

# The spatial pattern of gentrification in Berlin

Julia Siemer

Department of Geography and Environmental Studies, University of Regina

Keir Matthews-Hunter

Department of Geography and Planning, University of Toronto

*In recent years, gentrification has become central to political debates, media reports, and everyday conversations on urban development in Berlin, Germany. More or less all inner city districts fit some rubric of gentrification discussed in the international literature. However, as a result of Berlin's unique history as a divided city, the process has developed at times and in patterns that are markedly different from other global cities. The article briefly outlines the urban agendas and renewal efforts of East and West Berlin during the years of division. It proceeds to document the political, economic, and cultural factors underlying the development of Berlin's place and history specific development of gentrification in the reunified city since 1990.*

Keywords: Gentrification, spatial pattern, Berlin, Germany

## Introduction

At first sight, Berlin appears to be a showcase for the various forms of gentrification discussed in international literature (Holm 2013, 186). In different districts, examples of 'new-build gentrification' (Davidson and Lees 2010; Marquardt *et al.* 2013), 'super gentrification' (Lees 2003) and 'rental gentrification' (Van Criekingen 2010) are evident. In addition, elements of 'tourism gentrification' (Gotham 2005) or 'new urban tourism' (Füller and Michel 2014) can be observed. However, the many different forms of gentrification in Berlin should not be viewed as ubiquitous developments occurring in a vacuum. Nearly three decades of division by the *Mauer* (the Berlin Wall) influenced the evolution of waves of gentrification and are responsible for today's very specific spatial pattern of gentrification in Berlin. Gentrification is a global phenomenon first identified by Ruth Glass (1964) in the inner city of London, UK during the 1960s. It can now be found in many major cities of the western hemisphere, including Canadian cities such as Toronto, Montreal, and Vancouver (e.g., Ley and Dobson 2008; Walks and Maaranen 2008). While each city has its specific spatial and

temporal pattern of gentrification, this article traces the spatial development of gentrification in Berlin back to the city's place-specific history of urban planning strategies. It begins with an outline of the political climates and urban renewal efforts of East and West Berlin during the Cold War forming the backdrop for gentrification in the city. It continues with an examination of the spatial dynamics of gentrification since German reunification (1990), first among inner city districts of former East Berlin where gentrification unfolded, and afterward in those of former West Berlin, to where the process has since diffused. The article concludes with an analysis of potential spatial development of gentrified areas in Berlin.

## Berlin – pre reunification

Unlike most Western capitalist cities, gentrification was of relatively little significance in Berlin until the mid-1990s, and its development today cannot be detached from an understanding of the housing and renewal policies during the Cold War in each of East and West Berlin.

