

ZEITWOHNEN UPDATE

THE NEWSLETTER FOR THE NEW FORM OF HOUSING MOBILITY



Jan Hase is the co-founder and CEO of Wunderflats GmbH, the market leader for temporary furnished housing in Germany. Wunderflats has its headquarters in Berlin.

DEAR READERS, DEAR FRIENDS OF ZEITWOHNEN

the housing market is not easing. Year after year, month after month, reports of rising rents pile up. People are worried. Because housing is not an economic good. It is home. We associate it with many emotions as well as existential necessity. My personal concern is that housing will become even more emotionally charged and politicized than it already is if we don't start easing the housing market soon.

Temporary furnished housing cannot solve the housing crisis by itself - truly it cannot. Furnished apartments represent a small niche in a huge market. But more flexibility in the housing market can be achieved through temporary housing. And that can at least be a big relief for the far too inflexible conventional housing market - and thus be part of a larger strategy.

In this issue, we suggest possible solutions for the housing crisis and explain the contribution that temporary furnished housing can make. I am always available for a constructive and progressive exchange and hope you enjoy reading this issue.

Yours sincerely,

Jan Hase

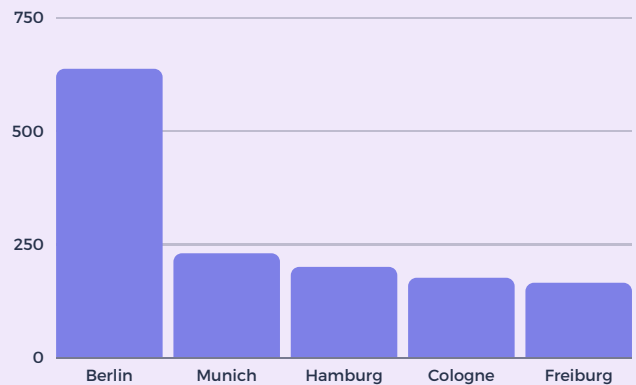
Housing as a scarce commodity

The excess demand associated with the shortage of housing as trigger for increasing rent

HOUSING SHORTAGE LEADS TO SOCIAL TENSION

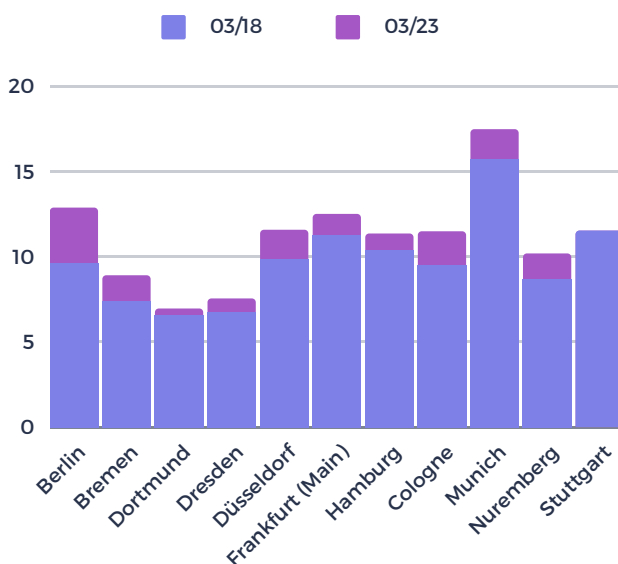
In sought-after locations, the search for housing is increasingly becoming a game of chance. In Berlin, there are more than 600 inquiries per day for an advertised two-bedroom apartment. In Munich, Hamburg and Cologne, the figure is around 200.

Combined with rent prices that have risen by more than 20% in five years, the picture is discouraging for many apartment seekers. The number of completions, which currently remains well below demand – the trend will worsen in 2023 and 2024 – show that no relief in form of an increase in supply of housing can be expected either. For people with low incomes, it is almost impossible to obtain rental housing in some cities.



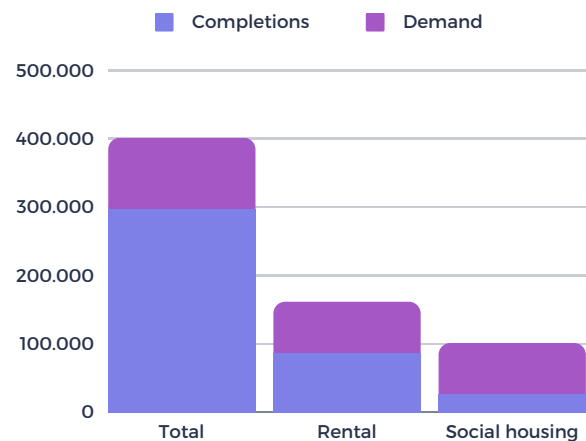
NUMBER OF APPLICANTS PER DAY FOR A TWO-ROOM APARTMENT

Average number of prospective tenants for a 57 sqm apartment offered on the Internet in different German cities



