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Cross-Asset- and Strategy-Research

Living in Germany: a luxury for too many

In the land of tenants, housing poverty is still an everyday reality

One consequence of the housing market, which has been booming until recently, is rising rents, especially in the cities. According to estimates, residential rents nationwide have risen by 58% between 2011 and 2021. Tenants are losing out. Four out of ten Germans rent their apartment at market prices. This is by far the highest rate in the euro area, which averages 19% (excluding Germany). Of all tenants in the euro area with commercial landlords, 42% live in this country.

High "housing poverty" in Germany

In 2019, just under 14% of the German population was overburdened with housing costs (see first figure). According to the EU definition, this is the share of the population living in households that spend more than 40% of disposable income on housing. In the rest of the euro area, this applies to less than 10% of households. Only in Greece is the situation even more worrying (almost 40%!).

Rising energy costs: pressure on households grows

The level of housing poverty has been [declining in](#) Germany over the past decade. And the rate has seen a further decline since 2020 due to a methodological adjustment by EU statisticians. Initially, this gives cause for hope.

However, the explosion in energy prices is likely to reverse the positive trend. And it is to be feared that the particular severity of the current energy crisis will fuel housing poverty in Germany more than elsewhere.

Household heating costs are expected to at least double or even triple compared to 2021, meaning that overall rental costs will rise



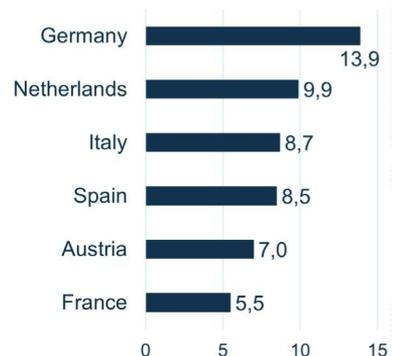
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Germany is still a tenant country

Housing poverty in the EU 2019 (%)



Source: Eurostat

Energy price hikes will increase housing poverty

dramatically, while wage increases have (still) been comparatively moderate.

Drive the promotion of affordable housing

After physiological needs such as food intake, housing is the most basic human need. Satisfying the associated need for protection is an important pillar of peaceful social coexistence. Housing therefore remains a central social issue.

In 2002, there were still around [2.5 million](#) committed social rental apartments in Germany. By 2006, when responsibility for social housing promotion was transferred from the federal government to the states, the number had fallen to around 2.1 million. Between 2006 and 2019, the stock of social rental housing declined steadily from 2.1 million to 1.1 million. That is a drop of nearly 50%, or about 200 homes per day (see second figure). The remaining stock corresponds to around 3% of the housing stock in Germany (source: [Destatis](#)).

The contrast with [Austria](#), for example, is striking: there, almost a quarter of all housing units are municipal or cooperative housing. In Vienna, the share is as high as 43%.

Policymakers can counteract this by providing targeted support for affordable housing. However, there should be no exaggerated hopes in the short term. Public finances have not yet recovered from the Corona shock and the galloping construction costs are unlikely to allow a quick turnaround in the availability of affordable housing. This is a long game and patience will be required.



Source: Deutscher Bundestag

Since 2006, 200 social housing units have been lost every day

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