rates of as low as 0.01% as well as the possibility of interest-only loans for an initial period.³³ The KfW has also played a strong role in converting social housing to meet the specific needs of older people or those with disabilities.³⁴

Of more consequence than the KfW, though, is the network of state-level *Förderbanken*, or development banks. The mission of these banks is to promote regional development. With regard to housing, this also includes administering the regional social housing subsidisation schemes. Table 2 (below) provides a recent overview of the typical regional support model that is administered by the development banks.

³¹ Wijburg, G., Aalbers, M. B., & Heeg, S. (2018). The financialisation of rental housing 2.0: Releasing housing into the privatised mainstream of capital accumulation. *Antipode*, 50(4), 1098-1119. <https://doi.org/10.1111/anti.12382>

³² *Ibid.*

³³ For more information on this KfW scheme, see:

[https://www.kfw.de/inlandsfoerderung/Privatpersonen/Neubau/F%C3%B6rderprodukte/Wohneigentumsprogramm-Genossenschaftsanteile-\(134\)/](https://www.kfw.de/inlandsfoerderung/Privatpersonen/Neubau/F%C3%B6rderprodukte/Wohneigentumsprogramm-Genossenschaftsanteile-(134)/)

³⁴ Slavici, M. (2022). *Barrierefreiheit in der Wohnungspolitik: Länderpolitik im Vergleich [Accessibility in Housing Policy: A Comparison of State Policies]*. transcript Verlag.

Table 4: Overview of regional public financing supports for social housing (2022)

Region	Forms of Public Subsidy / Support
Baden-Württemberg	Grants and low-interest loans under the Landeswohnraumförderungsgesetz (LWoFG)
Bavaria	Subsidised loans and grants under the Bayerische Wohnraumförderungsgesetz (BayWoFG), including interest-free building loans for student accommodation
Berlin	Public construction loans and one-off grants from the Wohnraumförderfonds, plus a sustainability bonus (€1,200 per unit)
Brandenburg	Low-interest loans, direct grants, state guarantees and other benefits from the state's Wohnungsbauvermögen
Bremen	Interest-subsidised loans (up to €35,000 per unit; max. 80% of eligible costs)
Hamburg	Preferential loans, grants, guarantees and subsidised land; separate tracks for social-need and mid-income housing
Hesse	Low-interest loans (20 years interest-free), grants and state guarantees; special programmes for student housing
Mecklenburg-Vorpommern	Non-repayable grants covering 28–34 % of eligible costs (max. €700–850 per m ²) and municipal land-contribution schemes
Lower Saxony	Interest-free loans (20–35 years), grants and state guarantees from a dedicated Wohnungsbauförderfonds
North Rhine-Westphalia	Preferential loans (15 years interest-free), grants, guarantees and subsidised land under the Wohnungs- und Förderbankgesetz (WFNG NRW)
Rhineland-Palatinate	Low-interest loans (10 years interest-free), grants, guarantees and other benefits under the Landeswohnraumförderungsgesetz (LWoFG)
Saarland	Loans (€800–1 000 per m ²), interest subsidies and direct grants under the Wohnbauförderungsgesetz
Saxony	Long-term fixed-rate loans (25 years) and grants (35 % of costs up to € 3.80/m ²) for rental
Saxony-Anhalt	Low-interest loans and non-repayable grants (max. € 100,000 per project plus a €500 one-off payment) under the Landeswohnraumförderungsgesetz
Schleswig-Holstein	Two funding paths combining loans (up to 85 % of costs) and grants
Thuringia	Low-interest loans, state guarantees and subsidised land contributions via the Thüringer Wohnungsbauvermögen

Source: WDdDBW (2022).

The above table gives some sense of the challenge for researchers in trying to explain the funding model for social housing in Germany. The variance in the public supports from one region to the next means that trying to neatly define a 'typical' or 'average' financing model for social housing development is effectively not possible in the context of a federal state where social housing promotion is a regionally devolved competence. The situation is further complicated by the fact that in reality each regional development bank has multiple different schemes to support the development of social housing. Thus, for each of the 16 development banks, there are several options and approaches.

In this regard, an illustrative example can be of interest:

In Hamburg, to pick just one example, the dispersal and management of public funds to support social housing is managed by *Hamburgische Investitions- und Förderbank* (IFBHH). At present, it has nine different schemes linked to social or supported housing.³⁵

³⁵ See : <https://www.ifbhh.de/programme/kundengruppe/themenbereich/mietwohnungen-bauen>

Table 5: Overview of schemes to promote social and supported housing, Hamburg (2025)

Scheme	Homes for who?	Subsidies	Conditionality
1st Funding Route	For households who meet the income limits set out in Section 8 of the Hamburg Housing Promotion Act (HmbWoFG).	Low-interest loans with an initial interest rate of 1.0% , construction cost subsidies , and ongoing subsidies over a period of 30 years . The ongoing subsidy is determined by the property value and its size.	The term of the rent and occupancy commitments generally corresponds to the duration of the funding. The initial net rent is €7.25/m² per month and can be increased every two years by €0.30/m ² (years 1 to 20) and by €0.40/m ² (years 21 to 30).
2nd Funding Route	For households who meet the income limits set out in Section 8 of the Hamburg Housing Promotion Act (HmbWoFG).	Low-interest loans with an initial interest rate of 1.0% , construction cost subsidies , and ongoing subsidies over a period of 30 years . The ongoing subsidy is determined by the property value and its size.	The term of the rent and occupancy commitments generally corresponds to the duration of the funding. The initial net rent is €9.35/m² per month and can be increased every two years by €0.30/m ² (years 1 to 20) and by €0.40/m ² (years 21 to 30).
3rd Funding Route	Households whose income exceeds the threshold set out in Section 8, Paragraph 2 of the Hamburg Housing Promotion Act (HmbWoFG) by no more than 140%.	Funding is provided through low-interest loans with an initial interest rate of 1.0% , construction cost subsidies, and ongoing subsidies over a period of 30 years . The ongoing subsidy is determined by the property value and the size.	The term of the rent and occupancy commitments generally corresponds to the duration of the funding. The initial net rent is €12.25/m² per month and can be increased every two years by €0.30/m ² (years 1 to 20) and by €0.40/m ² (years 21 to 30).
Funding Route Plus	For households who meet the income limits set out in Section 8 of the Hamburg Housing Promotion Act (HmbWoFG).	Funding is provided through low-interest loans with an initial interest rate of 1.0% , construction cost subsidies, and ongoing subsidies over a period of 50 years . The ongoing subsidy is determined by the property value and the size.	The term of the rent and occupancy commitments generally corresponds to the duration of the subsidy. The initial net rent is €7.25/m² per month, and can be increased at regular intervals in accordance with the provisions of the subsidy guidelines.
Cooperative Communities³⁶	For households who meet the income limits set out in Section 8 of the Hamburg Housing Promotion Act (HmbWoFG).	For cooperatives that own or hold a leasehold on a suitable piece of land. The acquisition of existing properties by a tenant cooperative can also be subsidised. Funding is provided in the form of low-interest loans, ongoing and one-off grants over a period of 30 or 40 years . The initial interest is usually 1.5%	Generally subject to the funding conditions of the funding guidelines for new rental housing construction, 1st funding route
Special Housing Forms	Shared living for people with physical, mental or psychological disabilities - program supports the construction of apartments that meet specific social objectives and reach user groups whose needs cannot be adequately met on the housing market.	Funding is provided through low-interest loans combined with ongoing and one-time grants. The commitment period is up to 30 years , depending on the loan term. The interest rate is generally 0% or 1% per annum.	The permissible rent is determined by the IFB Hamburg during the approval process.

