

# »» Housing market: The social market economy can do better than freezing rents

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The debate surrounding Germany's housing markets often raises fears that rents in Germany will soon be unaffordable for medium and low earners. However, data from the official statistics paint a different picture. Across Germany, rent increases have been lower than the general inflation rate and income growth in the past years. Relative rental costs – that is, rental payments in relation to income – have thus fallen on average. This has also been the case in urban regions with high density housing. In line with this trend, the share of households that see their housing costs as a severe burden has dropped. This is also true of low-income households.

But the aggregate view hides the fact that Germany's housing markets are divided in a range of ways. The gap between rents in growing conurbations and structurally weak regions has widened considerably. Even within expensive cities, rents have drifted apart considerably and not just based on diverse residential locations. Tenants who have not moved within booming large cities for years have usually been able to enjoy stable rents or moderate rent increases. By contrast, those who move to or within such cities usually have to pay significantly higher rents. In the present discussion paper we illustrate this with an analysis of the case studies of Berlin and Frankfurt am Main, where quoted rents have risen sharply in recent years.

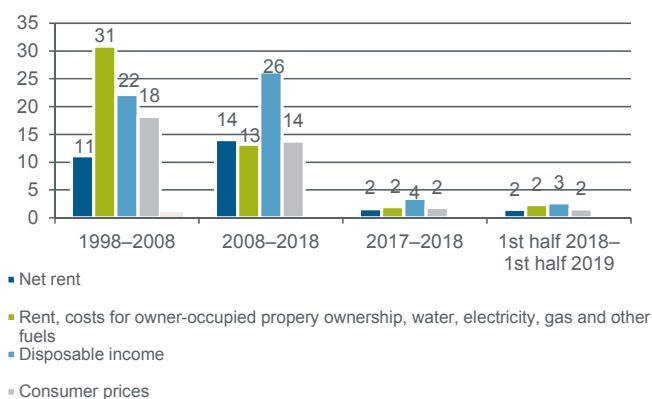
There are different ways to combat high rent increases in new rental agreements in conurbations. Some are recommendable in terms of cost-effectiveness and improving the housing supply, others should be weighed up against negative side-effects. Recommendable measures include mobilising building land, keeping municipal stocks of land, enlarging buildings, granting housing benefits to needy tenants and promoting social housing. This is already being practised in Frankfurt and Berlin and elsewhere and contributes to expanding the housing supply and keeping housing affordable for low earners as well. Measures with negative side-effects include expropriations and caps on rental increases that sharply reduce rental incomes. This deters investors and obstructs investment.

## In most German municipalities, rents and housing costs are rising at a moderate pace

From the first half of 2018 to the first half of 2019, rents in Germany increased by 1.5% on average. This increase was slightly below that of consumer prices (Figure 1). Over the longer term, from 2008 to 2018, annual rent increases were even more moderate. Total housing costs for tenants and owner-occupiers including utilities rose at roughly the same rate as rents.<sup>1</sup>

**Figure 1: Rents have increased more slowly than incomes in recent years**

Increases in the relevant period, in per cent.



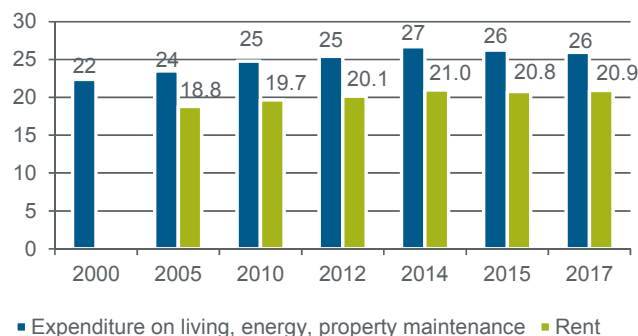
Source: Federal Statistical Office.

## Relative housing costs have fallen, both for cities and for low earners

The share of income spent by owner-occupiers and tenants on housing dropped from 26.7% in 2014 to 25.9% in 2017 (Figure 2).

**Figure 2: Relative housing costs have fallen since 2014**

Percentage of disposable income, in per cent.

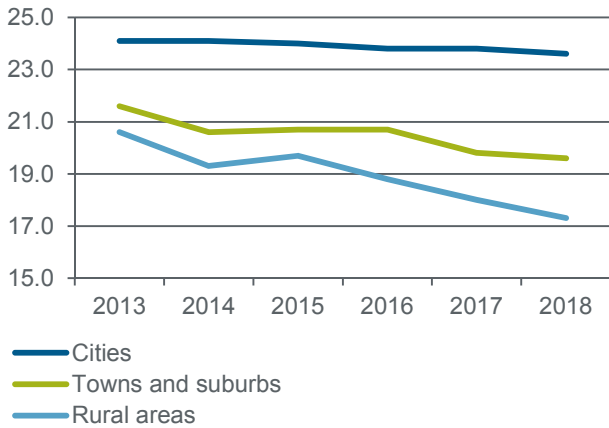


Source: Federal Statistical Office.