DEVELOPMENT OF NET COLD RENTS

Development of net cold rents from 2018 to 2023 in selected major German cities



DEMAND VS. COMPLETION IN 2022

Demand and completion of housing in 2022, rental and social housing shown separately

Sources: Immoscout, Immowelt, Federal Statistical Office



Housing Market and Temporary Rentals

Democratization of housing sustainably relieves
conventional housing markets

Housing markets remain tight

"Housing is the social issue of our time," said Horst Seehofer, the minister responsible at the time. That was 2.5 years ago. Since then, rent had increased even further. In addition, energy price-driven consumer prices rose tremendously, interest rates on loans quadrupled, housing construction slumped and continuing immigration to Germany led to additional stress for the housing market and its submarkets. According to a recent study by PREA, average rent growth in A-cities has been 3.9 % over the past ten years, but 8.9 % over the past twelve months. In the near future, rents in new construction will probably exceed 30.00 euros net cold per square meter. Depending on how strong the new construction segment applies to the individual submarkets, the greater the price differences will be. So what has long been a truism, the figures show in all clarity: supply and demand must not diverge too much, because in that case the market becomes inelastic and rents rise. It is also well known that the lock-in effect sets in: Those who have an apartment will not give it away again so quickly for fear of the even more expensive new contract. However, the regulatory instruments unfortunately remain the same, although a resounding effect could not be observed in recent years. The discussion is about a further tightening of the "rent-brake law", regulating index rents and furnishing surcharges. But exactly the opposite is needed: not rigid housing markets, but flexibility and accessibility. Not less housing construction, but more. Instead of regulation, much more incentives to provide housing.

Political recommendations for a modern temporary housing market

Preserve temporary furnished housing as an additive housing market. Particularly in tight residential areas, it is important to utilize all housing options as efficiently as possible through temporary furnished housing, especially when availability is only temporary.

Integrate temporary furnished housing into support concepts. Foreign skilled workers, refugees and other groups in need face major challenges when they come to Germany. The efficient integration of temporary furnished housing into vocational and student support measures as well as social security systems lead to a more efficient use of existing housing.

Strengthening the democratization of housing. Online platforms in which housing is offered lower barriers for people looking for housing and facilitate non-discriminatory access – even from abroad. Platforms should therefore only be subject to moderate and differentiated regulation.



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Temporary furnished housing is part of the solution

The temporary rental of furnished apartments is and remains a niche segment. And that's a good thing. Because temporary furnished housing fills a functional gap in the housing market. Think of young professionals and specialists who come to a city on a project basis to work for a limited time. Think of people who are looking for a place to stay for a short time because of a burst water pipe in their apartment. Think of refugees, such as those from Ukraine, who do not stay here permanently. All of these people would have to join the queue in the traditional rental housing market, inflexibly renting housing for longer than they would have to or not finding a place to live in the first place. Temporary furnished housing offers that flexibility in a tight market. Offering housing for just a few months relieves pressure on the conventional housing market and creates efficiencies, also in terms of enabling housing space in major cities that would otherwise not be available. This flexibility is part of the solution in the critical housing situation. However, this does not release the state from its obligation to ensure better framework conditions for new construction. More housing simply has to be built - in all segments. The only way to expand the supply is to create more living space by adding more floors to roofs, increasing density and designating land for residential housing. The later this happens, the longer the housing crisis will be. No country in the world has yet found another way out. To achieve this, construction costs also need to decrease. To do this, the government itself must lower or cut sales tax on construction services or real estate transfer tax, for example. It must ensure that DIN standards are streamlined. There is still a long way to go.

Political recommendations for the temporary housing market of the future

Increasing resource and space efficiency. The more efficiently available housing is used, the less space is taken up and the less energy is required. Furnished housing helps to reduce the CO2 footprint of the housing sector as there is no need to purchase new furniture and technical equipment by each tenant. Also, CO2 emissions from moves are largely eliminated.

Efficient and sustainable mobilization of building land. No new residential construction without appropriate designated land. Creative concepts such as adding storeys to urban discount stores, redensification, loft conversions and residential use of waterways are the right approach here.

Qualify temporary furnished housing as regular housing for tax purposes. Temporary furnished housing is subject to VAT if it is rented out for less than six months. However, the legal definition of regular housing is not linked to any minimum rental period. Taxability should therefore only apply to tourist accommodation.

The Wunderflats Team

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employees



in the heart of
Berlin



multi-award-
winning digital
scale-up



Join us on the road to the future of housing

Wunderflats is a digital platform for temporary furnished housing that brings together the demand and supply of landlords and tenants.

While vacation rentals take away living space from cities, temporary furnished housing helps relieve the pressure on the traditional housing market. This is because specialists, project workers and highly specialized experts often request apartments that are rented out temporarily in a manner that conforms to the intended use, but are not currently available to the permanent housing market.

At the same time, temporary furnished housing is still too little known in terms of its importance and the many opportunities it offers, among other things for a fair housing market and its contribution to economic promotion by solving the shortage of skilled workers.

Therefore, it is necessary to create a framework that recognizes temporary housing as a pillar of support and a solution to the problem.



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