³⁶ It should be noted that Hamburg is only one of a small number of cities or regions that have developed specific financing schemes targeted at housing cooperatives, with Berlin and Leipzig being some other examples. See: Housing Europe (2025). Housing Cooperatives in Europe.

Households in Urgent Need	Households that are in possession of a valid emergency certificate or an emergency confirmation (so-called priority housing seekers).	Funding is provided through low-interest loans with an initial interest rate of 1.0% , construction cost subsidies , and ongoing subsidies over a period of 40 years .	The initial net rent is €7.25/m² per month and can be increased every two years by €0.30/m ² (years 1 to 20) and by €0.40/m ² (years 21 to 40).
Apartments for students and trainees	Students currently enrolled in a state university in the region. Trainees is a state-recognised training course or at a vocational school	Funding is provided through low-interest loans with an initial interest rate of 1.0% , as well as one-time and ongoing grants over a period of 30 years . The ongoing grant is determined by the property value and the size.	The maximum permissible monthly net rent is: <ul style="list-style-type: none"> ○ Single apartments, €262 per apartment ○ Two-person apartments, €492 per apartment ○ Shared apartments in dormitories, €241 per place - The net rent can be increased by €4.50 per place every two years.

Source: Author's analysis of IFBHH documents

It is also the case that European promotional banks have provided funding for the development of social housing in Germany in recent years.

CASE STUDY / KEY POLICY FEATURE

EIB project Bremen

Bremen is a growing city, with its population expected to grow from 685,000 inhabitants today to 705,000 by 2035. Although Bremen is in good overall economic shape, it has the highest unemployment rate (10%) of all German federal states and a large proportion of residents have low incomes.

Like many cities in Germany, rents have risen in recent years. As the largest public rental housing provider in Bremen and Bremerhaven, GEWOBA charges an average rent of €6.94 per square metre (excluding bills) for new leases of existing apartments and an average rent of €7.94 per square metre.

GEWOBA was founded in 1924 with the aim of providing decent housing for a wide section of the population, a mission which is still enshrined in its articles of association. GEWOBA is the largest provider of rental housing in the province of Bremen, with some 43,000 rental apartments, and is majority-owned by the municipality.

The European Investment Bank (EIB) is lending €125 million to GEWOBA. The loan will support a €500 million comprehensive construction and renovation project in Bremen and Bremerhaven to increase the supply of affordable and climate-friendly housing, which is majority-owned by the two municipalities. The apartments will meet very high energy efficiency standards.

The current plan is to build around 500 apartments, most of which will be accessible to people with reduced mobility. The project will also include the construction of a new kindergarten for around 60 children, assisted living communities and a day centre for 15 elderly people. In addition, more than 2,000 existing homes will be renovated to improve energy efficiency. The rent per square meter of the new housing will not exceed €6.80 for subsidised housing and €9.00 for rent-restricted housing.

Source: EIB

Own Equity

MHCs are required to at least cover their costs, and often manage to generate some surpluses. These “Gewinnrücklagen” (retained earnings) must be reinvested in activities, including the co-financing of new construction. In some cases, the municipalities that own the MHCs may also request receipt of some of the retained earnings. This is very reminiscent of the functioning of MHCs in Sweden. There is no information on the overall level of retained earnings by MHCs at present, nor is there one standard approach to how they are used to support capital investment. From the cooperative perspective, any surpluses generated should also be reinvested. However, it is the members of the cooperative who decide on how best to achieve this, with renovations, rather than new construction, often being a popular use of such funds.

Commercial Banks and Alternative Lenders

German commercial banks can also be important in the development of new social housing. For example, specialist institutions issue *Pfandbriefe* to raise capital for this precise purpose. Pfandbriefe are a form of covered bonds, and have been especially interesting in the area of refinancing the debts of social housing providers. There are two commercial banks who are particularly interesting from the point of view of financing social housing activities.

- **Deutsche Kreditbank (DKB)** has launched several Social Mortgage Pfandbriefe, specifically to refinance loans to municipal housing companies and cooperatives. In February 2025, it successfully issued its fifth such issuance.³⁷ This was for a sum of €500 million, at a 3% coupon and a maturity of 15 years. The proceeds of this, and previous issuances, will be used to refinance loans for municipal housing associations and housing cooperatives. The company has in the past also worked with regional governments to raise funds to support the social housing sector.³⁸
- **Berlin Hyp** has around €2.4 billion in outstanding social housing bonds (Pfandbrief). Interestingly, some of these issuances have involved cross-border cooperation, with both German and Dutch social providers benefiting from the funds.³⁹

With regard to the cooperative part of the social sector in particular, there are a number of so-called ‘ethical’ or alternative financial institutions that provide loans. These help to compliment the funds provided by cooperative members, and ensure that borrowing can happen at affordable rates.

Cooperative Savings Schemes (Spareinrichtung)

Cooperative housing in Germany is a particular form of social housing. This is because it mixes cooperative principles, like membership and the acquisition of ‘shares’, with a social rental model. As such, those who live in social rental cooperatives in Germany are not homeowners, or even “tenant-owners” of the type that are found in countries like Sweden.⁴⁰ They are firmly within the camp of social renters (the time-limited nature of such an arrangement in Germany aside).

One clear difference between cooperatives and MHCs in Germany is in the area of financing. On the one hand, to access a new cooperative rental scheme, households will have to contribute some of their own equity to purchase ‘shares’. The provision of so-called ‘tenant equity’ is not unique to the German coops, though, as access to limited-profit social housing in Austria and non-profit housing in Denmark are also commonly conditional on such tenant contributions. Special schemes, such as the aforementioned KfW programme, can help households to cover the cost of acquiring shares.

³⁷ See : <https://www.dkb.de/presse/pressemitteilungen/pm-250219>

³⁸ Such an issuance took place in Berlin in 2022, for example: <https://www.presseportal.de/pm/110654/5209039>

³⁹ See : <https://www.environmental-finance.com/content/awards/environmental-finances-bond-awards-2023/winners/asset-backed/asset-based/covered-social-bond-of-the-year-berlin-hyps-social-mortgage-pfandbrief.html>

⁴⁰ See : Housing Europe (2025). Housing Cooperatives in Europe.

Another feature of the cooperative sector is the special sectoral savings schemes. The cooperative savings institutions, known as *Spareinrichtung*, allow housing cooperatives to cover their capital needs at favourable interest rates (i.e., below market rates). Although, in practice it is usually only the largest coops that have been able to establish savings systems. At the same time, there exists a mutual cooperative “self-help fund” (Selbsthilfefonds).⁴¹ In the event of a cooperative’s inability to meet its obligations, the fund may provide compensation payments, letters of indemnity, guarantees, interest-free loans, or grants to avert insolvency or dissolution. The fund is managed by GdW, which is the national federation that represents the majority of Germany’s MHCs and cooperative housing bodies.⁴²

In return for saving at a *Spareinrichtung*, cooperative members receive interest at a rate that is, on the one hand “lower than the standard market interest rate the cooperative would otherwise have to pay for the loan, but, on the other hand, higher than the standard market interest rate for savings deposits that the members would receive from a bank”.⁴³ This explains the basic functioning of the model. Households who join a cooperative, even if they do not actually live in one of their houses, can save money in a *Spareinrichtung* provided account, and earn a higher rate of interest.⁴⁴ The funds that are saved can then be made available at low rates of interest to housing cooperatives to help them to build housing for their members more cheaply.

