

German Residential Market - March 2019

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# Ownership structure of the residential market



Regional differences • Germany's largest apartment owners • Structure in Berlin

# Who owns Germany's rental apartments?

Germany has by far the largest rental apartment market in Europe. German residential property has been highly popular with institutional investors for a long time. However, not all regions of Germany have highly significant rental apartment markets. The ownership structure is fragmented and differs strongly from region to region. Here, we take a look at these differences and shine a light on the largest owners of apartments in Germany. The Berlin market is examined as a separate case study.

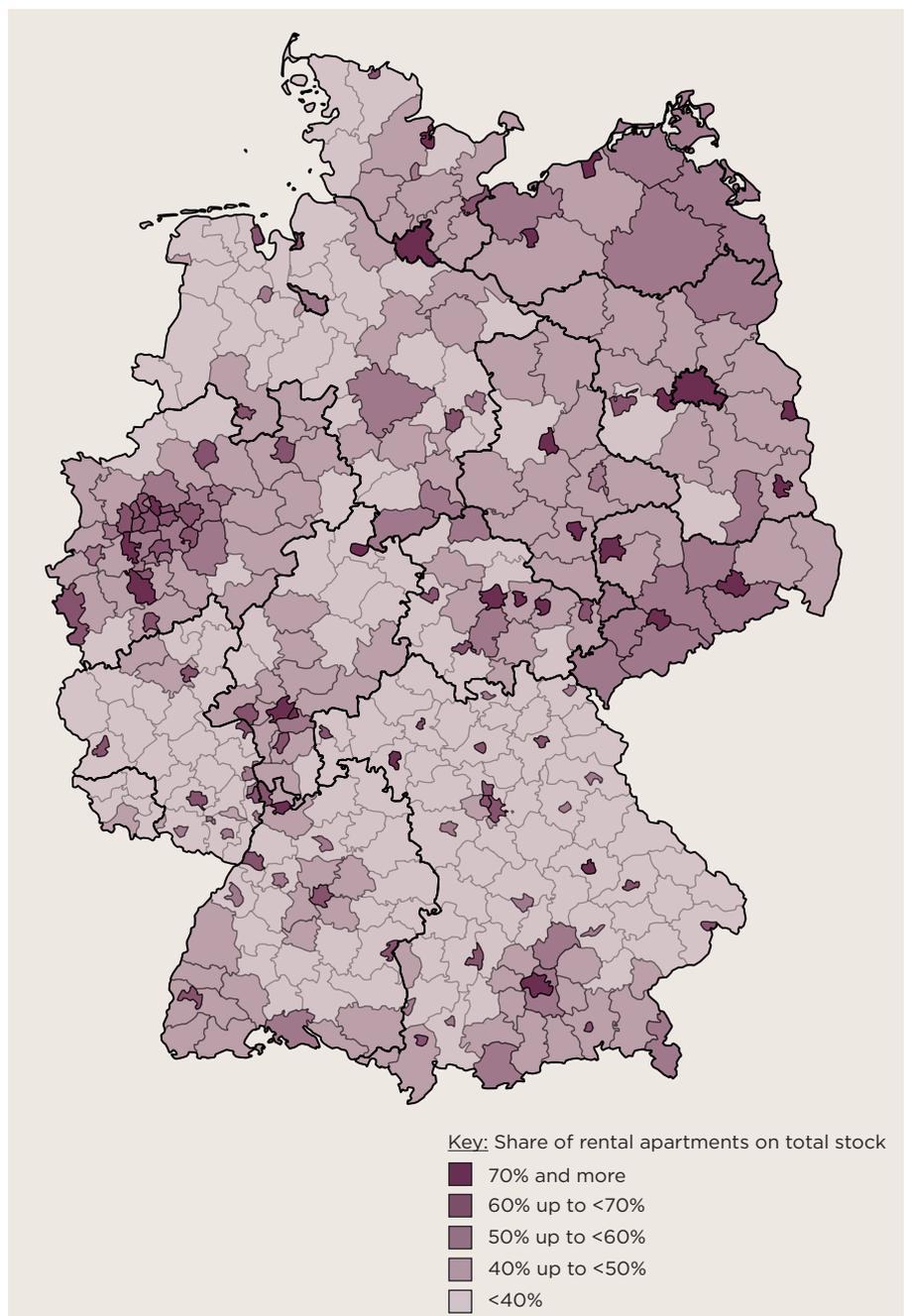
*Text: Matti Schenk*

## Germany: a nation of rental apartments

For those seeking to gain an overview of the structure of the German apartment market, the 2011 census offers a good starting point. Despite being somewhat dated, the census provides comprehensive information regarding both the occupation and ownership structure of apartments. According to census data, there were around 40.6 million apartments in buildings with residential accommodation in Germany in 2011. Approximately 17.3 million apartments were occupied by their owners. Some 21.2 million apartments, approximately 52% of the apartment stock, were let for residential use. Almost 81% of apartments, or approximately 17.1 million rental apartments, were located in apartment buildings (3 or more apartments in a building). Around 1.9 million apartments were vacant at that time, while approximately 225,000 apartments were used as holiday homes or holiday rentals.

There is likely to have been little change to the fundamental structure of the German apartment market since this data was collected. The apartment stock only increased by approximately 3.5%, or 1.42 million apartments, between the effective date of the census and 2017, which is insufficient to precipitate structural changes. Around 200,000 apartment buildings, over 6% of the German stock, changed hands during the same period. This figure is also too low to cause any noteworthy change in the ownership structure of the rental apartment market. Hence, the census data still provides useful findings on the ownership structure and size of the rental apartment market. We discuss these findings in further detail below (in doing so, we refer to the census data from 2011 but write in the present tense for ease of reading).

