

Expert Commission on the Future of Housing Co-Operatives in Germany

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1 Introduction

In summer 2002 the federal minister for transport, building and housing assigned an expert commission on the future of the housing co-operatives in Germany in order to analyse the current state of the housing co-operatives, to give advice for their future development, and to strengthen the housing co-operatives to become the "third" type of housing between renting and owner-occupied housing. The commission consisted of 14 experts with different backgrounds: practitioners, researchers and members of different co-operative associations. The commission was completed by representatives of several federal ministries and the Bundesländer. The Institute for Co-operative Studies in Marburg together with the consulting enterprise Analyse & Konzepte, Hamburg, was responsible for organizational matters and scientific advisory. The commission's work was completed in April 2004.

2 Methodology

The commission developed a detailed work programme and met for 14 plenary sessions. For a deeper analysis of special topics the commission established five working groups: (1) old-age provisions, (2) finance, (3) government aid, (4) marketing and public relations, (5) German co-operative law. Analyse & Konzepte conducted a survey among all housing co-operations in 2003 (rate of return: 43 per cent). The empirical results were supplemented by a member survey that took place in 1997. The *Bundesverband deutscher Wohnungsunternehmen (GdW)* supported these surveys with empirical data from their annual member surveys.

3 Results

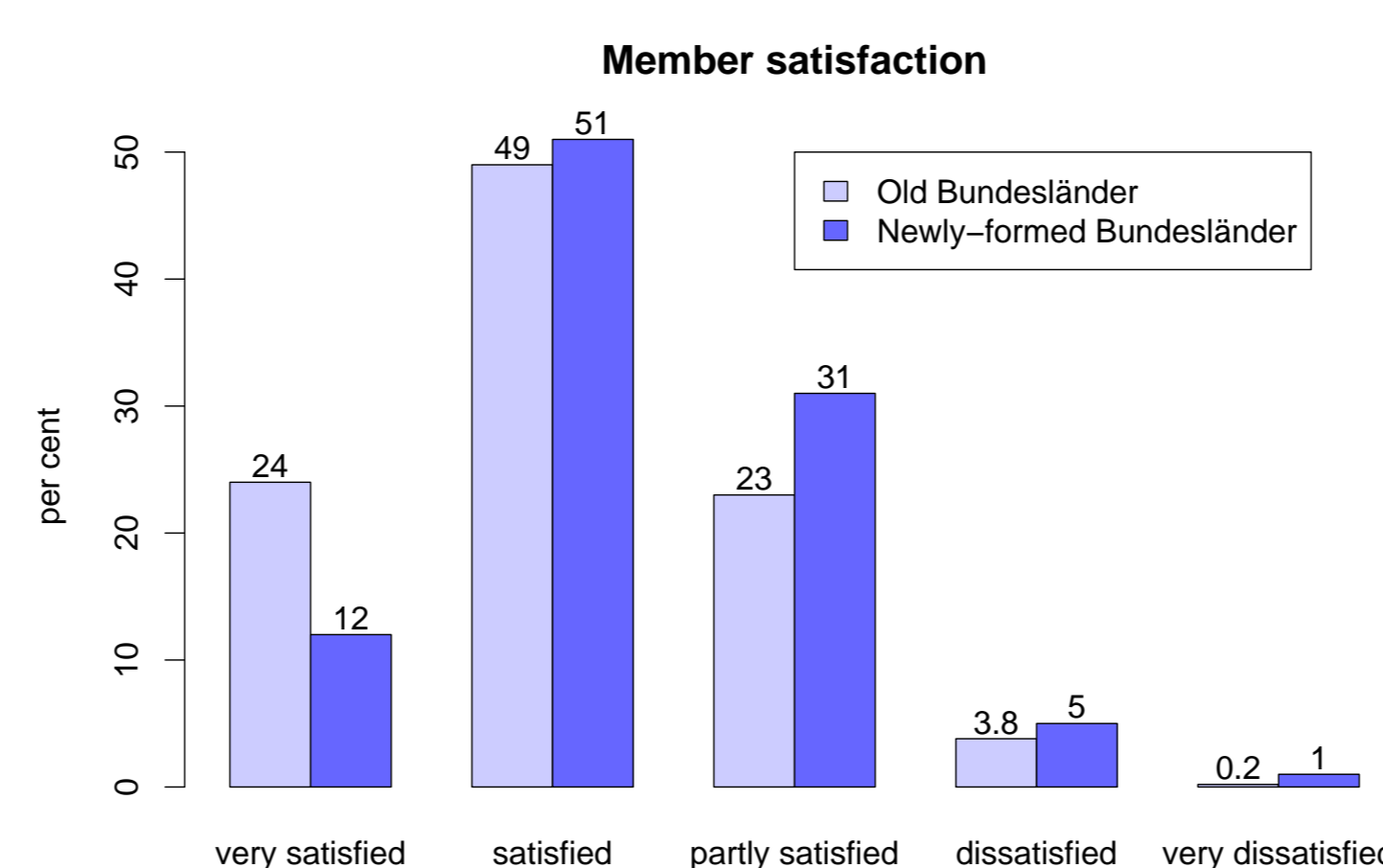
The main results of the commission's report are:

