

Housing in Germany: Expensive, Comfortable and Usually Rented

Analysis of the Housing Conditions and Quality in Comparison to Other European Countries

Sufficient living space and adequate living conditions are basic necessities and essential factors influencing the individual's well-being and quality of life. It is also one of the duties of the modern social state to ensure its availability¹. The state does not only get involved by regulating the market, for instance by establishing standards and rules, but also by supporting private housing construction or even by initiating public housing construction programs, in order to guarantee that the population has adequate housing. In the post-war period and the following decades, the West German state strongly supported the construction of affordable housing and of individual property, but more recently the state has given up this responsibility, leaving this primarily in the hands of the market and individual citizens. The following text examines how the availability and quality of housing has developed in Germany, and also compares the current German situation to that of other countries in the European Union. This international comparative analysis is mainly based on the micro-level data from the "Community Statistics of Income and Living Conditions" (EU-SILC) for the year 2006, which has recently become available to scientists. In addition, this study also uses the time sequence data from the System of Social Indicators², in order to illustrate these changes in Germany over time.

There has been a dramatic improvement in housing quality in West and East Germany

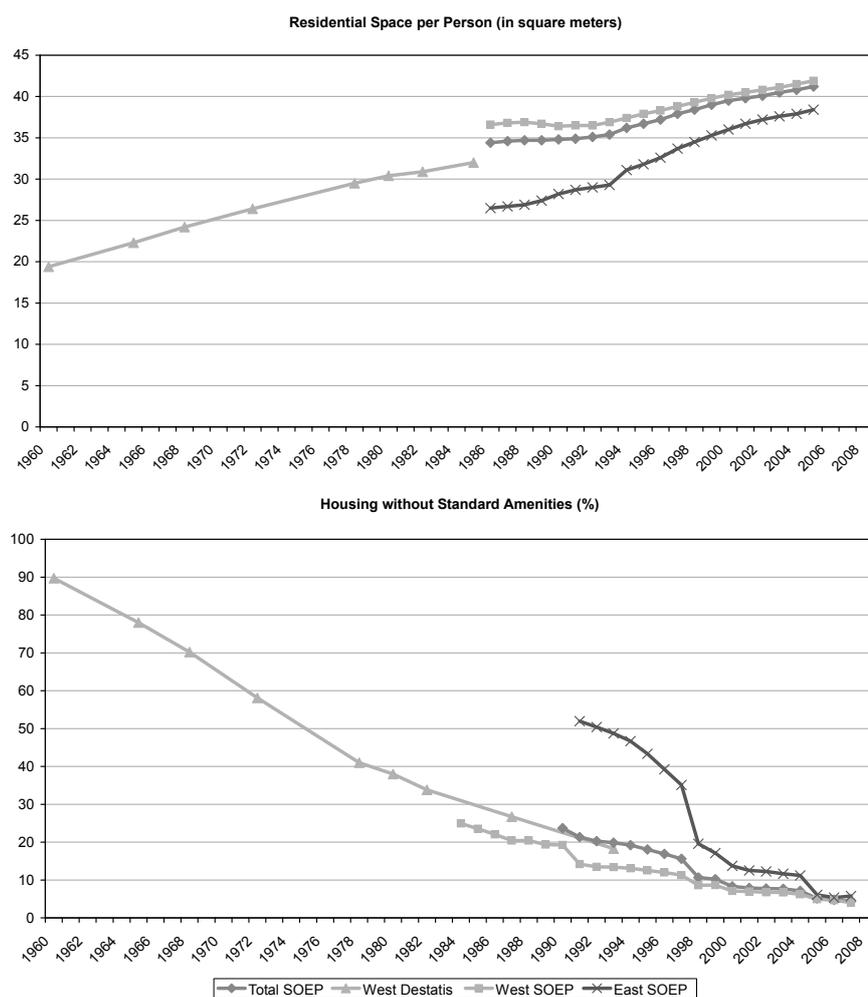
Examining first how the living conditions in Germany have developed over time, one can see dramatic improvements in the availability and quality of housing (Graph 1). However, these conditions and developments in former West Germany are very different from those in former East Germany, due to the different developments in two different, socio-political systems. In West Germany the relationship between the number of households and the number of apartments has continuously improved, while households have become smaller and the number of households has increased. The previously prevalent problem of housing scarcity has been largely overcome, and in some areas the opposite is now the case. Nonetheless, there are significant regional differences in this respect. The increases in housing availability over time are accompanied by improvements in housing quality that are just as impressive. The number of rooms per person in West Germany has increased from 0.9 in 1950 to 1.0 at the end of the 1950s, to 1.5 at the beginning of the 1970s, to 2.1 rooms per person at present. That means that currently every individual in Germany has an average of more than two rooms.