**Graph 1** Share of rental apartments in Germany



Source Savills / data basis: Federal Statistical Office; base map: BKG

### Significant regional differences in the size of rental apartment markets

The German apartment market is a rental apartment market. However, this is by no means the case in all districts (in German: 'Kreis') of Germany (Graph 1). In the rural districts (in German: 'Landkreis') of Merzig-Wadern and St. Wendel in the Saarland, only around one in four apartments is let to tenants. The 20 districts with the relatively smallest rental apartment markets are exclusively rural districts in western Germany. Conversely, of the 20 districts with the relatively largest rental apartment markets, 13 are in the federal states created from the former East Germany (excluding Berlin). These are also, without exception, independent cities (in German: 'kreisfreie Stadt') (Table 1). An average of 65% of all apartments in independent cities are rental apartments. In six independent cities, however, rental apartments account for less than 50% of the apartment stock. These are namely Salzgitter, Zweibrücken, Schwabach, Delmenhorst, Emden and Neustadt an der Weinstraße. In the rural districts, the average proportion of rental apartments throughout Germany is only around 40%. Only in 29 out of 294 rural districts are rental apartments in the majority. These include the Aachen city region and the region of Hanover, both of which are dominated by their respective core cities.

### Two in three rental apartments belong to private individuals

Of the 21.2 million rental apartments in Germany, around two thirds belong to private individuals or a community of owners (Graph 2). The members of communities of owners are also predominantly likely to be private individuals. However, professional investors can also be members of a community of owners by way of privatisation of individual apartments. A further fifth of the apartment stock is owned by the public sector and housing associations. Hence, private companies account for just 2.7 million rental apartments, representing a relatively insignificant proportion of the overall market.