Legal framework and international development: The commission analysed the legal framework and the EU legislation together with the housing co-operatives in Denmark, Norway and Sweden. The two-tiered Norwegian and Swedish system of housing co-operatives can serve as a model for Germany because small local co-operatives tend to have more social cohesion than large-scale housing corporations and the members can earn a long term right of abode (similar to the German § 31 Wohneigentumsgesetz).

Situation and market perspectives for housing co-operatives:

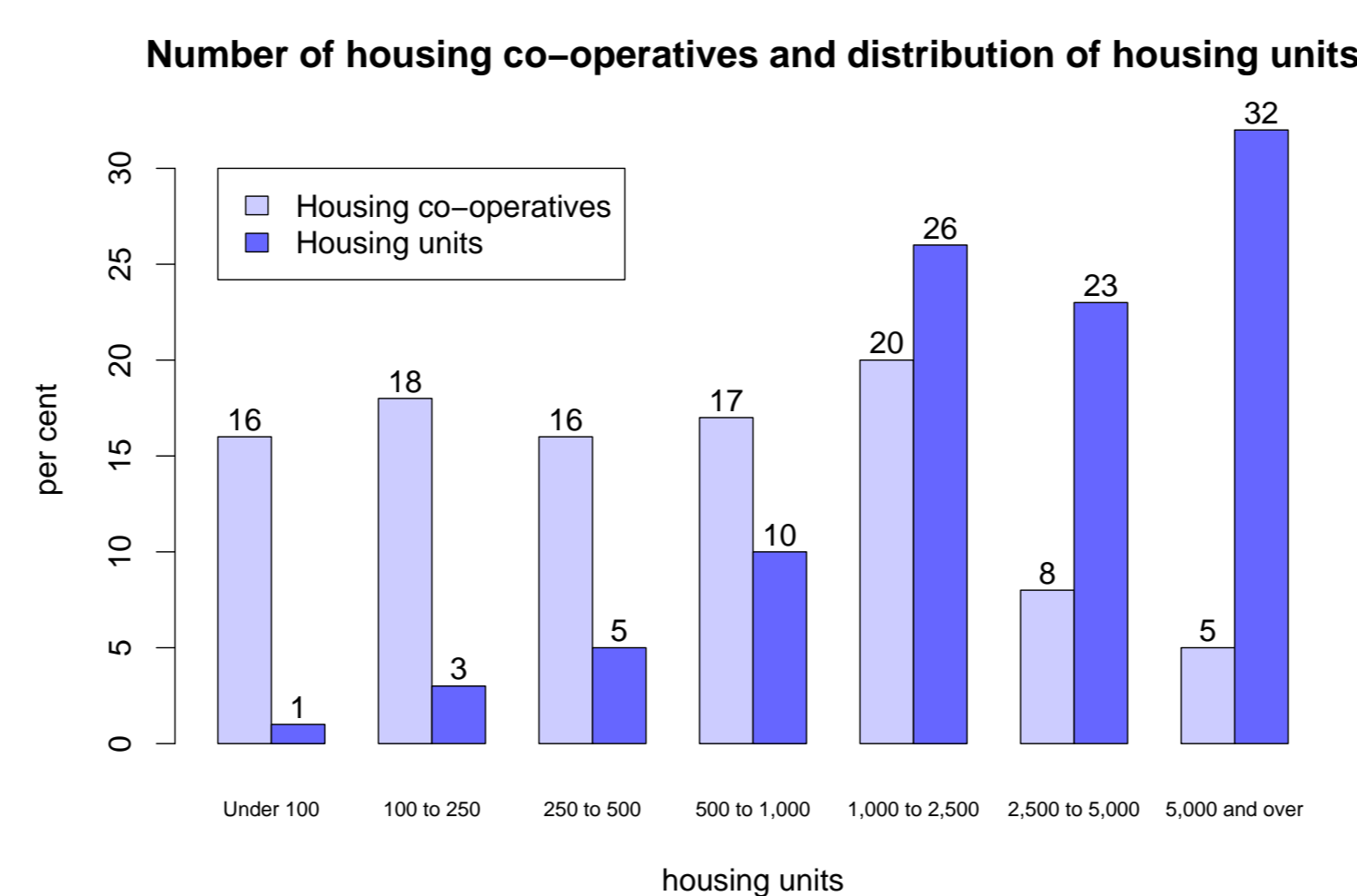
- The 1,799 housing co-operatives manage a housing stock of about 2.144 million housing units which equals a market share of about ten percent of the German rental housing market.
- The number of members declined from 3.151 million people in 1996 to 2.966 million in 2001.