There has been a similar development in the average amount of space per person.

In 1960 there was just an average of 19 square meters of living space per person, in 1980 it was 30, and currently the average is 42 square meters. In the last fifty years there has also been an especially significant improvement in the comfort level and infrastructural standards for housing. From today's perspective it may seem surprising that in 1960, 90% of all apartments in the early West German Republic did not have the infrastructure that is considered standard these days, that is, a bathtub or shower, a toilet in one's apartment, and central heating. Over time, these numbers have decreased to 38% in 1980 and to 18% in 1993. Currently only about 5% of the apartments in former West Germany do not fit these standards³. In the same time period there has been an astonishingly low increase in housing ownership. During more than five decades from 1950 until 2006, the rate of housing ownership in West Germany only increased by 6 points from 39% to 45%⁴. That is, the rate of housing ownership in Germany increased much less than the general wealth in Germany, which is an indicator that the purchase of real estate is not just reliant upon one's economic capacity to buy, but also upon many other factors. Already in the early years of the German Democratic Republic, the availability and quality of housing was much lower than it was in West Germany. By 1986, there were 1.6 rooms for each person in the GDR, compared to 1.9 in West Germany. The amount of living space per

person was 27 square meters, compared to 37 square meters in West Germany. As late as 1993, almost half of the apartments in the former East (46%) did not have the standard infrastructure named above; in West Germany, this applied to only 18% of housing. However, thanks to wide-reaching public programs to renovate and modernise infrastructure in the former East German states since Unification, the living standards here have improved enormously and have become, for the most part, consistent with the West German standards, even if the average amount of living space is still a little less than the average in the former West German states. In contrast to former West German states, the housing ownership rate in former East Germany rose quickly in the relatively short period from 1993 to 2002 from 26% to 34%, even if it sunk slightly in the following years (2006: 31%). This initial increase is due in part to the privatization of formerly state-owned and cooperative housing estates. On the whole, housing standards are one of the areas of life for which the Germans have achieved the most significant improvements in their quality of life. The improvement of housing quality for the citizens in the former East German states is also one of the especially successful aspects of the societal transformation after the Reunification. And how does the housing situation and quality in Germany compare to that of other member states of the European Union⁵? The following comparative analysis of the housing standards in Europe is based upon the 2006⁶ data of the EU-SILC, which collects information on various characteristics of housing conditions. The focus of this database is the identification of "sub-standard housing conditions", based especially on the recommendations of the so-called Atkinson-Commission (Atkinson et al. 2002). The following text takes a closer look at selected indicators regarding national differences in living status, apartment size and quality, as well as in environmental factors in the area of residence. It also considers correlations among different socio-economic characteristics of people and households. This analysis includes all European Union members except Bulgaria, Malta, and Romania. All discussed countries will either be examined individually, or as part of two classification categories: the EU-15 countries without Germany, and those countries, which became members more recently as part of the Eastern European expansion of the EU (Estonia, Latvia, Lithuania, Poland, Slovenia, the Czech Republic, Hungary). The European countries in this analysis differ not only in their general level of economic wealth; they also show a variety of characteristics specific to their own housing sectors, which we cannot analyse in detail⁷. These include, for instance, aspects of the housing and real estate market, state regulations and support programs to support private housing purchases and building renovation, public housing construction programs, the prices of construction and land, urban planning

Graph 1: Development of Housing Quality in Germany, 1960 – 2006



Database: German System of Social Indicators

traditions, and, last but not least, also specific “housing cultures”. These are all factors, which can have an impact upon the respective housing conditions in these countries. One fundamental factor with a variety of implications for the individual housing situation is housing status, that is, the question of whether residents rent or own the apartment or house they are living in. Housing ownership does not only offer security in case of losing one’s job and more opportunities to construct one’s home according to individual needs; it also helps one to accumulate assets and ensure financial security after retirement.