**Relative housing costs decreased on average from 2014 to 2018, including in densely populated urban regions, if only moderately (Figure 3).**

**Figure 3: Relative housing costs have dropped overall, including in cities**

Share of housing costs (less housing benefits) in disposable income (less housing benefits) by degree of urbanisation, in per cent (median)

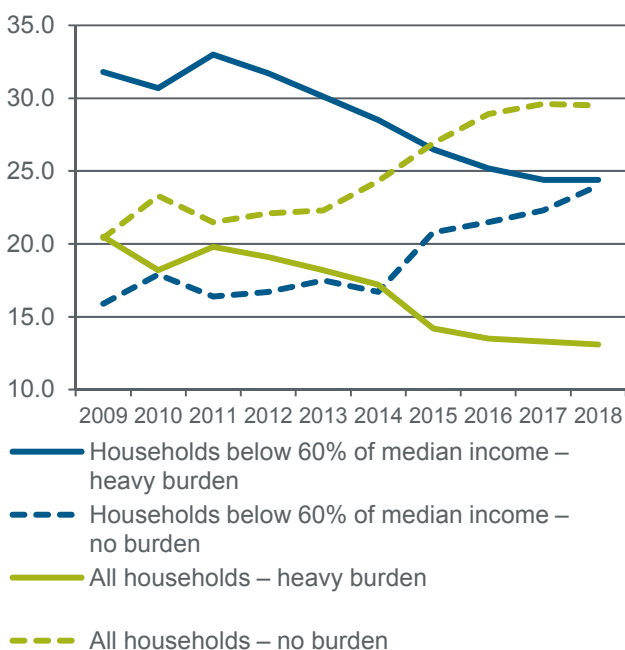


Source: Eurostat.

**The perceived housing cost burden has also decreased, including for low earners.** In the EU-SILC Panel, 24% of all low-income households with less than 60% of median income described their housing costs as a severe burden in 2018 (Figure 4).<sup>2</sup> Almost the same proportion of these households did not see their housing costs as a burden.

**Figure 4: The perceived housing cost burden has decreased, including for low earners**

Share of households that see their housing costs as a heavy burden or no burden, in per cent.



Source: Eurostat.

The low rent increases and decreasing housing cost burden reported by the Federal Statistical Office and Eurostat appear to contradict other surveys, which have identified much higher rent increases in the growing conurbations. In the following, we examine to what extent a different picture emerges for the rental housing markets in Berlin and Frankfurt am Main.

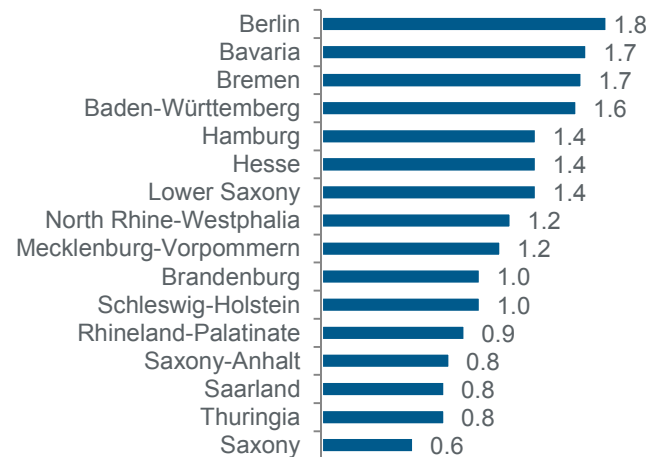
**The Berlin housing market**

**Moderate rental increases on existing agreements, high increases for new rentals**

Berlin does not exhibit an unusual rent price trend in the official price statistics for the federal states. It is true that rents increased there at a higher rate than in any other federal state from 2015 to 2018. However, the average annual rate of 1.8% is not a spectacularly high increase. In Bavaria and Baden-Württemberg it was hardly any lower (Figure 5). How can this be explained against the backdrop of reports about high rental increases in Berlin?

**Figure 5: The rise in the general level of rents in Berlin is not exceptionally high**

Average annual increase of rents net of utilities from 2015 to 2018, in per cent, according to the consumer price index.



Source: Destatis.

