



REPORT ON WORK PACKAGE 2: 'GOVERNANCE ANALYSIS'

CASE STUDIES: HALLE-NEUSTADT, & BERLIN-MARZAHN

Research project: 'Estates After Transition'
(MOBERA-14, Era.NET RUS PI)

Author: Matthias Bernt

INTRODUCTION

The report at hand summarizes the findings of the Work Package 2 “Governance Analysis” of the comparative research project “Estates After Transition”¹. This 3-year research project compares six large housing estates in three countries (Russia, Germany, and Estonia). The analysis of governance arrangements is a central part of this project. Its specificity lies in comparing political dynamics and planning decisions three very different institutional and economic environments. Against this background, the German cases (Halle-Neustadt and Marzahn) represent the marketization and privatization of a rental housing system still marked by intensive state intervention and public planning.

GENERAL FEATURES OF THE GERMAN HOUSING SYSTEM

The specificities of the German case cannot be understood without some background knowledge of the German housing and planning system, as well as the specific trajectory of post-socialist transformation since the fall of the Berlin Wall three decades ago. The most striking difference from the Estonian and Russian cases is the fact that the transition from socialism to capitalism literally happened overnight in East Germany. On the 3rd of October 1990, the German Democratic Republic unified with the Federal Republic of Germany, and by this act, the whole legal and institutional framework established in the Federal Republic of Germany came to power in the territory of the formerly socialist part of the country. In contrast to other post-socialist countries, the German transition was not a successive process of stepwise and piecemeal reforms, but one that was very fast, with a clear institutional model as the terminus.

The major consequence of this constellation was that the institutional environment for housing production, distribution, and consumption was completely imported from West Germany. The dominant feature of the (West) German housing system (which stands in stark contrast to most of its Central and Eastern European counterparts, and also from much of Western and Southern Europe) is its highly regulated “unitary rental market” (see Kemeny 1995). The majority of German households live in rental units. In cities, the share of households that are renting is usually higher; for example, 85% of all flats in Berlin were rental units in 2017 (cf. IBB 2018, 42). In large housing estates, the share of rentals is even higher. Housing in large housing estates in Germany, thus, equals renting a flat in a multi-storey building. The question of who owns the building, with what

1 The project has been funded by the Federal Ministry of Education and Research of Germany, together with its partner institutions in Estonia and Russia in the context of the “ERA.Net RUS Plus” program. I am grateful to Madlen Pilz as well as the Estonian and the Russian team of this project for comments on earlier versions of the report.

economic background, and with what management strategies, is therefore central to understanding the governance of large housing estates in Germany.

Closely connected, a second feature that is fundamental to the German housing system, is the importance of social, cooperative, and municipal housing. Especially in large housing estates, most of the stock has traditionally been provided by either municipal and cooperative landlords or by private investors who had participated in public subsidy programs and were, thus, bound to occupational obligations and rent caps for up to 20-40 years (depending on the actual subsidy program). In sum, this has led to a property structure that is very different from the dominant one in the historic housing stock, with a couple of locally bound large municipal and/or cooperative suppliers usually dominating the scene in each locality.

Third, there is a long history of central state intervention in urban development in Germany, and this is particularly the case when it comes to large housing estates. The German version of statehood is very much founded on *ordo-liberal* ideas, which assume the superiority of markets for an efficient allocation of goods, but at the same time emphasize a need for public intervention to achieve “equivalent living conditions” (*gleichwertige Lebensverhältnisse*), a principle embedded in the German Constitution. Through this, cities are not left “standing in the rain” and the dynamics of uneven development are counteracted to some degree. The national state has historically provided large sums of money both for the construction of housing, but also for renovation activities, thermal insulation, upgrading of green spaces, etc. While the heyday of state intervention into urban development has long passed, state subsidies are still central to the field, and obtaining access to state resources is a major motivation for numerous actors engaged in urban development issues. As a consequence, “grant coalitions” – instead of “growth coalitions” – are a regular companion of urban development policies (see Bernt 2009).

LARGE HOUSING ESTATES IN EASTERN GERMANY

Prefabricated buildings, usually concentrated in large housing estates with more than 1,000 housing units make up 15 to 20% of the total building stock of the former German Democratic Republic (GDR). Altogether, 2.2 million housing units were built between 1960 and 1990 in the territory of the GDR. Almost all of these were constructed with prefabricated elements and the vast majority was located in large estates. Thereby, in big cities, the share of “prefabs” (*Plattenbauten*) is fairly varied and oscillates between 1/6 and close to 2/3 of the stock (see Helbig and Jähnen 2018, 107).

Under state socialism, the construction, the financing, and the management of housing were (by and large) state-run. De jure, the building stock in newly built areas was owned by municipal housing administrations (Kommunale Wohnungsverwaltungen) and housing cooperatives. De facto, both these entities were closely integrated into the system of a planned economy and their business and management strategies were determined by state directives for the construction, design, occupation, and management of the stock. The financial means were also provided (or not provided) by the state. Housing was seen as a supplement to the general economic policy.

After the monetary union and the subsequent reunification of Germany, the existing municipal housing administrations and housing cooperatives were re-organized as commercial companies. While this enabled them to take loans, buy and sell houses, and manage their assets according to more economic considerations, as a general rule, these companies remained financially weak. They were, therefore, dependent on the appropriation of additional support provided by different state funds and subsidy programs.

In the early 1990s many (mostly Western) experts were very critical about the prefab housing stock in the Ex-GDR and expected fast “downward spirals” and neglect. However, after a while, judgments became more realistic and the outcome result was a policy devoted to “retrofitting” (*nachrüsten*) and “completing” the estates. Subsidy programs² provided intensive financial support, both for modernizing flats (e.g. by adding thermal insulation or new balconies) and improving the local infrastructure and built environment. As a consequence, most prefab estates were renovated in the 1990s, and usually without extensive rent increases. Thereby, as a rule of thumb, older (and more centrally located) housing estates were renovated first, while “younger” (and more peripherally located) housing estates came later. In many cases, renovations were carried out, however, in a very indiscriminate and not very differentiated manner, so that both areas with excellent future perspectives and those with a lower demand were renovated mostly at the end of the 1990s (see Liebmann 2004, 94ff).

This not only resulted in considerable improvements regarding the quality of the homes provided, but also had lasting impacts on governance structures. To summarize, although the prefab building stock was legally privatized and transferred to *de jure* independent commercial companies, the institutional environ-

2 The most important programmes were: “Städtebauliche Weiterentwicklung großer Neubaugebiete – StWENG” (see BMVBW 1999), “Sanierungs- und Entwicklungsmaßnahmen (SEP),” “Experimenteller Wohnungs- und Städtebau ExWOST” https://www.bbsr.bund.de/BBSR/DE/FP/ExWoSt/exwost_node.html and later on “Soziale Stadt” https://www.staedtebaufoerderung.info/StBauf/DE/Programm/SozialeStadt/Programm/programm_node.html.

ment for urban-development in prefab estates remained “para-statist.” While, on the one hand, the companies in charge were autonomous economic entities capable of taking loans, marketizing, and managing their stock, on the other hand, these companies were very dependent on access to public funds, which made them open to integrating a variety of public goals into their business activities.

This constellation, however, successively changed. Most important in this respect were two rounds of privatization that took place in the mid-1990s and early 2000s and population losses and state-funded “Urban Regeneration East” (*Stadtumbau Ost*) being put into place from 2001 to 2017.

TWO ROUNDS OF PRIVATIZATION³

The first round of privatizations affected 15-20% of the overall housing stock and was closely related to the “Existing Debts Assistance Act” (*Altschuldenhilfegesetz*), a 1993 Federal Law.

The background to this law is that within the socialist planned economy, financial means had been allocated to municipal housing administrations and housing cooperatives through state funds from the GDR state bank. When the state bank of the GDR was privatized, operational funds became “debts” of on average 15,000 Deutsche Mark (7,500 Euros) per flat (Borst 1996, Bernt 2005). As it soon turned out, the newly founded municipal housing companies and cooperatives barely had the capital base to deal with these debts. Consequently, the state intervened and took over the majority of these debt obligations. The condition set by the German state for this was, however, a legally binding acceptance of the debt obligations and the requirement to privatize 15% of the housing stock owned by 1999, ideally to sitting tenants.

For the East German municipal housing companies and cooperatives (which had the majority of their stock in large housing estates) this created enormous problems, as sitting tenants, who in most cases did not have the necessary equity to purchase their flats, showed virtually no interest in buying them. As a consequence, the law was changed in May 1995 to allow sales to so-called “in-between purchasers” (*Zwischenerwerber*). In practice, these “in-between purchasers” often turned out to be very speculative enterprises that would buy huge chunks of prefabs at discounted rates, take on risky loans, and hope for a lucky resale. Their calculations often proved to be unrealistic. Within a few years, most privatization projects ran into insolvencies, re-sales, and even legal trials, and the properties acquired ended up in receivership.

³ The following is a slightly modified text originally published in Bernt et al. 2017.

