Deutsche Wohnen & Co enteignen!
What I will talk about today:

1. Housing in Berlin
2. The expropriation campaign
3. Campaign highlights
4. Creating political risk
Housing in Berlin

• Berlin is a city of renters (85% of households)
• affordability crisis with asking rents doubling between 2009 - 2019
• 25% of relocations within city due to displacement
• large-scale privatisation of public housing since 1990s
• capital concentration and financialisation evidenced by emergence of listed private landlords (REITs) acquiring existing housing stock:
  o Deutsche Wohnen SE (>110.000 units)
  o Vonovia SE (>44.000 units)
  o backed by institutional investors e.g. BlackRock
Privatisation of public housing

- privatisation of more than 200,000 public housing units since 1990
- elimination of low-income housing without replacement
- 67% of sales to private investors e.g. hedge funds
Deutsche Wohnen SE

• Berlin’s largest private landlord (110,000 housing units in Berlin = 70% of assets)
• Listed company incorporating privatised assets of former public housing associations GSW & GEHAG (ca. 95,000 units)
• Highly profitable industrial-scale gaming of rent control
  o 2018 market cap EUR 14.3bn
  o 2018 EBITDA EUR 659.1m
  o 2018 dividend EUR 348m
The expropriation campaign

- our objective: a **referendum** to socialise corporate landlords
- the Berlin state assembly shall enact legislation that will:
  - expropriate profit-oriented landlords owning more than 3,000 housing units in state of Berlin
  - transfer assets to newly created public body which is democratically controlled by tenants
  - compensate owners at well **below market value** (if at all)
- three-stage pathway to referendum
The expropriation campaign

Article 15 of the constitution of the Federal Republic of Germany:

Land, natural resources and means of production may, for the purpose of nationalisation, be transferred to public ownership or other forms of public enterprise by a law that determines the nature and extent of compensation.
The expropriation campaign

- **open assembly** meeting biweekly (main decision-making body)
- elected steering committee for rapid response
- working groups:
  - legal, media, **tenant organising**, mobilising, protest logistics
- **coalition-building:**
  - labour unions, Berlin tenant association (>170,000 members),
    political parties (Left, grassroots Greens, grassroots SPD), other
    housing campaigns (e.g. #mietenwahnsinn)
- close coordination with **12 DW tenant initiatives in 8 districts**
Tenant organising

• dedicated working group for tenant organising
  o door-knocking & neighborhood assemblies
  o workshops How To Talk To Your Neighbors
  o handbook How To Start A Tenant Initiative
  o media trainings

• umbrella organisation Deutsche Wohnen

Tenants Protest

  o 12 tenant initiatives in 8 districts
  o independent but participates in campaign
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event</th>
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<tr>
<td>2018</td>
<td>Nov</td>
<td>Official launch of referendum campaign</td>
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<td>Dec</td>
<td>Karl Marx Avenue protest</td>
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<td>2019</td>
<td>Jan</td>
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<td>Taking stock</td>
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Karl Marx Avenue protest
December 2018
The political price
February 2019

- compensation for circa 10 corporate entities with a total of 250,000 units
- expropriation can be cost-neutral for Berlin state budget
Moody’s threat
March 2019

ISSUER COMMENT
8 March 2019

Land of Berlin

Proposed referendum to expropriate multi-unit private properties would cost Berlin up to €36 billion, a credit negative

On 5 March, various newspapers reported that Berlin (Aa1 stable), anticipating a petition for a referendum to expropriate properties from private landlords and socialize them with affordable rents, estimated that expropriating the properties would cost the city €28–€36 billion.

The proposed referendum (so called Beschlussvolksentscheid) would aim to force the city to ultimately develop a new law that enables the expropriation and transfer of all of privately owned local residential properties with more than 3,000 units to social housing with controlled rents. In addition to concerns about legitimacy and constitutionality around expropriation, the city-estimated compensation payments for the potential transactions would be credit negative for Berlin.

We expect the citizens’ initiative to kick off the referendum process in April, when a petition for the referendum circulates. Collecting 20 thousand signatures at the first stage is required to launch a referendum, and polls of Berlin’s residents show that the initiative will likely collect enough signatures to move forward. A successful referendum, however, requires a majority of people voting in its favor and a quarter of eligible voters to actually vote.

The expropriations would weaken Berlin’s ability to attract investors, particularly for much-needed real estate investments, and the city’s debt would escalate to a record high of more than 300% of operating revenue, from 191% currently. Over the past decade, Berlin successfully implemented a fiscal policy that reduced debt and returned towards balanced finances.
The battle of the lawyers
March 2018

Socialisation is **constitutional:**
- ✔ Bundestag legal service
- ✔ Dr Reiner Geulen
- ✔ Prof Volkert Vorwerk
- ✔ Dr Jörg Beckmann

Socialisation is **unconstitutional:**
- ❌ Prof Helge Sodan

Zur Verfassungsmäßigkeit der Sozialisierung von Immobilien privater Wohnungswirtschaftsunternehmen im Land Berlin

Rechtsgutachten

erstattet im Auftrag vom
BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V.

von

Universitätsprofessor Dr. iur. habil. Helge Sodan
Inhaber des Lehrstuhls für Staats- und Verwaltungsrecht, Öffentliches Wirtschaftsrecht und Sozialrecht an der Freien Universität Berlin
Präsident des Verfassungsgerichtshofes des Landes Berlin a. D.
Marching against #mietenwahnsinn
April 2019

- mass protest against ‘rent madness’
- >35,000 attendants
- launch of referendum petition
- quorum reached on 1st day
- global media coverage
- triggering months-long nat’l conversation on housing and socialisation
77.001 for expropriation
June 2019

- submitted 77.001 signatures in support of referendum to Senate
- collected more than triple the required amount in half of the permitted time
- 2nd most popular referendum campaign in history of Berlin
- waiting for legal evaluation and launch of second referendum stage
Honey, I shrunk the stocks
June 2019

Deutsche Wohnen SE loses circa 20% market capitalisation within two weeks after leak of draft bill for rent freeze
Campaign highlights: timeline

2018
Nov  Official launch of referendum campaign
Dec  Karl Marx Avenue protest

2019
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Oct  Taking stock
Taking stock

Achievements:
- housing (socialisation) top of political and media agenda
- most significant rent control legislation in decades
- damage to Deutsche Wohnen so far:
  - 16% less profit than last FY
  - share buyback to stabilise stock trading below NAV
  - failure to graduate to DAX index, reputation in tatters

Challenges:
- well-funded counter-campaign kicking in
- continued tenant organising after rent freeze
- keeping up momentum & political support for referendum
- housing and climate justice
Creating political risk

- Bloomberg: Berlin Housing Backlash Spurs Drive to Nationalize Real Estate
- The Wall Street Journal: In Berlin, a Radical Proposal to Combat Rising Rents: Expropriate Big Landlords
- Financial Times: Germany’s home front: Berlin revolts against big private landlord