The answer is that the rental housing market in Berlin is divided, as it is in other growing and expensive cities. It is split into households whose rental agreements have remained unchanged for years and those that enter into new rental agreements. According to the rent index, the comparative rent (net exclusive of utility payments) for Berlin is EUR 6.72 in 2019.<sup>3</sup> The comparative rent indicates the average rent for rental agreements entered into or amended in the past four years. The median quoted rents for homes newly rented out was a much higher EUR 10.32 in 2018.

**The high rent increases primarily affect rents quoted for new rental agreements. These, however, represent only the smaller part of the housing market.** According to estimates by the German Tenants Association (*Deutscher Mieterbund*), each year 2 to 3 million rental agreements are newly entered into, representing a mere 5 to 7% of housing stock.<sup>4</sup> If the rents for 5% of the housing stock are raised each year by 10%, for example, the level of rents would be

10% higher in 20 years. For the overall housing market, however, that would result in an annual rent increase of only 0.5% over the entire period. The focus on the quoted rents makes the rental increases of the past years appear much more dramatic than they were for the overall housing market.

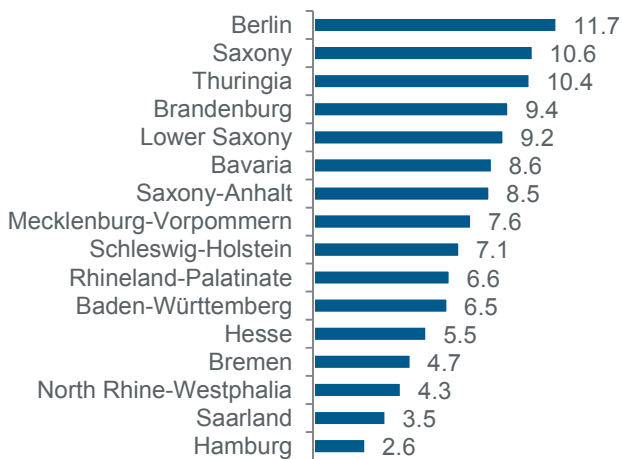
**High rent increases are mainly a consequence of immigration and economic catch-up**

One reason for the high rent increases is the increased housing shortage due to population growth. From 2008 to 2017, Berlin's population grew by around 180,000 to 3.61 million. The number of homes grew by a mere 40,000 to 1.93 million. From mid-2017 to mid-2019, the population grew by a further 40,000 people.<sup>5</sup>

The growth of the population was coupled with a considerable growth in employment. In the past five years, Berlin's gross domestic product per capita grew more strongly than that of all other federal states (Figure 6). It was followed by Saxony, Thuringia and Brandenburg, which are also continuing to catch up economically. The boom led to a significant reduction in unemployment. It dropped from 19 to 8.1% almost without interruption from 2005 to 2018. The boom was also accompanied by noticeable income growth. From 2010 to 2017, average net incomes of private households in Berlin grew by 28.6% (Figure 7). **One of the consequences of this is that higher-income households are increasingly demanding higher-quality homes at higher rents.**

**Figure 6: In the past five years, Berlin grew faster than any other federal state**

Growth of real GDP per inhabitant from 2013 to 2018, in per cent.



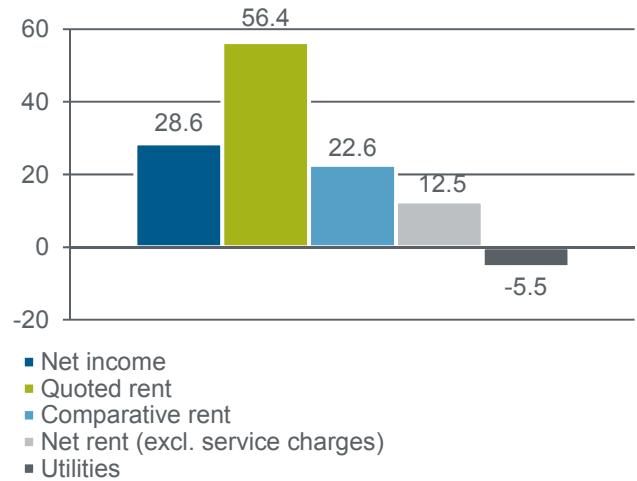
Source: State accounts.

Rents grew at a much slower rate on average than incomes. **From this it can be concluded that the average relative rent costs have fallen. But this does not apply to households that must find a new home.** The rents quoted on new agreements have risen at more than twice the rate of incomes. According to the micro-census data, rent as a proportion of net household income in Berlin was 28.2% in 2018, slightly above the national average of 27.2%. The states with the highest relative rent costs were Bremen and Hamburg with around 30%. Tenants in Thuringia and Saxony enjoyed

the lowest relative rent costs (around 22%).

**Figure 7: Only the quoted rents are rising at (much) higher rates than incomes in Berlin**

Variation in Berlin from 2010 to 2017, in per cent.



