



Berlin's New Rent Control Laws Are Already Working

The "rental price brake," introduced on June 1st, is the city's most comprehensive tool to date for keeping rent affordable.

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Berlin's brand new rent control laws are already bringing down costs. That is the conclusion announced yesterday by Germany's number one real estate site after tallying its latest figures.

*Submitted by Barbara Duncan
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Barely a month after the German capital introduced a new set of rules that limits rent increases within a given area, figures collected by [ImmobilienScout24](#) show that the average cost of new Berlin rental contracts has dropped 3.1 percent within a month. This can't be written off as an example of a general countrywide downward trend. In other German cities where such laws haven't yet been introduced, rents have remained more or less static. This is good news for the legislators of Berlin's Senate as their new law is doing exactly what they promised the electorate that it would.

The new law introduced on June 1st—called the *mietpreisbremse* or "rental price brake" in German—works like this. An overseeing body fixes a standard median rent per square meter for each city district, using figures based a biennial state census of rents. No new rental contract within the district is then permitted to charge over 10 percent more than this amount. This still means that price increases for new rentals are possible, but if they come, they happen far more slowly.

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The law is intended to hinder galloping rent rises in a town that has seen inner city tenement districts become increasingly unaffordable, pushing long-term residents out and destroying the vibrancy that made these areas attractive to live in in the first place. This process started with inner districts like Kreuzberg, currently the site of a passionate, surprisingly high profile fight to save a local grocery store. But it doesn't stop there. Such is the ripple effect that gentrification has even been noted in the pleasant but eternally unhip outlying district of Spandau.

To counteract this, Berlin has already introduced some other laws intended to stop real estate hotspots from overheating. The city has acted upon national Community Defense laws that allow it to pinpoint areas where rents are rising especially fast and forbid luxury conversions that would otherwise give landlords a legal right to raise rents. The city has also banned vacation rentals in some places to prevent much needed permanent accommodation from seeping away from the rental market. However, the rental brake is the most comprehensive tool introduced to date.

The new laws could prove especially strong and durable in Germany because of other pro-tenant legislation already in existence. German tenancies are typically long—in fact, they are generally open-ended. This means tenants can stay in their apartments for decades on the same contract, with just some small rises permitted within the terms of the contract. German tenants can also not be evicted on a whim. They can only be thrown out for misbehavior or failing to pay rent, or if the landlord proves that she wants to move in and use the apartment as her own permanent address. Take all this together and you have a pretty tight net of legislation forming to keep rents manageable. Meanwhile, concerns that rent control will cause the supply of apartments to dry up have been partly appeased by a city-wide building program that should deliver 30,000 new rental apartments over the next decade.

It's a little naïve to see the rent control laws as simply a triumph of the rights of the little guy.

So why is Berlin doing so much to fight rent rises when other cities are similarly afflicted but do far less to intervene? It's perhaps a little naïve to see the rent control laws as simply a triumph of the rights of the little guy. One reason why they may have made it through is because Germany is a country where more people rent than own. This doesn't just help foster consensus on renter-friendly

legislation. It also means German renters have more wealthy, empowered people among their ranks—the sort of people who, in other countries, might be owner-occupiers pressing for greater rights as landlords.

Without this wealthier section of renters, other cities might struggle to get as much political momentum behind rent control laws. But the fact that Berlin's combination of tenants' rights, rent brakes, and large-scale apartment building already shows tentative signs of being effective is still persuasive. If the situation for renters continues to improve, Berlin could well provide solutions to the housing affordability crisis that more laissez-faire administrations might increasingly find impossible to ignore.

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About the Author



Feargus O'Sullivan is a London-based contributing writer to CityLab, with a focus on Europe.

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ARTICLE 6. NO DISCRIMINATION

Developer covenants, by and for itself and any successors in interest, that there shall be no discrimination against or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall Developer, itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, subleases or vendees in the Property.

Notwithstanding the forgoing, the property shall be operated as housing for senior citizens in accordance with applicable federal and California law (including, without limitations, the California Unruh Civil Rights Act).

ARTICLE 7. NO IMPAIRMENT OF LIEN

No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other financing or security instrument; provided, however, that any successor of Developer to the Property and Housing Project shall be bound by such covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

ARTICLE 8. DURATION

The covenants contained in Articles 2, 3, 4 and 5 of this Agreement shall be deemed to run with the Property and Housing Project until the date which is fifty-nine (59) years following the Effective Date. The covenants against discrimination contained in Article 6 of this Agreement shall run with the land in perpetuity.

ARTICLE 9. SUCCESSORS AND ASSIGNS

The covenants contained in the Agreement shall be binding upon Developer and its heirs, successors and assigns, and such covenants shall run in favor of the City and its successors and assigns for the entire period during which such covenants shall be in force and effect, without regard as to whether the City is or remains an owner of any land or interest therein to which such covenants relate. In the event of any breach of any such covenants, or breach of any of Developer's obligations under this Agreement, City and its successors and assigns shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in the Agreement, without regard to technical classification and designation, shall be for the benefit of and shall be enforceable only by the City, and its successors and assigns.

Revised Page
Exhibit 1
6-D
7-21-15