The German rental cooperative model can be thought of as being akin to the right-of-occupancy housing segment in Finland. In both cases, tenants are required to provide some equity themselves, which in turn means that the overall debt servicing costs associated with the scheme are lower (from the point of view of the housing provider) and the subsequent rent the tenants pay is thus also reduced.

Access to land as a financing mechanism⁴⁵

Land policy plays a crucial role in determining the availability and affordability of social housing in Germany. Municipalities, particularly in cities like Berlin and Munich, have introduced innovative land-use strategies to support the construction of non-market housing. Berlin, for example, has implemented the Cooperative Building Development Model, which mandates that 30% of newly zoned land be designated for social housing.⁴⁶ Munich, on the other hand, has adopted the Sozialgerechte Bodennutzung (SoBoN) policy, which ensures that new developments include a significant portion of affordable housing.

Municipalities in Germany are legally obligated to ensure the availability of affordable land for housing, particularly for low-income groups, as outlined in the *Wohnungsbaugesetz* (1994). Various local land policies are in place, including long-term land banking and short-term land ownership by municipalities;

⁴¹ For more information, see: https://www.gdw.de/media/2021/06/121217_gdw_statut_selbsthilfefonds_2017.pdf

⁴² See : <https://www.gdw.de/>

⁴³ BBR (2005). Expertise Spareinrichtung [*Expertise savings institution*]. Bonn : Federal Office for Building and Regional Planning (BBR)

⁴⁴ Such interest is subject to capital gains tax (withholding tax) of 25% + an additional 5.5% solidarity tax, as well as the Church tax ‘*Kirchensteuerabzug*’. The Kirchensteuerabzug is the requirement for German financial institutions to withhold church tax—typically 8 % or 9 % of the capital gains tax due—from the investment income of church-affiliated savers. The withheld amount is then remitted directly to the saver’s registered religious community. See: GdW (2014). Dividenden und Zinsen bei Wohnungsgenossenschaften [*Dividends and interest at Housing Cooperatives*]. Berlin: GdW

⁴⁵ Needham, B., & de Kam, G. (2000). *Land for social housing*. A study carried out by Barrie Needham (University of Nijmegen, The Netherlands) and George de Kam (Aedes vereniging van woningcorporaties, The Netherlands), in cooperation with members of CECODHAS (Comité Européen de Coordination de l’Habitat Social / European Liaison Committee for Social Housing / Europäischer Verbindungsausschuss zur Koordinierung der Sozialen Wohnungswirtschaft), with particular support from the Voluntary Housing Association Section of CECODHAS. Nijmegen / Hilversum, 24 November 2000.

⁴⁶ See: <https://www.berlin.de/sen/bauen/neubau/berliner-modell/>

which can sell plots for social housing either at a reduced price determined by the municipality's own costs or at a fixed price agreed upon by the city council.

While municipalities can designate land for housing in land-use plans (*Flächennutzungsplan*) and for social housing in building plans (*Bebauungsplan*), landowners are not obligated to sell if such designations would significantly lower the land's value. In some cases, municipalities have pre-emption rights, but compulsory purchase is rarely exercised. Municipalities can also exert influence through their right to provide local infrastructure. When it comes to acquiring land for social housing, there are no specific price limits, but there are high building standards that lead to substantial construction costs. As a result, social housing providers can afford to pay little for land. To alleviate this, municipalities may offer subsidies for land acquisition.

CASE STUDY / KEY POLICY FEATURE

Land policy in Munich

The City of Munich in Germany has adopted a long-term policy for the use of land that it owns. According to its planning department, creating and securing an adequate supply of affordable housing options is a central challenge for the city's urban development. "Socially Just Land Use" (*Sozialgerechte Bodennutzung* – SoBoN) provides a guidance for zoning of land, which aims to ensure an adequate number of affordable homes to meet local needs.

SoBoN determines a social use of land whereby at least 30 per cent of the considered area is reserved for social housing and 10 per cent for subsidised rental housing regardless of income level (60 per cent in the case of land held by the city). SoBoN requires developers to participate in the costs of the associated public infrastructures linked to those developments.

Additionally, Munich focuses on developing the rental market by favouring solidarity-based concepts such as cooperative housing corporations, joint housing developments or rental syndicates when offering publicly held land. The current split of city land as the following ratio for development:

- 50 per cent social housing
- 40 per cent "*Konzeptioneller Mietwohnungsbau*" (conceptual rental housing)
- 10 per cent joint building ventures.

Plots to be developed as conceptual rental housing are tendered by the city. Developers must present a concept with a fixed below market price and reduced rents (max. €13.50/m²) and a focus on special low- and mid-level income groups. Conditions are then binding for 80 years.

Moreover, the city of Munich no longer sells its land; rather, it grants leaseholds in order to retain its capability to influence urban development. In the future, Munich's land will only be granted for rental developments and not condominiums.

Source: #Housing2030⁴⁷

Accessing social housing

At a high-level, it is fair to say that Germany's social housing system employs specific targeting and allocation mechanisms to ensure that available units reach the households most in need. However, as with financing, regional devolution means that eligibility varies from one state to the next. In any

⁴⁷ See : <https://www.housing2030.org/project/sozialgerechte-bodennutzung-socially-just-land-use-in-the-city-of-munich-germany/>

case, eligibility is usually set out in the conditions attached to funding schemes of the promotional banks.

Access to social housing in Germany requires a *Wohnberechtigungsschein* (WBS), or Social Housing Permit. This document certifies that a household meets the eligibility requirements for subsidised housing. Eligibility is determined by various criteria, which most typically include household income, family size, additional need (e.g., disability or illness), and residency status. Generally, households must have resided in the country for at least a year and earn below regionally defined income thresholds. These limits are set by the *länder* and vary depending on local housing market conditions.

The primary criteria for obtaining a WBS include:

- **Income limits:** Income must fall below thresholds defined by the *länder*. For instance, in Berlin, single-person households qualify with earnings up to 84% of the median income, while families with two children must earn less than 64% of the median.⁴⁸ Higher income limits apply to newer social housing built after 2014, though only a small number of such units are available;
- **Family size and structure:** Housing allocation considers the number of family members to ensure that larger families receive appropriately sized apartments.⁴⁹
- **Residency status:** Both German citizens and legal residents with valid permits are eligible to apply.

Due to the persistent gap between social housing demand and supply, municipalities often introduce additional prioritisation criteria. These include single-parent households, individuals with disabilities, and those facing imminent homelessness. Emergency cases are handled separately through expedited procedures to address urgent housing needs.

The affordability of social housing in Germany is a complex issue, partly due to the fact that rents are usually set at levels that allow providers to at least break even, or even generate some surpluses for reinvestment. Therefore, the German model can be considered as being close to the 'cost-rental' model used in countries like Austria or Denmark; though in the German case rents are not strictly defined to align with the cost of provision; i.e., rents may actually be slightly higher than the cost-recovery level, and social providers typically have some discretion in this regard. However, rents must also always fall within the limits of the rent price cap set by the development bank that provides financial supports (see for example the case of Hamburg, outlined earlier).⁵⁰

Initial contract rents for social housing are typically established at a discount to the market rate, with the subsidy amount calculated to allow the social provider to at least cover their costs, while also offering a discount on the market price. Rent increases in social housing follow strict rules. Under the *Wohnbindungsgesetz* (see below on rent regulation), increases are permitted only when modernisation efforts, maintenance needs, or operational costs rise (§10 *Wohnbindungsgesetz*).

