



### Housing policy - the German 'social market economy' model

The German housing system can be described as a mixed market wherein privately owned stock is rented to individuals (60%), and people live in their own properties (40%). The rental sector is characterised by a wide diversity of landlords; e.g., there are a great number of owners that only own a small number of units ('*Kleinvermieter*' – 37%) and big companies with tens of thousands of rented units (23%). In addition, close to 5% of housing within this sector is managed by housing cooperatives, similar to the size of the segment that is managed as social housing.

#### Key features

- ✓ Regulation of all aspects concerning the relationship between tenant and landlord (prices, refurbishment, termination of contracts, eviction, etc.).
- ✓ The state actively helps individuals with affordability issues by paying housing benefits and applying rent control to ongoing rental contracts.
- ✓ When temporary structural problems with the housing/rental market are perceived (affordability and availability issues), supply-side-related instruments are strengthened.

#### Challenges

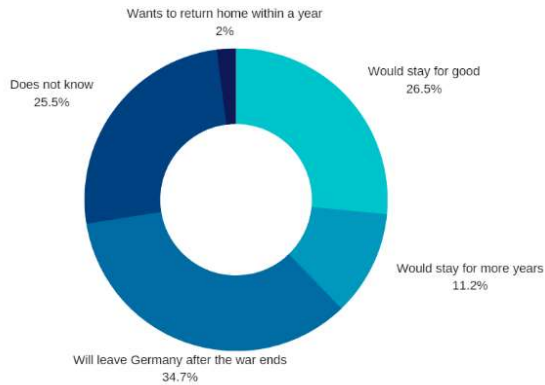
- ⚠ Rising land prices in agglomerations, building costs, and additional acquisition costs, prospective homeowners are increasingly forced to move to the periphery of cities or refrain from acquiring housing assets.
- ⚠ Lower- and middle-income groups are now strongly affected by affordability problems. This is because the rent price level has increased, especially in bigger cities, contributing to the lack of affordable dwellings.
- ⚠ Large families with a migration background, single parents with (several) children, and people with health-related problems are particularly liable to have issues accessing the housing market.

### Main legal regulations concerning migrants and refugees

Upon arrival on the territory of Germany, people fleeing Russia's war against Ukraine must apply for temporary protection to receive accommodation from the border authorities in line with a specifically designed reception programme. The federal state operates the first places of reception, and people have very limited freedom to decide to which state, municipality, or facility they would like to move. In fact, only if refugees obtain employment they are allowed to proceed further. Humanitarian needs are addressed at the reception facilities until long-term accommodation is found.

Since June 1, 2022, **Ukrainian refugees have been able to access rights according to the Social Act**. This change in the legal context is called the *Rechtskreiswechsel* (Legal Circle Change). Whereas previously, social agencies would have dealt with new arrivals according to Asylum Law, now either Jobcenters (for those able to work) or the social agencies of the municipalities/communities (all other cases) are in charge of awarding support according to German Social Law. As a result, the refugees will now receive slightly more support via the latter two institutions. The other great advantage is that **financial and integration support is now combined and available in one organisational bundle**.

## Current refugee situation



The **profile** of the UAR households is characterised by vulnerable groups (women and children). Up to one-third of refugees have a disability. Many refugees **want to return home** after Russia's war on Ukraine ends but are – for now – forced to stay and integrate in Germany.\* The following Federal States accommodate most Ukrainian refugees: North Rhine-Westphalia, Bavaria, Baden-Württemberg, Lower Saxony, and Hessen.

## Accommodation

Two factors have been pivotal in the early accommodation and integration of UARs in Germany: (1) a **strong welcome culture** and (2) a **whole-of-society partnership approach** to finding solutions. In December 2022, **74% of respondents were living in private accommodation**, and only 9% were in publicly provided group housing for refugees. State authorities determined the current place of residence for only 16% of UARs. In the meantime, some of those people who were privately accommodated had to switch to state-based accommodation because they could not find their own apartments. Members of the Ukrainian diaspora have been acting as first-line responders as well as contact and information points.

### Immediate-response programs

Short-term accommodation solutions for UARs have been guided by the explicit political goal of offering **'decentralised/dispersed solutions'** and emphasis on **rapid integration**. The **initial institutional model** of UAR accommodation has been based on **ad hoc responses**. As in Berlin, many civil society organisations (480 entities just in Berlin) are grouped under the Alliance4Ukraine (A4U) umbrella that links civil society groupings with the local and regional state. Private residents get some financial support for providing housing for refugees. The amount of this **accommodation subsidy** has differed across municipalities and communities and takes into account local rent levels. Hotel accommodation has been subsidised per day and person. Since the 'Legal Circle Change', accommodation costs have been determined by the Cost of Accommodation (*'Kosten der Unterkunft'*) rules of the Jobcenters. **Private and philanthropic resources** play an important role in ad-hoc support and crisis relief. Many refugees use their own funds. **The establishment of individual accommodation contracts** can be seen as a local institutional innovation.

### Long-term solutions

The search for long-term housing solutions to the Ukrainian Refugee Crisis is still in the early stages. **Organisationally, established social and charitable associations are becoming more involved** (e.g., Paritätische, Caritas, Diakonie, Johanniter, and the German Red Cross), as well as multiple state agencies. More structural local accommodation and integration solutions mainly involve the **effective working of municipal institutional systems**. Financial support is also available for local initiatives to develop accommodation capacity: for example, **subsidised loans for municipalities**.

