

Housing Co-operatives in Germany

History

Influenced by British examples, housing co-operatives were first established in Germany in the 19th century. The first homeownership housing co-operative was founded in 1862 in Hamburg and in 1885, in Hannover; the first rental housing co-operative was set up. The adoption of the Co-operative Act in 1889, limiting member's liabilities, saw a breakthrough in co-op housing development.

The bulk of coop housing development happened after the Second World War when Germany, as all European countries, faced a severe housing shortage. 58% of the current housing co-operatives portfolio in Western Germany was developed between 1949 and 1970 and a majority of this was financed through the social housing system. In Eastern Germany, there were two types of housing co-operatives. Some were founded before the World War II as not-for-profit housing co-operatives. The majority were built after the adoption of the Law of Workers' Housing Co-operatives in 1953. These housing co-operatives were subsidized significantly by the government.

The political change and reunification brought major state financial investment to the Eastern Germany housing co-operative portfolio. Financial assistance was directed mainly toward rehabilitation and maintenance. However, investment dropped after 1999 as the housing co-operatives were, and still are, facing high vacancy rates associated with on going migration.

1986 marked the beginning of the decline of state involvement in housing co-operative development with its financial withdrawal. The non-profit law was abolished in 1990; the social housing stock was reduced due to a requirement for reimbursement of previous state subsidies. The 2000 social housing reform simplified the legal framework and put emphasis on the people most in need.

In 2002, the Federal Government set up an Expert Commission whose objective was to develop and strengthen housing co-operatives as a third alternative to rental housing and ownership. The experts proposed several recommendations to politicians, the housing co-operatives and the housing co-operatives movement (federations).

Context

The ongoing migration from east to west, mainly due to better job opportunities, and a remaining difficult housing market has hit the co-operative housing portfolio in Eastern Germany over the last 15 years. Nevertheless, housing co-operatives are better off than municipal housing companies in Eastern Germany. Prefabricated housing is now very close to western standards. Advantageous loan conditions from the State Bank KfW made possible the modernization of housing co-operatives stock.

Another aspect of the Germany's housing sector worth noting is the expected decline of the public housing portfolio from the housing market over the next decade as privatization continues through unit sales.

In this context, the recommendations of the Expert Commission given in 2004 are key. The experts made clear that “housing co-operatives must seek to fulfill their potential”¹. These experts supported the housing co-operatives form of tenure and made recommendations to the politicians to:

- recognise housing co-operatives as a key form of tenure in today’s German context
- put in place measures whether financial and legislative to ensure their development.

The experts also recommended to the housing co-operatives and their federations to:

- inform the general public about housing co-ops
- improve the housing co-operatives’ performance by training and new management practices.

Housing co-operatives in Germany are of great importance both in terms of their quality and numbers. Together with municipal housing companies, they are key players in urban development and renewal in the eastern and western parts of Germany.

The Co-op Housing Movement

The Federal German Housing and Real Estate Organization (GdW) is the biggest nationwide umbrella organization for housing, its membership includes 2,000 housing co-operatives, 723 municipal/public housing and 160 private housing companies. It has a three-tier structure and these organizations are represented in GdW by their respective 14 regional federations. Housing co-operative membership in the regional federations is mandatory.

GdW and its regional federations share the work of advocacy, legal, financial and technical advices to housing co-operatives, research, training and communication at the federal and regional levels. In addition, regional federations have an auditing function with regard to their housing co-operatives.

Founded in 1969 by GdW and its members and incorporated under a separate legal entity, the DESWOS German Development Assistance Association for Social Housing is the international development arm of GdW. DESWOS is building low-cost housing based on cooperative principles.

For more info, go to www.gdw.de (German only)

Statistics

There are approximately 2,000 housing co-operatives in Germany with 1,200 located in West and 800 in East. Half of the portfolio has been built between 1949 and 1970. Housing co-operatives represent 10% of the total rental housing stock in the country with 2,200,000 units and 3 million individual members. All housing co-operatives in Germany are rental with 40% of the stock

¹ « What are the attitudes of young people towards housing co-operatives in Germany? » RICS Research, November 2006

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being “pure rental” giving them access to the corporate tax relief. 5 million people are living in housing co-operatives, representing 6% of the German population.

In East Germany, nearly 75% are large housing co-operatives with 7,500 and more units per co-operative. In Western Germany, 66% of the housing co-operatives have up to 1,000 units per co-op and the rest of the portfolio has larger housing co-operatives.

Description

The main characteristics of the German housing co-operatives are:

- Low-rise buildings in Western Germany and high-rise buildings using the prefabricated slab method in Eastern Germany
- Mainly located in urban areas, not so active in rural areas
- The co-operative owns the property (building, units) and the members are tenants.
- Members buy shares and the amount varies from one co-op to another. When leaving the co-op, the initial amount is reimbursed to the members at nominal value by the co-operative.
- Members enjoy security of tenure through a perpetual lease as long as they comply to the terms of the occupancy contract.
- Rents are regulated and can increase within certain limits.
- Some housing co-operatives have developed other services for the elderly, kindergartens, etc.
- Co-op by-laws rule the non-profit principle and the use of surpluses must be decided by the General Assembly (non-profit principle was previously enforced by law)
- Almost every housing co-operative has non-resident members (individuals and legal entities). These non-resident members are promoting members, which means that they support the housing co-operative by investing money into it. Co-operatives pay limited dividends on their shares (4%). They are invited to the General Assembly but they have no voting power.

Financing

The only financial assistance from the federal state available to housing co-operatives is the corporate tax relief for rental housing co-operatives. The financial incentive schemes are only dedicated to social housing and housing co-operatives do not use it anymore. Housing co-operatives are exclusively financed through member contributions and mortgages.

40 housing co-operatives own their savings institutions. The members put their individual savings in their saving institution for middle- and long-term investment with an interest rate that is a little higher than a commercial bank. The members get back the interest earned at the end of the investment contract. This arrangement provides working capital for the housing co-operative that can be used for building modernization and maintenance. These housing co-operatives are successful and financially sound.

Legal Framework

The legal instruments for the housing co-operative sector are:

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- The Co-operatives Act, first adopted in 1889, which was reformed in 2006. The Act determines the co-operative's organizational rules, including their business conduct.
- The Rent Regulation Act rules the obligations and responsibilities of all landlords of rental dwellings, including housing co-operatives such as rent increases.