Unlike many other European countries, Germany's rent-setting policies apply uniformly across most regions, though some states have introduced regional-specific rules. For example, in Bavaria local authorities can impose higher surcharges when social tenant incomes exceed the initial eligibility thresholds, ensuring that public subsidies primarily benefit lower-income households.⁵¹

⁴⁸ IBB. (2019). *Social Housing in Berlin: Trends and Challenges*.

⁴⁹ Kofner, S. (2017). *Social Housing in Germany: An Inevitably Shrinking Sector?*. *Critical Housing Journal*, 4(1), 61-71. <https://doi.org/10.13060/23362839.2017.4.1.325>

⁵⁰ See: Hoffmann, J. (2006). *Real estate price indices for Germany: Past, present and future*. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.970241>

⁵¹ Kofner, S. (2017). *Social Housing in Germany: An Inevitably Shrinking Sector?*. *Critical Housing Journal*, 4(1), 61-71. <https://doi.org/10.13060/23362839.2017.4.1.325>

CASE STUDY / KEY POLICY FEATURE

Rent regulations and tenants' rights

The rental housing market in Germany is controlled by a strong rent law for the protection of tenants. The most important aspects are protection against arbitrary eviction; the use of reference rents; a limitation on the increase in rental payments to a maximum of 20% over three years; and a limitation on increase in annual rent due to modernisation of dwellings to 11% of the modernisation cost.

There is no institution in control of the rental market in Germany. Tenant complaints must be dealt with through litigation. Government intervention in the housing market comes through regulation and subsidisation.⁵² Regulation involves limiting contract freedom to ensure tenant protection and market stability, while subsidisation provides targeted financial supports for housing-related activities. The regulatory framework has remained stable since 1971, with two primary pillars ensuring rental market equilibrium: eviction protection and the local reference rent.

The German Civil Code (§ 573 BGB) establishes eviction protection by limiting landlords' ability to terminate leases. Most rental contracts are of an indefinite duration, and termination requires specific legal grounds, such as personal use or substantial property redevelopment. Even with a valid reason, tenants can appeal eviction if it causes undue hardship due to factors like illness, low income, or the unavailability of alternative accommodation. This protection makes renting in Germany a reasonably stable and reliable tenure.

The *Mietspiegel* (local reference rent) serves as a benchmark for allowable rent increases in ongoing tenancies. It is calculated based on the average of non-subsidised rents from comparable dwellings rented in the previous four years. Landlords can increase rents up to 20% within three years, but must at all times stay within the local reference rent limit. Rent increases beyond this threshold require the tenant's consent.⁵³ In high-demand areas, however, rents for new contracts often exceed the local reference rent, reflecting scarcity and market pressures.

In response to the affordability issues, Germany introduced the *Mietpreisbremse* (rent brake) in 2015. Applicable in regions designated as "tight housing markets" this policy restricts rent increases for new contracts to 10% above the local reference rent. Initially implemented for five years, the policy has since been extended due to persistent market imbalances. Berlin attempted to go further by introducing a rent cap (*Mietendeckel*) in 2020, which froze rents for existing contracts for five years. However, the German Constitutional Court struck down the measure in 2021, ruling that rent regulation fell under federal jurisdiction.

The allocation of social housing varies across states and municipalities, but generally follows one of three approaches:

- **Simple earmarking:** Landlords select tenants independently from the pool of WBS holders;
- **Nomination rights:** Municipal authorities nominate a shortlist of potential tenants, from which the landlord must choose;

⁵² Kofner, S. (2014). The German housing system: fundamentally resilient? *Journal of Housing and the Built Environment*, 29(2), 255–275. <http://www.jstor.org/stable/43907270>

⁵³ Haffner, M., Elsinga, M., & Hoekstra, J. (2008). Rent regulation: The balance between private landlords and tenants in six European countries. *International Journal of Housing Policy*, 8(2), 217-233. <https://doi.org/10.1080/14616710802037466>

- **Occupancy rights:** Local governments assign tenants directly to available units without consulting the housing provider.

These approaches can also have shortcomings. The city of Kassel, for example, recently switched from a simple earmarking system to a nomination rights system.⁵⁴ Since September 1st 2025, people with WBS seeking social housing first need to register with the city's housing authority instead of searching for housing themselves. The authority will then decide between the eligible applicants and propose a shortlist of 10 potential tenants to the social landlord. This approach intends to prioritise those most in need, as there have been cases where people received social housing even though they did not urgently need it or had not waited as long as others. According to the new system, social landlords must inform the city when units become vacant and wait for Kassel to suggest tenants.

Misallocation occurs when tenants no longer meet the eligibility criteria, but continue occupying subsidised units. To address this issue, some municipalities impose under-occupancy taxes or implement monitoring programmes. In Hamburg, for instance, tenants can exceed income thresholds by generally up to 30% without losing their tenancy or, in some cases even up to 85%, although that can result in higher rents.⁵⁵ Munich has established a specialised investigation unit to detect possible misallocation of social housing, with fines reaching up to €100,000 for severe violations.⁵⁶

One important issue that we need to consider is the allocation of homes in the MHC sector that fall outside of the social housing 'lock-in' period. This equated to a total stock of around 2.4 million homes in 2022. Thus, there is a distinction between municipal housing that is legally defined as 'social housing' (*de jure*) and municipal housing that is not (*de facto*).

Municipalities retain considerable discretion in managing their housing stock. Allocation practices are overseen by local housing departments (*Wohnungsamt*) or distributed across multiple municipal offices. Similar to social housing, access to municipal rental properties is often guided by income thresholds and family size. However, municipalities can adjust these criteria based on local demand patterns. For instance, some cities give priority to households in urgent need, such as refugees, single parents, or individuals with disabilities.

Municipal housing allocation differs from social housing in several key aspects:

- **Eligibility Requirements:** Social housing requires a WBS, whereas municipal housing is accessible to a broader population, including middle-income households.
- **Rent Structure:** Social housing rents follow a cost recovery approach during subsidy periods, while municipal housing companies can adopt market-linked pricing strategies, with some units set aside for below-market rentals.
- **Flexibility:** Municipalities can negotiate with private developers to secure units for vulnerable populations through agreements linked to urban development projects (*Sozialgerechte Bodennutzung*, as seen in Munich).