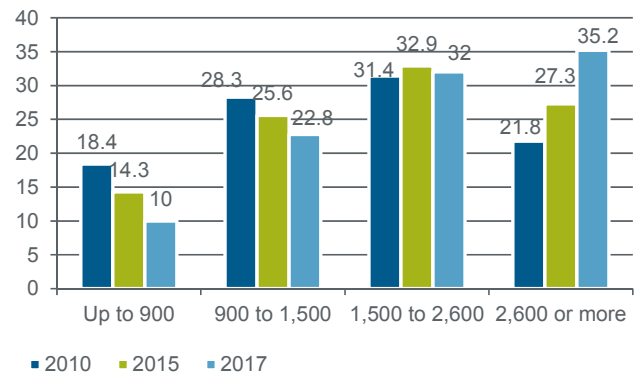
Source: IBB Housing Market Reports, Destatis, own calculations.

**The share of low earners with an income of up to EUR 1,500 in Berlin's households has dropped sharply**

(Figure 8). In return, the share of households with an income of EUR 2,600 or more has grown considerably. It cannot be inferred from the figures to what extent they hide a crowding out of low earners. However, it can be assumed that the decreasing share of households in the low income brackets is due to a significant degree to the strong upward trend in incomes. This may be because new arrivals earn higher incomes or because the long-standing residents' incomes have risen.

**Figure 8: Share of low earners in Berlin is down – have their incomes grown, or are they being crowded out?**

Income classes in euros, share of households in these classes, in per cent.



Source: IBB Housing Market Report 2018.

**The rental dynamics in Berlin have slowed noticeably**

According to the Berlin Housing Market Report, the rise in rents has recently slowed, both for quoted rents and for comparative rents. But quoted rents still increased by 5.4% from 2017 to 2018. From 2017 to 2019, the average comparative rent grew at a considerably slower rate of 2.5% per year. **Compared with the previous two-year period, the in-**

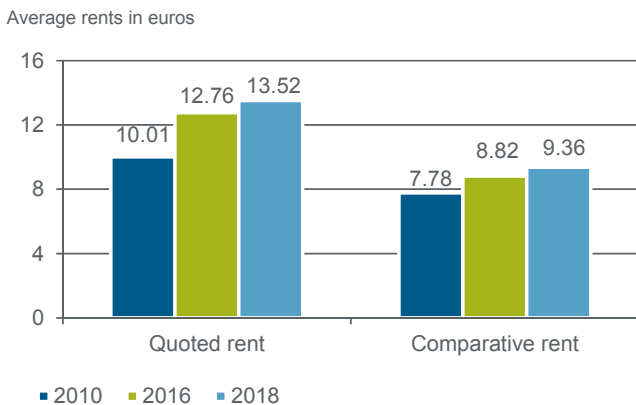
crease in comparative rents has thus halved.

**The Frankfurt housing market**

**Rents have increased at a lower rate than in Berlin but are much higher**

As there are no official price statistics for Frankfurt, no data are available on rent increases for the housing market as a whole. The average comparative rent in 2018 was EUR 9.36 (Figure 9). From 2014 to 2018, the comparative rent in Frankfurt rose by 2% per year. Thus, rent increases were much lower than in Berlin. However, measured against comparative rents, the level of rents in Frankfurt is still around 40% higher than in Berlin. At EUR 13.52, quoted rents in Frankfurt in the first half of 2018 were also substantially higher than in the federal capital. The different levels of rent are the consequence of historic trajectories, diverging real estate prices and continuing differences in income levels. According to regional national accounts data, disposable household incomes per inhabitant in Frankfurt are around 10% higher than in Berlin. Thus, compared with Frankfurt, rents in Berlin are still considerably lower in relation to income as well.

**Figure 9: Quoted rents are significantly higher than comparative rents in Frankfurt too**

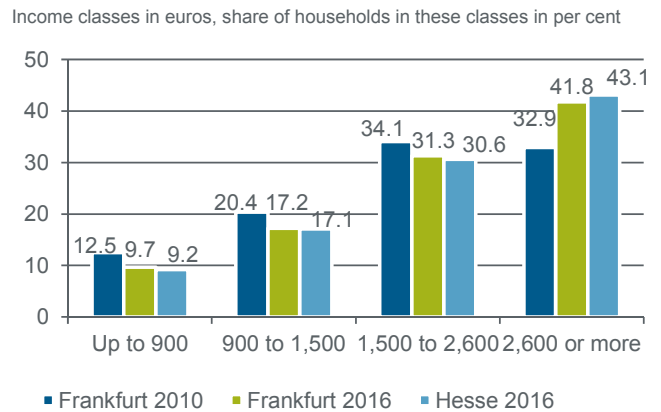


Sources: Housing market reports of the City of Frankfurt, Federal Institute for Research on Building, Urban Affairs and Spatial Development