A second round of privatization occurred in the mid-2000s. The background for this round was the budgetary crisis of many municipalities and other state administrations in Germany that needed to find new sources of revenue, coupled with a neoliberal ideology of “lean” statehood – leading to the large-scale sale of municipal assets. Thus, within a few years, many cities sold their assets to international investors and among these assets, city-owned housing took a top role. More than 500,000 housing units were sold across Germany (see Holm 2008). As in other Western economies, the purchasers in this round of privatization were mostly institutional investors, like Real Estate Investment Trusts (REITs), Real Estate Equity Funds (REPE), and other property funds, often with branch offices around the world. These “hybrids of real estate and private equity” (Uffer 2013, 158) would typically seek undervalued assets to invest in. After the stock market crash in 2000, central banks across the world decreased their interest rates and flooded global markets with liquidity, thus reducing the cost of borrowing (Downs 2009). These conditions, together with price depreciations for real estate in the shrinking East German housing market (see below), enabled financial investors to enter the market. Usually, their business schemes were based on bargain sale prices, cheap mortgages, and low operating and maintenance costs. Sabina Uffer has vividly described the investment strategies put forward in this context as follows:

They [the funds] purchased the cheapest, often problematic, housing estates, financed them with high debt rates and resold them as quickly as possible for a higher price. In a market situation, where demand was only increasing for housing in the better neighbourhoods, the opportunistic funds applied aggressive letting strategies with the imperative to serve their credit lines through decreasing vacancy rates. This fostered a concentration of socially disadvantaged tenants that have no access to the housing stock of better neighbourhoods.” (Uffer 2013, 169)

On this basis, another wave of property sales was realized, through which properties came into the hands of private financial investors. Thereby, parts of the housing stock were sold in the context of insolvency proceedings of investors from the first round of privatization and others were directly privatized by municipal and cooperative landlords. The outcome of this second wave of sales was, again, a considerable change of ownership structures, with financial investors becoming even more important.

URBAN SHRINKAGE AND STADTUMBAU OST

Parallel to the privatization of housing units, severe population losses and the “Urban Regeneration East” (Stadtumbau Ost) subsidy program, which emerged as a reaction to these events, became crucial for the development of large housing estates.

Contrary to many expectations, the reunification of Germany resulted in de-industrialization and unemployment, accompanied by dramatically declining birth rates and massive out-migration. In total, the former GDR lost 1.7 million inhabitants altogether from 1991 to 2001 (roughly 11% of the original population). Due to their specific demographic composition with a high share of young people of working age living there, housing estates were particularly hard hit.

At the same time, and strongly supported by public subsidies and tax deductions, the housing stock was considerably expanded. In total, 776,303 housing units, about 10% of the housing stock in 1990, were built between 1991 and 2000 (Expertenkommission 2000, 10 and 14). The housing sector was, thus, subjected to two countervailing developments: 1) the collapse of the industrial base, which resulted in severe population losses, and 2) the housing stock was massively expanded, both through new constructions at the fringes (i.e. through suburbanization) and through the renovation of derelict houses in the historical centres of cities. Within a very short time, East Germany had, thus, become a “housing market of extremes” (Expertenkommission 2000, 10).

Reacting to this soaring oversupply of housing, the Federal government launched a new subsidy programme “Urban Regeneration East” (Stadtumbau Ost) in 2001, which provided support for the demolition of more than 350,000 flats and assisted in an active downsizing of the housing stock, for the first time in the history of German housing policies, especially in peripheral housing estates.⁴ Thereby, the provision of financial support was linked with an obligation to set up “Integrated Urban Development Concepts” (Integrierte Stadtentwicklungskonzepte) so that demolitions would be integrated into realistic visions for the affected cities.

The most important characteristics of the program can be summarized as follows:

- Demolition costs were covered at a level of 60 Euros per square metre of demolished housing.
- Companies that were indebted with “Existing Debts” (“Existing Debts Assistance Aid,” see above) could claim a forgiveness of debts for demolished housing space. This condition exclusively applied to Ex-GDR municipal and cooperative housing companies. As a consequence, these companies dominated the scene, while all other property owners refrained from demolishing their own stock. This resulted in an uneven distribution of demolitions by owners, building types, and geographical locations, in which most demolitions were carried out in prefab-estates owned by municipal and cooperative landlords.

⁴ On the pre-history of the program, see Bernt 2017.

- In addition to the support provided for demolitions, there were also subsidies for upgrading. Especially in the first years of the program, however, the vast majority share of subsidies went to supporting demolitions. Moreover, many upgrading activities stood in close relation to subsequent demolitions (such as designing a green space at the location of a previously demolished residence).
- Financial support was only provided when it was in line with “Integrated development Concepts,” which were set up by the municipalities together with the large housing companies, which had most of their properties in estates.

In summary, these conditions led to intensive “partnerships for demolition” (Bernt 2009), in which housing companies collaborated closely with municipal administrations in order to foster a “right-sizing” of the cities. For large housing estates, this had ambivalent effects. Until today, there has been no independent evaluations that would allow for a fair judgement across different themes and cases. The existing literature, however, points to some issues relevant for the development of estates:

- In most estates, the number of housing units was reduced. However, this happened in a spatially uneven way, with parts of the estates hardly touched and “stabilized,” and others widely, or even completely, demolished.
- At a micro-scale, demolitions were often poorly coordinated. In terms of spatial planning, the outcome of “Regeneration East” is, therefore, questionable (see Altrock 2018).
- In areas that were targeted for wide-spread demolitions, the provision of infrastructure was often reduced and maintenance activities were cut. As a consequence, many of these areas now show serious signs of neglect (see Bernt and Milstrey 2018).

It seems fair to summarize that “Urban Regeneration East” impacted neighbourhoods in very different ways. In some neighbourhoods it effected an accelerated abandonment and decay, as well as a displacement of the original residents. At the same time, in “stabilization areas,” it provided support for upgrading without demolitions, thus, improving the position of the neighbourhoods in the housing markets.

As it relates to the basic institutional framework for the development of large housing estates in East Germany, the following points can be made:

1. Most of the housing units in the estates are rentals; individual home ownership is negligible.
2. Historically, the housing stock has been owned and managed by municipal and cooperative companies that are bound to the locality, closely cooperate with the city government, and are supported by various public subsidy programs.
3. Due to two waves of privatization, this constellation is changing, and financial investors have gained more importance.
4. The state has intervened strongly in the development of the estates, first by providing subsidies for renovation and upgrading, and later (additionally) for the demolition of vacant housing stock.

This general framework provides the basic conditions against which the development of the two case studies of Halle-Neustadt and Berlin-Marzahn can to be understood. As will be shown, however, despite these common conditions, interesting differences between the two estates can be observed.

CASE STUDY: HALLE-NEUSTADT

Neustadt is the westernmost part of the city of Halle, which is located in Saxony-Anhalt. The 978.9 ha estate was built as an independent “City of Chemical Workers” between 1964 and 1989 for a projected population of 100,000 inhabitants. After the reunification, Halle-Neustadt plunged into crisis. As in most other East German housing estates, the collapse of the regional industrial base led to massive out-migration to more prosperous regions in Western Germany, especially by younger and better educated inhabitants. Second, the existing network of public infrastructure came under immense pressure, as many commercial, cultural, social, and recreational facilities had been organized by local authorities under socialism, and most of these collapsed after 1990. Third, national subsidies for new construction works, which were widely provided in the 1990s, led to an overproduction of residential buildings, thus, stimulating an unprecedented wave of suburbanization. As a consequence, a growing number of households moved into better-quality homes in the new suburbs. Finally, birth rates declined dramatically; the fertility rate decreased to below the subsistence or repopulation rate. As a result, Neustadt dramatically lost population in the 1990s and 2000s, with the population of the estate cut nearly in half.

Privatization and Management Structures



Picture 1: The Center of Halle-Neustadt. Photo by Matthias Bernt.

After reunification, the housing stock in Halle-Neustadt was owned by one municipal company (GWG Gesellschaft für Wohn- und Gewerbeimmobilien Halle-Neustadt mbH) and a handful of cooperatives (most importantly, Bau und Wohnungsgenossenschaft Halle-Merseburg eG (BWG), Bauverein Halle und Leuna eG, and Halle-Neustädter Wohnungsgenossenschaft eG). This changed quickly, however, when the first round of privatization took place in the course of the “Existing Debts Release Act.” Though the history of this first round of privatizations will not be detailed here, two issues are, however, important to mention: 1) all of the original “in-between purchasers” declared bankruptcy after a short time and their stock ended up in receivership or was resold (see below), and 2) both the housing cooperatives and the municipal GWG tended to focus on privatization in the tower blocks (which were more difficult to operate) and in the southernmost and youngest neighbourhood of Am Südpark (which was denser, more peripheral, and had some deficits regarding green spaces and public spaces). This led to a specific geography of privatizations through which the south of Neustadt ended up with a comparably higher share of private commercial companies owning large parts of the housing stock.

In the Am Südpark neighbourhood, the majority of flats are now owned by three financial investors (see Bernt et al. 2017, Bernt 2019). At the same time, the municipal company has completely given up its presence in the area, while housing cooperatives hold only minor shares of the housing stock. The neighbourhood Am Südpark, thus, provides an extreme example of a trend that is also relevant for the rest of Neustadt. For this reason, it is described in more detail below.