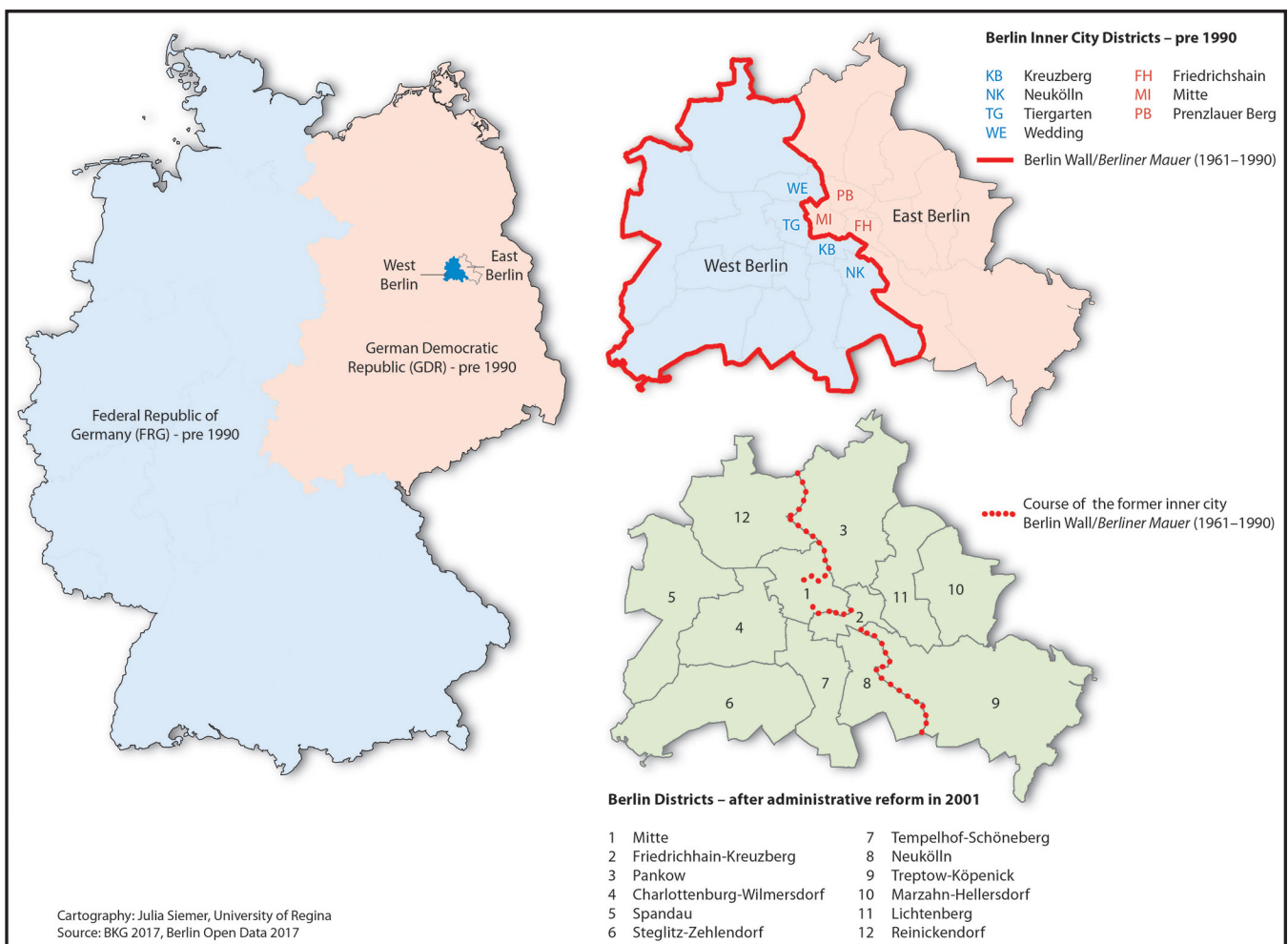
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Correspondence to: Julia Siemer, Department of Geography and Environmental Studies, University of Regina, 3737 Wascana Parkway, Regina, SK, S4S 0A2 Email: [julia.siemer@uregina.ca](mailto:julia.siemer@uregina.ca)

During the years the city was divided, real estate in socialist East Berlin had increasingly come “under state ownership through confiscation [the largest of which was carried out by Soviet authorities in the late 1940s]; as owners, unable to manage their properties given the many restrictions, simply turned their deeds over to the state; and as families fled to the west, leaving their property behind” (Strom 2001, 64). Although private property ownership had not been abolished under the German Democratic Republic (GDR), the buying and selling of real estate was severely limited because the vast majority of property was publicly owned (Strom 2001). Thus, displacement by rising rents was not an issue in East Berlin because a developed housing market driven by opportunities for profitable redevelopment was simply non-existent.

