



AFFORDABLE HOUSING POLICY AND IMPLEMENTATION IN GERMANY - LESSONS LEARNT FOR VIET NAM

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Structure

1. Social and affordable housing in Germany
2. Housing demand in Germany
3. Planning tools to promote social and affordable housing
4. Municipal measures to promote social and affordable housing
5. Conclusion



SOCIAL AND AFFORDABLE HOUSING IN GERMANY

Social housing in Germany

- **Social housing** refers to a publicly subsidised rental property whose construction or modernisation has been subsidised by state funds (from the federal government, the states or local authorities).
 - **Tenancy restrictions:** The flat may only be let to people who hold a valid housing eligibility certificate (WBS). This certifies that the household income does not exceed a certain threshold (e.g. in Hesse: a maximum net annual income of €38,437 for a household comprising two adults and one child – Average annual net income of a three-person household in Hesse: €60,000).
 - **Rent control:** The rent is below the comparable market rate (The average net rent for a 70 m² flat in Hesse is €470 per month for social housing and €700 on the private property market.). It is based on the requirements set out in the relevant funding scheme.
 - **Time limit:** The price and occupancy restrictions do apply usually for a period of 15 to 30 years. Once this period expires, the flat is no longer subject to social housing restrictions and becomes a standard rental property.

Affordable housing in Germany

- **Affordable housing** is not defined by law in Germany. In the context of affordable housing, it is assumed that a household spends no more than 40 per cent of its net income on total housing costs.
 - In **large cities**, households whose annual net income comes from working as a manual worker (approx. 24,000 euros), a nurse (approx. 30,000 euros) or a police officer (approx. 35,000 euros) can often only afford the local market rent if there are two incomes per household. Single parents do not usually have a second income.
 - **Case study Darmstadt:** A flat with 70 m² of living space costs around €15,600 per year, including service charges: minimum household income: €39,000 (40 per cent). As a result, many low-income households live outside Darmstadt and must commute there every day.
 - **Municipalities** should provide affordable housing – even for those whose incomes exceed the thresholds for social housing – either through financial support like social housing or by implementing appropriate policies on the development of building land.

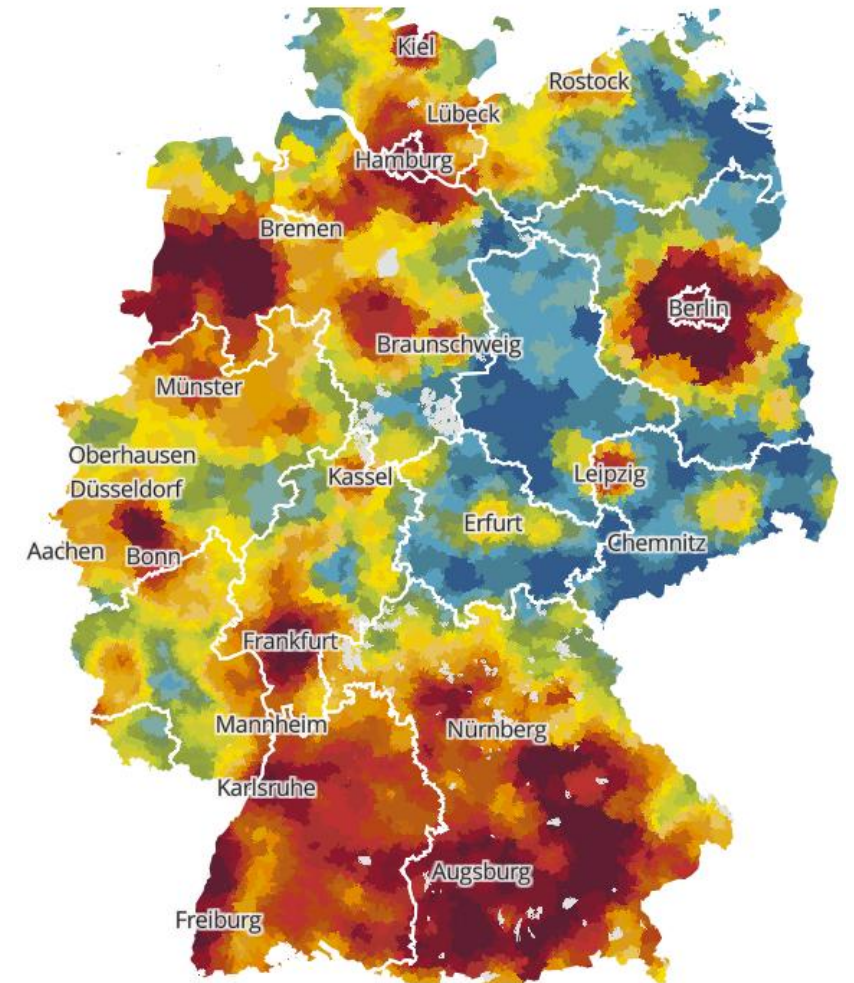


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HOUSING DEMAND IN GERMANY

Housing demand in Germany

- **Current shortfall:** 1 to 1.4 million dwellings
- **Annual demand for new dwellings** in Germany up to 2030: 320,000 to 380,000,
 - due to the 1.3 per cent **increase in the number of households** to approximately 42.6 million (with a population of 83.3 million in Germany).
- Annual demand in the **major cities** of Berlin, Munich, Hamburg, Frankfurt am Main, Stuttgart and Cologne stands at **60,000 dwellings** (20 per cent of total demand).
- High demand in all other **major cities** and their **surrounding areas**.