Who are the new owners? Most of the housing stock was taken over by three private companies: WVB Centuria GmbH, Westminster Immobilien GmbH, and Grand City Properties S.A. It is worth taking a closer look on these (see also Bernt et al. 2017, Bernt 2019).

Centuria, which owns around 1,200 flats (about 38% of the total stock) in the neighbourhood, was founded in 2001 as the asset-managing German property management subcompany of the US-based investor Lone Star, which had acquired 5,200 flats in Berlin-Hellersdorf. In 2006, the Paris-based global investment group Centuria Capital acquired these and other funds from Lone Star and, thus, became the proprietor of Centuria. The *raison d'être* of Centuria can be found in the combination of asset-management with the initiation of investment funds. Put simply, Centuria pools the money of international clients, buys under priced properties on their behalf and makes sure that these are managed in a profitable way, so investors can gain attractive returns. In the words of an interviewed manager:

The major difference is that we understand very well how international investors think and how they take decisions. We understand how investment decisions with a time horizon of three to five years are made, and we plan our funds accordingly, so that investing into our housing stocks makes sense for our clients. (Interview with a manager working for Centuria, 18th July 2013)⁵

Major clients of Centuria include banks from oil states like Bahrain, the United Arab Emirates, and Qatar, as well as various private investors from Germany, the US, and the UK. Centuria organizes investments in German real estate through which Middle Eastern and other investors can acquire properties without even needing to know where they are.

Westminster, the second biggest private investor in Am Südpark, is a family-owned company specialized in the administration of assets and management, as well as developing the portfolio of its shareholders. Westminster is a prime partner of banks that need to deal with distressed debts and has continuously expanded in recent years. As with Centuria, the business model of Westminster is focused on the acquisition, development, and resale of under priced properties for clients – not on long-term operations.

Since 2017, Grand City Properties has also been represented at Am Südpark (and in the rest of Neustadt). Grand City Properties S.A. is the fourth largest European residential real estate company. This stock corporation is owned by Israeli billionaire Yakir Gabay and a number of institutional investors and insurance companies. It has a very broad portfolio across different business areas. In

⁵ All quotes have been translated by the author.

Am Südpark, Grand City has mainly taken over the holdings of the Berlin asset management company Opus One, which bought them out of the insolvency assets of Level One for relatively undervalued prices.

By and large, Centuria, Westminster, and Grand City Properties work on the basis of the same business model: they manage the assets of investors who are not necessarily tied to the housing sector within a rather short investment period. In contrast to housing cooperatives or municipal housing companies, the location commitment is low and the portfolios are only interesting in the long-term if they yield an attractive return.

The way this return can be achieved is usually referred to as the “leverage effect” in economics. For this model to work in the housing sector, four conditions must be met: (1) low purchase prices, (2) low interest rates, (3) low operating costs, and (4) a high occupancy rate. All these conditions were met in Halle-Neustadt. On the supply side, interest rates were at a historic low starting in the early 2000s and an oversupply of housing and urban redevelopment in the 2000s led to an extreme deflation of house prices. On the demand side, the “leverage effect” model depends on the highest occupancy rate possible. In other words, a sufficient number of residents is required who have low incomes; cannot afford to rent more expensive flats; and are willing to accept poorer service, an unattractive location, and possibly worse maintenance. As this business model is often based on attracting welfare recipients, German planners have also coined it the “Hart IV business model” (after the nickname of the welfare reforms carried out in Germany in 2004). Consequently, the expansion of this business model works hand in hand with an influx of low-income and disadvantaged residents and an impoverishment of the affected neighbourhoods. Privatization, thus, enforced a growing concentration of poor households in private stocks, and the areas where these were concentrated (see also Bernt and Hausmann 2019).

State Programs and Strategies: From Upgrading, to Shrinkage, to Migration

While private investment companies gained influence, state-led and state-subsidized interventions have also played a crucial role throughout the last three decades. Closely connected to different generations of national and regional funding programs, three distinct phases of state programs and strategies are outlined below.

1. Completion and Modernization

When the reunification of Germany took place, there were still properties and pieces of infrastructure in Neustadt that had not yet been completed. Thus, the development of a proper “centre” of the estate was at a standstill. Also, it was not until 1989 that the construction of the town hall was started, meaning

it was only finished when Germany was reunited. Additionally, a large department store that was planned was still missing and so was a tram connection to the centre of Halle (Saale).

Consequently, the 1990s saw a number of new construction projects, e.g. a hotel and a service building close to the centre of the estate in 1995, a number of new residential buildings at the Bruchsee Lake in 1995, and a new shopping mall called the Neustadt Centre in 2000). Most importantly, a tram line that connects the estate to the centre of Halle (Saale) in a comfortable 10-15-minute ride was opened in 1999.

At the same time, enormous subsidies were put into renovating the existing residential buildings. As a consequence, 70% of the housing stock was renovated by 1998, mostly with regard to thermal insulation, modernised equipment (bathrooms), and the installation of balconies.

Summarizing this period, it can be said that public interventions had a major influence on the development of the estate. The financial base for this development was intensive financial support provided by the national government and a close collaboration between municipal and cooperative landlords and the local government.

2. Planned Shrinkage and Upgrading

At around the turn of the millennium, the estate was “completed” and urban development policies took a U-turn. Reacting to massive housing vacancies, and in line with the newly emerging federal subsidy program “Urban Regeneration East” (Stadtumbau Ost, see above), the city administration of Halle (as in most other East German cities) completely remodelled its planning goals and set up a new “Integrated Development Concept” in 2001. In Neustadt, the basic idea was to shrink towards the centre, i.e. to concentrate demolitions in the southern- and westernmost parts of the district and strengthen the centre. This was expected to increase population density in the centre, thus, providing critical mass for the operation of social and commercial infrastructures. It was also expected to bring green spaces closer to the central parts of Neustadt and, finally, provide opportunities to shrink redundant technical infrastructure such as water pipes or tram lines, making the grid more efficient.



Picture 2:
Vacant residential building
in Halle-Neustadt.
Photo by Matthias Bernt.

Implementing the program, however, proved to be tricky. By 2012, more than 13,000 housing units were demolished across Halle (Saale) – a bit less than 5,000 of them in Neustadt.⁶ At the same time, many of the originally planned demolitions were not carried out. This is particularly the case for the southernmost neighbourhood of Neustadt, Am Südpark, where the city had planned a complete restructuring and “backwards-building” (*Rückbau*, the new bureaucratic term) of the complete housing stock. These plans failed and only limited demolitions took place. The main reason for this was the resistance of the local housing companies. The Halle-Neustädter Wohnungsgenossenschaft eG cooperative had, for historical reasons, a large part of its stock on the outskirts of the Neustadt and a demolition would, therefore, have resulted in the abandonment of its core business. For private buyers who had acquired considerable stock in the neighbourhood (see above), demolitions also made little sense as they would have resulted in a loss of potential revenue, and the interest on the loans taken out for the purchase would have to continue to be paid. Finally, the demolition was also against the interests of the insolvency administrators who had been operating at Am Südpark since 2000, and whose legal mandate was to extract as much money as possible from the bankrupt estate for the creditors of the now bankrupt housing companies. The bottom line was that the city’s concept, which was very plausible for planning, ecological, and infrastructural reasons, proved to be unattractive for the owners in the area. Thus, in effect, while close to 5,000 flats were demolished in Neustadt, this did not take place in the way originally planned.

Demolitions were accompanied, however, by programs for upgrading that connected place-based and people-based interventions in ever more sophisticated ways. These were largely financed through national and European subsidy pro-

⁶ <http://www.netzwerk-stadtentwicklung-halle.de/netzwerkbrief/Netzwerkbrief-34.pdf>: 6.

grams like Soziale Stadt, Stadtumbau Ost, Urban 21, European Social Fund (ESF), European Regional Development Fund (EDF/ERDF), and others, but planned, decided upon, and implemented through the municipal administration. It is estimated that around 65 million Euros were spent on such projects in Halle between 2002 and 2009 (Ibid.); a large part of this sum was spent in Neustadt. Urban 21 alone had seven projects in Neustadt with a total subsidy volume of more than 9 million Euros. Important projects realized in this period included:

- Redesign of the Neustädter Passage, a central square;
- Redesign of the square and open spaces at the Gastronom, including the installation of a water playground;
- Redesign of the public squares and open spaces at the Treff, in particular installation of new leisure facilities for children and young people and construction of a youth recreation centre and an integrative playground;
- Establishment of a neighbourhood management entity;
- Construction of a skate park; and
- Restructuring a 5-floor prefab building to a townhouse at Am Tulpenweg.

As is easily visible from this short list, planning interventions continued to play a key role. In general, they focused on the renovation of public places, yet with an eye on social problems and specific needs.

3. New Growth and Immigration

Currently, a new phase of public planning interventions can be observed. Neustadt is growing again, and this growth is accompanied by an enormous influx of international immigrants, mostly Syrian refugees.