On the other hand, with the purchase of real estate one can also incur a substantial financial burden or even overestimate his/her capacity to pay, as one can see, for instance, in the current financial crises in some countries. Paying rent not only ties down less capital, but is also a much lower hurdle for mobility in case of one has to move due to changes in one’s employment or private life. For these reasons, renting may be an attractive alternative to owning. One precondition for this, however, is a functioning housing market.

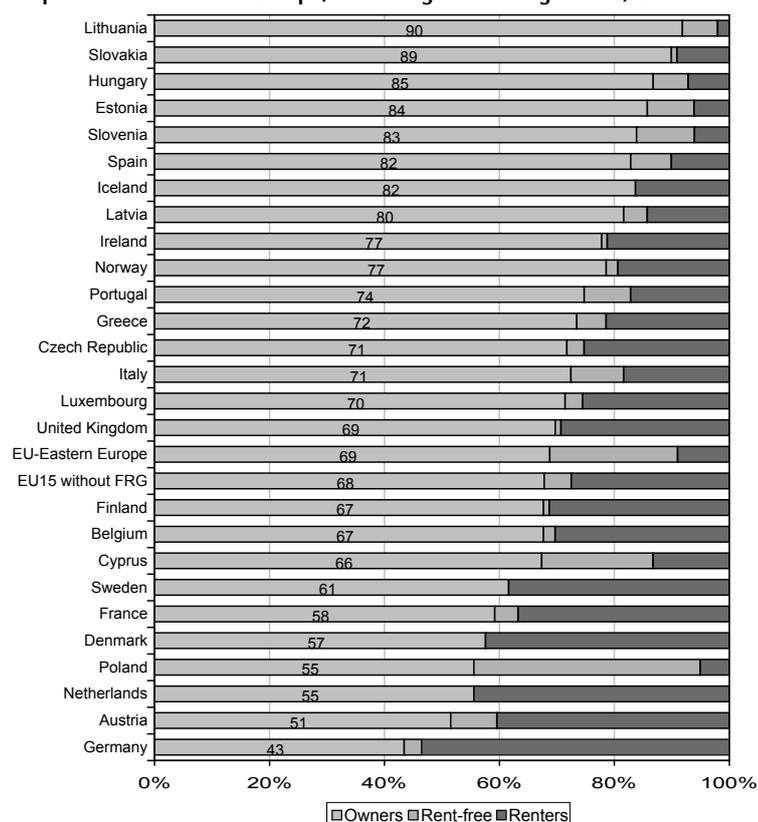
A low rate of home-ownership is unique to Germany

As one can see in Graph 2, Germany has an ownership rate of only 43% of the households, a uniquely low percentage relative to other European countries⁸. In Germany, 53% of all households are rented; no other European country even comes close to having such a proportionately large rental sector⁹. The other EU-15 member states have an average ownership rate of 68% and a rental rate of only 28% of all households. In comparison to the new EU member states in Eastern Europe, the difference is even more extreme; the average ownership rate is 69%, and the rental rate is less than 10%. Only a small percentage of households lives “rent-free” in Germany without being owners (3%), for instance in the household of one’s parents or children. In the other EU-15 countries this rate is not much higher than in Germany, but in the Eastern European EU-countries this household status applies to 22%, almost every fourth household, and it is especially common in Poland. Another possible factor for this in these countries is that some employers here provide their employees with free housing. A closer look