**Immigration and rising incomes have driven rents upward in Frankfurt as well**

From 2010 to 2016, the number of inhabitants grew by 10% to around 762,000<sup>6</sup>. During the same period, the number of residences in Frankfurt increased by just 4% to 378,000. The proportion of households in the lower and medium income bracket has also fallen in Frankfurt but not as sharply as in Berlin. This is further evidence for the fact that Berlin is catching up economically and explains the higher rental dynamics there. Compared with Hessen, the lower income brackets are slightly more populated in Frankfurt (Figure 10). Hence there is no evidence that low earners are being crowded out of the city in significant numbers. One likely reason for this is that the majority of tenants are on existing agreements with largely steady rents that are far lower than the quoted rents.

**Figure 10: Income bracket distribution in Frankfurt resembles that of Hessen**



Source: Frankfurt Housing Market Report 2017.

**The data indicate falling relative rent costs in Frankfurt too**

In 2014, average relative rent costs (including utilities but excluding hot water and heating) in Frankfurt were 28.6% of disposable income. Lack of data makes it virtually impossible to estimate how the relative rent costs have since developed. But there are points of reference: Disposable incomes per inhabitant increased by 11.7% and comparative rents by 9.2% from 2012 to 2016. This indicates decreasing relative rent costs over that period. As the cost of heating oil also dropped sharply during these years, total housing costs for renters relative to income have probably also fallen on average. But here as well, the trend does not apply to all households, especially not for those that rented a home on a new agreement.

**Conclusions on the Frankfurt and Berlin housing market**

Berlin and Frankfurt need to create more housing for more inhabitants with more purchasing power. Particularly in Berlin, rising rents are also a result of the economic catching-up process. The completion of new homes is lagging far behind the growing demand. The resulting scarcity has led to sharp increases in rents. These increases mainly affect tenants who are looking for a new home or have to enter into a new tenancy agreement. However, comparative rents have been rising significantly more slowly in Berlin in the past two years. This indicates that pressure on the tight housing market has already begun to ease. A comparison of income structures between Frankfurt and Hessen shows that, despite the high rents in Frankfurt, the share of low earners residing within the city is not lower than in the state as a whole. Financial housing benefits and social housing promotion probably play a major role here.

**What can housing and social policy do to ensure that rent increases are socially acceptable?**

**Build more homes**

The rising rent burden in conurbations was triggered by a shortage of housing supply. Building more homes is therefore the countermeasure that addresses the cause. The instruments that can enable and promote this include designating and making use of building land, closing building gaps, re-

ducing vacancies, creating housing from existing stock, building dwellings with more floors and speeding up building permits and completions. Cost reductions can also help.

### Take measures against the rising price of land

A significant cause for the high rates of increase in quoted rents are the sharp rises in the prices of land and real estate. Landlords who purchase residential real estate at significantly higher prices must also charge tenants significantly higher rent in order to prevent their investment from becoming much less profitable or making losses. In the longer term, keeping adequate municipal stocks of land enables municipalities, as an important market player, to contain the increase in the price of increasingly scarce building land. An effective instrument can be the awarding of leasehold rights. A municipal right of first refusal would also give municipalities a mechanism for exerting influence. Implementing the recommendations of the Building Land Commission should help improve supply and contain the increases in land prices and quoted rents.

### Ease the housing shortage in large cities

Incorporating surrounding municipalities into the housing supply of large cities would ease pressure there. Growing commuter flows show that this is already happening. In Berlin and Frankfurt, the number of commuters increased largely proportionately to the number of employees from mid-2014 to mid-2018. In Berlin, 22% of employees who are subject to social security contributions were commuters in 2018; in Frankfurt it was 64%.

The pressure on large cities (and their traffic situation) can be eased further by creating jobs in surrounding communities and by expanding and improving suburban mass public transport. Relocating local government authorities and expanding digital networks can contribute to this. Well-planned partnerships should seek to achieve not just smart and resilient cities but smart and resilient regions as well. That requires integrated urban and regional planning. In order to ensure that municipalities also have an interest in cooperating in the development of housing markets, the necessary incentives must be created in areas where they do not already exist.

### Housing benefits for the needy

Providing housing allowance and covering reasonable costs of accommodation and heating for recipients of *Arbeitslosengeld II (unemployment compensation II)*, social welfare and basic social protection during old age are proven, fast-acting, targeted social-policy instruments. Across Germany, some 3.8 million households (9% of all households) are supported with housing benefits to finance their housing costs.<sup>7</sup> Housing allowance is less significant by comparison. In Frankfurt, 1.1% of households received housing allowance in 2016 and in Berlin 1.2% received it in 2017.