### The ownership structure of the rental apartment markets varies strongly

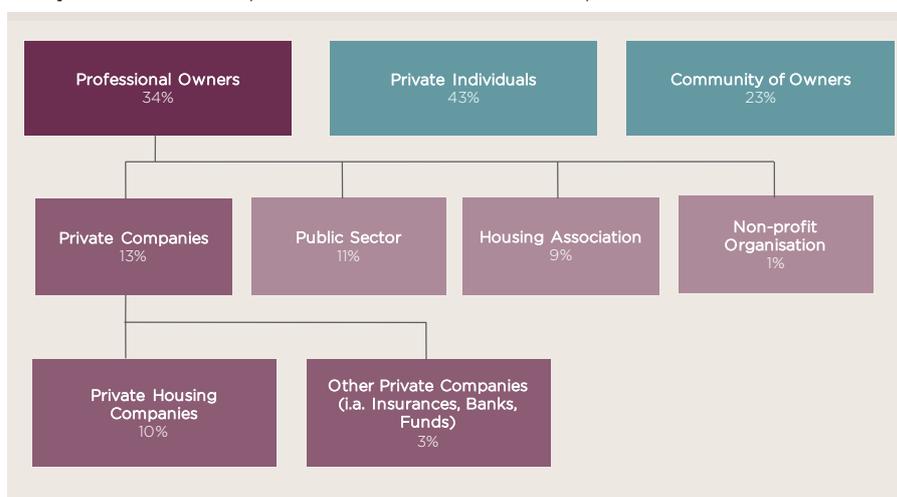
There are significant regional disparities in the ownership structures of the rental apartment markets. In 177 of the 401 rural districts and independent cities, at least 80% of all rental apartments are owned by private individuals or communities of owners (Graph 3). Conversely, there are 48 districts in which such owners hold less than half of rental apartments. Aside from private individuals and communities of owners, no other group of owners accounts for a market share of more than 50% in any district in the

**Table 1** Highest and lowest shares of rental apartments nationwide

Lowest share of rental apartments		Highest share of rental apartments	
District	Share	District	Share
Merzig-Wadern	24.0%	Rostock	82.7%
St. Wendel	24.8%	Potsdam	81.7%
Freyung-Grafenau	26.6%	Berlin	81.5%
Südwestpfalz	26.8%	Dresden	81.1%
Kusel	27.5%	Frankfurt am Main	78.1%
Straubing-Bogen	27.8%	Jena	77.5%
Kronach	28.2%	Leipzig	76.8%
Cochem-Zell	28.5%	Schwerin	75.5%
Cham	28.5%	Cottbus	75.2%
Aurich	28.9%	Hamburg	75.1%
Haßberge	29.2%	Erfurt	75.1%
Saarlouis	29.3%	Magdeburg	74.5%
Vulkaneifel	29.6%	Frankfurt (Oder)	74.5%
Wittmund	29.7%	Halle (Saale)	74.5%
Neumarkt i.d.OPf.	30.0%	Düsseldorf	74.3%

Source Savills / data basis: Federal Statistical Office

**Graph 2** Ownership structure of the rental apartment market



Source Savills / data basis: Federal Statistical Office

German apartment market. The public sector owns at least a fifth of all rental apartments in 64 districts, 52 of which are situated in eastern Germany. On the other hand, less than 5% of rental apartments are held by the public sector in almost half of all districts (195 out of 401). Housing associations account for market shares that vary between 0% and 36%.

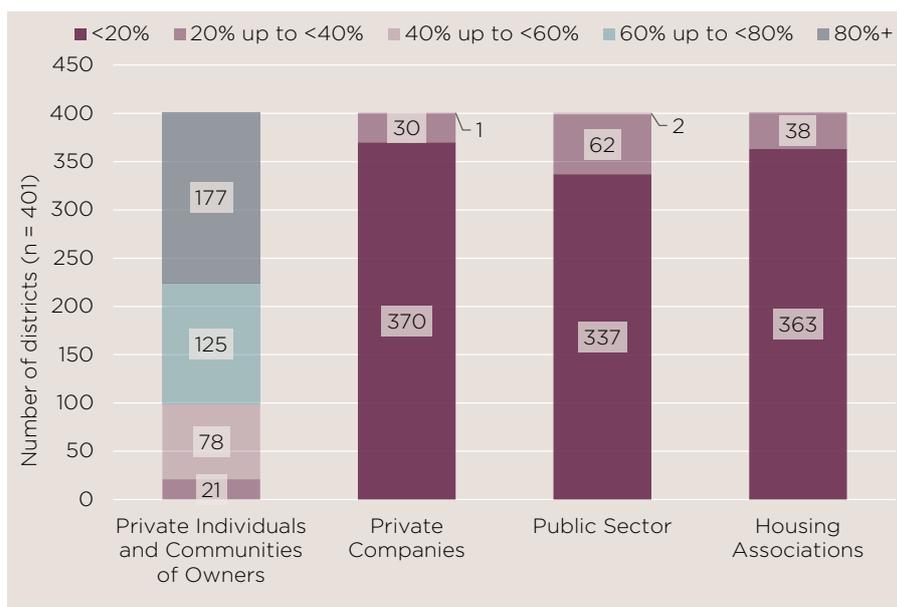
### Private companies: often in the spotlight, almost never dominant