at “rent-free” housing in all analysed countries shows that these residents are usually older or younger singles (over 65 or under 30 years of age). In Eastern Europe they are also often single parents with children; surprisingly, “rent-free” households in Eastern Europe are not only households with a low income. Whether residents rent or own their homes depends not only on household income, but also household type, household size and the characteristics of the area of residence (Table 1). The probability of owning an apartment or house increases with the income and the size of the household, and it is higher in rural or less densely populated areas than it is in cities. It is also higher for couples and families than it is for singles. These correlations in Germany are similar to those in the other EU-15 member states. However, the size of the household – and the associated need for more housing space – places a larger role in Germany, as does the population density. This particular situation in Germany is related in part to the large variety of rentable apartments, which offer an attractive alternative to purchasing property in Germany, not only for low-income households. The many housing differences between EU-15 countries and Eastern EU countries can be perceived as the legacy of the socialist past, but also as a result of the specific developments in the course of the transformation of the former socialist plan economy to a market economy system¹⁰. The high rate of ownership in these countries is mainly the result of wide-reaching privatization of the formerly state-owned or cooperative housing, mostly by selling these homes to their residents for well below the market value. This also explains why home ownership in Eastern Europe is much less dependent upon income than in the rest of Europe.

Germans usually live in small buildings with several families

The individual quality of life in a home depends not only on one’s household status, but also on the type, size and condition of the building they live in, as well as the infrastructural standards of the apartment or house, and the characteristics of the area of residence. The information on the type of residential buildings and the related structure of housing in an area reveals typical patterns in different countries and groups of countries (Graph 3). In Germany, people live most commonly – and thus typically – in apartment buildings with less than 10 apartments. More than 40% of all households live in this type of building. One fourth of all German households live in an apartment building with ten or more apartments, and 35% live in a one-family house¹¹. In the other EU-15 countries, households live most often in a one-family house (60%). Only an average of 17% of these households live in buildings with less than ten apartments. In Eastern European countries, people reside in two main building types: 47% of these households live in one-family houses, and

Graph 2: Households in Europe, according to Housing Status, 2006

Database: EU-SILC 2006

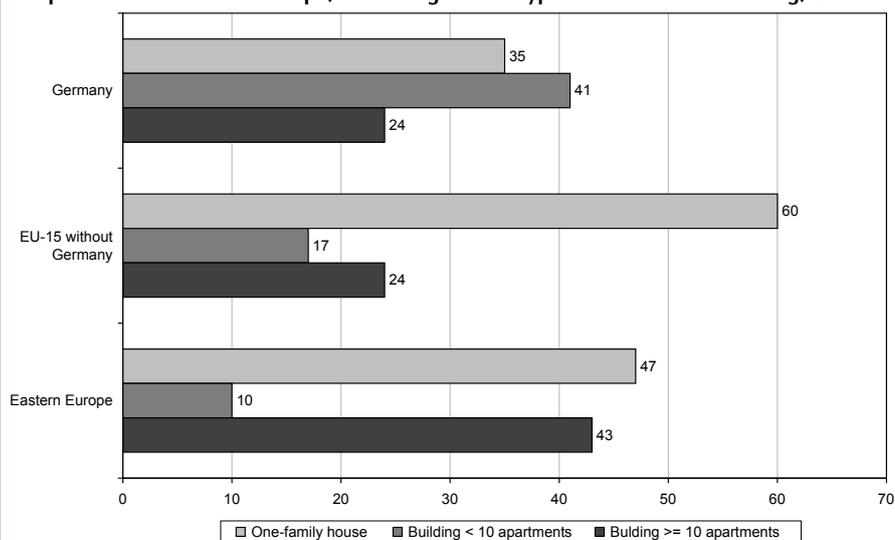
43% live in large buildings with 10 or more apartments. In rural areas, it is most common to live in one-family houses (67%), while in the urban areas it is most common to live in large apartment buildings or apartment blocks (70%). One common indicator for the size and adequacy of the available housing space is the number of rooms per person. It is a widely recognised minimum standard that there should be at least one room available for each household member, or there should be at least as many rooms as there are household members. In Germany, but also in the other EU-15 countries, this minimum standard is surpassed by the large majority of households (Table 2). Only 4% of German households and 7% of households in other EU-15 countries lived below this standard in 2006. However, this proportion is much higher in some southern EU-15 countries, especially Greece (22%) and Italy (16%). This situation is much worse in Eastern Europe, where approximately one third of all households live under cramped conditions. Among low-income households, this proportion makes up approximately 40%, but also in the highest 20% income bracket, 25% of all households have less than one room per household member.