The background for this development is the following: in Germany, refugees are generally distributed equally across the territory, so that every county (or independent city) gets a share of the total number of refugees. These refugees are first housed in central shelters and other forms of accommodation. Once the refugees have a “permission to stay”, they can move out of these central shelters and search for accommodation in the housing market. However, as most refugees are unemployed, their search is practically limited by the rent limits of the welfare agency (*Kosten der Unterkunft, KdU*). In addition, refugees are often confronted with discrimination in the private rental market, especially those from the Middle East. As a consequence, refugees are often directed towards the most unpopular stocks, thus reinforcing the “Hartz IV business model” described above.

In the southern part of Neustadt, the share of foreign households has, therefore, increased from around 10% 2013 to more than 33% in 2017 (Bernt and Hausmann 2019). With this, problems of integration gain enormous impor-

tance. This is reflected in new plans for upgrading the educational and cultural infrastructure, including the provision of new educational facilities at a new Campus Kastanienallee. At the time of writing, the new Campus Kastanienallee represents the most important public initiative in Neustadt. It is a reaction to the unexpected growth of children with a migration background in the area (up to 80% of school starters) by both repairing and expanding the educational infrastructure, introducing new pedagogical concepts, and achieving a better integration between schools and other educational and training facilities in the area.

In addition, the renovation of one of five tower blocks that stands in the centre of Neustadt, which have been vacant since 1991, has become the subject of a public referendum. With the majority of participants voting for its maintenance, the city administration has developed new plans for the area. These combine the relocation of parts of the city administration (as new users) with the renovation of one massive tower block and the upgrading of the surrounding public space. All of this will be supported via public subsidies from various sources and managed within the context of a formally declared “Urban Renewal Area” (*Sanierungsgebiet*).

CASE STUDY: BERLIN-MARZAHN (WITH FELIX BÖHMER)



Picture 3: Berlin-Marzahn. Photo by Felix Böhmer.

Marzahn is located on the eastern fringes of Berlin. Including 58,646 prefabricated flats in 1990, it was the largest estate ever built in the GDR. It was constructed between 1977 and 1990, and provided accommodation for approximately 148,000 residents in 1990. As for most estates in Eastern Germany, Marzahn

experienced massive population losses after reunification, with the population numbers dropping to 103,000 in 2010. Population losses were, however, less extreme than in Halle-Neustadt. Currently, Marzahn (as for all of Berlin) is experiencing rising population numbers.

Privatization and Management Structures

At the time of reunification, the municipal housing company (Wohnungsbaugesellschaft Marzahn, WBG Marzahn) was responsible for 60.5% of the housing stock, while housing cooperatives managed 39.5% (Bezirksamt Marzahn 2017, 38).

Originally, the municipal WBG Marzahn – the commercial successor of the previous Municipal Housing Administration of the Borough of Marzahn (Kommunale Wohnungsverwaltung Marzahn) held around 36,000 housing units in Marzahn. As in Halle, municipal and cooperative companies were subjected to the requirements of the “Existing Debt Release Act” (Altschuldenhilfegesetz) and forced to sell large numbers of flats to investors in the 1990s. Moreover, reacting to the deepening financial crisis of the state of Berlin, which was the owner of all municipal enterprises, WBG Marzahn sold additional chunks of flats to private investors throughout the 1990s and 2000s. Finally, (and this is very specific for Berlin), the municipal WBG Marzahn was sold to the municipal Degewo in 2002⁷ (Oellerich 2005). Through this act, the municipally-owned flats in Marzahn stayed municipally-owned, but they were managed by a company with a portfolio of more than 75,000 housing units across Berlin. By 2017, Degewo held around 18,000 (31%) of the roughly 58,000 housing units of Marzahn.⁸ Approximately 18,000 units are owned by altogether 12 housing cooperatives, making up 34% of the housing stock.

As a consequence of this history, two issues are crucial when examining management structures regarding urban development and housing in Marzahn: the first of these is the influence of municipal policies and the second is the increased role of private investors.

7 “The principle was: one municipal company had to buy the other and pay the purchase price to the Senate (the government of Berlin, MB). Translated into an everyday situation: The small change in the left trouser pocket is sold to the right trouser pocket, which then owes the proceeds.” (Oellerich 2005)

8 This number includes less densely settled suburban areas (see Topos 2016, 43ff)

Municipal Companies and the State of Berlin

For Marzahn, changes at the federal state level played an important role in defining the landscape for local governance constellations in Berlin – mostly with regard to the role of the municipal housing companies.

Originally, in 1990, municipal housing companies (in East Berlin) were formed on the basis of the previous municipal housing administrations. As these were organized by boroughs, the borders of the borough and the portfolio owned and managed matched. In the late 1990s, however, this was changed (see above), and the number of municipal housing companies was reduced to six (finally). This had two consequences: first, municipal companies were now considerably bigger (as described above), so the interest in a particular area needed to be balanced with the overall business strategy of the company in a more complex way, and second, Berlin's municipal housing companies are subjected to a more intensive steering and guidance by the government of the state of Berlin, especially compared to previous years. Thus, new guidelines for the municipal companies were developed. They are coined "cooperation agreements" and are updated every year. The most important demands put upon the municipal housing companies are the following:⁹

- Construction of at least 30,000 apartments by 2021 by municipal housing companies, with a sufficient supply of commercial units for new construction projects;
- For new construction projects with a construction start date of 01 July 2017, at least 50% of the rent and occupancy rate is tied to households eligible for social housing and the other 50% in the privately financed new construction is rented on average for less than 10 Euros per square metre per month, with an appropriate price differentiation; and
- 60% of the apartments in the portfolio that are rented again each year are rented to WBS¹⁰ beneficiaries at a maximum of the local comparative rent, taking into account the Berlin mix; 25% of these are rented to beneficiaries with special needs (transfer recipients, refugees, homeless people, convicts, students, people with assisted living needs, and comparable need groups).

Given the share of municipal housing of the total housing stock in Marzahn, much of the development strategy of the borough is realistically predefined by the guidelines provided to the municipal housing companies at the state level. In the words of an interviewed planner from the borough:

The letting strategy ... is defined at the level of state policy. They have to build and rent their share of occupancy-bound flats - and so there is relatively little

9 Selected issues, see Kooperationsvereinbarung 2018.

10 WBS (Wohnberechtigungsschein) is the acronym for a certificate which proves the eligibility to social housing.

room for manoeuvre. (Interview with a representative of a housing company in Marzahn, 19th March 2019)

The most visible outcome of this nexus is that Marzahn-Hellersdorf has the highest share of rent-controlled and occupancy-controlled flats of all boroughs in Berlin.¹¹ As more than 1,000 new units are under construction in the borough, and next to all of these will be managed by municipal housing companies (see below), it is very likely that this number will increase. In addition, municipal housing is over proportionally concentrated in peripheral prefab areas like Marzahn. For this reason, the quota of flats provided to people eligible for social housing and “special needs” groups that needs to be fulfilled, which are measured at the company level, largely depends on providing accommodation for these groups in places like Marzahn. Moreover, as the companies also have to make sure that acceptable levels of revenue are obtained, they sometimes rent out housing stock they own in more prestigious locations at higher prices, while fulfilling their quotas elsewhere. Both these trends reinforce the concentration of disadvantaged households in Marzahn.

New Private Investors

As in Halle, different rounds of privatization have led to significant changes regarding the composition and business strategies of local landlords in Marzahn. Also, in a very similar way, the new owners are by and large private commercial investors. However, the actual history of privatizations is rather intricate and difficult to track. The reason for this is that many of the original buyers declared bankruptcy, were bought up as complete companies by other investors, sold parts of their stock, merged with other companies, or changed their names. This has led to a broad variety of owners in Marzahn. At the same time, significant shares of the housing stock are held by two companies that can be regarded as paradigmatic examples of a wider group of investors.

The first of these is Vonovia SE, a German housing company based in Bochum. It was founded in 2001 as Deutsche Annington Immobilien AG (DAIG) and is said to be the largest private landlord in Germany. The company was founded in 2001 and bought up numerous state-owned and company-owned homes in the 2000s. In addition, DAIG acquired private stocks and aimed to grow to a size that would enable it to significantly influence the housing market. In 2015, DAIG took over its competitor Gagfah for 3.9 billion Euros. In the course of this, the shareholders resolved to rename DAIG, Vonovia. In Marzahn, Vonovia holds stock it

11 19% of all units in the borough are managed as social housing, compared to an average of 12.1% in Berlin (see IBB 2018, 47 and 102). As this number is calculated at the borough level and, thus, includes the neighbourhoods of Biesdorf, Kaulsdorf, and Mahlsdorf, which are dominated by single-family homes, the actual share of social housing units in Marzahn is likely around 25-30%.

obtained through the purchase of other companies (like Viterra or Conwert) and stock it acquired from insolvencies, or direct sales of properties. As with its fellow companies in Halle-Neustadt, the business model of Vonovia is based on the “leverage effect,” which access to favourable debt capital and secure rental income making it possible to refinance the purchases. Assuming efficient management, a high return on equity can be achieved. Management believes that further increases in returns are possible for a housing company of this size through changes in housing management – such as a reduction in vacancy rates, rent increases, the sale of receivables, securitization, portfolio shifts, and the privatization of apartments. Vonovia, thus, provides very cost-efficient services¹² but is regularly criticized for under maintenance, failure to repair damages in rented flats, incorrect statements of operation costs (which have to be paid by tenants), inappropriate rent increases, and other issues in the German media.