One group of owners is a particular subject of debate surrounding the apartment market, namely private companies. The market share of this group of owners also shows a pronounced regional variation. Only in 31 districts do private companies own more than a fifth of rental apartments combined (Graph 3). Private companies only have the largest market share among the various groups of owners in the cities of Salzgitter and Wolfsburg. Moreover, such companies only have single-digit market shares in 71% of all districts. These 286 districts are home to around 59% of the German population. Private companies primarily focus on independent cities in which their holdings account for an average of approximately 14.5% of all rental apartments. In the rural districts, however, their average market share is just 6.6%.

### Six clusters to illustrate the significance of private companies

In order to assess the significance of private companies in various rental apartment markets, it is important to look at both their relative market share and the absolute size of their holdings. For each district, we have therefore multiplied the market share of rental apartments owned by private companies by the absolute size of their apartment holdings. The larger the resulting figure, the greater the importance of private companies in the respective rental apartment market. A market participant would have a significant role, for instance, if they held a relatively large proportion of the supply or if, despite not having an above-average market share, they still held a large number of apartments. The latter applies to Stuttgart, for instance, where private companies hold just 8% of all rental apartments but nevertheless own approximately 17,000 apartments. Based upon the range of different figures produced by these calculations, we have grouped the 401 districts into six clusters. The individual clusters are separated via defined thresholds. Clusters 1 to 4 comprise districts for which the calculated figure is higher than the median for all districts. Clusters 5 and 6 include all districts for which the calculated figure is lower than the median. In these cases, private companies have a low significance in the rental apartment market

Graph 3 Market share\* by owners and number of districts



Source Savills / data basis: Federal Statistical Office; \* only rental apartments

measured against their already relatively low significance compared with the German average. The geographical distribution of the clusters is illustrated in Graph 4.

### One cluster outperforms all others

Private companies in the 32 districts of Cluster 1 have by far the highest significance in the respective rental apartment markets. The average market share of private companies in this cluster is 24%. More than 1.5 million rental apartments, or around 57% of all apartments owned by private companies, are located in a district in this cluster. The cities of Berlin, Munich and Hamburg alone account for around 660,000 of these apartments.

In Clusters 2 to 4, the significance of private companies in the rental apartment market gradually declines. The average market share of these companies in a district in Cluster 2 is 17%, reflecting an average combined holding of around 10,400 rental apartments. Private companies in Cluster 3 have an average market share of 11% and an average combined holding of 5,400 rental apartments. In Cluster 4, the market share declines to an average of just 7% while the average combined holding is 2,800 apartments.