What occurred in East Berlin was massive, state-driven depreciation of central city real estate. Inner city neighbourhoods with old housing were ideologically devalued as epicentres of capitalist urban development, and housing policy favoured new high-rise developments that embodied socialist ideals (Levine 2004). Under the GDR, those more successful in the system moved out to the belt of high rise apartments made of

prefabricated concrete slabs on the east side of the city (e.g., Berlin Marzahn) where greater living space, heating, and insulation, as well as better access to amenities and public services were offered (Levine 2004). The older inner city housing stock meanwhile deteriorated as the GDR kept rents too low to finance much needed renovations—a situation exacerbated by the limited availability of building materials. Nearly all residential buildings in the former inner city district of Prenzlauer Berg, for example, were characterized by squalid living conditions, lacking even basic amenities such as central heating and bathroom facilities (Levine 2004). The deliberate neglect of the inner city by the socialist state was accompanied by high vacancy rates; up to 20 percent of apartment buildings in some areas of inner East Berlin were vacant (due to being unsafe and uninhabitable) at the time of reunification in 1990 (Holm and Kuhn 2011). With this out-migration, East Berlin’s ‘alternative scene’ took refuge in the tenement neighbourhoods, and areas like Prenzlauer Berg “gained the reputation for being the sort of East German version of [New York’s] Greenwich Village or [San Francisco’s] Haight-Ashbury, a place of intellectuals, artists, [and] counter-cultural lifestyles” (Levine 2004, 92).



**Figure 1**  
Berlin – Location and administrative organization

West Berlin, as an entity heavily influenced by capitalist West Germany (i.e., the Federal Republic of Germany (FRG)) but isolated within socialist East Germany (Figure 1), was “cut off from its hinterland, surrounded by hostile armies, [and] robbed of its capital functions and industrial base...Its isolation from the West and the constant threats to its security prevented the city from attracting sufficient economic activity to survive” (Strom 2001, 79). As such, the economic viability of West Berlin, and therefore its urban (re)development, depended largely on West German state subsidies (Strom 2001). The primary goal of planners in West Berlin during the postwar period was to create abundant, affordable housing on the urban periphery, which coincided with the overarching, modernist planning philosophy of dispersing people from dense inner city neighbourhoods to create homogeneous residential zones (Strom 2001). After the construction of the Mauer in 1961, the West Berlin government started an ambitious urban renewal program with plans that called for the wholesale demolition and rebuilding of particular inner city districts that were home to approximately 140,000 residents (Strom 2001).

The marginal position of inner city neighbourhoods near the heavily armed border to East Berlin, combined with the city’s ‘raze-and-rebuild’ strategies for renewal, halted investment and led to a massive devaluation of inner city property in West Berlin’s districts such as Kreuzberg and Wedding (Füller and Michel 2014). The city-controlled, limited-dividend housing companies in West Berlin continued to buy out owners and relocate tenants to the suburbs. However, in the wake of the economic crisis of the early 1970s, “the funds for demolition and construction were not forthcoming. Cleared lots and empty buildings sat idle, leaving remaining residents with a sense of despair” (Strom 2001, 49). Perhaps the most radical form of civic unrest came from the squatter movement of the early 1980s, when the number of squatted buildings in West Berlin grew from 21 before the end of 1980 to nearly 170 by the summer of 1981 (Holm and Kuhn 2011). This resistance ran parallel to the massive housing shortages in West Berlin, where some 80,000 people were registered as seeking apartments in 1980 alone (Holm and Kuhn 2011).

Politically organized tenants, a strong squatter movement, and housing shortages, together with limited funding opportunities led city officials to consider alternative and less capital-intensive renewal efforts. Thereafter the city’s raze-and-rebuild strategies were replaced with a ‘cautious urban renewal’ strategy. This shift in policy brought about a new model of renewal based on the preservation of existing housing structures and the social composition of the population, in addition to encouragement of citizens’ participation in the renewal process (Holm 2013). Cautious urban renewal achieved considerable success in renovating housing stock and infrastructure in West Berlin such that a functioning real estate market was restored while avoiding rent increases and displacement (Holm 2013; Füller and Michel 2014). Because refurbishment was carried out almost entirely with public funds, rental obligations (e.g., rent caps) had to be accepted by those receiving subsidies for renewal (Bernt 2012).

