

First Reaction Post Elections

- Federal Elections
- Berlin State Elections
- Expropriation Referendum in Berlin

All data as of
6:30 CET on Sep. 27

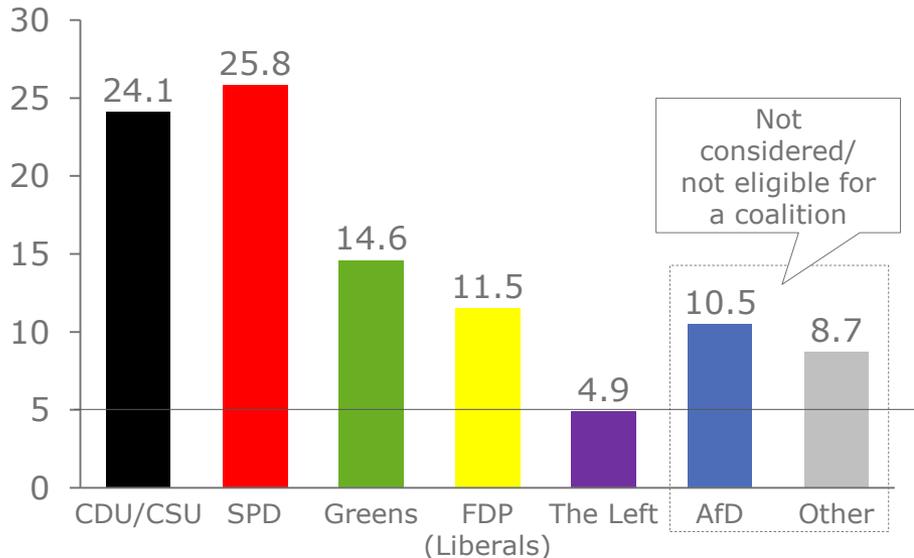
September 27, 2021

German Federal Election

No Majority for R2G; SPD Slightly Ahead of CDU

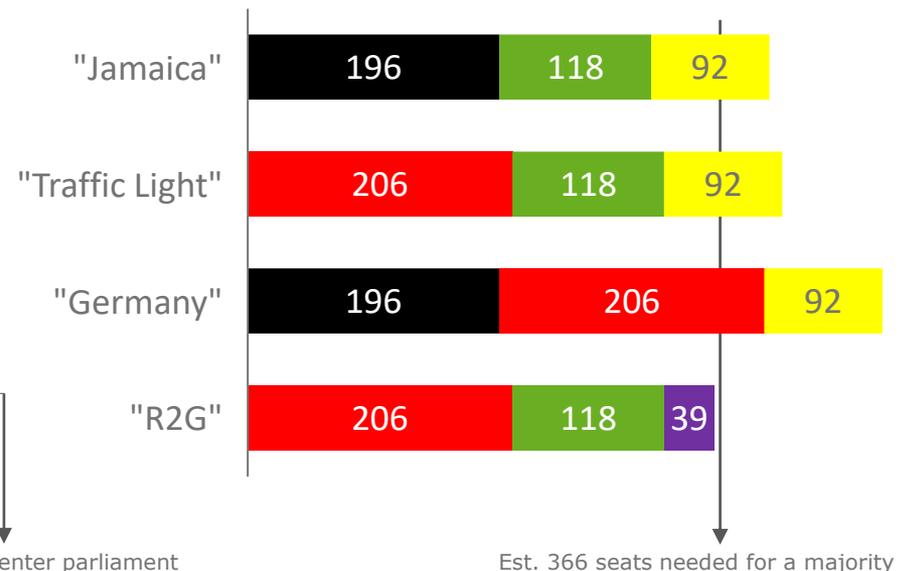
- Based on the official preliminary election results¹ the outcome is tight with a small lead for the SPD over the CDU.
- The election did not deliver an obvious winner, and SPD and CDU have both emphasized their intention to form a new government coalition led by them.
- As the Greens and the FDP both had strong results, a three-way coalition with the two, led by the **SPD ("Traffic Light")** or **CDU ("Jamaica")**, look to be the two most likely outcomes.
- Given the weak result of The Left, **the combination of SPD, Greens and The Left has no majority**. Based on the official preliminary results, it is not yet clear that The Left has even won enough votes to clear the 5% hurdle to get into the new parliament and may only get there on the basis of the three seats won via direct mandates.