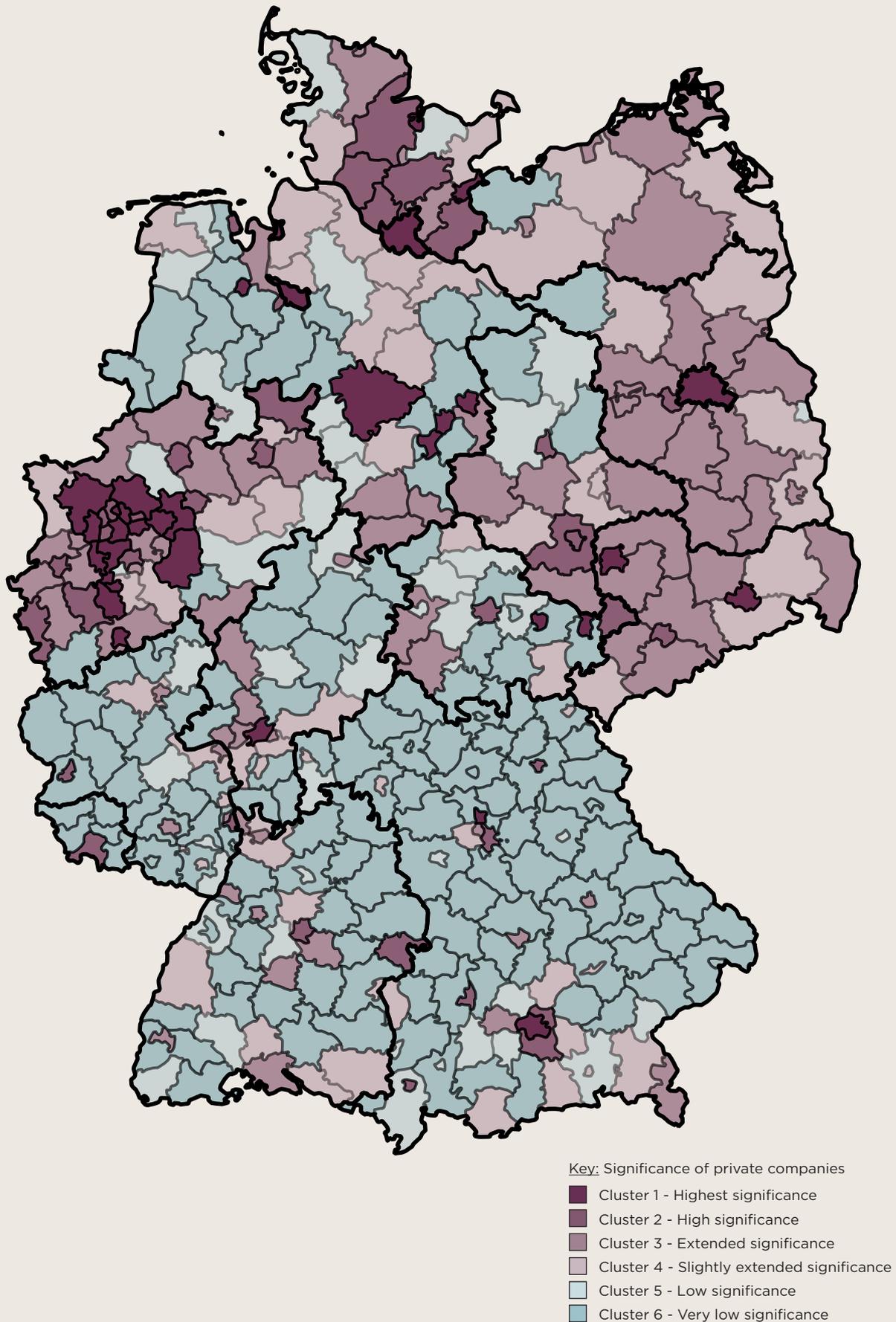
The average combined holdings of private companies in Clusters 5 and 6 are only around 1,740 and 830 apartments respectively, equating to average market shares of 6% and 4% respectively. Both of these clusters predominantly comprise rural districts with relatively small rental apartment markets. Districts in Cluster 5 have an average of around 30,400 rental apartments, while those in Cluster 6 have an average of around 22,800 rental apartments. By way of

comparison, districts in Cluster 2 have an average of 73,300 rental apartments.

### Small private-sector holdings mean limited purchase options for investors

Overall, besides the urban-rural divide described above, there is also a north-south divide. In southern Germany, private companies predominantly have a low or very low presence in the rental apartment markets. A very large proportion of apartments in this part of the country are owned by private individuals. The same is true of many rural districts in Rhineland Palatinate, Hesse and the Saarland. The districts in Clusters 5 and 6 situated in eastern Germany are characterised by above-average market shares of the public sector and housing associations. The districts with a low presence of private companies are also likely to offer little in the way of investment opportunities in existing property for interested private investors. Building a portfolio by acquiring apartments from many private individuals is theoretically possible. In practice, however, this is very complicated and associated with high transaction costs. Theoretically, the holdings of the public sector and housing associations also count towards the investable stock in a district. However, in our estimation, the current willingness of these owners to sell is primarily very low or non-existent. In terms of liquidity, therefore, the districts likely to be attractive to investors are those where private companies already have relatively large holdings and market shares.