A comparison of the proportion of households with spacious living conditions of at least two rooms per household member,

Table 1: Status of Private Households in Europe, according to Socio-economic Characteristics, 2006 (in %)

		Household Status								
		Owners			Rent-free residents			Renters		
		FRG	EU-15 without FRG	EU, Eastern Europe	FRG	EU-15 without FRG	EU, Eastern Europe	FRG	EU-15 without FRG	EU, Eastern Europe
	Total	43	68	69	3	5	22	54	28	9
Household equivalent income – quintiles	1	30	53	69	5	6	19	65	41	12
	2	43	61	71	3	5	20	54	34	9
	3	47	68	69	3	5	22	50	27	9
	4	50	76	68	2	4	24	47	20	7
	5	56	83	67	2	3	26	42	14	8
Population density	High	30	63	52	2	4	35	68	33	13
	Mid-level	57	73	83	4	6	9	39	21	8
	Low	61	76	79	6	6	15	34	17	6
Household forms	Single, over 65 years of age	35	65	68	5	5	25	60	29	7
	Single, below 30 years of age	3	17	32	5	10	24	92	72	44
	Single parent with children	25	39	58	2	4	26	73	57	16
	Couples without children, over 65 years of age	57	82	77	5	3	17	38	15	6
	Couples without children, below 65 years of age	51	72	67	3	5	23	46	23	10
	Couples with children	39	67	72	2	5	21	59	29	7

Database: EU – SILC 2006

Graph 3: Households in Europe, according to the Type of Residential Building, 2006

Database: EU-SILC 2006

The lower housing quality Eastern Europe can also be observed in the infrastructure of these homes (Table 2)¹². The homes of almost 30% of all Eastern European households do not meet a basic standard including a bath or shower, a toilet in the apartment, and central heating. In Germany only 7% and in the other EU-15 countries only 10% of all households live under conditions that do not meet this minimum standard. However, there are also some EU-15 countries which have a relatively high proportion of housing with inadequate infrastructure (Greece with 16%, Belgium with 17%, and especially Portugal with 43%), while there also some Eastern European countries (the Czech Republic, Slovakia) which have a low proportion of inadequate infrastructure, similar to the average in the EU-15 countries or an even lower rate than the EU-15 average (Slovenia).

In all of the countries in this analysis, the level of infrastructure quality decreases as household income decreases. In the lowest 20% income bracket in Eastern European countries, almost every second person lives in an apartment or house which does not have one of the named basic infrastructural features. Looking at this low-income bracket in Germany, the proportion is 14%, and in the other EU-15-countries, almost 20%. In the Eastern European countries, the

show a similar but opposite pattern. While in Germany and in the average of the EU-15 countries, every second household has two or more rooms available per person, this only applies to slightly more than every fifth household in Eastern Europe. The apartment size in the Eastern EU countries only varies slightly according to household income,

a sign that the apartment and real estate market in these countries offers hardly any opportunities to improve one's housing quality, even with a higher income.

The level of housing quality in Eastern Europe is still significantly below the quality level in EU-15 countries

Table 2: Household Quality in Europe, according to Socio-economic Characteristics, 2006 (in %)