Preliminary Results¹



¹ www.bundeswahlleiter.de.

Seats in Federal Parliament²



Est. 366 seats needed for a majority

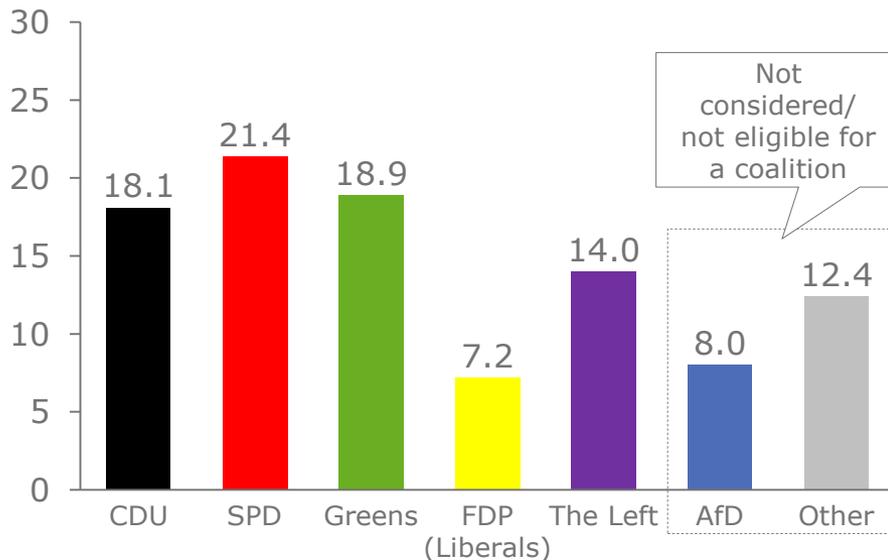
- The election result essentially makes one of two government coalitions highly likely:
 - SPD, Greens, and FDP (“Traffic Light”) or
 - CDU, Greens, and FDP (“Jamaica”)
- A continuation of the grand coalition between CDU and SPD would also have a majority, but both parties have clearly signaled that they do not want to continue this combination.
- A combination of SPD, Greens and The Left does not have a majority.
- Because of the tight results, exploratory discussions between the different parties and subsequent coalition talks will most likely take time, and it may be several weeks or even months before a new government coalition is successfully formed.
- Either coalition will require substantial consensus, and it is impossible to predict what concessions will be made by which party and on which issue.
- The very strict hardline positions laid out in the various manifestos will most likely be diluted in coalition negotiations as parties are forced to find consensus and common ground to form a sufficiently stable government coalition.
- In light of (i) the consensual view across party lines to combat climate change and reduce CO₂ and (ii) the high ratio of retail landlords (65%) there is a factual need for housing policy to remain sufficiently balanced in order to increase much needed CO₂ reduction efforts and also to leave enough “breathing room” for private owners.