**Graph 4** Significance of the private companies as owner of rental apartments



Source Savills / base map: BKG

### The largest apartment owners in Germany

Among the fragmented and regionally diverse ownership structure of the rental apartment market, a small number of major owners stand out. According to our research, at the end of the third quarter of 2018, 25 owners in Germany had holdings of approximately 30,000 apartments or more (Table 3). Combined, these players own more than 1.9 million rental apartments, or around 8% to 9% of the current rental apartment stock. The 25 largest owners include only nine private companies. However, seven of these private companies are among the ten largest apartment owners. The two largest apartment owners by far in Germany are Vonovia, with around 363,500 apartments, and Deutsche Wohnen, which owns around 163,100 apartments. Both are listed companies and operate throughout Germany. The regional focus of the Vonovia portfolio, which covers around 400 towns and cities, is on Berlin, Dresden and North Rhine-Westphalia. In the case of Deutsche Wohnen, around 71% of apartments owned are in Berlin. Based upon the census data, Vonovia and Deutsche Wohnen own approximately 10% of all rental apartments in Berlin combined. By the same measure, Vonovia owns around a quarter of all rental apartments in Kiel and approximately 15% of those in Dresden.

Property company LEG Immobilien, which operates in North Rhine-Westphalia, also owns more than 100,000 apartments, as does Vivawest, a housing company also focused on North Rhine-Westphalia. US investor BlackRock and the Norwegian sovereign wealth fund are among the largest investors in Vonovia, Deutsche Wohnen and LEG Immobilien. Meanwhile, Vivawest is backed by the RAG Stiftung, RAG AG, the Industriegewerkschaft Bergbau, Chemie, Energie and Evonik Pensionstreuhand e.V. The only municipal enterprise with a six-figure holding of apartments is Hamburg-based SAGA Unternehmensgruppe. The combined holdings of these five players are almost as large as the twenty next largest owners.

**Table 2** The 25 largest apartment owners in Germany

Owner	Apartments*	Regional focus	Type of owner
Vonovia	363,500	i.a. Berlin, Dresden, North Rhine-Westphalia	Listed company
Deutsche Wohnen	163,100	i.a. Berlin, Rhine-Main Area, Hanover / Brunswick	Listed company
SAGA	132,600	Hamburg	Housing company of the Federal State of Hamburg
LEG Immobilien	130,200	North Rhine-Westphalia	Listed company
Vivawest	121,500	North Rhine-Westphalia	Private housing company
Grand City	82,400	i.a. North Rhine-Westphalia, Berlin	Listed company
TAG	80,600	i.a. Erfurt, Leipzig, Berlin, Gera, Salzgitter	Listed company
STADT UND LAND	68,000	Berlin	Housing company of the Federal State of Berlin
degewo	67,700	Berlin	Housing company of the Federal State of Berlin
Adler Real Estate	60,900	i.a. Wilhelmshaven, Duisburg, Leipzig	Listed company
Gewobag	60,100	Berlin	Housing company of the Federal State of Berlin
HOWOGE	59,700	Berlin	Housing company of the Federal State of Berlin
Nassauische Heimstätte	58,800	i.a. Frankfurt, Wiesbaden, Kassel, Offenbach	Housing company of the Federal State of Hesse
ABG Frankfurt	51,600	Frankfurt	Municipal housing company
GAG Immobilien	43,700	Cologne	Municipal housing company
GWH Immobilien	43,600	i.a. Frankfurt, Wiesbaden, Cologne, Bonn, Heidelberg	Housing company of the Federal State of Hesse
GEWOBA	41,600	Bremen, Bremerhaven, Oldenburg	Housing company of the Federal State of Bremen
GESOBAU	41,300	Berlin	Housing company of the Federal State of Berlin
Covivio	40,600	i.a. Berlin, Essen, Dresden, Leipzig, Hamburg	Listed company
Bima	36,600	nationwide	Company of the Federal Republic of Germany
WIRO Rostock	35,200	Rostock	Municipal housing company
LWB	35,000	Leipzig	Municipal housing company
Gewofag	34,000	Munich	Municipal housing company
WBM	30,200	Berlin	Housing company of the Federal State of Berlin
Dawonia	28,800	Bavaria	Private housing company