- The majority of members is satisfied with their housing situation. More than 60 per cent are satisfied or very satisfied.



Source: Expertenkommission Wohnungsgenossenschaften (2004, p. 235)

- Members stated that they chose to live in a housing co-operative's apartment because of the high security of the tenancy and the low rental fee which is in most cases below the local average.
- Most housing co-operatives provide only a small number of housing units whereas only a small fraction manages more than 5,000 housing units.



Source: Expertenkommission Wohnungsgenossenschaften (2004, p. 129)

- Compared to other member enterprises of the GdW (mostly public housing corporations) housing co-operatives face less economic problems (e.g. concerning net equity, vacancy etc.).
- The main tasks for the co-operatives can be seen in modernisation of the existing housing stock and in the development of offers for special groups (families, senior citizens etc.).

Specific advantages of housing co-operatives:

- Housing co-operatives can play a significant role in the civil society because they are based on self-help and can provide long term security for their members.
- Because the demographic change leads to the need of more private savings for old-age provisions housing co-operatives can offer special programmes so that their members are able to reduce their rental fees when they get old-aged.
- Housing co-operatives have a potential for supporting urban policy because they can help to stabilise quarters.

Possible fields of action: The commission analysed several special topics as a basis for their recommendations that are addressed to the government, the housing co-operatives, and the housing co-operative associations:

Finance: The co-operatives should prepare themselves for the changing financing conditions due to the Basle II regime. They ought to consider new forms of financing like mortgage backed securities (MBS), bonds, participation rights, and also try to strengthen their net equity.

Communication and public relations: Housing co-operatives are not widely known in Germany and also the members tend to be not well informed about their own housing co-operative. Therefore the housing co-operatives should improve their communication to their members while the government and the housing co-operative associations should improve the reputation of and the knowledge about co-operatives in the public.

Co-operation: Because many small co-operatives face difficulties (finance, management capabilities etc.) due to their smallness the commission recommends that those co-operatives should consider to co-operate with other housing co-operatives.

Old-age provisions: The commission developed a model for housing co-operatives that can help their members to reduce the costs of housing when they get old-aged. Housing co-operatives should consider whether they can offer such a programme to their members.

Government aid can be granted under the conditions that housing co-operatives help achieving urban policy goals. In this way housing co-operatives can be appropriate partners for public-private-partnerships to renew and stabilise quarters.

4 Outlook

The Federal Ministry for Transport, Building and Housing started two new projects that build on the commission's report: (1) A pilot-project on how to tap the full potential of the housing co-operatives and (2) a pilot-project on possibilities for retirement-arrangements together with housing co-operatives.

Reference

Expertenkommission Wohnungsgenossenschaften (2004), *Wohnungsgenossenschaften: Potenziale und Perspektiven*, Duncker & Humblot, Berlin.

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