### Promote social housing

There are approx. 1.3 million rent-controlled social housing units across Germany. In Berlin, around 12% of homes were

occupancy-controlled social housing units in 2018, in Frankfurt some 8% in 2017. These homes therefore play an important role in housing supply for low earners. But their social effectiveness is significantly restricted by inappropriate occupancy. According to estimates, only one in two social housing units in Germany are occupied by an eligible household. This is another reason it might be a good idea to verify whether municipalities can increase the social effectiveness by acquiring occupancy rights to housing stock. As rents for existing housing stock are usually more affordable than for new buildings, this could be a cost-effective addition or alternative to new social housing.

### Rent caps and rent freezes

Given the heated debate about rent freezes and the Berlin rent cap, we will take a closer look at these instruments in the following. In a market economy, prices are generally determined by consumers' willingness to pay and purchasing power, production costs, availability of resources and the competitive situation. In a world of scarcities, this usually ensures that consumers' needs are satisfied in the best possible manner. Governmental control of market prices is the exception because, as experience has shown, it regularly leads to less effective use of scarce resources and less prosperity.

The housing market traditionally forms part of the exceptions with price control. One reason for this is that free rent pricing in a situation of scarcity leads to undesired social outcomes. This is because scarcity leads to competition for use and the consequence may be that not everyone receives a home at the location. Free rent pricing without social conditions usually means that households that have a higher capacity and willingness to pay will come out on top.

Another reason is that in a housing shortage landlords almost have a monopolistic position. Competition among local landlords will then exist only to the extent that they will compete for the most solvent ideal tenants on housing quality. Rents will then usually be determined by the consumers' maximum willingness to pay – provided the state does not intervene with controls. If the state gave landlords free reign, in extreme cases low earners without housing benefits would only receive a home if they joined together to share living arrangements. Otherwise, they would be crowded out to the fringes. And average earners would have to accept a rent burden close to the maximum of their willingness to pay.

If the state were to adjust housing benefits in markets of scarcity to the higher rents without limitation, it would thus fund rent increases in favour of landlords and real estate owners at the expense of taxpayers. One way to contain this is to limit rent increases by capping rents. **However, in order to prevent rent caps from exacerbating housing scarcity and leading to a deterioration in housing stock, they must be designed in a way that leaves adequate incentives for investments.**

The rent cap planned for Berlin is a tightened form of rent cap (*Mietpreisbremse*) that allows only very limited scope for

rent increases. The subsequent requirement to reduce rents represents a further tightening. When the state intervenes so drastically in the housing market, serious negative side-effects are to be expected in the medium and long term:

- **Incentives to invest in new buildings will be reduced and private investors may be deterred completely.** Landlords who already owned the property previously benefit most from high rent increases. If, on the other hand, they acquired the property only at the greatly increased property prices, they may increase the rent in order to generate a reasonable return. If the rent cap is applied after the purchase, the desired return will not be achieved. Historic experiences of rent caps, such as in Berlin or Portugal, suggest that this will deter investors in rental housing. Landlords will then divert, if possible, to markets where rents are not capped or to alternative investments.
- **The less attractive rented properties become for investors, the more likely they will be converted into owner-occupied homes.** A study by the German Institute for Economic Research (DIW) has demonstrated that this explains the much higher home ownership rates in countries such as Portugal, Spain or the United Kingdom.<sup>8</sup> The supply of rental housing dropped sharply there in the long term. These market conditions make it even more difficult for renters to find a home. This affects primarily socially disadvantaged renters who cannot afford to own a home. For homes on the free market that are exempt from the rent cap, the increased scarcity leads to even higher rent increases. A rent cap can therefore have socially questionable consequences.
- **Landlords may retreat from investing in repairs and upgrades.** A range of examples illustrate what happens when repairs and upgrades are no longer or can no longer be funded by rent increases. One example that was particularly costly for unified Germany was the poor building quality in the former GDR. After the turnaround, KfW provided some EUR 40 billion in federal reduced-interest loans to enable landlords and owners-occupants in Germany's eastern states to renovate and modernise the dilapidated housing stock, not least in order to conserve energy and reduce CO<sub>2</sub> emissions.

In West Berlin, a rent cap was applied to the old building stock up to the end of the 1980s. The consequences included poor housing quality and outdated amenities such as coal oven heaters and outside toilets. There was a significant lack of homes with modern comforts for renters with medium and higher incomes. Historic newspaper articles highlight the effects which rent caps in West Berlin had on housing quality and living comfort in the post-war period.<sup>9</sup> The long-term consequences in particular generate serious problems.