The second-biggest private company acting in Marzahn is a direct competitor of Vonovia that works on a very similar business model. Deutsche Wohnen SE is a stock-listed housing company that owns around 163,000 apartments and 2,600 commercial properties. More than 100,000 of these are located in Berlin. Deutsche Wohnen was founded in 1998 by Deutsche Bank AG and listed on the stock exchange in November 1999. In July 2007, the company acquired the majority of shares from the municipal Gemeinnützige Heimstätten-, Spar- und Bau-Aktiengesellschaft (GEHAG) and in November 2013, Deutsche Wohnen successfully completed the takeover of GSW Immobilien AG which had come into existence due to the privatisation of Berlin’s largest municipal housing company (Gemeinnützigen Siedlungs- und Wohnungsbaugesellschaft, GSW) in 2004. As with Vonovia, Deutsche Wohnen is widely criticised for its return-oriented rental policy and is accused of not maintaining its housing stock sufficiently, generating income through constant rent increases, and above-average operating costs resulting from service contracts with subsidiaries. In subsequent years, Deutsche Wohnen has become so unpopular that an initiative has been founded that aims to expropriate this company, and others of its size, putting its property under public control.¹³

In contrast to Neustadt, private investors have less clearly contributed to growing concentrations of poor and socially disadvantaged households in Marzahn. The reason for this is the macro-context of Berlin. In Berlin, the housing market pressure is more severe, so that – even in peripheral areas – there is greater demand for housing. Even at the height of population losses, vacancy rates have

12 The company has closed all its local service centres and converted its service system for tenant enquiries to a nationwide call-centre with one telephone number. Vonovia also has its own craftsman organization for repairs and maintenance works, with more than 2,000 employees.

13 See <https://www.dwenteignen.de/>.

been less extreme than in Halle-Neustadt. As a consequence, landlords can exercise more choice and demand higher rents everywhere in the city. Moreover, and this is particularly relevant for migrants, there are low-price alternatives in the inner-city.¹⁴

Nevertheless, the experiences with private investors are, at best, described as “mixed” by the interviewees in Marzahn. The following quote can be regarded as paradigmatic in this context:

I think there's a clear change with the private sector coming in. They are much more focused on economic issues with new tenants. (...) What they do is exploiting the possibilities of rent laws completely, as far as the rent is concerned. So that was not so strong before with the private companies came in. They try to make full use of the frames that are legally possible. (...) They do their own politics. I don't mean they make their own policy for Marzahn or Hellersdorf. They have a corporate policy and that is applied to all inventories in Germany. And then there are return targets, which have to be adhered to, full stop. (Interview with a representative of a housing company in Marzahn, 19th March 2019)

State Programs and Strategies: From Upgrading, to Shrinkage, to Migration

1) Completion and Modernization

As with Halle-Neustadt, infrastructure and green spaces planned with the construction of the estate were not yet finished when the wall came down unexpectedly. In addition, there were issues with the thermal insulation of residential buildings, with a lack of balconies, and also other deficiencies.

All this provided the grounding for the provision of extensive subsidies to renovate the buildings, complete the infrastructure, and upgrade the environment. Between 1992 and 1998, the majority of the housing stock in Marzahn was renovated using support from various state programs (most importantly, KfW-Wohnraummodernisierung). Renovations started in the south of Marzahn, as the south was constructed earlier than the north, and moved northbound (Fritsche 2011, 135). As a consequence, much of the north was not yet renovated when subsidies were finally abolished in the late 1990s (Ibid.; Bezirksamt Marzahn 2017, 23 and 36; Liebmann 2004, 82).

¹⁴ Historically, the inner-city neighbourhoods of West Berlin experienced massive underinvestment and neglect in the 1970s and 1980s. This situation has stimulated a high concentration of disadvantaged groups, mostly of migrants who came to Germany as “guest workers” or refugees, which is still characteristic of neighbourhoods like Kreuzberg, Neukölln, Moabit, and Wedding.

The Städtebauliche Weiterentwicklung großer Neubaugebiete (StWENG) (see BMVBW 1999), Sanierungs- und Entwicklungsmaßnahmen (SEP), and Experimenteller Wohnungs- und Städtebau (ExWOST), were also important in providing the financial means for upgrading the infrastructure and public spaces. It is estimated that altogether 124 million Deutsche Mark were spent for this between 1991 and 1998 in Marzahn alone (Bezirksamt Marzahn 2017, 18).

In terms of governance structures, the upgrading of Marzahn was very much a “statist” undertaking, in which the national state, the state of Berlin, the borough of Marzahn, the municipal housing company, and a handful of housing cooperatives worked closely together. Coordination was, thereby, facilitated by the establishment of a “Platform Marzahn” in 1991, which provided an open forum for the discussion of planning strategies and renovation activities in the borough.

Notwithstanding this support, Marzahn experienced considerable out-migration in the 1990s, leading both to declining population numbers and to a downward movement of the income structure. As much of the out-migration went to newly built suburbs and was driven by families with middle to higher incomes, the remaining population was in effect poorer. Moreover, in the second half of the 1990s, Marzahn became the point of destination for many “Russian Germans” who had migrated from the former Soviet Union. By and large, the unemployment rate was above average for this group, resulting in international migration adding to the downward trend. Thus, by the late 1990s, the optimism of the first programs for the renovation of the housing estates started to diminish as the mounting challenges to the social makeup of the quarters increased (Liebmann 2004, 101). In order to react to growing problems of social segregation, the state of Berlin launched a new program for “Socially Oriented Urban Development” (Sozialorientierte Stadtentwicklung) in 1999. In Marzahn, this program was in effect in the north-western part of the estate. It provided support for the upgrading of public spaces and infrastructure, local economic activities, participation projects, neighbourhood marketing, etc. Most importantly, a “neighbourhood management” entity (Quartiersmanagement) that was expected to act as a nodal point in the community, mainly through a combination of participation activities with publicly funded projects in the area (Fritsche 2011, 236).

2) Shrinkage and Urban Restructuring

By the early 2000s, Marzahn had to deal with considerable population losses resulting in growing vacancy rates, as did the majority of East German housing estates. Thus, when the national government launched its new program “Ur-

ban Restructuring East” (*Stadtumbau Ost*, see above), it was clear that Marzahn would become a top candidate for demolition measures. However, population losses and vacancies were considerably smaller in Berlin than in the rest of the former GDR, and enthusiasm to participate in the program was, therefore, less.

This had three consequences:

First, whereas in the rest of East Germany the focus of demolition measures was clearly on residential buildings, the state of Berlin managed to obtain a special clause that enabled it to support the demolition of social infrastructure. This was particularly relevant in Marzahn, as the mix of “demographic waves” and population decline had led to the obsolescence of numerous nurseries, kindergartens, and schools. This applied to half of the total number of schools and kindergartens in the borough: 76 of a total number of 134 (see Grunze 2007, 58). Of these, more than 50 schools and kindergartens were demolished using subsidies from the program. Usually the demolished infrastructure was replaced by green space, so this part of “Urban Restructuring” resulted in a dispersed expansion of new green spaces in an already fairly green neighbourhood (see also Grunze 2017, 131ff).

Second, the strategy of demolishing residential buildings in order to reduce vacancy rates proved to be rather controversial. Fritsche and Lang (2007, 24) have described the discussions about “Urban Restructuring East” in Marzahn as follows:

Fierce conflicts were carried out ... in Marzahn North. In addition to conflicts between those responsible for the integrated neighbourhood development concept, the planners of the senate administration (i.e. the state government of Berlin, MB) and the funding agencies over fundamental responsibilities, the opinions also diverged widely in conceptual terms. On the one side there was the demand for a comprehensive demolition, which would have widely destroyed the urban fabric, on the other side the objective “preservation and renewal” of the existing stock was striven for.



Picture 4:
Ahrensfelder Terrassen.
Photo by Felix Böhmer

In this conflict, by and large, the Senate of Berlin, together with the municipal housing company, was in favour of large-scale demolitions, whereas the borough, the inhabitants, and the housing cooperatives were for preservation. Leaving different conceptual ideas aside, this can also be attributed to the different spatial backgrounds of these actors. The city government had an intensive interest in reducing vacancies in general and to regain a “healthy” market equilibrium. This was also important for the state-owned funding bank, which had provided massive loans for renovation activities in the 1990s and faced a decrease of security values with increasing vacancies. The municipal company Degewo had considerable interest in making use of the “Debt Release” provided by the program, with Marzahn only a sideshow in the overall portfolio of the company. The housing cooperatives, in contrast, had most of their stock in Marzahn and were, therefore, particularly interested in strengthening this location. Similar positions were taken by the borough administration, by local politicians, and by the residents who – by the very nature of their position – had a stronger interest in Marzahn than in the rest of Berlin. The controversies around “Urban Restructuring,” therefore, highlight an underlying issue that can be described as the different spatial reach and elasticity of actors involved in making governing decisions in Marzahn. The outcome of this constellation, however, was that the communal housing company demolished 3,542 housing units in Marzahn, while it upgraded and restructured 1,289 units.¹⁵ Neither housing cooperatives nor private owners did conducted demolition activities.

