

Housing Markets in Britain and Germany: like chalk and cheese

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<http://anglodeutsch.eu/housing-markets-britain-germany-like-chalk-cheese/>

The new AngloDeutsch™ Blog theme will seek to compare and contrast the housing markets in Britain and Germany with the aim of showing that though the two have similarities, such as recent concerns with rents and prices and affordability, in reality, the two housing systems are so different as to be like chalk and cheese.

Housing is a Basic Right

The right to adequate housing and shelter is recognised in the United Nation's [Universal Declaration of Human Rights](#), as well as many national constitutions. Yet two housing issues unite British and German citizens at the moment; the perception of rapidly increasing rent levels and the fear of being unable to secure affordable housing for rent or for purchase. These issues will preoccupy the population and thus the politicians and media in both countries for the foreseeable future, hence the reason for selecting as the second main focus of the AngloDeutsch™ Blog.

Housing Crisis in Britain

In the case of Britain, the housing crisis will undoubtedly be a major talking point in the lead-up to the General Election in May 2015 and for the medium-term. The issues include low levels of housing construction compare with demand, the long waiting lists for social housing, overcrowding, security of tenure, lack of affordable housing due to soaring rents in the private renting sector and high prices of owner occupied homes, at the same time as real wages are being squeezed. It not uncommon for about 50% of net household income to be consumed by housing-related costs in certain parts of the country. The notion of housing as an investment asset, rather than as a fundamental human right is creating tensions and ill-feeling towards the older generations (especially the Baby Boomers who are perceived to be the big winners in the long asset price boom), as well as high net value investors.

Housing Issues in Germany

In Germany, there is a recent trend of increasing house prices, but this must be set alongside a long-term trend of over two decades of real decreases in house prices. The Bundesbank has been issuing warning of the dangers of an over-heating housing market. However, in reality, the recent price increases are modest compared to what has been witnessed in the UK and other EU countries in the last three decades. Nevertheless, the issue of housing affordability is becoming more of a concern, especially in cities such as Hamburg, Frankfurt, Munich and Stuttgart. The growing concerns have recently motivated the German cabinet to approve a draft law to cap rents at 10% above the regional average in areas with a “tight” housing market.

Like Chalk and Cheese

But there the similarities end; the fact is that the housing systems in the two countries are like chalk and cheese. A few points highlight the differences, though I shall not mention which countries are being referred to (in truth, it should not be hard to guess given the preamble):

- The housing system in one country is pretty stable, whereas the other can only be described as volatile.
- The long-term price trend is declining in one whereas it has increased sharply in the other.
- One is a nation of house buyers, but the other is a nation of renters.
- In one private renting is very small and only for those that cannot afford home ownership, but is widely considered to be a high quality, affordable long-term option in the other.
- Social housing is also an affordable and good quality option in one, but is mostly seen as a last resort in the other, that is if people can actually get on to the waiting lists.
- One has no rent control and modest tenant protection, whereas both are strong in the other.
- In one housing construction is a key part of the economy and is mostly targeted at the mass market, whereas a significant proportion of new build, especially in the capital, is speculative and for the wealthy in the other.

Policy-makers can learn from each other

The second main theme of the AngloDeutsch™ Blog will compare and contrast the housing system in Britain and Germany. There is significant potential for policy-makers in both countries to learn from each other, despite the clear specificities and uniqueness. I plan to focus on key themes such as:

- The differences in the housing structure in the two housing systems.
- The variation in the house price trends and the reasons for it.
- The differences in the housing finance system.
- The reasons why one housing system has consistently delivered high quality, affordable homes, whereas the other has consistently failed to do so over several decades.

Part of the rationale for choosing the housing topic is to illustrate that the housing crisis has little to do with immigrants or outsiders ([see my earlier posts](#) on this topic), something which is increasingly referred to in the context of Britain being a small, high density island with supposedly no space for further housing construction. If anyone is to blame for the slow build-up of the housing problem, it is the “insiders” who have been entirely in charge of the housing system. They like nothing better than deflecting the blame to all and sundry, especially non-voters, rather than draw attention to themselves and the role they have played or rather systematically failed to play. This applies to housing, as well as other themes of concern in this Blog, including health and education, over which the other favourite target of the insiders for the blame game, namely the European Union, has little or no influence over, let alone control of.

I hope you will find the housing theme interesting in the next few weeks. At the same time, I shall continue to cover the issues of immigration and the European Union, so as to keep up a variety of posts.

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