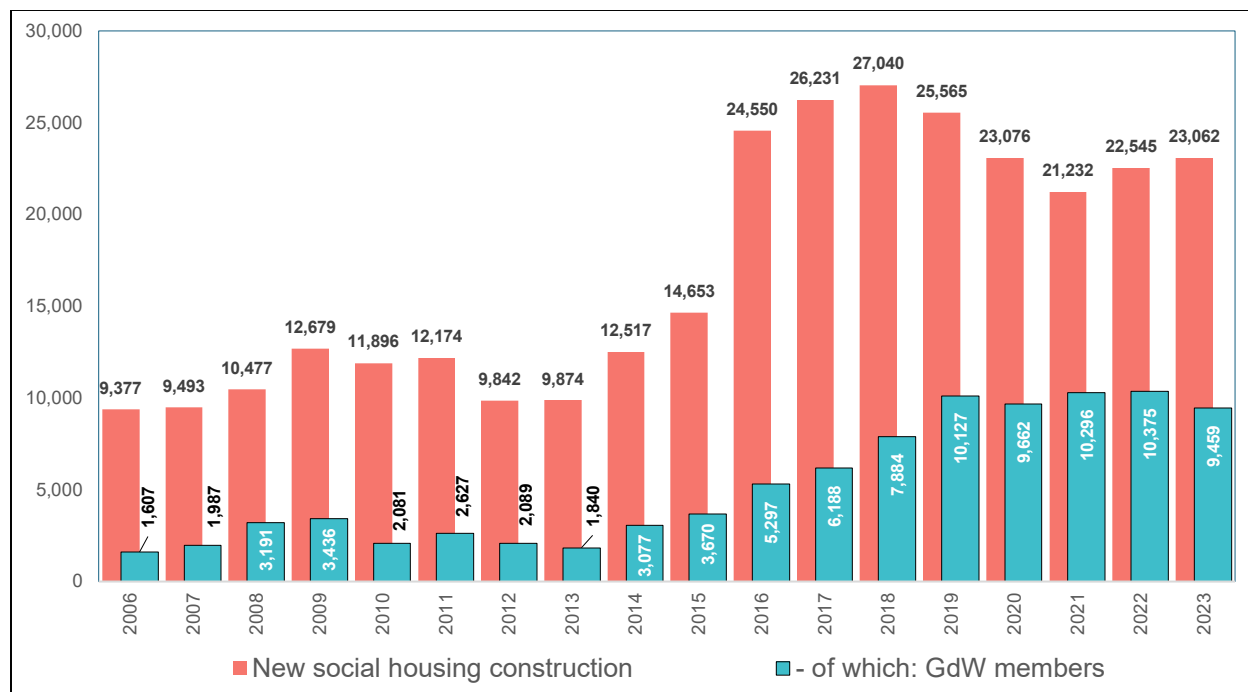
⁵⁴ Ludwig, B. (2025, July 1). Stadt vermittelt künftig Sozialwohnungen: Eigenständige Suche nicht mehr möglich. HNA. <https://www.hna.de/kassel/kuenftig-sozialwohnungen-eigenstaendige-suche-nicht-mehr-moeglich-stadt-vermittelt-93802437.html>

⁵⁵ Hamburg Housing Authority

⁵⁶ Munich City Administration. (2021). *Housing Allocation and Misuse Prevention*.

Developing new social housing and meeting targets

Figure 1: Development of new social housing, by year



Source: GdW⁵⁷

As shown in the above chart, the development of social housing in Germany has increased since around 2016. 20,000-25,000 units are now being produced per year. To avoid any possible misunderstanding, we can clarify that these are homes that are developed that have received public subsidies in return for meeting certain regionally-defined conditions (i.e., below market rents, income limits). Interestingly, in recent years a little under half of the new social housing being built has been produced by members of the GdW federation that represents the majority of the MHCs and cooperative housing providers in Germany. This indicates that a large share of social housing is being built by other types of providers. While this could include various charitable foundations, or other social policy aligned entities, it also indicates that private for-profit providers continue to be attracted to the public subsidies on offer in Germany.

This is an understandable consequence of the fact that public subsidies are both attractive, and not reserved only for the types of bodies that are most typically associated with the provision of social housing across Europe (i.e., housing associations, municipalities/local authorities, non-profit foundations). A similar model of broad eligibility for public funding supports is also seen in neighbouring Austria; though the crucial difference in that case is that registered housing associations must maintain homes as social housing indefinitely.

In the period 2021-2023, annual completions of new homes in Germany held in a tight range close to, but below, the 300,000 mark.⁵⁸ This indicates that overall delivery of new social housing in these years was around 7-8% of the total.

⁵⁷ GdW is the national federation that advocates on behalf of the majority of the municipal and cooperative housing companies in Germany.

⁵⁸ Data available from the ECB Datawarehouse:

https://data.ecb.europa.eu/data/datasets/RESH/RESH.A.DE_T.N.NTR.HCOM.DE2_Z.N.Z

From the point of view of national targets, the outturn of social housing in recent years, while off recent lows, is still well below the officially stated objective of the German Government.⁵⁹ Under the aforementioned Alliance for Affordable Housing (*Bündnis für bezahlbares Wohnen*),⁶⁰ there is an existing objective to deliver 400,000 new homes per year, with 100,000 of these being social or affordable. Where these homes can be delivered is quite flexible, as there are no existing prohibitions on the development of new social housing in certain areas, nor are there any robust efforts to decrease the concentration of social housing. Despite this apparent flexibility, there are significant headwinds.

Table 6: Annual investments of GdW members

Year	Amount invested in new construction (€bn)	Amount invested in renovation of existing dwellings (€bn)
2021	€9.865	€10.560
2022	€9.036	€10.564
2023	€8.531	€10.849
2024	€7.100 (estimated)	€10.300 (estimated)

Source: GdW

Notes: GdW represents the majority of MHCs and rental cooperatives. However, it does not represent all social housing providers, especially private for-profit providers, meaning the figures provided should not be interpreted as equating to total national investment in social or affordable housing.

According to GdW, since 2022, drastic increases in construction costs and a sudden rise in interest rates have led to a significant decline in building permits for its members, meaning that shortages in the high-demand housing markets will intensify significantly.⁶¹ In 2024, approximately 20 per cent of the originally planned new residential units of GdW members were now not expected to be developed. In 2025, the situation in new construction will worsen again, with the proportion of cancellations of planned new social dwellings rising to around 40 percent. Furthermore, two-thirds of the housing companies represented by GdW were not be able to build any apartments at all in 2024, and in 2025 it is forecast that this proportion will rise to 70 percent.⁶²

Therefore, general and social housing construction lag behind targets. While there are no targets in relation to reducing waiting lists, the Government is aware of the high demand. The Alliance for Affordable Housing criticised the previous Government coalition for having failed to fulfil their promises, and also criticised the parties before the 2025 elections for the absence of addressing the housing shortage in their campaigns.⁶³ Since then, under the new coalition, the German Federal Cabinet adopted a new draft law called ‘Housing Construction Turbo’⁶⁴ (*Wohnungsbau-turbo*) that enables faster housing construction as municipalities are not obliged to prepare a development plan.⁶⁵

⁵⁹ It should be noted that the targets were set under the previous Government (Social Democrats-Greens-Liberals coalition). With a new Government in place since mid-2025 (Christian Democrats and Social Democrats). However, at the time of writing, it is not known if the new Government will revise the existing targets. There is some expectation, though, that the Government will seek to revise down the target for annual completions, with research by an institution linked to the Ministry for Construction recently estimating a need for 320,000 additional homes per year. See: Kraemer, C. and Sims, T. (2025, March 20). Germany must build 320,000 apartments yearly to meet housing demand, study shows. Berlin: Reuters.

⁶⁰ See : <https://www.bundesregierung.de/breg-en/news/affordable-housing-2134122>

⁶¹ Housing Europe (2025). The State of Housing in Europe – 2025.

⁶² *Ibid.*

⁶³ Kohler, S. (2025, 5 February). Bündnis Soziales Wohnen fordert Politik zu sozialem Wohnungsbau auf [*The Social Housing Alliance calls on politicians to build social housing*]. Berlin: Die Zeit.