Source: www.bpd-immobilienentwicklung.de

Decline in the number of social housing units

- Most social housing in Germany was built between 1950 and 1970 and in the 1990s. In the mid-1990s, there were **4 million social housing units** in Germany.
- Due to the expiry of the restriction periods (15 to 30 years) and the low level of new-build activity since 2006, the number of social housing units has fallen to approximately **1,05 million** by 2024.
- In **2025**, subsidies were provided for around **27,000 new-build dwellings**; however, around **57,000 dwellings** were **no** longer subject to **social housing** restrictions.
- As **social housing** was built primarily in **major cities** and other densely populated regions, its removal is exacerbating the housing situation for lower-income households in these regions.
- The **challenges** lie not so much in the **financial resources** available for the construction of new social housing, but rather in the **lack of building land** and the **reluctance of private investors** to build social housing, as higher returns can be achieved from flats that can be let on the open market.



PLANNING TOOLS TO PROMOTE SOCIAL AND AFFORDABLE HOUSING

Framework to promote social and affordable housing

- **Municipalities** are responsible for providing **planning support** for the construction of new social housing and affordable housing.
- If **municipality** do not **make use of the options** available to them under planning law, **private investors** may, on a voluntary basis, construct a residential building comprising social housing on any plot of land approved for residential development; however, there is no obligation to do so. A private investor therefore makes this decision solely on **economic reasons**.
- As **municipalities** receive a share of the **income tax paid by their residents**, many are eager to **attract high-income residents**.
- **Smaller municipalities** in metropolitan areas therefore tend to designate land for the construction of **detached houses** or **large rental flats** and **owner-occupied flats** to attract higher-income households – **population segregation**.

Planning tools to promote social and affordable housing

- When drawing up **binding land-use plan** – for example, for the development of a new building site – municipalities may designate areas within the plan where, in whole or in part, **only residential buildings** that are eligible for **social housing** funding **may be constructed**.
 - **Private investors** must therefore **construct buildings** there that meet the requirements for funding as social housing (e.g. in terms of the dwelling's floor plan). However, they are **not required to apply for funding, nor are they obliged to offer social housing**.
- **German legislation** does **not contain** any specific regulations regarding the **promotion of affordable housing**.

=> How can municipalities promote the construction of social housing and affordable housing?



MUNICIPAL MEASURES TO PROMOTE SOCIAL AND AFFORDABLE HOUSING

Municipal measures to promote social and affordable housing

Municipalities may adopt the following **strategies**, either individually or in combination:

1. Introduction of a suitable **building land model** for the development of new building sites.
2. Construction and management of residential buildings for sections of the population in need of social housing or affordable housing, through the **municipalities' own housing associations**.
3. Sale of buildable plots of land to **non-profit housing associations**.

Introduction of a suitable building land model

In principle, **municipalities** can choose between **two different approaches**:

1. Restrictions to develop new building land

The **municipality** will only decide to develop a new building area if it possible to **buy all the plots** of area under development **at a specified price**.

Once the development of the new building area has been completed, the municipality may sell the new building parcels to those buyers who undertake, in the contract of sale, to build a **proportion of dwellings for social housing or as affordable** housing, and to **let these to households in need for a specified period**.

2. Urban Development Contract

Before drawing up a binding land-use plan, the municipality enters an urban development contract with all **landowners** within the planning area, under which the landowners undertake to build a **proportion of dwellings for social housing or as affordable** housing, and to **let these to households in need for a specified period**.

Municipalities' own housing associations

- Generally, every **major city** in Germany now has its **own housing association**.
- For example, the **City of Darmstadt's housing association** owns around **14,000 dwellings**, of which more than **5,300** are currently designated as **social housing**. The municipality can influence the **scale of new-build projects** and the level of **rent for existing properties**. The City of Darmstadt's housing association also **manages non-residential buildings** that are of particular importance to the municipality (e.g. the conference centre).
- **Smaller towns and municipalities** are trying to set up their **own housing associations**; given the high fixed costs involved in running such an organisation, they usually do so in **cooperation with other towns and local authorities**, for example at district level.
- However, such partnerships always involve **relinquishing decision-making powers**. Small towns and local authorities are therefore very reluctant to make such decisions.

Non-profit housing associations

- **Non-profit housing associations** have a long tradition in Germany. Around 2,000 non-profit housing associations in Germany own 2.2 million dwellings.
- Non-profit housing associations are usually organised as **co-operatives**. The tenants are generally also members of the co-operative.
- As members of the co-operative, tenants have a **lifelong right to occupy their dwellings** under open-ended tenancy agreements. **Rents** are based on the **actual costs** incurred in maintaining and financing the building.
- Members of the co-operative have a say in the **future development of the buildings** the co-operative own and possible new buildings. They are typically integrated in **planning processes**.
- The aim is to create a **strong sense of community**, with a focus on social stability, mutual support and the proper upkeep of the housing estates.



LESSONS TO BE LEARNT FROM THE SITUATION IN GERMANY FOR VIETNAM

Lessons to be learnt from the situation in Germany for Vietnam

- Leaving **housing management** to the **free play of market forces** and private investors does **not** result in the **provision of affordable housing** on lower incomes in society, even if social housing is subsidised.
- **Local authorities** must be provided with **suitable tools** to enable them to provide social and affordable housing for households on lower incomes. However, they must also be **obliged to use these tools** to at least meet the needs of their own population.
- **Municipally-owned housing associations** are a very good possibility of supporting a city's housing market. This also enables the city to improve its social infrastructure. However, political influence over municipally-owned housing associations should be targeted and should allow them to operate on an economical basis.
- **Non-profit housing associations** should be supported because, on the one hand, they provide **affordable housing** and, on the other, they give tenants – as members – a **shared responsibility** for the residential buildings.



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