## Gaps

- ⚠ **Locational problems and mismatches:** there is adequate capacity to manage the refugee housing crisis largely by utilising unused housing stock located throughout the country, including making space fit for use. However, in reality, housing stock availability (in East Germany and rural parts of the West) and refugee preferences for location diverge strongly. The rural–urban divergence is critical.
- ⚠ **Legislative system:** the consequences of the differentiated treatment of those who come to Germany subject to the Immigration Act compared to those who enter the country and are treated according to the German constitution as asylum seekers. Differences notably include access to housing and labour markets.
- ⚠ **Financial framework:** federal finance flows between the Federal States, municipalities, and communities are contentious and sometimes delayed. There have also been delays in making compensatory payments to private landlords. There is an investment gap in relation to the critical infrastructure for integration, i.e., schooling. Price increases in the service and construction sectors further exacerbate the housing shortage.
- ⚠ **Main housing regime framework and feasibility of long-term solutions:** the current dynamic influx of UARs is exerting substantial additional pressure on the urban subsidised housing segment. Economically better-off households may be contributing to the squeeze on the middle strata concerning homeownership arrangements.
- ⚠ **Inadequate physical composition of housing stock:** as refugee flow is associated with relatively positive expected labour market outcomes, high labour force participation for women, and a large proportion of children and families, bigger apartments are needed that are suitable for families that are of at least a moderate quality.
- ⚠ **Cultural acceptance issues:** Residential settings illuminate a number of cultural gaps that, if untreated, may reinforce stigmatisation and socio-spatial segregation.
- ⚠ **Lack of needed social assistance and other services:** UARs, especially early arrivals, possess exceptionally strong social capital (diaspora network, digital affinity) and partly related solid cultural capital for navigating settlement and integration pathways. Later UAR arrivals, however, are less likely to possess the resources needed to integrate and may exhibit more and multiple vulnerabilities and need to rely much more on the German State for housing and associated services.
- ⚠ **Information gaps hinder effective decision-making:** inconsistent quantification and measures by the Federal Government/Administration create data gaps and data ‘islands’. The details of the current pendulum migration dynamics are largely unknown, and future demand for refugee housing is extremely uncertain. Moreover, the extent of the current economic downturn, the implications of further interest rate rises, and the impact of mounting cost-of-living pressures for many are triggering significant uncertainty on the supply side.

## Future perspectives

We are now witnessing a **shift from a self-organized, grassroots humanitarian assistance/crisis response based on solidarity to more systemic housing-led solutions for UA refugees**. Accordingly, humanitarian interventions, basic social security access, language, and cultural orientation, labour market, and training access, childcare and schooling, as well as social and cultural integration, are on the agenda. In addition, it is vital to strengthen the integration potential of rural areas and create a discursive frame appropriate for managing the long-term integration of refugees from a local perspective.

## Lessons and Recommendations

There are **strong calls to create more affordable housing for all**. In high-pressure urban housing markets, social housing construction and new rentals should be combined with converting non-residential housing into residential housing. Rural areas in Germany should be made ready to accommodate refugees through investment into attractive, reliable, and affordable **mobility solutions**. At the same time, the shortage of land for construction in urban areas could be tackled by creating strategic communal and regional **land funds**. The **distribution of refugees** should be carried out in line with broader local absorption capacity (economic, jobs, public finance, demography, housing), using attractive incentives that encourage smaller towns to compete for refugees, and a rural-based financial instrument for promoting subsidised housing. UARs will need **access to all housing policy instruments** to enter diverse sub-markets: purchases of housing should be encouraged via dedicated support and saving options, cooperation with development banks, and additional funding from the federal level. **Effective information and communication** with host populations can strengthen hospitality and create a welcoming mindset. Information systems can inform and guide refugee-related decisions in areas such as work, schooling, community, religion, and leisure time.

### Means of increasing affordable housing supply

- Mobilise and upgrade unused and under-utilized housing
- Activate second homes and guest homes for temporary use
- Repurpose and convert pre-existing urban building stock for residential use
- Facilitate residential downsizing to improve the household–home relationship
- Accelerate affordable housing construction
- Foster affordable, inclusive, sustainable, and productive municipal housing system development

### Tools for improving systematic urban housing responses

- Redesign urban land management
- Make use of the housing/integration potential of Germany's metropolitan systems
- Plan and develop multi-purpose, mixed, and affordable urban neighbourhoods

### Tools for improving systematic rural housing responses

- Engage in effective spatial refugee distribution management
- Invest in expanding mobility options, services, infrastructure, and housing
- Use advocacy, information, communication, and consultation to boost welcoming attitudes

### Means of improving tenancy adjustment

- Strategically regulate and manage the private rental sector (PRS)
- Expand the role and capacity of subsidised and non-profit-oriented housing sectors
- Strategically adjust and reform the owner-occupied sector
- Strengthen the state's role and capacity

\*source of pie chart data: <https://www.n-tv.de/politik/Ukraine-Krieg-Mehr-als-jeder-dritte-Gefluechtete-will-in-Deutschland-bleiben-article23787150.html>