Berlin State Election

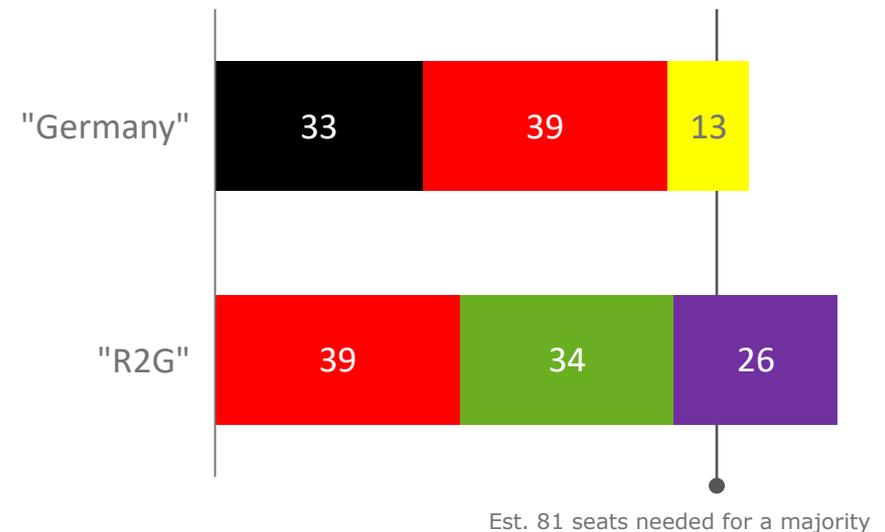
SPD Ahead of Greens; Future of R2G in Berlin Uncertain

- The SPD won the Berlin State Election, followed by the Greens.
- Franziska Giffey, head of the Berlin SPD, has declared expropriation a “red line” and said “We need an alliance for new construction of affordable housing with all stakeholders in the city and effective protection of tenants – not expropriations worth billions of euros” (cf. page 5).
- Giffey has an alternative to the “R2G” coalition with a “Germany” combination of SPD, CDU and FDP (Liberals)
- While a coalition between SPD, CDU, and Greens or between SPD, FDP, and Greens would have a majority, either combination seems unlikely.

Preliminary Results¹



Seats in Berlin State Parliament²



¹ www.tagesspiegel.de

Non-binding Referendum on Expropriation Successful

Majority Votes in Favor

- The New Berlin government will now be required to deliberate on whether or not to pass legislation with the target of expropriating large landlords in Berlin.
- Similar to previous referendums (e.g. on keeping Tegel Airport open), the result is not binding and the government can decide not to pass an expropriation law.
- There is no political support for expropriation among the CDU, FDP, and SPD.
- The Left is in favor of expropriation and the Greens are divided, suggesting that only a smaller minority across the whole political spectrum in Berlin would be supportive.
- Any legislation on the subject would be guaranteed to be challenged in court in what would likely be long judicial process during which the implementation would be suspended.

Franziska Giffey (Berlin SPD Leader and Candidate for Mayor of Berlin) on expropriation

"I don't think expropriation is the right way to solve the major social issue of affordable housing. On the contrary, not a single new apartment is created as a result. But we urgently need more housing. The 240,000 apartments that the initiative wants to transfer to state-owned companies are not vacant. The compensation costs would be over 30 billion euros, as much as an entire Berlin state budget. To expropriate across the board those who have more than 3,000 apartments would be neither targeted nor fair and would stand on legally very questionable ground, all the more so if compensation were paid below fair value. During the lawsuits that would be certain to ensue, there would be no investments and no new construction. We need an alliance for new construction of affordable housing with all stakeholders in the city and effective protection of tenants – not expropriations worth billions of euros."
(n-tv; Sep 18, 2021)¹

"For me, the topic of expropriation is a red line. I don't want to live in a city that sends the message: we do expropriation here. I grew up in the East Germany, and I experienced what it means - expropriation, really, even in people's lives. And what it means for the condition of a city [...] We need more affordable housing, no question. We need investment in infrastructure. But we also need effective tenant protection. In my view, expropriation is not part of the toolbox."
(rbb press portal; Aug 21, 2021)²

¹ <https://www.n-tv.de/politik/Das-Signal-Hier-wird-enteignet-schadet-Berlin-article22811490.html>. ² <https://www.presseportal.de/pm/51580/4999360>.