		Characteristics of home								
		Less than one room per person			More than two rooms per person			Household infrastructure below standard		
		FRG	EU-15 without FRG	EU, Eastern Europe	FRG	EU-15 without FRG	EU, Eastern Europe	FRG	EU-15 without FRG	EU, Eastern Europe
	Total	4	7	32	51	50	22	7	10	28
Household equivalent income – quintiles	1	5	11	39	52	53	24	14	19	45
	2	5	9	34	44	50	27	6	12	37
	3	3	7	33	46	46	22	5	9	29
	4	2	6	33	54	45	19	4	5	20
	5	1	3	25	61	55	21	3	3	11
Population density	High	4	8	31	52	48	23	7	9	24
	Mid-level	3	7	31	51	49	22	8	11	23
	Low	4	7	34	44	50	22	7	11	35
Household forms	Single, over 65 years of age	–	–	–	95	96	72	8	14	42
	Single, below 30 years of age	–	–	–	63	77	61	11	11	20
	Single parent with children	2	5	32	19	31	7	15	14	32
	Couples without children, over 65 years of age	0	1	9	55	68	15	3	10	30
	Couples without children, below 65 years of age	8	11	44	21	29	7	6	7	21
	Couples with children	3	9	41	69	49	23	10	11	30

Database: EU – SILC 2006

infrastructural standard is clearly worse in rural regions than it is in the more densely populated and urban areas.

German households often perceive noise and environmental pollution as a problem in their area of residence

Noise – for instance, due to traffic, but also to neighbours – is one of the environmental factors, which can strongly influence one's quality of life. In Germany, 27% of all households say that noise is a problem in their area of residence (Table 3). The proportion of households, which are negatively affected by noise pollution, is higher in Germany than in other EU-15 countries (23%), but also higher than the Eastern EU countries (20%). In general in all of these countries, however, the prevalence of noise pollution is indeed associated partially with the area of residence; as expected, noise pollution is also generally more strongly seen as a problem in urban areas than in rural areas. Interestingly, the perception of noise pollution as a problem in Germany increases as household income decreases. This is different than in the other EU-15 countries and in Eastern European countries, and it may indicate that the area of residence in Germany is relatively strongly segregated according to the income of the residents. Also environmental pollution, as a wider problem of one's living environment,

is perceived as having a negative impact on one's quality of life much more often in Germany than in almost any other European country (Table 3). Every fourth household in Germany says that environmental pollution is a problem in their area of residence, while only 16% of the other EU-15 and the other Eastern European countries say this. It is not clear if these differences in perception are based on "objective" pollution differences or on a higher awareness regarding environmental problems. In all these countries environmental pollution is, as expected, more commonly perceived as a problem in more densely populated, urban areas than in more lightly populated, rural areas. Finally, also the level of crime and the associated security risks are problems which citizens may associate with their area of residence and which may strongly impact their quality of life. However, when mentioning problems in their areas of residence, German citizens mention crime much less often than noise and environmental pollution (Table 3). The proportion of German households that see crime as a problem in their area of residence is 14%, somewhat lower than in the other EU-15 countries (18%) and somewhat higher than in the Eastern European countries (11%). Crime is most often named as a problem in one's area of residence in Latvia (26%) and in the United Kingdom (27%). In all these countries, crime is primarily seen as a problem of one's area of residence in

the cities and less often in the rural areas. However, in Germany this perception of crime as a problem appears to decrease with higher income; this does not appear to apply to other countries and could be a further indication of significant segregation of areas of residence according to income. In sum, it is clear that German housing conditions – and the accompanying quality of life – have improved dramatically over time, and that they are also very good in comparison to other European countries. With regard to spaciousness and infrastructure of apartments and houses, Germany and some other northern and northwestern European countries have the highest standards in Europe. In contrast, the living standards of homes in Eastern Europe lag far behind those in Germany and in most of the other EU-15 countries.

In comparison to other EU countries, in Germany noise and environmental pollution are perceived relatively critically, while crime is more rarely seen as a problem. One specificity of the German housing sector, in comparison to that of other European countries, is the relatively low proportion of homeowners as well as the almost equal proportion of owners and renters among German households. The German case shows that a lower proportion of owner households does not have to correlate with an average lower housing quality, and neither does it

Table 3: Problems in the Area of Residence in Europe, according to Socio-economic Characteristics, 2006 (in %)