⁶⁴ See: <https://www.hoganlovells.com/en/publications/the-construction-turbo-is-coming-in-germany>

⁶⁵ See: <https://www.bundesregierung.de/breg-de/aktuelles/wohnungsbau-turbo-2354894>

In terms of the homes that are being built, though, the latest data released by the BMWSB⁶⁶ provide a good overview of the social homes built in 2023. In 98% of cases, the 'lock-in' period was for at least 20 years, with 76% being for at least 30 years. In terms of size, the total floor space of new social dwellings was just under 1.49 million square metres. The average flat size was around 65 square metres. 16,455 of the completed social apartments were 'age-appropriate' (*altersgerecht*),⁶⁷ including 14,602 barrier-free units (*Wohneinheiten barrierefrei*)⁶⁸; 388 of which were fully wheelchair-accessible.

It should also be mentioned that there have been some efforts in recent years to 'standardise' social housing construction in Germany. This has been done primarily as a way to speed up construction, and to cap construction costs. This has been achieved via two procurement 'framework agreements'.⁶⁹

- In 2018, GdW worked with the Federal Ministry of Construction to develop the "*Typenmodell*" framework. This was a Europe-wide framework agreement offering nine pre-designed, price-capped model buildings (ca. € 2 000–3 200 / m²). Housing companies could simply pick a type from the catalogue rather than run a full new tender – and by 2023 roughly 5,000 apartments had already been delivered under that first agreement.
- In 2023, the second, expanded framework was launched ("***Serielles und modulares Bauen 2.0***"), with the explicit aim of letting public and cooperative housing firms choose from a portfolio of serial- or modular-construction concepts, thereby cutting lead-times, locking in standardised quality, and embedding sustainability targets right from the planning stage. 25 housing 'concepts' from 20 bidders, or bidding consortia, were selected in a seven-month, complex process by an expert jury, which included the participation of the Federal Ministry of Construction and the Federation of the German Construction Industry, in addition to the Federal Chamber of Architects. Among other things, the selection was based on economic criteria such as tender price, economies of scale, delivery area, delivery costs and equally weighted criteria in the quality and innovation category.⁷⁰

Social supports for low-income households and combating segregation

Social policy in Germany is situated on different levels: from federal, to regional, and to some extent municipal. It is a complex system, including a variety of stakeholders and institutions, which collaborate. Two key initiatives to highlight are the *Wohngeld* (housing allowances) and the *Kosten der Unterkunft* (KdU). Both are co-financed by federal and state budgets, but target distinct segments of the population.

- 1) **Wohngeld** is a means-tested housing allowance for low- and moderate-income households who meet certain income and asset criteria, designed to reduce the burden of rent or owner-occupied housing costs. Recipients apply at their local municipality, which calculates the subsidy based on household size, local rent levels (*Mietstufe*) or financing charges, and total eligible housing costs;

⁶⁶ Available at: <https://www.bmwsb.bund.de/SharedDocs/topthemen/Webs/BMWSB/DE/sozialer-wohnungsbau/kernergebnisse-swb-2023.pdf>

⁶⁷ Apartments tailored to the needs of older residents (often 60+), who may have reduced strength, hearing, vision or balance—but who do not all require full wheelchair-access (e.g., non-slip flooring, gentle stair angles, sufficient lighting, etc.).

⁶⁸ Apartments built to fully remove physical barriers, so that people with reduced mobility or wheelchair users can enter, move around, and use all essential rooms without assistance (e.g., step-free access, wider doors, adapted bathrooms).

⁶⁹ See: <https://www.gdw.de/pressecenter/pressemeldungen/serielles-und-modulares-bauen-2-0-neues-europaweites-ausschreibungsverfahren-fuer-zukunftsweisende-wohnungsbaukonzepte-startet/>

⁷⁰ See: <https://bau-muenchen.com/en/bau-insights/detail/serial-and-modular-construction-2-0.html>

- 2) Kosten der Unterkunft (KdU)** are the reasonable housing costs (rent plus heating) covered by social assistance authorities for recipients of unemployment benefits (i.e., SGB II) or basic income support (i.e., SGB XII), who cannot afford these expenses from their standard benefit rates.

Their importance is demonstrated by the fact that in 2021 Wohngeld and KdU was provided to approximately 3.9 million households and amounted to €18.5 billion. Thus, it is estimated that around 10% of all private households benefited from state housing cost support: either by having their housing costs covered in full or by receiving a housing cost subsidy. Most households entitled to these benefits live in rented accommodation. In the same year, on a national average, around one fifth of all tenant households were supported with Wohngeld or KdU.⁷¹

Wohngeld is a means-tested housing allowance designed for households with modest incomes who do not qualify for social assistance programmes. Since a reform of the social security system in 2005, Wohngeld has been aimed at low-income households, old-age pensioners or recipients of unemployment benefit.⁷² Wohngeld is available to both tenants and homeowners, with the amount calculated using a formula that considers household income, rent levels, and household size. There is a legal entitlement for this allowance, meaning in this case that the policy is federally defined, but administered locally. This helps to ensure adjustments to account for regional housing cost variations. Recipients need to apply in their respective municipalities for the allowance.⁷³

The latest changes to the system came in the form of the Wohngeld Plus Act, which came into force on 1 January 2023. As part of the new Act the amount of housing benefit was increased significantly and both a heating cost component and a climate component were introduced. Housing benefit for the households who already received it was foreseen to double on average, while the group of recipients were expected to triple, since many households above the previous income limits for housing benefit became eligible.⁷⁴

In contrast to Wohngeld, Kosten der Unterkunft (KdU) directly supports individuals without income or assets who receive means-tested social benefits. These include those entitled to the citizen's allowance (Bürgergeld), and also pensioners with low retirement incomes who receive basic income support in old age and in the event of reduced earning capacity as well as people with long-term reduced earning capacity who can no longer work due to health reasons, and people with disabilities. KdU reimburses eligible households for housing costs within budgetary limits set by local authorities, which typically align with the basic standard for housing in the area. While recipients have freedom in choosing their accommodation, expenses exceeding the predetermined limits are not covered except in special circumstances, i.e., related to disability or medical needs.

KdU's decentralised implementation has posed challenges, with local authorities struggling to define adequate budget limits and facing frequent legal disputes over eligibility and coverage.⁷⁵ In 2021, these were around 1 million recipients with expenses for accommodation and heating outside of

⁷¹ See: BBSR. (2023, August 22). *Wohngeld und Kosten der Unterkunft: Soziale Sicherung des Wohnens für Haushalte mit geringem Einkommen*. BBSR.

<https://www.bbsr.bund.de/BBSR/DE/forschung/fachbeitraege/gesellschaft/bezahlbares-wohnen/wohngeld-kdu/soziale-sicherung-des-wohnens.html>

⁷² *Ibid.*

⁷³ Haffner, M., Elsinga, M., & Hoekstra, J. (2008). Rent regulation: The balance between private landlords and tenants in six European countries. *International Journal of Housing Policy*, 8(2), 217-233.

<https://doi.org/10.1080/14616710802037466>

⁷⁴ <https://www.bmwsb.bund.de/Webs/BMWSB/DE/themen/stadt-wohnen/wohnraumfoerderung/wohngeld/wohngeld-node.html>

⁷⁵ Kofner, S. (2014). The German housing system: fundamentally resilient? *Journal of Housing and the Built Environment*, 29(2), 255–275. <http://www.jstor.org/stable/43907270>

institutions. Most of them live alone, meaning that the state paid the housing costs for an estimated 800,000 private households in 2021 as part of the basic income support for old age and reduced earning capacity.⁷⁶

Another important issue to consider is combating social segregation linked to housing, and accompanying district-level decline. In this regard, it is important to mention the federal “*Soziale Stadt*” (Social City) programme, which has been running since 1999 and has often assumed a neighbourhood custodian role in connection with social housing.