The most visible outcome of these conflicts was a restructuring project that proved to be fairly unique in the context of “Urban Restructuring East” (*Stadtumbau Ost*): the award-winning urban redevelopment project, Ahrensfelder Terraces (see picture 4). Between 2003 and 2005, 16 eleven-storey high-rise blocks were transformed into buildings with three to six storeys. As this happened in Ahrensfelde, the project was given this name.¹⁶

In terms of numbers, 1,670 housing units were transformed into 409 rental flats and 38 condominiums (INSEK 2011, 18f; Degewo 2010, 21). The project cost 31.5 million Euros, or 634 Euros per square metre (of the remaining housing units). The Ahrensfelder Terraces have become very popular among German architects and are often referred to as “best practice” both for restructuring prefab buildings and for “smart” shrinkage. However, as it proved to be very expensive, this practice has not been repeated.

¹⁵ In sum, this was still financially lucrative for the company (see Degewo 2010, 54). Altogether, Degewo invested 61 million Euros for both demolitions and upgrading in Marzahn and received 33 million Euros of direct support through the funding program, plus 15.5 million Euros in debt forgiveness. 80% of the total package for reducing the housing stock and renovating the remaining units was paid for by the public.

¹⁶ For more details see <https://www.visitberlin.de/en/ahrensfelder-terraces> in English, or <https://www.stadtentwicklung.berlin.de/staedtebau/foerderprogramme/stadtumbau/Ahrensfelder-Terrassen.434.0.html> in German.

3) New Growth and Immigration

Until 2010, Marzahn had been shrinking, reaching the lowest number of inhabitants in 2010 when 103,000 people lived in the area. By 2010, however, the neighbourhood started growing again and reached 108,913 inhabitants in 2017 (Monitoring Soziale Stadtentwicklung 2017). The new growth needs to be seen in the context of a massively growing population in Berlin in general. In the city, the population grew from 3.38 million in 2000 to 3.61 million in 2017, and further growth is expected, so that 3.8 million people are projected by 2025. As of now, this massive growth reaches into all neighbourhoods of the city, including Marzahn. The population growth goes hand in hand with a severe lack of affordable housing, and providing new housing for low-income groups has become a top priority for Berlin's government. The strategy implemented in the subsequent three to five years rests on simultaneously supporting the new construction of social housing units and expanding the municipal housing stock from 300,000 to 400,000 units (Kooperationsvereinbarung 2018, 5).

This context has led to another U-turn in urban development policies in Marzahn. While only ten years ago the goal was to reduce housing numbers, policies are now directed at developing new buildings. In 2013, the borough administration published a new "Housing Market Concept" defining a potential for 3,350 new homes in the district of Marzahn-Hellersdorf by 2020 (Wohnungsmarktentwicklungskonzept 2013, 16). Only one year later, in 2014, the district of Marzahn-Hellersdorf was declared one of ten "transformational spaces" in which the city aimed to concentrate new construction activities. In 2016, the "Housing Market Concept" and the potential for new homes was expanded to 11,400 units for the borough by 2030, including 2,211 units in Marzahn (Wohnungsmarktentwicklungskonzept 2016, 31).

Currently, around 1,000 housing units are either being constructed or have already been built in Marzahn. Ironically, all of these are located on land parcels that were subjected to demolition measures supported by subsidies from the "Urban Restructuring East" program. In less than two decades, the residents of Marzahn have, therefore, seen the subsidized demolition of parts of the housing stock and the (again subsidized) construction of new flats in exactly the same locations. While this may be difficult to understand, there are a number of reasons for this:

- these plots are the easiest to "activate" as they belong to the municipal housing company, the borough of Marzahn-Hellersdorf, or the state of Berlin;
- as municipal housing companies are the primary "motor" of construction activities in Berlin, they are granted prioritized access to municipal land; and

- as all the lots have been covered by residential buildings in the past, it is easy to “fit” the new buildings into the spatial arrangement of the surrounding neighbourhoods. Planning procedures are, therefore, facilitated considerably.

New constructions and rapid growth have, however, also led to new challenges. The most obvious of these is the provision of the additional infrastructure needed. The existing kindergartens and primary schools are already overbooked (Bezirksamt Marzahn 2018, 36) and with the completion of new flats, a further increase in demand is foreseeable. The situation was vividly described by an interview partner from the borough administration as follows:

Securing the necessary supply of social infrastructure is a challenge for the council. With all the follow-up facilities that are now needed due to these new construction projects in large scales. In other words, to secure spaces for schools and day-care centres. So that these will not be blocked with flats. (...) Personnel is also a thing. I assume almost all boroughs have a problem with this. So even if we build kindergartens, we have no nurses (...) The question is always: now we have these ex-demolition areas that were once occupied by day care centres. Now that flats are built there, where is the day care centre supposed to go? (Interview with a planner from the Council's planning office, 19th March 2019)

A second concern raised by many interviewees regards the social composition of the new residents. Here, the background is the following: As described above, the construction of new residential buildings (up to now) has been exclusively put forward by municipal housing companies. As discussed above, these are required to provide 50% of the new flats as social housing. In addition, 60% of newly rented apartments need to be given to households eligible for public housing annually;¹⁷ 25% of these should go to beneficiaries with special needs (transfer recipients, homeless people, convicts, students, people with assisted living needs, and comparable groups). It is criticized that this could lead to a further concentration of low-income groups in Marzahn, thus, reinforcing segregation and stigmatization. Two issues are at stake here: 1) as the municipal companies hold major shares of their stock in peripheral estates, the likelihood that new rental contracts are settled – and among these 25% to special needs-groups – is higher than in the inner city, and 2) in order to co-finance affordable social housing units, the companies tend to rent out the remaining 50% of the newly built flats in the upper price segment. As a consequence, a supply of medium range rent options appears to be missing.

¹⁷ This, however, applies to more than every second household in Berlin.

DISCUSSION AND SUMMARY

Over the last decades, Marzahn and Halle-Neustadt have both experienced very similar and, in important details, also rather different histories.

In the following, some of the most important similarities and differences will be discussed. I will focus on the socio-economic context of the two cities in which the estates are located, on ownership structures, and on the ways the municipalities influence local governance constellations.

Starting with the socio-economic context, it is evident that both Berlin and Halle (Saale) experienced deindustrialisation and population decline in the past – through at very different levels. While the economic crisis following reunification was severe in Berlin, it was dramatic in Halle (Saale). As a consequence, population losses were more pronounced in Halle (Neustadt) than they were in Marzahn. The following diagram illustrates this (see Figure 1).

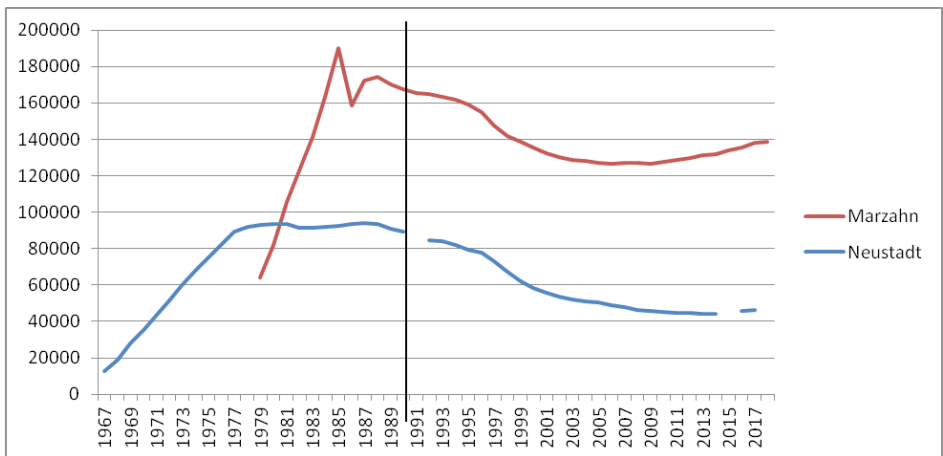


Figure 1: Population numbers in Neustadt and Marzahn 1967-2017 (Source: communal statistics)

The differing severity of the population losses impacted on a number of issues: Thus, the pressure for demolition was less pronounced in Marzahn than in Halle, the prices of property in Marzahn have not declined as massively and, therefore, less stock has been bought up by international investors, and in Marzahn the vacancy rates were lower, meaning less space for new immigrants. In addition, more recently, Berlin is experiencing strong population growth, whereas economic recovery and population development is more moderate in Halle (Saale). This (among other issues) is reflected in the stronger relevance of new construction in Berlin, as well as in a different policy of the municipalities towards its housing companies. Last but not least, Berlin is incomparably bigger than Halle (Saale), resulting in more complex development patterns.

