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Cross-Asset- and Strategy-Research

Expropriation is an expensive dead end

Berlin's "Left Party" plans to undermine fundamental principles

The AfD, the far-right Alternative for Germany, has made gains in Saxony-Anhalt and Mecklenburg-Western Pomerania, prompting a torrent of analysis and commentary – and attracting considerable attention. Rightly so. I have [added my voice](#) to the debate. The party's isolationist economic agenda poses a genuine threat to Germany's already gloomy outlook. Nostalgia is not a strategy.

Yet justified criticism of the AfD's social and economic agenda should not obscure the opposite extreme. In Berlin's September 20 election to its state parliament, the Left Party won more votes than any rival – including the center-right Christian Democratic Union (CDU), which had governed until then. The Left performed especially strongly among younger voters. Its social-media campaign may have helped. But the party also seized on an issue weighing heavily on young Berliners: how can I find an affordable home in this city? The other parties had little, if anything, to offer by way of an answer. The electoral reckoning came on polling day.

Identifying a problem is not the same as solving it

The Berlin Left's answer to the housing shortage is clear: bring large private landlords into public ownership. The party can point to a 2021 [referendum](#) in which 58% of Berliners who had cast their vote backed a proposal to prepare legislation to that end. The referendum did not itself mandate expropriation. But five years on, it still provides the campaign with political cover.

I am no lawyer, and will not presume to decide whether Berlin's government can simply override the protection of private prop-

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The other parties had no answers

The 2021 referendum as political cover

erty guaranteed by Germany’s Basic Law, its constitutional charter. That charter also says that ownership entails obligations and must serve the public good. Expropriation is permissible only where the public interest requires it. Yet private housing companies do, at the very least, help ensure that apartments are getting built in the first place.

Expropriation would worsen the housing shortage

Bringing large landlords into public ownership may offer to someone desperately looking for an affordable place to live a fleeting sense of satisfaction. It would not, however, produce a single additional home. Quite the opposite: it would undermine confidence in the rule of law and in the predictability of the legal framework, while deterring investment, particularly in housing. Who would willingly build if expropriation hung over every project like a sword of Damocles? Supply would tighten further and rents would become even less affordable. A spectacular own goal!

What Berlin needs instead is an economic policy that encourages construction, especially of affordable and subsidized homes. Germany’s stock of publicly supported, rent-restricted housing has been dwindling for years, even as housing has become the most pressing social issue for an ever-larger share of the population (see fig.). Last year, the federal government created useful incentives through a fast-track planning initiative. But it falls upon local authorities to implement and turn the rules into new homes. Alas, so far too little has happened on the local level. Streamlining approvals and making low-cost modular construction easier would also help curb building costs.

Large-scale expropriation would breach a long-standing political taboo and further damage Germany’s appeal as a place to invest. Anyone who helps assemble a majority for such a measure – whether as a coalition partner or otherwise – would share responsibility for the economic collateral damage it would inflict.

Berlin cannot afford expropriation anyway

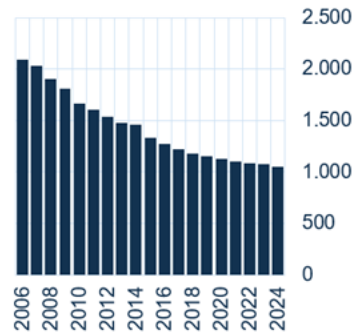
Suppose Berlin sought to bring 200,000 apartments into public ownership. Suppose, too, that each were worth a conservative EUR 200,000. Berlin would then owe current owners roughly EUR 40bn in compensation. Where would that money come from? Berlin’s public finances are already strained, and the city relies on fiscal support from Germany’s other federal states. For years, the capital has been the largest recipient of Germany’s interstate fiscal equalization scheme.

And if Berlin were willing to commit such sums, would they not be better spent building new homes? Who seriously believes that the city’s sometimes dysfunctional administration could manage this stock more effectively?

Expropriation is no cure for the housing shortage. Making it easier to build affordable homes, by contrast, would address more than the symptoms. That is the course Berlin should take!

Expropriation creates not a single new home

Fig.: Number of subsidized, rent-restricted homes in Germany (in thousands, through 2024)



Source: Statista, LBBW Research

Where would the compensation money come from?

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