### Spatial pattern of gentrification in Berlin

Berlin’s inner city has experienced a unique pattern of gentrification featuring a spatial expansion in a circular, clockwise fashion (Figure 2; Holm 2013). The concentration of newly-opened ‘pioneer’ facilities (e.g., bars, clubs, art galleries that are geared toward middle-class professionals who often work in the fields of media, design and digital technologies, and young artists) has shifted from one subdistrict to the next, roughly every five years. It depicts how neighbourhood revalorization began in Kreuzberg (West Berlin) during the 1980s amidst the phase of cautious urban renewal, and then shifted to Mitte and Prenzlauer Berg (former East Berlin) during the 1990s, only to arrive in Friedrichshain (former East Berlin) and northern parts of Neukölln (former West Berlin) in the last decade. Figure 3 illustrates an additional pattern, a side presence of different forms and phases of gentrification in Berlin (Holm 2013). For example, the new building projects in Mitte and Prenzlauer Berg are evidence of more intensified forms of gentrification, while the recent influx of young, educated, economically marginal, and creative types in nearby Kreuzberg, as well as the locality’s rising but still relatively affordable rents, indicate a more rudimentary, pioneer phase of gentrification (Holm 2013).

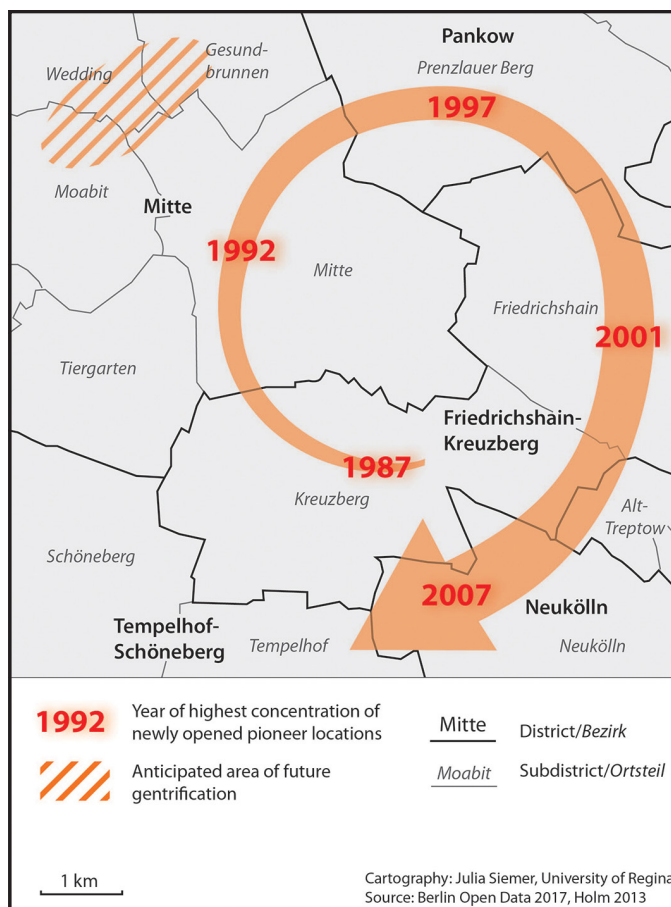
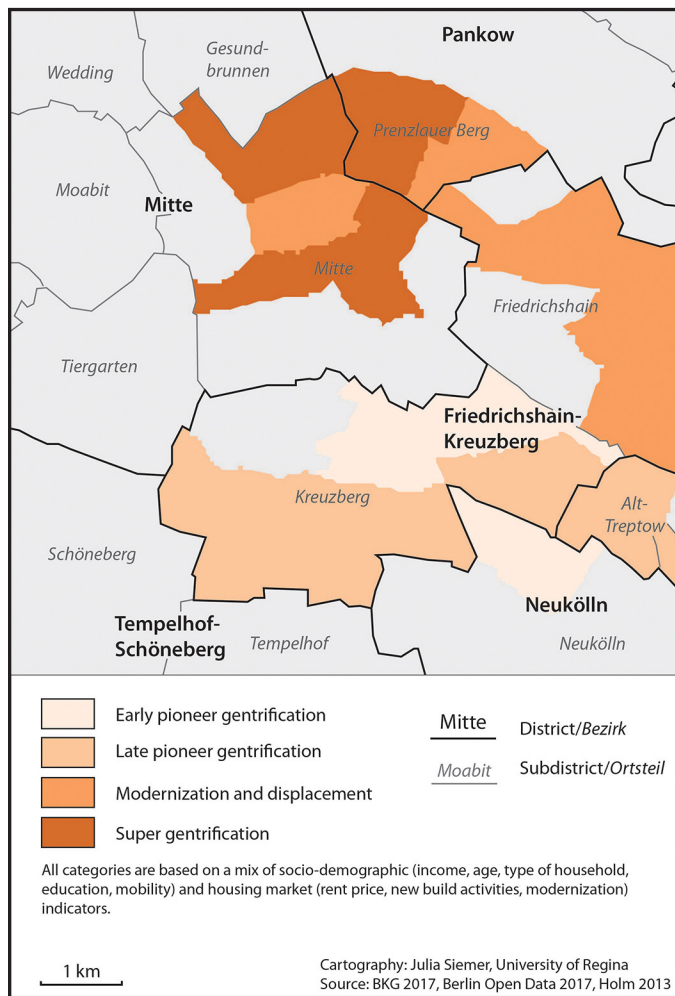


