

# **11 Housing Market and Housing Policy in Hamburg. Evidence and Prospects**

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## **11.1 Introduction**

The housing market and housing policy strongly influence the social and economic conditions of regions. Housing in turn is affected by the economic development of regions, i.e. by income growth, labour market conditions and population growth. The present situation in Germany indicates these relations conspicuously. Housing markets are marked by pronounced regional disparities at present. In East Germany, still suffering from economic decline and high unemployment, the housing market is currently characterised by high vacancy rates, indicating low housing demand respectively excess housing supply because of unfavourable social and economic conditions. At the same time, excess demand and high real estate prices persist in large agglomerations in West Germany, especially in the southern part. These tight housing markets are evidence of a favourable economic development. With respect to economic development also the wealth boosting effect of rising housing prices respectively the positive impact on consumer demand might be relevant. For corresponding argumentation, see Economist (2002). However, simultaneously high land and housing prices, associated with excess housing demand, might become a growth impediment in the long run. This applies in particular to metropolitan regions that are frequently marked by extremely high rents and real estate prices. Even the present conditions, characterised on average by rather balanced housing markets, are accompanied by bottlenecks in major metropolitan regions in West Germany. Since human capital is an essential factor of economic success, especially in agglomerations specialised in sophisticated production services, sufficient supply of adequate housing is of utmost importance. Thus, a functioning and relatively balanced housing market is an important prerequisite for a favourable social and economic development.

The present chapter deals with the housing market and housing policy in Ham-

burg – one of the major metropolitan areas in Germany. With roughly 1.7 million inhabitants living on an area of 755 km<sup>2</sup>, Hamburg is the second largest city and second smallest federal state in Germany as well as the economic centre of northern part. Due to the relatively wide urban area, the population density is lower than in most German cities. Hamburg's economy has experienced a prolonged period of structural adjustments, mainly pertaining to the shipbuilding industry and other productions related to the port. Nevertheless, the port is still an important element of the regional economy. The harbour is the main hub of German overseas trade and a significant part of Hamburg's economy, especially wholesale and related financial services are directly or indirectly connected to the port. Moreover, Hamburg is specialised in services and one of the major locations of both traditional and new media industry, in particular as regards publishing, advertising, film industry and internet firms. With respect to the relatively small industrial base, the civil aviation industry increasingly gains in importance. As a location of these branches, Hamburg attracts highly qualified labour. Especially for this population group housing market conditions are important determinants of location decisions.

Hamburg is a wealthy and economically successful region, both measured on the national and the European scale. Hamburg's GDP per capita was more than 80 per cent above the average level of the European Union in 1999. However, like other large metropolitan regions, Hamburg has to cope with serious social problems: poverty and unemployment polarise in specific city districts and many immigrants have to be integrated. The housing market and housing policy are highly relevant in this context as well.

Regarding the region under consideration, the empirical analyses focus in principle on the core city (NUTS-1 region) because of data restrictions. In case the investigations consider the hinterland of Hamburg as well, this is mentioned explicitly in the corresponding sections of the chapter. The hinterland comprises several NUTS-3 regions in the neighbouring federal states bordering directly on the core city. Most analyses have to be restricted to the core city since many indicators relevant for housing market issues are only available on the NUTS-1 level in Germany.

The rest of the chapter is organised as follows. The analysis of Hamburg's housing market starts with an inspection of the long-term development of housing demand and housing supply in Sect. 11.2. Sect. 11.3 focuses on the current market conditions regarding rent level, real estate prices and vacancies. Housing policy in Germany and the specific design of policy measures in Hamburg are outlined and evaluated in Sect. 11.4. The section deals with the tenancy law, tax allowances, demand subsidies and supply subsidies. Social problems associated with the housing market in Hamburg are investigated in Sect. 11.5. In Sect. 11.6 another important issue of housing in the Hamburg region is discussed: the relationship between suburbanisation, land use and urban development policy. Sect. 11.7 concludes.<sup>1</sup>

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