- Vonovia acknowledges the successful referendum as yet another sign that the situation on the Berlin housing market desperately needs to change.
- However, expropriation would do nothing to improve the situation and would only make things worse. Not a single new apartment would be created and investments in modernization would come to a halt.
- We need cooperation instead of confrontation. Time is of the essence and the housing market simply cannot afford the standstill and uncertainty that a long legal battle would bring.
- The new Berlin Government should consider the referendum to be a wake-up call and seize the opportunity to bring all relevant stakeholders together to develop real solutions for the real problems that the people in Berlin, and those who want to move there, experience when it comes to housing.
- Climate protection, demographic change, and a growing city – we must act now to develop a targeted and coordinated housing policy that meets the needs of all parties involved.
- Vonovia is prepared to make its contributions towards a new alliance for housing.

Manifestos: Investments, Modernization, and Climate Protection

Consensus on Need to Reduce CO₂ but Different Ways to Get There

CDU/CSU	SPD	The Greens	FDP (Liberals)	The Left
<ul style="list-style-type: none"> • Climate neutrality until 2045 • Tax incentives for modernization investments • Strengthen landlord-to-tenant electricity models • Support innovative research including electrolyzers, fuel cells, hydrogen technology, photovoltaics, and innovation centers 	<ul style="list-style-type: none"> • Climate neutrality no later than 2045 • Subsidies for modernization investments and urban quarter developments • Achieve CO₂ neutrality in the real estate sector • Use CO₂ tax to incentivize energy-efficient modernizations among home owners • Support landlord-to-tenant electricity models • Expand renewable energy and increase energy efficiency • Make Germany the leader in hydrogen technology • Support innovative forms of renewable energy generation 	<ul style="list-style-type: none"> • 100% renewable energy by 2035 • Increase modernization rate • Reduce modernization allowance (€1.50/sqm) • Refurbishments to be neutral to warm rents via "1/3 model" with equal burden sharing between tenant, landlord and tax payer • Subsidy programs and tax incentives for owners • Distribution along energy efficiency classes • Increase CO₂ tax to €60 by 2023 (instead of 2025) • Simplify and support landlord-to-tenant electricity models • Include Paris Climate Agreement Targets in Germany's Basic law 	<ul style="list-style-type: none"> • Deregulation to accelerate energy turnaround • Implement environmental policies free from ideology • Support a lively and innovative start-up culture • Comprehensive reform of energy-related taxes and fees 	<ul style="list-style-type: none"> • Climate neutrality until 2035 • Introduce climate protection as a government target in Germany's Basic Law • Increase energy efficient modernization rate by a factor of 3x • Refurbishments to be neutral to warm rents • Support landlord-to-tenant electricity models

Manifestos: Rental Regulation

Differences Even Within Individual Parties

CDU/CSU	SPD	The Greens	FDP (Liberals)	The Left
<ul style="list-style-type: none">• Measures to increase supply instead of additional regulation (sufficient new supply considered to be the best form of tenant protection)	<ul style="list-style-type: none">• Round table for affordable housing with all relevant stakeholders• Rent increase in line with inflation• Temporary moratorium on rent increases in tight housing markets• Continue 10% rent cap on relettings (<i>Mietpreisbremse</i>)• Increase look-back period for Mietspiegel to 8 years	<ul style="list-style-type: none">• Limit regular rent increases to 2% p.a.• Ensure wide use of qualified Mietspiegel as firm legal basis for rent increases• Continue and enforce 10% rent cap on relettings (<i>Mietpreisbremse</i>)• Allow for federal legislation to implement rent ceilings• Increase look-back period for Mietspiegel to 20 years• End "share deal abuse"	<ul style="list-style-type: none">• Abolish the 10% rent cap on relettings (<i>Mietpreisbremse</i>)• Expropriation and regulation lead to less supply and are not a solution• Increase supply through deregulation	<ul style="list-style-type: none">• Enable rent freeze legislation anywhere in Germany• Rent increase moratorium in tight housing markets• End "share deal abuse"

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