Source Savills / \* in each case last publications; only apartments in own stock (including subsidiaries)

### Berlin case study: owners in the hot spot of the German residential investment market

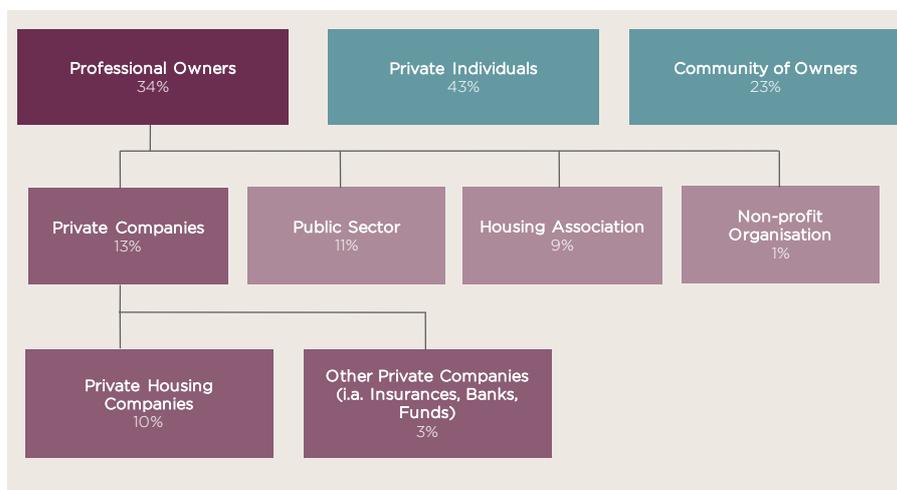
Berlin's rental apartment market has witnessed particularly strong rental growth in recent years. Not only has this thrust the city into the spotlight of public debate, it has also made the German capital an extremely important location in the institutional residential investment market (transactions of at least 50 residential units). Berlin has accounted for around 23% of all apartments transacted in Germany over the last ten years, despite the city holding only around 7% of all rental apartments. Against this background, it is particularly interesting to consider which groups of owners currently have the largest holdings in the capital. According to census data, around 1.5 million of the approximately 1.9 million apartments in Berlin were let for residential use. In 2011, around 249,000 were located in buildings owned by a community of owners and a further 369,000 were owned by private individuals. This means that approximately 906,000 rental apartments in residential buildings were held by professional owners. (Graph 5)

Hence, the German capital has an above-average number of rental apartments in the hands of professional owners. Berlin accounts for around one in six German rental apartments owned by private companies, giving private companies a correspondingly high market share in the city. However, housing associations and particularly the public sector also have an above-average presence in Berlin.

The six state-owned housing companies degewo, GESOBAU, Gewobag, HOWOGE, STADT UND LAND and WBM currently own approximately 327,000 apartments. According to the City of Berlin's social urban development monitoring, these even own more than 90% of all apartments in some parts of the capital. This is true, for example, in some localities in Marzahn, Hellersdorf and Märkisches Viertel. Generally, the state-owned companies are predominantly represented in the north-east of Berlin. All six of these companies are among the ten largest apartment owners in the German capital (Table 3).

However, the largest apartment owner in Berlin is currently Deutsche Wohnen, which owns around 115,000 apartments in the greater Berlin area. The company's holdings are distributed across all boroughs of Berlin. The second largest private-sector owner is Vonovia with approximately 44,000 apartments, followed in third place by ADO Properties, which focuses exclusively on Berlin. French investor Covivio is also heavily invested in the German capital with almost 16,000 apartments. The fifth largest private-sector owner is Swedish company Akelius. In addition to the state-owned companies