		Problem in area of residence								
		Noise pollution			Environmental pollution			Crime		
		FRG	EU-15 without FRG	EU, Eastern Europe	FRG	EU-15 without FRG	EU, Eastern Europe	FRG	EU-15 without FRG	EU, Eastern Europe
	Total	27	23	20	25	16	16	14	18	21
Household equivalent income – quintiles	1	33	24	19	26	15	15	17	19	11
	2	30	23	19	24	16	15	14	19	11
	3	29	23	20	25	16	15	13	18	11
	4	28	23	21	25	16	16	12	17	12
	5	25	22	20	23	17	17	10	17	11
Population density	High	35	27	25	31	21	21	19	26	18
	Mid-level	25	20	19	19	12	14	8	12	8
	Low	20	14	15	16	7	10	7	7	6
Household forms	Single, over 65 years of age	25	18	20	20	13	16	11	16	11
	Single, below 30 years of age	42	30	20	31	15	13	23	20	16
	Single parent with children	35	28	24	28	18	21	20	25	17
	Couples without children, over 65 years of age	26	20	20	21	16	15	9	16	11
	Couples without children, below 65 years of age	28	23	19	24	15	16	12	18	11
	Couples with children	34	25	19	30	17	15	16	20	10

Database: EU-SILC 2006

have to be seen as a disadvantage. The wide variety of housing available in the rental market in Germany provides not only, but especially, low-income and low-asset households with an attractive opportunity to live in quality housing, without having to purchase a home.

The downside of the high standards of living in Germany is the high cost of housing. In Germany households pay an average of 29% of their income to pay for their home, making Germany, along with the Netherlands and Denmark, one of the countries with the highest housing costs in Europe.

1 See the *Habitat-Program of the United Nations*, which underlines that it is a duty of national governments "to promote, to protect, and to ensure the full and progressive realization of the right to adequate housing" (*United Nations Centre for Human Settlements 1996*, paragraph 61).

2 *Compare System of Social Welfare Indicators for the Federal Republic of Germany*: <http://www.gesis.org/soziale-indikatoren/produkte-des-zsi/deutsches-system-sozialer-indikatoren/>.

3 The micro-census does not provide current data for this point; for this reason, we used the data from the SOEP. The findings of the SOEP diverge only slightly with those of the micro-census.

4 The rate of housing ownership is defined here as the proportion of apartments and houses, which are owned by the people who live in them. If we were to measure the number of owner-households, instead of owned housing, then the rate would be slightly different (see below).

5 Detailed time sequence data on this topic can be found in the *European System of Social Indicators* (www.gesis.org/eusi).

6 The EU-SILC database (*Community Statistics on Income and Living Conditions*), which is part of the *European Statistical System (ESS)*, is an instrument that provides comparative micro-data on income and on different aspects of living conditions in the European Union as well as in some other European countries. This data collection began in 2004 in selected countries and was successively expanded to other countries. The population focus of this database includes the private households in member states, as well as all people who live in these households during the time of the survey. The random sample consists of more than 200,000 households. In the individual EU countries the size of the random sample from 2006 ranges from between 3,600 households in Cyprus to more than 21,000 households in Italy (Germany: 13,799).

7 There is, for instance, a high diversity of European "household models", which are based on particular, typical characteristics, such as the level of state intervention in the housing market or the rate of housing ownership

(Kemeny 1981; Hegedus/Mayo/Tosics 1996).

8 The analyses in this text focuses exclusively upon a household perspective. That is, all statistical data is based on households and not on persons who live in the household. This perspective was chosen, because the living situation and the characteristics examined in the EU-SILC always focus on the entire household.

9 This proportion includes those renters, who pay "market-level" rent, as well as those who pay reduced (state-subsidized) rent.

10 For more information on the transformation of the housing sector in different Eastern European countries, see, for instance, Hegedüs/Mayo/Tosics (1996) and Lowe / Tsenkova (2003).

11 The term "one family house" refers either to a house, which does not share a wall with other houses, or to a complete, vertical house-section in a connected row of town houses.

12 The conditions of residential buildings, themselves, in the EU-15 countries are substantially different from those in Eastern European countries. While almost a third of the households in Eastern European countries show significant deficiencies, such as "leaky roofs" and "moisture in the walls", this is only the case for 15% of the households in EU-15 countries.

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