



German Federal Election 2021: What are the parties' positions on real estate?

August 2021

Germany will be electing a new federal parliament on 26th September 2021. The distribution of seats in the newly elected lower house (*Bundestag*) will be decisive in the forming of the new government. And the composition of the new government will in turn have a significant impact on the German real estate sector over the course of the next parliamentary term, which is likely to span four years.

The so-called "grand coalition" has been ruling Germany since the last federal election in 2017. The grand coalition is an alliance between the conservative Christian Democratic Union (**CDU**), together with its Bavarian sister party the Christian Social Union (**CSU**), and the Social Democratic Party of Germany (**SPD**). The strongest opposition party is the right-wing populist Alternative for Germany (**AfD**), which, in terms of its politics, is largely isolated from the other parties, however. At present, it would appear that the liberal Free Democrats (**FDP**) and the "green" party (**Bündnis 90/Die Grünen**) could play a key role in forming the

next government, while the left-wing socialist party (**Die Linke**) also cannot be ruled out.

Numerous issues relevant to the real estate sector are at the heart of the parties' election manifestos. The discussion across all parties focuses in particular on climate protection programmes, regulating rents and facing the challenge of creating new living space.

Over recent months, numerous legislative proposals have triggered heated political discussions. These include in particular the "Berlin rent freeze", which has since been ruled unconstitutional, the reform of

real estate transfer tax with the aim of rendering share deals less attractive and the Building Land Mobilisation Act, the proponents of which intend, among other things, to offer local authorities greater scope in exercising their right of first refusal. In view of the fact that housing shortages remain a problem,

in particular in the large metropolitan areas, and the real estate sector occupies a prominent position in Germany's ongoing nationwide drive to promote renewable energies (*Energiewende*), it may be assumed that more draft legislation affecting real estate will be floated in the coming parliamentary term.

The following pages offer an overview of the parties' key positions relating to the real estate sector.

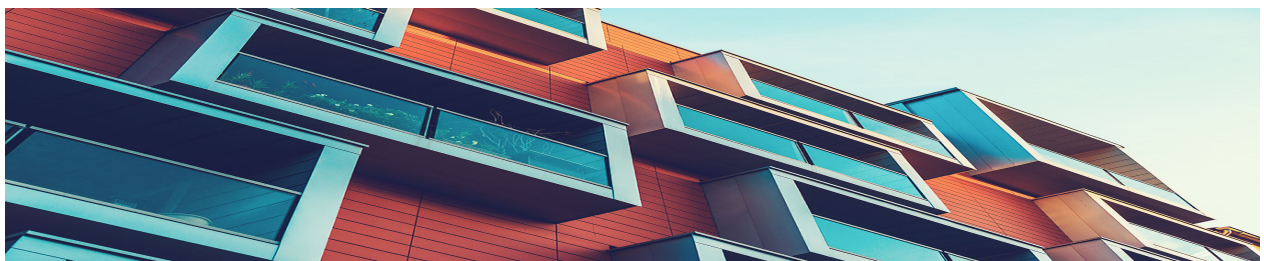
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Overview of the parties' positions:

						
1. Social policy	<ul style="list-style-type: none"> – Reject the "legally questionable" rent freeze 	<ul style="list-style-type: none"> – Rental price brake to apply indefinitely; in critical residential areas: temporary moratorium on rents whereby rents can only be increased in line with inflation; – Introduce Germany-wide, legally compliant, qualified index of rents; reference to rental contracts for at least the past 8 years in calculation 	<ul style="list-style-type: none"> – Allow rent caps on existing properties; rental price brake to be made stricter and to apply indefinitely; – Regular rent increases to be limited to 2.5% p.a. in line with index of rents; – Reinforce qualified index of rents; reference to rental contracts for at least the past 20 years in calculation 	<ul style="list-style-type: none"> – Reject dispossession measures, rental price brake and rent freeze; mobilise free areas to quickly create new housing 	<ul style="list-style-type: none"> – Germany-wide rent freeze; rent freeze for small businesses and social and non-profit associations, among others; – Rent block on existing rental contracts in critical residential areas; end rent "explosion"; – Create contact points to receive complaints on rent sharks; punish landlords who breach rent freeze 	<ul style="list-style-type: none"> – Reject rental price brake and rent freeze
	<ul style="list-style-type: none"> – Creation of social housing is to be subsidised and housing allowance regularly adjusted from 2022 	<ul style="list-style-type: none"> – 100,000 new social housing units required per year 	<ul style="list-style-type: none"> – Significant increase in funds for creating social housing; increase the current portfolio of social housing by one million units in ten years 		<ul style="list-style-type: none"> – Up to 250,000 social housing units per year; minimum percentage of social housing in individual neighbourhoods; – 50 percent of the residential market to be held by the public and non-profit sector 	<ul style="list-style-type: none"> – State-owned property companies to offer tenants the option to buy their homes
		<ul style="list-style-type: none"> – Guaranteed right of first refusal for local authorities at "fair prices" 	<ul style="list-style-type: none"> – Strengthen local authorities' right of first refusal 		<ul style="list-style-type: none"> – Bolster local authorities' right of first refusal 	<ul style="list-style-type: none"> – Housing associations to be given priority when distributing building land
		<ul style="list-style-type: none"> – No sale of residential building land owned by local authorities 	<ul style="list-style-type: none"> – No sale of state-owned residential property to private investors; exclusive, discounted sale to local authorities with permanent social commitment 		<ul style="list-style-type: none"> – Prohibit conversion of rental property to owner-occupied 	

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		– Curb speculation with residential property	– Where necessary, impose building obligation on landowners in areas with housing shortages in case of misuse and speculative vacancy		– Prohibit misappropriation of and confiscate vacant residential and commercial property for temporary use; introduce a publicly available register of real estate	
2. Tax and fiscal policy		– Put an end to the practice of avoiding real estate transfer tax by using share deals	– Share deals as an instrument for tax avoidance to be abolished; pro-rata tax on real property ownership to be levied instead on company sales	– Put an end to the practice of avoiding real estate transfer tax by using share deals	– Anti-speculation act to outlaw share deals in particular	
	– On creation of rental property: a further 5% of acquisition and construction costs to still be tax-deductible after 2021	– Abolish current tax exemption for capital gains on non-owner occupied properties after ten-year holding period; replace with levy on planning gains	– Tax capital gains on private real estate sales at a "reasonable" rate	– Avoid "cost-triggering standards", to be determined on the basis of a uniform inspection of building costs (" <i>Baukosten-TÜV</i> ")	– Put a cap on land prices and rule out privatisation of state-owned land; – Increase tax on and skim off capital gains from speculation and real estate sales; real estate funds to be outlawed	
			– Reduce ancillary purchase costs by introducing more flexible real estate transfer tax: lower for owner-occupiers, higher for large housing companies	– Increase linear write-down from 2% to 3%		– Remove real estate transfer tax for owner-occupied homes; make it more difficult for buyers who are not German citizens and have their primary residence abroad to purchase residential property by increasing real estate transfer tax to 20%

