

4 Housing Markets and Policies in the Munich Metropolitan Area

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4.1 Introduction

Housing markets in the Munich metropolitan area are undergoing new developments and are facing new challenges because of changes in the determinants of the supply of and demand for housing as well as changes in housing policies and urban planning. Some of those developments concern:

- the suburbanisation and city to hinterland migration,
- the evolution of the population,
- economic growth,
- development projects in the surrounding communities like around the new airport,
- city and development planning,
- changes in social housing policies,
- growing financial strain and narrowing limits to the fiscal resources of municipalities, the Free State of Bavaria and the Federal Republic of Germany.

In the following we will present information on these factors influencing the metropolitan housing markets. Therefore we shall

- define the region under analysis,
- describe the housing markets,
- describe housing policies, and
- formulate policy recommendations.

In particular, the following questions will be addressed:

- How to characterise the Munich metropolitan area (MMA) and to define the metropolitan area to be analysed? Which regional housing market conditions prevail in the MMA compared to other metropolitan areas in Germany?
- Which are the general features of the housing markets of Munich and its hinterland?
- How will the supply of and the demand for housing evolve?
- Which are the housing policies and their results?
- Which are the future perspectives of the Munich housing market?

The first question will be dealt with in the next section which focuses on basic assumptions, the region and its delineation, and general features of the Munich metropolitan housing situation compared to other German metropolitan areas. A third section is devoted to the third and fourth questions whereas housing policies are intensively discussed in the fourth section. The fifth section offers results, future perspectives, and recommendations concerning housing policies.

4.2 The Munich Metropolitan Area

4.2.1 Basic Assumptions

The metropolitan housing markets will be analysed with the help of data available mostly up to 2000 or even 2001. Regarding past developments, data from 1987 or 1980 are used and presented. The time horizon for the projections is 2015.

Economic developments underlying these data are considered. With respect to future oriented data some assumptions are stated explicitly, others are used implicitly. In line with other analysts we assume that recent trends will continue; they may, however, get more accentuated by 2015.¹

Housing comprises all buildings used for housing purposes. Sometimes buildings for commercial and industrial usage are also considered if they can be adapted for housing purposes and vice versa.

The methods used will be of an informative nature in the sense that no sophisticated econometric modelling is offered. The latter is not available for the Munich housing market. Therefore, we shall embark on an interpretation of existing materials which, in part, will be presented in a systematic manner for the first time. We shall concentrate on insights that are gained from reports of the City of Munich, the Assoc. of Regional Development of Outer Munich, the Chamber of Commerce of Munich and Upper Bavaria, from housing companies and investment firms and from statistical offices. The form of analysis chosen is economic reasoning.

¹ Mostly we follow the arguments employed by the City of Munich in their projections and reports, but also those of the Free State of Bavaria in their regional development plan (Bayerische Staatsregierung 2001), and expert studies on development of German metropolitan areas as well as housing markets.