At the same time, there are also similarities. Both housing estates have experienced an ongoing marketization that proceeded in three stages. In the first stage that immediately followed the reunification, housing was made a commodity and reorganized in the form of municipal and cooperative (yet still commercial) companies. In the second stage, municipal and cooperative companies were forced to sell around one sixth of their stock to speculative “in-between purchasers.” This period already resulted in a dissociation of larger parts of the housing stock from the existing “para-statist” constellation and their placement on the market. It also laid the foundation for the third phase, which started around the turn of the millennium. Based on low interest rates and the liberalization of property regulations, new financial investors acquired large chunks of insolvent or low-price properties, using “leverage effects” to achieve quick profits. In contrast to both the municipal and cooperative companies, and “in-between purchasers,” the new owners were integrated into global financial channels and their whole business was directed towards channelling liquid capital into undervalued assets. For them, the properties acquired were not seen as a long-term business activity, but as part of a portfolio that was managed to maximize revenues on the short- to medium-term. Table 1 summarizes some of these changes.

	Municipal and cooperative housing companies	In-between purchasers	Financial investors
Type of business	Long-term provision of rental flats, mostly as social housing	Short-term profit from reselling privatized properties	Short-term profit through the use of “leverage effects,” based on low prices, low interest rates, and low maintenance and service costs
Major source of financial support	Own budgets, public subsidies	National mortgage banks	Private Equity and institutional and private Investors
Relation to the state	At arm’s length and close collaboration	Profiting from privatization, but no assignment to state directives	None

Table 1: Types of housing companies in large prefab estates in East Germany (see Bernt et al. 2017)

The arrival of new investors has considerably changed the governance configuration in both estates and “splintered” the governance of urban development into one part that remains “para-statist” and is based on a close collaboration of local administrations with municipal and cooperative housing providers, often based on national, regional, and European subsidy programs and a “free market” part in which there is little interaction between public planning and the investment, renting, and management strategies of the owners.

The following table shows that private owners hold around 1/3 of the stock in both estates. Nevertheless, as for now, public strategies for dealing with this fundamental change have remained underdeveloped, and most policies are developed around the interplay of public and para-public actors.

	Area	Share of housing units by ownership				Total
		Communal	Cooperatives	Individuals	Companies	
Neustadt	North	33.23%	32.31%	12.94%	21.52%	33.22%
	West	27.41%	50.49%	3.84%	18.27%	29.01%
	South	32.74%	33.72%	4.52%	29.02%	37.77%
	Total	31.36%	38.12%	7.12%	23.41%	100%
Marzahn	North	41.60%	23.80%	6.65%	27.96%	23.01%
	Centre	32.37%	36.84%	4.96%	25.83%	39.51%
	South	19.34%	37.23%	20.59%	22.85%	37.48%
	Total	29.61%	33.98%	11.21%	25.20%	100%

Table 1: Share of housing units by ownership as a percentage of the total housing stock (2011; Amt für Statistik Berlin-Brandenburg 2019; Statistisches Landesamt Sachsen-Anhalt 2019; own calculations)¹⁸

¹⁸ Within this table, the categories of homeowner associations and individual owners provided by the statistics are summarized. This is important when analysing the areas of Neustadt North and Marzahn South. While both of these areas have a high portion of individually owned housing, the reasons for this structure of ownership are different. In Neustadt North (12.94% individually owned), there is a relatively high share of associations of individual flat-owners owning housing (11.7%), with relatively few housing units owned exclusively by one individual owner (1.3%). Marzahn South, too, has a very high share of individually owned housing units (20.6%), while having a relatively high share of private individuals owning housing (7.8%). This is, however, mostly due to a relatively large area of detached single-family houses included in the statistical area.

The category of companies owning housing units is also comprised of different entities: housing companies, other profit-oriented companies, and a marginal amount of non-profit organizations (e.g. the church). These hold the majority of the privately owned housing units in both Marzahn and Neustadt.

There are, however, regional specificities that can be recognized. In the west of Halle-Neustadt, there is the biggest share of housing cooperatives owning housing in all of the examined areas (50.5%), while the south has an above-average share of company-owned housing (29%). Marzahn doesn't show such a regional accumulation of company-owned housing, with the shares being more or less evenly distributed.

Communally owned flats account for 41.6% of the housing in Marzahn North, with a relatively small share of housing cooperatives (23.8%). The Marzahn South, in contrast, has the lowest portion of communally owned housing (19.3%) with heavy concentrations of housing cooperatives (37.2%) and, as stated above, a very high share of individually owned housing (20.6%).

It would be misleading, however, to assume that the interaction between politicians, administrations, and municipal and cooperative housing companies would be free of friction. This is well demonstrated by the history of “Urban Restructuring East” (*Stadtumbau Ost*), which was accompanied by considerable debate and controversies between state and borough politicians, housing companies and residents, and other actors. In this respect, the governance structure of Berlin is more complex and this allows more space for conflict. At the end of the day, however, there is an intensive interest in collaboration in the “para-statist” sector of urban development, and spaces for discussion and negotiation are created. In this respect, in Halle (Saale) much of the urban development strategies regarding Neustadt have been developed in an informal “Network for Urban Development”¹⁹ in which the big municipal and cooperative housing companies, the major infrastructure provider of the city, and the city administration of Halle (Saale) have been meeting on a regular basis since 1999 to discuss development strategies for the city and its neighbourhoods. In Marzahn, by contrast, the institutionalization of collaboration has been a bit more vulnerable and there have been different platforms over time, from a “Platform Marzahn” that was established in the context of upgrading and modernization programs in the 1990s, to a recent “Round Table on Housing and Housing Policies” (*Wohnungspolitischer Runder Tisch*), coordinating new construction activities, each time with different actors and foci. Cremer (2007, 124) provides an impressive list of altogether 20 important coordination platforms and activities focusing on urban development issues in Marzahn between 1990 and 2007.

Summarizing, it can be said that – despite differences in detail – governance constellations in both estates are remarkably similar. Compared to other post-socialist countries, their main characteristic is a strong role of municipally owned and cooperative providers of rental flats and lasting financial support by the state. Both gave rise to traditionally stable governance constellations and a high degree of spatial fit between the commercial interest of owners and the development challenges of the areas. At the same time, due to privatizations, considerable shares of the housing stock cannot be integrated into this logic anymore. As a consequence, governance patterns have been split into two parts operating on the basis of different logics, becoming more fragmented.

19 See <http://www.netzwerk-stadtentwicklung-halle.de/index.html>.

REFERENCES

1. Altrock, U. 2018. Quartiere auf sehr lange Zeit. Geschichte und Zukunft von Großwohnsiedlungen aus architektonisch-gestalterischer Perspektive. In U. Altrock, U./N. Grunze, N. / and S. Kabisch, S. (Eds.) *Großwohnsiedlungen im Haltbarkeitscheck*. Wiesbaden: VS Verlag, 35-70.
2. Amt für Statistik Berlin-Brandenburg (2019). Wohneinheiten nach Eigentümer [Data File]. Provided by inquiry
3. Bernt, M. 2019 . Sonderfall Südpark? In Pasternack, P. (Ed.) *Kein Streitfall mehr? Halle-Neustadt fünf Jahre nach dem 50-Jahre-Jubiläum*. Halle: Mitteldeutscher Verlag, 81-92
4. Bernt, M. (2017). Phased Out, Demolished and Privatized: Social Housing in an East German Shrinking City. In P. Watt and P. Smets (Eds.), *Social Housing and Urban Renewal: A Cross-National Perspective*. Oxford: Emerald Publishers, 253-276.
5. Bernt, M., Colini, L. and Förste, D. (2017) Privatization, Financialization and State Restructuring in Eastern Germany: The case of Am Südpark, *International Journal of Urban and Regional Research*, 41(4), 555–571.
6. Bernt, M. (2009). Partnerships for Demolition: The Governance of Urban Renewal in East Germany's Shrinking Cities. *International Journal of Urban and Regional Research* 33(3), 754-769.
7. Bernt, M. (2005). Demolition Program East. In P. Oswalt and E. Beyer (Eds.), *Shrinking Cities*. Ostfildern: Hatje Cantz Ostfildern-Ruit, 660-665.
8. Bernt, M. and Milstrey, U. (2018). Quartiere auf Zeit revisited: neue Herausforderungen für Politik und Planung. In: U. Altrock, N. Grunze, and S. Kabisch (Eds.) *Großwohnsiedlungen im Haltbarkeitscheck*. Wiesbaden: VS Verlag, 145-168.
9. Bernt, M. and M. Hausmann (2019). Studie zur kleinräumlichen Untersuchung sozialstruktureller Veränderungen in Halle (Saale). Ergebnisse der Auswertung von Daten der kommunalen Statistik (Research Report), https://leibniz-irs.de/fileadmin/user_upload/pure_files/1259752/2019_03_13Monitoring_Halle_final.pdf
10. Bevölkerungsprognose Berlin (2016). Bevölkerungsprognose für Berlin und die Bezirke 2015-2030. Berlin: Senatsverwaltung für Stadtentwicklung und Umwelt