Illustrative examples outside Germany are Lisbon and Porto, where rents were frozen for decades for vast parts of

the rental housing stock. Modernisation and repairs were often neglected there. The negative impacts on housing quality are still clearly visible, especially in Porto. Newspaper reports illustrated the problems here as well.<sup>10</sup>

- **Lack of affordable housing results in locational disadvantage.** Lack of acceptable housing for workers with middle and high incomes can become a locational disadvantage that impairs a city's economic development. It also reduces low earners' income and employment opportunities.
- Tying the admissible rent increase to tenants' income harbours the risk of social discrimination and disadvantage. Initially, it helps tenants who have a home. However, it is likely to make finding a home difficult for those who are searching and have a below-average income. If the tenant is entitled to demand a reduction when the rent exceeds 30% of their income, then hardly any landlord would offer their property to prospective tenants where this is a possibility. Households with a heightened employment risk would then also be more challenged in finding another rental home.
- **After a heavy rent restriction is lifted, sharp rent increases must be expected.** This will meet with resistance, which will make an abolition politically difficult. However, the longer the rent restriction continues, the greater its negative effects will be on investments and on the quality and quantity of rental housing supply.

Thus, a **conclusion** that can be drawn on the **Berlin rent cap** is that it is likely to be of financial benefit for many tenants in the short term. It also allows rental costs to be contained without putting direct pressure on public budgets. But historic experience warns us that it can become a serious obstacle to investment with negative consequences for housing quality and supply. That would create major problems for the future. Besides, in no way would it enable all tenants to afford their ideal home in every location. On the contrary: Far reaching rent controls have the tendency to exacerbate housing shortages. And the shortage also affects households with relatively high incomes, many of which are also commuters. It is therefore not just a social challenge but also has the potential to impair overall economic development.

The comparison with Frankfurt has shown that rent levels in Berlin are not unusually high for a densely populated, growing metropolis, even if they are measured against the income level. Moreover, the experiences of Frankfurt and many other cities demonstrate that rents can be kept affordable with the conventional set of instruments of the social market economy for low and medium earners. These measures include restrictions on rent increases acceptable to landlords, housing benefits for the needy, social housing promotion and, above all, the construction of additional homes. The demonstrated long-term negative side-effects of a heavily restrictive rent cap on the supply and quality of housing can therefore be prevented.

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<sup>1</sup> In the consumer price statistics, price increases resulting from quality improvements are discounted. Therefore, the actual rental increases turn out higher. On the other hand, only a small portion of housing stock is extensively modernised each year. The difference is therefore not likely to be pronounced.

<sup>2</sup> Based on the median need-weighted per-capita net income (net equivalent income) of private households. For Germany, the median income in 2018 was EUR 23,744, 60% of which was EUR 14,246.

<sup>3</sup> Because the methods are inconsistent and quality assurance is sometimes inadequate, the reliability of rent indexes is often criticised. The cities of Berlin and Frankfurt am Main commission qualified rent indices that have to meet scientific quality standards. Still, sampling errors are inevitable. A comparison with the micro-census of the Federal Statistical Office shows this. The micro-census established an average rent net of utilities of EUR 7.40 for Berlin for 2018. The Berlin rent index indicates an average rent net of utilities of EUR 6.72 for 2019. As all surveys show that rents on new agreements are significantly higher than rents on existing agreements, however, the comparative rent would have to be higher than the rent according to the micro-census. This is because the comparative rent reflects only tenancy agreements entered into in the past four years. Besides sampling errors, it may make a considerable difference whether the average rent or median rent is reported. Besides, there is always a more or less broad dispersion around these values. From all this follows that the data obtained on average rents in analyses should be interpreted as dimensions from which trends can be derived only with some uncertainty.

<sup>4</sup> <https://www.mieterbund.de/mietrecht/ueberblick/mietvertrag.html>.

<sup>5</sup> According to the local register of residents.

<sup>6</sup> According to the local register of residents.

<sup>7</sup> Arentz, O. (2018): Situation und Perspektiven der sozialen Wohnraumförderung in Deutschland, Stellungnahme anlässlich des öffentlichen Fachgesprächs des Ausschusses für Bau, Wohnen, Stadtentwicklung und Kommunen des Deutschen Bundestags, Institut für Wirtschaftspolitik an der Universität zu Köln, (*Situation and perspectives of social housing support in Germany, statement on the occasion of the public round table of the Permanent Committee on Building, Housing, Urban Development and Local Government, Institute for Economic Policy at the University of Cologne* – our title translation, in German only), <https://www.bundestag.de/resource/blob/572358/09803e765cd7ec610a2aa172ba987010/Stellungnahme-SV-Oliver-Arentz-data.pdf>.

