

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,

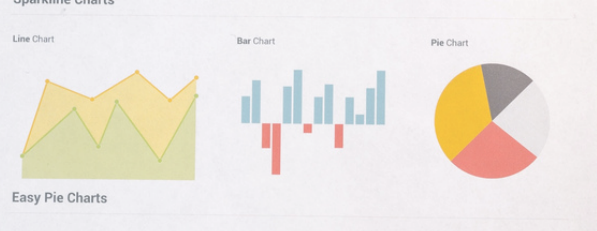
If you talk to people about the housing market, the reaction is rarely one of optimism. This is due to a dangerous situation that has become increasingly acute, especially in the past year. New residential construction has collapsed due to the market environment of rapidly rising interest rates, construction prices driven strongly by inflation, ever more stringent energy requirements and the disappearance of subsidies. Currently, only around 200,000 housing units are expected to be completed in 2024 – with demand exceeding 700,000.

The high demand results from a combination of the lack of completions in the current and previous years, the uninterrupted influx into the metropolitan regions and the high number of refugees from Ukraine. Although the impression can be gained that policymakers have increasingly understood how critical the situation is becoming, it remains to be seen whether, when and to what extent the envisaged measures will have an impact. In the current issue of our Policy Briefing, we discuss which further actions could relieve the housing market and what role temporary furnished housing can play in this.

I look forward to a constructive exchange and hope you enjoy reading this issue.

Yours sincerely,

Jan Hase



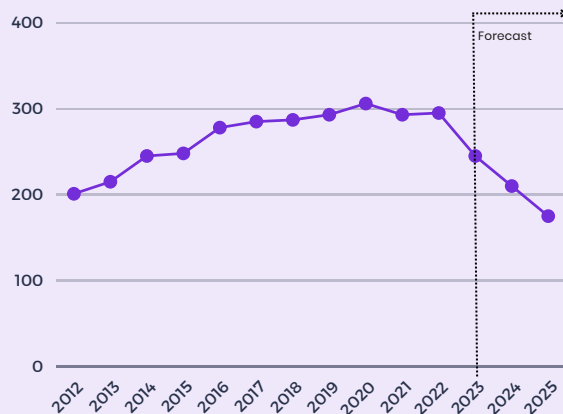
Challenges in the housing market

Tight supply and further increase in demand lead to 500,000 housing units shortfall in the coming year

LESS SUPPLY - MORE DEMAND

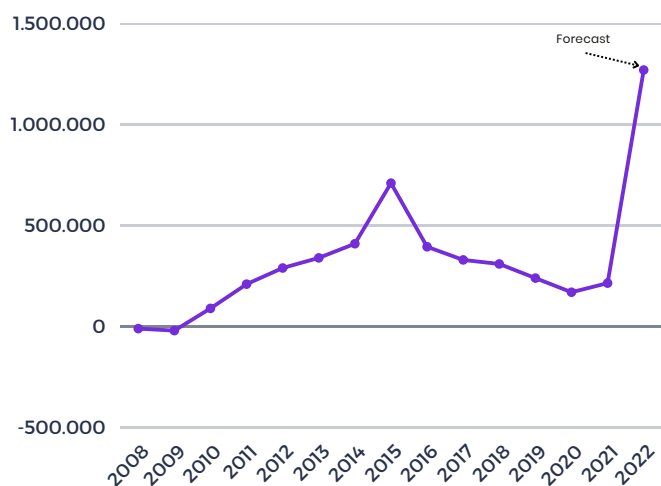
The demand for housing cannot be met at present and will not be met in the future. The political target of 400,000 new housing units per year has never been met in recent years and will be increasingly missed in the coming years. The current estimation for 2025 is even below 200,000 units.

In contrast, the actual demand amounts to around 700,000 apartments, resulting in a shortfall of around 500,000 apartments in the coming year. This is due to the rising population in Germany, the unbroken pull of the major cities, where tight housing markets are particularly common, and the still sizable influx of refugees from Ukraine and North Africa.