Graph 5 Ownership structure of the Berlin rental apartment market



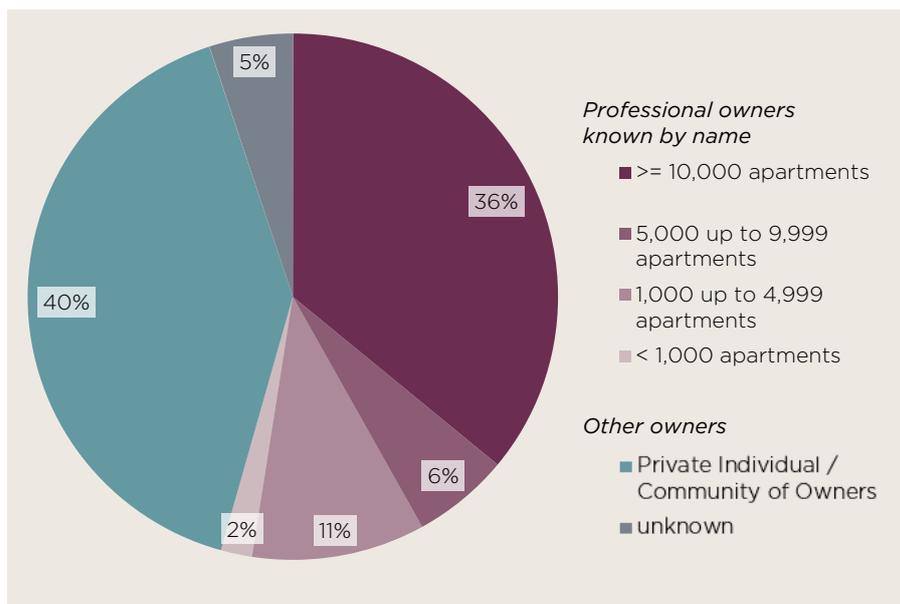
Source Savills / data basis: Federal Statistical Office

Table 3 The 15 largest owners of rental apartments in Berlin

Owner	Apartments*	Type of owner
Deutsche Wohnen	115,500	Listed company
STADT UND LAND Wohnbauten-Gesellschaft	68,000	Housing company of the Federal State of Berlin
degewo	67,700	Housing company of the Federal State of Berlin
Gewobag	60,100	Housing company of the Federal State of Berlin
HOWOGE	59,700	Housing company of the Federal State of Berlin
Vonovia	44,000	Listed company
GESOBAU	41,300	Housing company of the Federal State of Berlin
WBM Wohnungsbaugesellschaft Berlin-Mitte	30,200	Housing company of the Federal State of Berlin
ADO Group	22,200	Listed company
Covivio Immobilien	15,800	Listed company
Akelius	13,800	Private housing company
WGLi Wohnungsgenossenschaft Lichtenberg	10,100	Housing association
TAG Immobilien	9,900	Listed company
Grand City Properties	8,000	Listed company
Beamten-Wohnungs-Verein zu Berlin	7,200	Housing association

Source Savills / \* in each case last publications; only apartments in own stock (including subsidiaries)

**Graph 6** Berlin stock of rental apartments by size of owner



Source Savills

and major property companies, local housing associations also have large apartment holdings. According to the census, these own approximately 178,000 rental apartments combined. The largest cooperative is WGLi Wohnungsgenossenschaft Lichtenberg with around 10,100 apartments, followed by Beamten-Wohnungs-Verein zu Berlin and bbg BERLINER BAUGENOSSENSCHAFT, each of which own more than 7,000 apartments. In fourth and fifth place are Berliner Bau- und Wohnungsgenossenschaft von 1892 with approximately 6,800 apartments and Charlottenburger Baugenossenschaft with around 6,700 apartments.

We were able to assign a total of around 828,500 apartments to 180 professional owners known by name. This represents approximately 91% of rental apartments in Berlin that are not owned by private individuals or communities of owners.

Of these 180 professional owners, we identified 89 players with at least 1,000 apartments. These owners alone have combined holdings of approximately 799,000 apartments and, hence, more than half of all rental apartments in Berlin (Graph 6). Besides the six state-owned housing companies with their 327,000 apartments, around 217,000 of these apartments were attributable to seven property companies and a further

172,000 apartments were assigned to the holdings of 47 associations. We also identified two church-related owners with a combined total of around 7,600 apartments. A further 27 private-sector owners with holdings of at least 1,000 apartments were also discovered. These include private housing companies and private equity funds as well

as fund managers and asset managers. These 27 owners have combined holdings of around 75,500 apartments. Since this group is the least transparent of all the various types of owner, we assume that these will tend to be under-represented in our investigation.



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