<sup>8</sup> Cf. Kholodilin, K. and Kohl, S.: Die Regulierung des Wohnungsmarkts hat weltweit zum Siegeszug des Eigenheims beigetragen (*The regulation of the housing market has contributed to the triumph of the owner-occupied home around the world* – our title translation, in German only), DIW Wochenbericht 38/2019, p. 702–709.

<sup>9</sup> 'Reasonable rental housing is hard to find in Berlin. The total rent control has led to grotesque distortions in the housing market. Old apartments in the district around the Kurfürstendamm are less expensive than social housing – provided the tenant pays for items left behind by the previous occupant, which may be between two thousand and three thousand marks and is otherwise happy to live in a house in which no repairs were made since pre-war times and bullet holes from the battle for Berlin can still be surveyed. Conclusion: Those who cannot buy a property for half a million marks in Grunewald or fork out 22 marks per square metre in rent are stuffed' (our courtesy translation). Quoted from: Die Zeit (21 October 1977): Schluß mit der Berlin-Sülzerei, <https://www.zeit.de/1977/44/schluss-mit-der-berlin-suelzerei/seite-4>.

'The old building stock, on the other hand, remained largely unrenovated except for the popular, subsidised 'modernisation' of the war-damaged facades of old buildings by blasting away the stucco. ... What was more typical of Berlin were the briquette-burning tiled oven heaters whose operational necessities dictated the rhythm of daily life. Removals were routine in a city characterised by a permanent housing shortage' (our courtesy translation). Quoted from: Der Tagesspiegel (25.11.2014): *Diese Dinge waren typisch für Westberlin, Stadtleben-Forschung (These things were typical of West Berlin, Researching city life* – our title translation, in German), <https://www.tagesspiegel.de/wissen/stadtleben-forschung-patchwork-praegte-die-stadt/11025662-2.html>.

'Where Heinrich Zille, who for a long time resided at Schlesisches Tor in Kreuzberg, spotted the dreariness of the 'Milljöh' in cramped courtyards ('You can kill someone with a home just as you can with an axe'), there remain more than 250,000 households with oven heaters, around 60,000 of them with an outside toilet' (our courtesy translation). Quoted from: Der Spiegel (16 March 1987): Mieten, Wahnsinn im Milljöh, <https://www.spiegel.de/spiegel/print/d-13522407.html>.

The social consequences are highlighted by the Berlin Tenants' Association. Cf. Berlin Tenants' Association (28 March 2008): Das Ende der Mietpreisbindung – eine Bilanz 20 Jahre danach (*The end of fixed rents – taking stock 20 years later* – our title translation, in German only), <https://www.berliner-mieterverein.de/magazin/online/mm0308/030814.htm> and Berlin Tenants' Association: (27 March 2019): „Berliner Mietendeckel“, Kommt der Schwarze Kreis zurück? (*Berlin rent cap, is the black circle returning?* – our title translation, in German only), <https://www.berliner-mieterverein.de/magazin/online/mm0419/berliner-senat-prueft-mietendeckel-kommt-der-schwarze-kreis-zurueck-041923.htm>.

<sup>10</sup> 'In order to limit the cost of living for the Portuguese, dictator Salazar decreed a rent freeze for the cities of Lisbon and Porto in 1947. This rent freeze remained in force for more than 40 years ... Many homeowners allowed their homes in the historic centre to deteriorate: They simply did not have the money to renovate the buildings. Besides, many landlords waited for the last tenants to die in order to knock down or convert the house to an office building. And in those cases where new housing was created, what remained of the old house in the best of cases was the facade, while everything inside was ripped out and modernised. Actually, this is often necessary because many old buildings are in a disastrous state as the roofs are leaking and no renovations were ever carried out – some of them even have no basic sanitation such as a shower or toilet' (our courtesy translation). Quoted from: Beck, J. (2011): Verfallene Schönheit, Die Zeit, <https://www.zeit.de/reisen/2011-12/lissabon-altstadt-immobilie>.

'The fixed rent was abolished in 1981 – seven years after the Carnation Revolution – but the price freeze for existing agreements remained in force until 2012. At that time, around one third of all properties in the rental housing market were affected. ... For many old buildings, the policy about-turn came too late. The consequences of the Salazar law still catch the eye of visitors to Lisbon and Porto to this day. Entire blocks of houses, for example in the capital city's famous Bairro Alto, are so derelict that the only way people knew how to help themselves was to brick up all windows and doors and secure them with wooden beams to keep them from collapsing.' Quoted from: Hamacher, S. (2016): Portugal – Dem Verfall überlassen (*Portugal – left to decay* – our title translation, in German only), Frankfurter Rundschau, <https://www.fr.de/fr-serien/verfall-ueberlassen-11200084.html>.