COMPLETED HOUSING UNITS

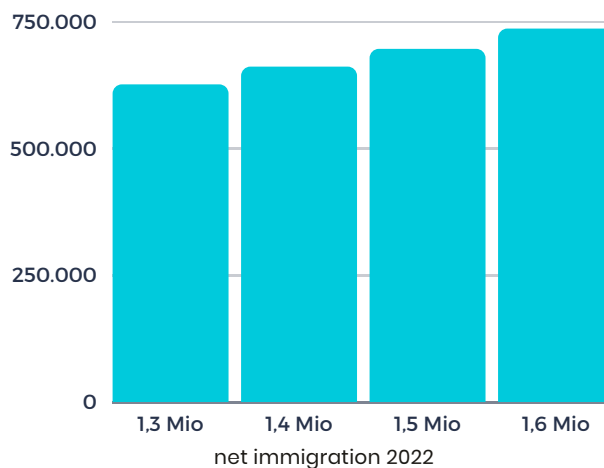
Completed housing units in Germany by year from 2012 to 2022 (data) and 2023 to 2025 (forecast)



IMMIGRATION TO GERMANY

Development of German net immigration (immigration minus emigration) from 2008 to 2022

housing deficit



HOUSING DEFICIT IN GERMANY

Housing deficit depending on actual net migration in 2022 (estimation based on available data)

Sources: Statista, Federal Institute for Population Research, Alliance of associations "Social housing"



Housing Market and Temporary Rentals

Democratization of housing sustainably relieves
conventional housing markets

Situation and measures – an inventory of the housing market

The situation on the housing market can only be described as dramatic. Although not nationwide in Germany, it is becoming increasingly difficult or impossible to find housing, at least in the larger cities and their surrounding areas. Less supply combined with increasing demand is leading to ever-rising prices. Due to the slump in new construction, there is a lack of relief in the form of additional housing. In an initial reaction, policymakers focused on price regulation and attempted to provide relief, among other things, by means of rent brakes and caps as well as further regulation aimed at the protection of tenants. The goal was to create a time window for the implementation of measures to increase new construction of housing – which did not happen. Empirical evidence, however, showed that these interventions in the market only led to a decline in the supply and stock of rental housing and to a larger gray or black market. Regulation also predominantly targeted existing tenancies, creating "lock-in" effects and further worsening the situation for those seeking new housing.

At least it was recognized that rapidly increasing energy requirements in new construction are problematic in times of ever higher refinancing costs and sharply rising prices for building materials. Thus, further tightening of the new building standard has been suspended for now. For lack of funds, however, there is still no serious successor to the new construction subsidy regime, which was abruptly terminated in 2022.

Recommendations for political action

Reduce rent regulation. Excessive rent regulation in the existing stock and for new leases reduces the attractiveness of new investment in housing and the modernization or refurbishment of the existing stock. Switching off price signals leads to a collapse in supply and should therefore at least not be extended even further.

Improve scope of rent regulation. Across-the-board regulation also protects affluent tenants in attractive residential locations. Instruments such as cap limits, rent brakes and the erosion of the modernization charge should only apply to rents in the lower half of the rent index in order to achieve a more efficient social impact.

Leverage market mechanisms. Rent regulation in the existing stock increases the consumption of living space and reduces the incentives to move into housing that meets actual needs. Price mechanisms can be used to make more efficient use of scarce housing space. Corresponding social hardships are to be compensated for by means of more targeted individual tenant subsidies.



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Measures for the relief of the housing market

To relieve the housing market, both sides, supply and demand, should be addressed. Supply in high-demand locations can only be increased through new construction. However, under current market conditions for financing and construction, it is hardly possible to build housing that can be offered below 18 to 20 euros per square meter cold rent, even with existing land ownership. If costs for land and a marketable return on investment are added, the price per square meter quickly exceeds 25 euros. The main cost drivers in that calculation are the high interest costs, which account for up to one third of the subsequent cold rent.

What is needed, therefore, is a comprehensive financing program for housing construction and a significant reduction in the energy requirements for new construction. This is the only way to make construction economically viable again.

On the demand side, it is important to allocate demand to existing housing in the most efficient way possible. On the one hand, locations on the outskirts of metropolitan regions should be better connected logistically in order to "activate" them. On the other hand, the deregulation described above and the use of temporary furnished housing can lead to more efficient consumption of living space and therefore relief tight markets.

Recommendations for political action

Launch a massive KfW housing construction program. In the sense of a "marshal plan for housing," a rental housing construction subsidy should be launched that finances up to 100% of the construction costs incurred with a maximum of 2% interest for 10 years. The required energy standard to qualify for the program should be "efficiency house 55". The program should provide 100 billion euros. This could create up to 300,000 apartments that cannot currently be built economically.

Activation of peripheral locations. By creating better infrastructure in the areas of transport, health services, recreational opportunities in previously unattractive locations outside the major cities, affordable existing housing can help relieve the strain on the urban housing markets. To this end, cooperation between the neighbouring federal states and cities must be improved.

Temporary furnished housing as an efficiency mechanism.

Scarce housing in urban locations should be used as efficiently as possible. This means that vacancies and under-occupancy should be avoided as far as possible. Temporary housing can serve as a catalyst in this regard, since the demand of those living there is satisfied in a targeted and precisely timed manner.

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winning digital
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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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