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Rent limitation for apartments in towns

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I. Rent limitation provision in legislation

1) In principle there are two ways of stipulating rent

a) Publicly subsidised apartments:

Here there is a fixed rent on moving in, which is permitted to rise according to stipulations agreed in advance, (generally 1.2 % per annum). Limitation of access: certificate of eligibility for public housing for households with low incomes (but approx. 50 % of the inhabitants of the city of Bonn)

b) Privately financed apartments:

Here the principle applies that the rent is permitted to be requested, which is normally paid for comparable apartments with similar fittings, location and features (**“average rent for comparable dwellings in the area”**).

I. Rent limitation provision in legislation

2) The following applies in principle:

a) With an existing tenancy:

The landlord is permitted to increase the rent to this average rent for comparable dwellings in the area.

Exceptions: The rent must not increase by more than 20 % over a period of three years. In areas with a higher housing requirement (determined by reports from the regional government), it is permitted to rise only by 15 %.

b) For new tenancies the landlord can in principle ask for the rent, which he can obtain.

Exceptions: In areas with a higher housing requirement (determined by reports from the regional government), the rent must not exceed 10 % of the average rent for comparable dwellings in the area

However: If the landlord has already demanded an excessive rent from the previous tenant, he is also permitted to request this from the new tenant, even if it is over 10 % above the comparable rent (therefore high risk of a lawsuit for the tenant because he generally doesn't know the rent paid by the previous tenant).

Other exceptions: regulatory law and criminal law

If the landlord demands a rent, which is 20 % above the average rent for comparable dwellings in the area, there may be a breach of regulatory law, which can be punished with a fine by the regulatory authority of the city. The rent will then be reduced by the city.

However:

The landlord must have exploited a shortage. The tenant concerned or the city as the regulatory authority must provide evidence of whether there is a shortage in this sector of the residential market. The municipalities are often not in a position to do this due to limited capacity. If the rent is 50 % above the average rent for comparable dwellings in the area, this is a criminal offence, which will be pursued by the public prosecutor. However, also here it must be a case of exploiting a shortage on the residential market. Proceedings also often fail here because of the data required to prove a shortage.

I. Rent limitation provision in legislation

3) The following applies in principle:

When modernising the apartment (improvement in value, no repairs), the landlord is allowed to pass on to the tenant 11 % per annum of the costs of the modernisation expenditure on a permanent basis

However:

If the rent increase results in particular hardship for the tenant, he can avoid the level of the rise in rent, e.g. if he would have to spend more than 35 % of his disposable household income owing to the rent increase.

II. Determination of the average rent for comparable dwellings in the area

In principle the landlord must provide evidence to justify his request to increase the rent through the average rent for comparable dwellings in the area:

By naming three comparable apartments (however this is risky because it is easy to end up in a lawsuit associated with high costs for experts for the unsuccessful party).

- a) Through reports (also risk of a lawsuit)
- b) Through a qualified rent index.
If this is available, the rent stipulated there is also considered as applying to comparable dwellings in the area by the court (good evidence)
- c) The average rent for comparable dwellings in the area refers only to apartments, for which there has been a rent increase during the last four years or a new tenancy agreement.

III. Compiling a qualified rent index in Bonn

Method and content are stipulated by the city together with representatives of the landlords (property and land owner association) and the tenants (tenants' association).

The following are necessary:

- a) representative data collection
- b) method of data assessment in accordance with recognised scientific principles
- c) results should be documented and verifiable

III. Compiling a qualified rent index in Bonn

a) Representative data collection

- a) Re-compiled every four years
- b) In between continuing with adjustment to the cost-of-living index in Germany after two years. According to the Federal Government, representative means 1 % of all rented apartments (in Bonn we collected 3 %, i.e. a total of 2,836 assessed questionnaires)
- c) Data obtained from surveys of landlords and tenants
- d) Repeat survey at home for the tenants with presentation of the tenancy agreement, the statement of service costs and the last rent increase, carried out by employees of the city administration in their free time with additional payments per questionnaire

III. Compiling a qualified rent index in Bonn

b) Method of data assessment in accordance with recognized scientific principles

Adjustment of gross rent for the service costs, the rent for a garage or parking space.

Result: Net rent exclusive of heating, lighting and other service costs

Fittings: (inquiries from an extensive list) Fittings have a major influence on the price

Location: use of the available data on

- a) Infrastructure
- b) Public transport connections
- c) urban landscaping
- d) pollution
- e) central location

III. Compiling a qualified rent index in Bonn

- b) Method of data assessment in accordance with recognized scientific principles

Condition

- a) Construction year group
- b) Number of window panes per window
- c) Number of floors
- d) Type of building (attached on one side, terraced, detached)
- e) Heat insulation of the external walls and the cellar ceilings
- f) Energy parameter (in accordance with prescribed energy performance certificate)

III. Compiling a qualified rent index in Bonn

Assessment in accordance with the regression method

- a) dependent variable
(the usual rent for an apartment)
- b) explanatory variable (influencing values: living area, living location, energy parameter, fittings parameter, year of construction)
- c) mathematical formula to determine the average rent for comparable dwellings in the area
- d) through online information (city's website) the rent can be determined for every apartment individually and precisely

III. Compiling a qualified rent index in Bonn

c) Results are documented and verifiable

- a) Council resolution:
this is what gives the rent index its “qualified” label)
- b) City’s website:
can be downloaded by all citizens

http://www.bonn.de/umwelt_gesundheit_plan_bauen_wohnen/bauen_und_wohnen/mietspiegel/14731/index.html?lang=de

III. Compiling a qualified rent index in Bonn

d) Costs

Costs:

The city's own statistics office (purchased program for regression analysis)

Survey costs approx. € 50,000

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Vielen Dank
Thank you very much
Moltes gracies
Muchas gracias

Bernhard von Grünberg
City of Bonn