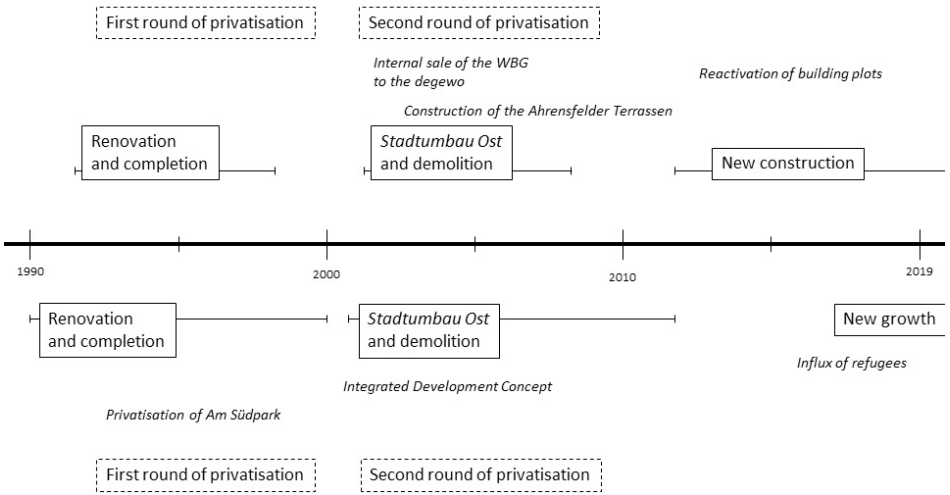
11. Bezirksamt Marzahn-Hellersdorf von Berlin (2017). *Fachtagung 40 Jahre Wohnstadt Marzahn. Vom Neubaugebiet zur grünen Wohnstadt 1977-2017, Berlin*. Self-published
12. Bezirksamt Marzahn-Hellersdorf von Berlin (2018). Konzept für die soziale Infrastruktur, Berlin: Self-published
13. Borst, R. (1996). Volkswohnungsbestand in Spekulantenhand? Zu den möglichen Folgen der Privatisierung von ehemals volkseigenen Wohnungen in den neuen Bundesländern. In H. Häussermann and R. Neef (Eds.), *Stadtentwicklung in Ostdeutschland*. Heidelberg; Springer, 107-128.
14. Bundesministerium für Verkehr, Bau- und Wohnungswesen (BMVBW) (Ed.) (1999). Eine Zukunft für die Plattenbausiedlungen. Abschlußbericht der Forschungsbegleitung zum Bund-Länder-Förderprogramm „Städtebauliche Weiterentwicklung großer Neubaugebiete in den neuen Ländern und im Ostteil Berlins“. Bonn/Berlin: Self-published.
15. Cremer, C. (2007). Ohne Kommunikation kein Erfolg. Entwicklungssteuerung durch Partizipation, In: Bezirksamt Marzahn-Hellersdorf von Berlin (Ed.) *Im Wandel beständig. Stadtumbau in Marzahn und Hellersdorf*. Berlin: Self-published, 125-136.
16. Degewo (2010). Die Platte ist flexibel. Berlin: Self-published
17. Downs, A. (2009). Real Estate and the Financial Crisis. How Turmoil in the Capital Markets is Restructuring Real Estate Finance. Washington D.C.: Urban Land Institute.
18. Droste, C. and Knorr-Siedow, T. (2014). Social Housing in Germany. In K. Scanlon, C. Whitehead, and M. Fernandez Arrigoitia (Eds.) *Social Housing in Europe*. London: Wiley-Blackwell, 183-204.
19. Expertenkommission “Wohnungswirtschaftlicher Strukturwandel in den neuen Bundesländern” (2000). *Bericht der Kommission i.A. des Bundesministeriums für Verkehr, Bau- und Wohnungswesen (Bauforschung T2949)*. Stuttgart: Fraunhofer IRB Verlag.
20. Fritsche, M. (2011). *Mikropolitik im Quartier. Bewohnerbeteiligung im Stadtumbauprozess*. Wiesbaden: VS Verlag.
21. Fritsche, M. and Lang, Th. (2007). Einführung – Dimensionen des Stadtumbaus in den großsiedlungen marzahn und Hellersdorf, In: Bezirksamt Marzahn-Hellersdorf von Berlin (Ed.) *Im Wandel beständig. Stadtumbau in Marzahn und Hellersdorf*. Berlin: Self-published, 15-32.

22. Grunze, N. (2007). *Rückbau sozialer Infrastruktureinrichtungen in der Großwohnsiedlung Marzahn – Ursachen, Probleme und Möglichkeiten* (unpublished Diploma Thesis). The Geographical Institute of the Humboldt University of Berlin, Berlin.
23. Grunze, N. (2017). *Ostdeutsche Großwohnsiedlungen. Entwicklung und Perspektiven*. Wiesbaden: Springer VS.
24. Hannemann, Chr. (2004). *Die Platte. Industrialisierter Wohnungsbau in der DDR*. Berlin: Schiller Verlag.
25. Helbig, M. and Jähnen, St. (2018). *Wie brüchig ist die soziale Architektur unserer Städte? Trends und Analysen der Segregation in 74 deutschen Städten* (WZB Discussion Paper P 2018–001). Last accessed 10 December 2019: <https://bibliothek.wzb.eu/pdf/2018/p18-001.pdf>.
26. Holm, A. (2008). *Privatisierung des kommunalen Wohnungsbestandes, JB StadtRegion, 1-2008*, 101-108. Last accessed 10 December 2019: <https://www.budrich-journals.de/index.php/stadtregion/article/view/4688/3859>
27. Investitionsbank Berlin (IBB) (2018): Wohnungsmarktbericht. Last accessed 10 December 2019: https://www.ibb.de/media/dokumente/publikationen/berliner-wohnungsmarkt/wohnungsmarktbericht/ibb_wohnungsmarktbericht_2018.pdf.
28. Kemeny, J. (1995). *From Public Housing to the Social Market: Rental Policy Strategies in Comparative Perspective*. London: Routledge.
29. Kooperationsvereinbarung (2018). „*Leistbare Mieten, Wohnungsneubau und soziale Wohnraumversorgung*“ Kooperationsvereinbarung mit den städtischen Wohnungsbaugesellschaften Berlins. Berlin: Senatsverwaltung für Stadtentwicklung und Wohnen. Last accessed 14 January 2020: <https://www.stadtentwicklung.berlin.de/wohnen/wohnraum/wohnungsbaugeellschaften/download/kooperationsvereinbarung.pdf>
30. Liebmann, H. (2004). *Vom sozialistischen Wohnkomplex zum Problemgebiet? Strategien und Steuerungsinstrumente für Großwohnsiedlungen im Stadtumbauprozess in Ostdeutschland* (Dortmunder Beiträge zur Raumplanung 118). Dortmund: Institut für Raumplanung/ Universität Dortmund.
31. Monitoring Soziale Stadtentwicklung (2017). *Monitoring Soziale Stadtentwicklung Berlin 2017*. Berlin: Senatsverwaltung für Stadtentwicklung und Wohnen Berlin

32. Oellerich, J. (2005). *Erst abgezockt dann verscherbelt*. In: MieterEcho 310/2005. Berlin: Berliner Mietergemeinschaft e.V. Last accessed 14 January 2020: <https://www.bmgev.de/mieterecho/310/05-wohnungswirtschaft-joe.html>
33. Pasternack, P. (2014). *50 Jahre Streitfall Halle-Neustadt. Idee und Experiment. Lebensort und Provokation*. Halle (Saale): Mitteldeutscher Verlag.
34. Statistisches Landesamt Sachsen-Anhalt 2019. Wohneinheiten nach Eigentümer [Data File]. Provided by inquiry
35. Topos (2016). *Fortschreibung Wohnungsmarktentwicklungskonzept Marzahn-Hellersdorf 2020/30*. Berlin: Self-published.
36. Uffer, S. (2013). The Uneven Development of Berlin's Housing Provision. Institutional Investment and Its Consequences on the City and Its Tenants. In: M. Bernt, A. Holm and B. Grell (Eds). *The Berlin Reader. A Compendium on Urban Change and Activism*. Berlin: transcript.
37. Wohnungsmarktentwicklungskonzept (2013). Wohnungsmarktentwicklungskonzept Marzahn-Hellersdorf 2020: Chancen zur sozialen und städtebaulichen Urbanisierung. Berlin: Bezirksamt Marzahn-Hellersdorf
38. Wohnungsmarktentwicklungskonzept (2016). Fortschreibung Wohnungsmarktentwicklungskonzept Marzahn-Hellersdorf 2020/30. Berlin: Bezirksamt Marzahn-Hellersdorf

Annex 1: Timeline

Berlin-Marzahn



Halle-Neustadt

Annex 2: Modes of Governance

	“Soft” managerial (1990 to early 2000s)	Fragmented between managerial and pluralist mode (2000s to now)
Governing relations	Bureaucratic, top-down	Issue-based negotiations or no collaboration
Governing logic	Based on public control of main actors and access to subsidies	Market-based
Key decision makers	Politicians, national administrations, municipalities, and cooperative housing companies (to some degree)	Fragmented: soft managerial for issues and sectors under public control, free-market for other issues
Political objectives	Purposive	Purposive/material ¹



Coordinators:
Matthias Bernt, Kadri Leetmaa, Oleg Pachenkov

Supported by:
ERA.Net RUS Plus, RFBR

estatesaftertransition@gmail.com
www.estatestransition.org