Figure 2  
Cycle of gentrification



**Figure 3**  
Phases of gentrification

### Restitution and rehabilitation in East Berlin

To analyze the spatial dynamics of gentrification in Berlin, it is essential to understand the process of restitution and rehabilitation that took place in East Berlin (and the entire GDR) after German reunification.

With the signing of the Unification Treaty in 1990, previous owners of property that was expropriated between 1933 and 1989—under the auspices of the Third Reich, the Soviet Military Administration in Germany, or the GDR—obtained the ability to lay claim to their confiscated property (Reimann 1997). Despite the complications pertaining to the restitution of property rights, what followed was the creation of a private property market in East Germany. Not only was “the creation of investment incentives” cited as one of the main motives behind property restitution (Häußermann 1998, 95), but the Federal Republic of Germany sought to further stimulate investment through various tax subsidy programs. Building owners were able to write off 50 percent of investment costs on any commercial or residential development in East Germany until 1996, which then dropped to 40 percent until 1999 (Strom 1996). As a result, Häußermann

noted that “those who buy property, at least in the inner cities, are no longer private individuals... Rather, these properties are being bought primarily by international real estate companies, or anonymous real estate funds, which are mainly interested in the extra tax deductions to be gained by investment” (Häußermann 1998, 97f). Between 70 and 90 percent of returned property in East Berlin, much of it concentrated in the districts of Mitte and Prenzlauer Berg, was quickly sold to real estate companies, brokers and developers (Bernt 2012). Therefore, the restitution of property resulted not just in the privatization of housing in East Berlin, but “also fuelled a speculative bubble that exerted a high pressure on existing rental and sale prices” (Bernt 2012, 3055).

Despite the economic pressures of the speculative real estate market, rent levels remained low during the early 1990s. To some extent this was a consequence of the gap between the formal claim and the actual realization of restitution (Bernt 2012). Nevertheless, it also reflected an attempt by local authorities to maintain the existing residential structure and keep rents affordable given that significant pressure for rehabilitation was being exerted on those inner city neighbourhoods where housing had become derelict due to East German state policy. Five areas of the district of Prenzlauer Berg, for example, were targeted and formally declared redevelopment zones; the former district itself earned the reputation of being Europe’s largest urban renewal area (Bernt 2012). Concerned local authorities initiated modernization activities in Prenzlauer Berg which were largely financed by, and organized through, public programs. In fact, one sixth of Prenzlauer Berg’s entire housing stock was rehabilitated through public grants (Bernt 2012). For the duration of the grant programs (which in some cases lasted up to 20 years), the local housing market contained “a considerable ‘welfare segment’ where rent development, occupancy and the economic profitability of investment were largely disconnected from market activities” (Bernt and Holm 2005, 111f; Bernt 2012).