CASE STUDY / KEY POLICY FEATURE

“Soziale Stadt” (Social City) programme

The programme stems from broader urban regeneration policy in Germany, which relates primarily to physical intervention, such as the construction and renovation of buildings, streets and public places. Social City aims “to widen that scope by strengthening social aspects and tackling social deprivation”,⁷⁷ integrating “hard” infrastructure projects with “soft” community initiatives.⁷⁸ Soziale Stadt was initially designed as a joint venture (*Gemeinschaftsinitiative*) of state and federal levels of government. In 1996, the council bringing together the 16 regional ministers for construction (ARGEBAU) had already agreed on a national action plan to promote sustainable development in neighbourhoods that faced particular social, economic or urban planning problems. In 1998, this group developed guidelines for the implementation of Soziale Stadt; which have remained in place till today.⁷⁹

According to the Soziale Stadt guidelines, the aim is to stimulate the active participation of residents, and encourage them to become engaged in matters concerning their local community. Moreover, further ambitions included the promotion of local economic activity, strengthening the function of neighbourhood centres and provision of adequate social, cultural and educational infrastructure, and improving the quality of housing and public spaces.⁸⁰

According to a recent review,⁸¹ the key elements of Soziale Stadt are:

1. **Area-based approach:** Interventions target a defined urban area chosen by local authorities based on social indicators and political resolution. While there is no fixed indicator set, many cities use bespoke “social monitoring” with statistical offices to track demographic and social changes. However, what counts as improvement or decline depends on available data and local discretion, making these assessments approximate.
2. **Integrated development plan:** Funding requires a comprehensive plan covering housing and living conditions, public space, social infrastructure, education, local economy, safety, environment, social cohesion, volunteerism, and public participation.

⁷⁶ See: BBSR. (2023, August 22).

⁷⁷ Güntner, S. (2022). Soziale Stadt (Social City). In Handbook on Urban Social Policies (pp. 325-336). Edward Elgar Publishing.

⁷⁸ Nippon Institute for Research Advancement. (2019, February). The potential of Germany’s “Soziale Stadt” program (My Vision No. 40; M. Faul, Trans.). Nippon Institute for Research Advancement.

⁷⁹ *Ibid.*

⁸⁰ ARGEBAU (1998). Leitfaden zur Ausgestaltung der Gemeinschaftsinitiative “Soziale Stadt” [*Guidelines for the design of the joint initiative ‘Social City’*]. Berlin: Bauministerkonferenz.

⁸¹ Güntner, S. (2022). Soziale Stadt (Social City). In Handbook on Urban Social Policies (pp. 325-336). Edward Elgar Publishing.

3. **Neighbourhood management:** A local team of neighbourhood managers coordinates implementation, builds partnerships with residents and stakeholders, and oversees progress. They foster participation, but do not directly run services.
4. **Temporary, project-linked investment:** Grants are time-limited—often several years—but tied to physical interventions (e.g., building renovation or redesign of community spaces). Contracts (including for neighbourhood managers) are short-term, so managers must mobilise local actors—businesses, residents, NGOs—to sustain services after funding ends. For example, the programme might fund a community centre’s refurbishment, but staffing must come from other budgets (e.g., local municipalities).
5. **Institutional learning and innovation:** Embracing trial and error, the programme continuously refines its methods. Successful elements—integrated plans, neighbourhood management, and an “Action Fund” (a small-projects budget overseen by local stakeholders, typically resident juries)—have since been adopted in broader urban development contexts.

In the period 1998-2020, the Soziale Stadt has been implemented across 965 local districts, with a nominal federal budget allocation of €6.3 billion (c.€6.5 million on average per project).⁸² While still commonly referred to as “Soziale Stadt”, the programme was officially rebranded as “Sozialer Zusammenhalt” (Social Cohesion) in 2019. Since restructuring in 2020, around 530 assisted areas have been strengthened with federal financial aid totalling €200 million annually. States and municipalities are also providing a co-financing rate of around two-thirds, meaning a €200 million federal grant translates into around €333 million in actual spending.⁸³

Looking specifically at the topic of social housing, and its overlap with Soziale Stadt, there are a number of interesting case studies, of which we highlight just three:

1. Bremen–Tenever (Gewoba Tenever-Nord)

Starting in 2004 under the Soziale Stadt banner, the municipal housing company Gewoba acquired large parts of the post-war Tenever estate, demolishing some of the most worn-out blocks and comprehensively refurbishing the remainder. Some 65% of the original dwellings were rehabilitated, while entirely new low-energy and Passivhaus units were added within the Soziale Stadt intervention area. This integration of social-housing renewal into the local redevelopment programme ensured that investment funds flowed not only into public space and social infrastructure, but directly into creating high-quality social housing.

Prior to the intervention by Gewobag, Tenever’s large, 1970s high-rise estates suffered severe maintenance backlogs and vacancy rates—peaking at 51 % in 2003—after its main private investor (Krause) became insolvent.⁸⁴ The population was also in decline, there was a lack of opportunities for younger people, and unemployment levels were high.

In December 2024, the next phase in the redevelopment began, with the site of the demolished residential blocks. Gewobag is building new mid-rise homes, which will provide

⁸² Ibid.

⁸³ See: <https://www.quartiersmanagement-berlin.de/unser-programm/programmstrategie.html>

⁸⁴ For a detailed overview of the Tenever regeneration plan, see: <https://bau.bremen.de/sixcms/media.php/13/IHK%20Tenever.pdf>

affordable housing particularly for people with disabilities and limited mobility. In addition, a new supermarket, and other commercial premises are being built.⁸⁵

2. Titiseestraße (Gewobag modular social housing)

The Titiseestraße residential area was designated as a “social cohesion” area in 2021. It is located in the Reinickendorf area of north-west Berlin. The neighbourhood stands out from the surrounding single-family homes in terms of urban development. Built between 1966 and 1972 by the then municipal housing company GSW, the four- to 22-story buildings with approximately 2,500 apartments have been owned by Gewobag since the end of 2019.

The ‘Neighbourhood Management Programme’ (*Programm Quartiersmanagement*) aims to “mitigate the negative consequences of social disadvantage by further developing the neighbourhood’s social infrastructure, strengthening neighbourly cohesion and involving all population groups”.⁸⁶ This includes numerous social and educational programmes.

Another key aspect of the social cohesion programme is the “FACE Campus”; a new facility featuring a family centre, a kindergarten with 80 places, and 126 new apartments. This element of the project is a collaboration between the Church District of Reinickendorf and the GESOBAU AG housing association (one of six state-owned housing companies in Berlin), with funding from the *Sozialer Zusammenhalt* programme. Rents in the new homes will start at €6.80/m² per month (i.e., €476 per month for a 70sqm apartment).⁸⁷ In order to promote “social mix” some of the homes will also be offered at higher market rents.

3. Neuwiedenthal-Rehrstieg (Hamburg RISE district)

In 2013, Hamburg’s Neuwiedenthal-Rehrstieg district was designated as a ‘Integrated Urban Development’ (RISE) area within Soziale Stadt. The area included a lot of social housing from the 1960s and 1970s. Improvement of common spaces, building renovations, and improved services for residents were important parts of the project.

The programme involved both *SAGA Unternehmensgruppe*, Hamburg’s largest municipal housing company (e.g., upgrading residential environments, supporting tenant engagement, and aligning building renovations with public space improvements), as well as *Bauverein Reiherstieg eG*, a cooperative housing provider (participated in resident-focused projects and helped strengthen neighbourhood cohesion through joint planning efforts).