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	<ul style="list-style-type: none"> Abolish surcharge under Renewable Energy Sources Act (<i>Erneuerbare-Energien-Gesetz</i>); energy-related surcharges and taxes to focus more on carbon emissions 	<ul style="list-style-type: none"> Review whether real property tax can be passed on to tenants with a view to abandoning it completely in future 	<ul style="list-style-type: none"> The ability to pass on real property tax to tenants to be outlawed 	<ul style="list-style-type: none"> Gradual removal of surcharge under Renewable Energy Sources Act 	<ul style="list-style-type: none"> Carbon tax is not to be passed on to tenants 	<ul style="list-style-type: none"> Abolish real property tax and fees such as Renewable Energy Sources Act surcharge and TV/radio licence fees
3. Support for building projects	<ul style="list-style-type: none"> 1.5 million new residential units by 2025; Fast, modern and affordable creation of new housing in areas with housing shortages; in particular faster and simpler realisation of single-family housing and greater emphasis on "modular prefabricated housing"; Utilise existing opportunities for filling vacant plots (building across boundaries, increasing height) 	<ul style="list-style-type: none"> Create new living space; federal, state and local authorities to secure and increase public ownership of real property 	<ul style="list-style-type: none"> Increase number of building projects (esp. in towns/cities) and simplify procedure for acquiring residential property; strengthen existing housing associations and establish new ones Improve use of existing residential space by promoting space-saving housing 	<ul style="list-style-type: none"> Work to alleviate housing shortage by mobilising land and facilitating fast building Introduce a register of vacant and potential sites 	<ul style="list-style-type: none"> Make it easier to convert existing properties to create new, affordable housing 	<ul style="list-style-type: none"> Build needs-oriented housing, e.g. by designating new building land; reduce costs
	<ul style="list-style-type: none"> Simplify building regulations; automatic approval if no decision on building application has been passed within two months of all documents being submitted 	<ul style="list-style-type: none"> Accelerate building projects, in particular by attracting skilled workers; Participation processes, where citizens or local authorities are involved in particular building projects, should focus on "how" and not "whether" the project should go ahead 		<ul style="list-style-type: none"> Accelerate approval processes; harmonise state-level building regulations, in particular introduce automatic approval if no decision on building application has been passed within a reasonable period 		<ul style="list-style-type: none"> Building law to be harmonised and simplified at federal level, processes accelerated and bureaucracy reduced
4. Environmental and energy policy	<ul style="list-style-type: none"> Upgrade energy efficiency of old buildings to achieve climate targets; protect tenants against excessive financial burdens while imposing obligations on housing companies 	<ul style="list-style-type: none"> Steer investments using carbon prices; motivate landlords to modernise, with carbon price to be borne by landlords and investments in heating network and neighbourhood strategies being subsidised 	<ul style="list-style-type: none"> Double – and further increase – the rate of renovation; Define higher building and renovation standards; Present renovation strategy with every change in ownership (subsidised as necessary); Limit modernisation surcharge to max. €1.5/m², to ensure 		<ul style="list-style-type: none"> Rate of renovation to be tripled at least 	<ul style="list-style-type: none"> New Building Energy Act (<i>Gebäudeenergiegesetz</i>) to be rejected. Ordinance on Energy Saving (<i>Energieeinsparverordnung</i>) to be abandoned and fire protection, thermal and noise insulation to be reduced to necessary minimum

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			<ul style="list-style-type: none"> energy upgrades do not affect gross rent; Fair distribution of costs for climate-friendly modernisation work based on "3 thirds model" (landlord, tenant, state) 			
<ul style="list-style-type: none"> Further technological development and innovation to increase efficiency; Increased use of environmentally friendly and local building materials (e.g. sand, plaster, wood); Transform building sector to closed-loop economy 	<ul style="list-style-type: none"> Efficient heating of buildings using renewable energy sources (innovative heating and energy systems for five million homes by 2030) 	<ul style="list-style-type: none"> Climate-neutral planning spanning the entire lifetime of new buildings and existing structures 	<ul style="list-style-type: none"> Establish hydrogen and synthetic fuels as second pillar of a future energy system; heat buildings using carbon-neutral hydrogen instead of fossil fuels 	<ul style="list-style-type: none"> Germany-wide climate check of all buildings by 2025; Guaranteed climate-neutral building stock by 2035 		
<ul style="list-style-type: none"> Increase tax relief for energy upgrades, particular subsidies for "tenant power" (<i>Mieterstrom</i>) Create more attractive KfW programmes in order to improve support for energy upgrades on residential and commercial property; increase tax relief for modernisation of rental and commercial properties; Accelerate write-downs on commercial investments that improve energy efficiency or reduce carbon emissions 	<ul style="list-style-type: none"> Targeted support for innovative forms of renewable energy production (e.g. integrated photovoltaic in building shell); Gradual expansion of solar power units on all suitable roofs 	<ul style="list-style-type: none"> Link discount on power prices for companies in international competition to implementation of measures to improve energy efficiency; Build 1.5 million solar roofs in the next 4 years (solar roof as new standard); Investment programme for two million highly efficient heat pumps by 2025; Subsidise climate-neutral energy systems 		<ul style="list-style-type: none"> State subsidies for modernisation costs that landlords are unable to cover; in return, landlord's commitment to operate on non-profit basis; Measures to guarantee increased energy efficiency should include targeted subsidies for training schemes in traditional professions and specialised study courses in particular 		

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