Other key areas of improvement included:

- **Public Space Enhancements:** Renovation of green areas, with one receiving the German Play Space Award, and improvements to communal areas to foster social interaction;
- **Social Infrastructure Development:** Construction of a new youth centre and expansion of the youth café to strengthen community support structures;

⁸⁵ For more details, see: <https://www.gewoba.de/mieten-verwalten-kaufen-verkaufen/wohnen-im-neubau/nordquartier-tenever>

⁸⁶ <https://qm-titiseestrasse.de/was-ist-qm-2/>

⁸⁷ See : <https://www.gesobau.de/wohnungsbau/titiseestrasse/>

- **Community Engagement Initiatives:** Establishment of a community garden in 2018, promoting environmental awareness and social cohesion, and the formation of a neighbourhood council to involve residents in decision-making processes;
- **Economic Revitalisation Efforts:** Enhancements to the Rehrstieg-Galleria shopping centre to transform it into a community hub.

The RISE project came to an end in 2019. The fact that funding was not renewed for these types of projects typically means that sufficient social progress had been made that the local government decided that other areas were in greater need of the social cohesion funds.⁸⁸

Spatial Inequalities

A defining feature of Germany's urban and regional landscape is spatial inequalities due to divergent housing outcomes between East and West, as well as between metropolitan and rural areas post-unification. Metropolitan regions such as Munich, Frankfurt, Hamburg, and Berlin face acute affordability pressures, with social housing units declining rapidly due to expiring subsidy periods and rising land prices. By contrast, many medium-sized cities and rural areas—particularly in eastern Länder—struggle with population loss, high vacancy rates, and limited incentives for new social construction. As a result, the geography of public and municipal housing has become highly uneven: demand is concentrated where supply is shrinking most rapidly.⁸⁹

While the federal government defines the strategic framework, responsibility for financing and delivery rests primarily with the Länder and municipalities. This decentralisation, combined with differing fiscal capacities, has amplified spatial disparities in both the quantity and quality of social housing. Wealthier states such as Bavaria and Baden-Württemberg maintain more substantial housing support programmes, whereas financially weaker eastern regions depend heavily on federal transfers and EU co-financing.⁹⁰ Municipalities act not only as co-financiers but also as long-term asset managers, responsible for allocation, maintenance, and tenant support. Place-based initiatives like Soziale Stadt and Sozialer Zusammenhalt have helped improve deprived neighbourhoods, yet their localised reach cannot offset systemic regional inequalities. Ensuring equitable access to social and municipal housing, therefore, requires stronger federal–regional coordination, sustained reinvestment, and mechanisms to stabilise affordability across spatially divergent housing markets.⁹¹

Conclusions

Germany's housing market is characterised by a strong private rental sector and a declining *de jure* social housing stock. Social housing, defined as rental housing built using state funds and made available to low-income households at below-market rates, has been steadily decreasing, from over two million units in the early 2000s to 1.1 million in 2022.

Overall, Germany's housing sector is a complex, multi-layered model with deep historical roots. One of the major challenges has been the country's reunification. This saw concentrated efforts to merge the distinct housing systems of East and West Germany. The primary objective was to integrate the East German housing system into the seemingly more stable and efficient West German model.

⁸⁸ A detailed review of the programme, and the achieved outcomes can be found at:

<https://www.hamburg.de/resource/blob/286548/2b4e7d3718a6fe5f23f08ff6a83644a2/h-d-p-ausg17-data.pdf>

⁸⁹ Bundesinstitut für Bau-, Stadt- und Raumforschung (BBSR). (2023). *Wohnungs- und Immobilienmärkte in Deutschland 2023 [Housing and property markets in Germany in 2023]*. Bonn: BBSR.

⁹⁰ OECD. (2023). *Housing Affordability in Cities in Germany*.

⁹¹ Statistisches Bundesamt (Destatis). *Sozialer Wohnungsbau in Deutschland 2024*. Wiesbaden: Destatis, 2024.

However, assessments of these initiatives indicate that the substantial fiscal investments in the East German housing stock were further strained by significant outmigration from East to West. This post-reunification housing policy, characterised by extensive subsidies, resulted in notable imbalances, leading to considerable vacancies throughout the 1990s and 2000s.

Subsequent economic growth has been accompanied by population increases in many East German cities. While these cities have seen both economic and demographic growth, the affordability crisis has also become increasingly prominent, particularly in major urban centres.

German housing policy operates within the framework of the social market economy, balancing economic efficiency with social welfare. Given that the majority of Germans (50.5%) live in rental housing, one of the primary focuses of public policy is the regulation of tenant-landlord relations.

One of the major components of the tenancy law is the rent brake and rent control system, which serves as a tenant-neutral housing subsidy and tax mechanism, ensuring stability within the rental market. Notably, in Germany, social security benefits are not dependent on housing tenure.

*“Two extreme regulatory models can be defined. At one end of the spectrum is Germany, and at the other extreme most New Member States. In the first case, the essential element is that the tenant is guaranteed security of tenure for life and the possibility of a high degree of rent predictability, while in the other system, landlords can evict tenants without justification and set rents at their discretion. Between the two poles of the spectrum, several different systems can be drawn. The situation in each country can vary considerably between the two extremes”.*⁹²

Overall, German housing policy is structured around three main pillars. The first is the protection of tenants' rights and rental stability. The second pillar focuses on ensuring affordability through housing benefits and demand-side assistance. A significant policy in this regard is the provision of public transfer payments, such as the Wohngeld or the Kosten der Unterkunft (KdU). Finally, the third pillar involves policies aimed at the supply side, though these are typically insufficient and may only be scaled up when structural problems arise in the housing market. This includes subsidy programmes for both social housing and homeownership.

Housing policy in Germany is implemented at multiple levels: national, regional (states - Bundesländer), and local (municipalities and counties). Since the constitutional reform of 2006, social housing responsibilities have been transferred from the federal government to the Bundesländer. This shift has had ongoing consequences for housing policy, with significant organisational and financial implications. Currently, the Bundesländer are solely responsible for policy formulation, funding, and implementation of social housing, while the federal government has provided financial compensation during the transition. However, negotiations between the federal government and the Länder are ongoing regarding a potential reallocation of financial responsibilities for social housing. It is widely expected that parts of the 2006 constitutional reforms will be revised to restore some federal involvement.

Thus, Germany's housing system is relatively decentralised, granting municipalities and local authorities considerable autonomy in structuring their housing policies. Local governments are responsible for various housing-related functions, including managing construction rights and land development, administering housing allowances, allocating subsidised dwellings, calculating local rent indices, and overseeing payments related to housing costs. These tasks form an essential part of municipal housing policy.

⁹² Jordan, M. (2024). Tenancies. Regulation of rented housing. In Nassare-Aznar, S., Habdas, M., Kenna, P(eds.) *European Housing Studies*. Wolters Kluwer Polska, Tarragona-Katowicze-Galway, (pp. 188-194.) p. 190

Despite having one of the largest rental markets in Europe, Germany's housing market remains highly fragmented. Significant regional disparities exist, shaped by factors such as infrastructure quality, labour market conditions, educational opportunities, and historical economic developments. While regional disparities have gradually declined since 2000, spatial inequalities continue to characterise the German housing landscape. Furthermore, amid all the changes, balancing market efficiency with social responsibility will be an ongoing challenge for policymakers.