By the mid-1990s, however, after the speculative property boom had ended, public subsidies were cut. Economic constraints at the federal level put much of Berlin’s social programming in a stranglehold, as programs like social housing subsisted largely on federal aid (Levine 2004). Declining land prices (which began falling in 1994) further reduced municipal support “for social programs associated with redevelopment, as the funds for those programs had largely come from the proceeds of redevelopment land sold to private developers” (Levine 2004, 102). Consequently, rehabilitation in Mitte and Prenzlauer Berg depended increasingly on incentives embedded in federal tax legislation. As Bernt points out, federal tax incentives comprised “high, indirect subsidies [that] made the refurbishment of old housing stock extremely lucrative for investors with a large taxable income, especially if costs were high and rents low, since the costs of investment could be transformed into tax savings for the partners involved” (Bernt 2012, 3055). Because the high costs of investment would be offset by tax savings, investors were encouraged to invest as much as possible to maximize their return, and even to rehabilitate properties in areas where affluent demand was not foreseen (Bernt 2012).

Thus, the share of privately financed refurbishment in Prenzlauer Berg increased continuously, accounting for two thirds of total refurbishment throughout the 1990s (Bernt 2012), and evidence of gentrification began to surface by the turn of the millennium. By the end of the 1990s, for example, half of the tenants in privately modernized housing moved into Prenzlauer Berg after refurbishment, and paid rents twice as high as previous tenants (Holm 2006; Bernt 2012). Meanwhile, 85 percent of new renters were between the ages of 18 and 45 years (Holm 2006). Other interesting neighbourhood changes that occurred during the 1990s included the 20 percent increase in single-person households and hence the decline in the average number of persons per household from 2.1 to 1.6 persons (Bernt and Holm 2005). Most astounding was the rise in the educational status of residents; between 1991 and 2000, the number of residents with *Abitur* (higher education matriculation qualification) nearly doubled, and the number of residents with university degrees more than doubled, from 15,500 to almost 35,000 (Bernt and Holm 2005).

Notwithstanding, income levels in Prenzlauer Berg remained well below the Berlin average, a phenomenon that underscores the uneven geography of investment and displacement. Bernt and Holm (2005) argued, for example, that below-average income in the 1990s tended to hide significant differentiation within the area, as there existed a large gap between the rich and poor unlike anywhere else in the city with “high and low earners liv[ing] cheek by jowl” (Bernt and Holm 2005, 116).

After 2000, the course of urban renewal in East Berlin changed considerably. With the disappearance of federal tax incentives in 1999, profitable reinvestment in Mitte and Prenzlauer Berg began to rely on the transformation of rental housing into single-ownership. This, prompted landlords to develop project plans, call for owners, and then begin refurbishment activities after securing bids for the projected units (Bernt 2012). In the complete absence of public expenditure and tax reductions, previously rented apartments were converted into upscale condominiums using funds from their future inhabitants. As Bernt (2012) points out, this model of renewal proved to be very popular among investors; one third of all housing in the designated redevelopment zones of Prenzlauer Berg were transformed into condominiums between 2000 and 2010 (Bernt 2012). Paralleling this shift in investment strategies, another trend in housing emerged in the mid-2000s in which new building projects have been increasingly undertaken on empty lots and open spaces. For example, since 2005 at least 27 new luxury apartment and/or condominium complexes, with a total of 1250 units, have been constructed or are undergoing construction in Mitte and Prenzlauer Berg (Holm 2013).

As subdistricts Mitte and Prenzlauer Berg transitioned into new-build or super gentrification, the subdistrict of Friedrichshain became the new pioneer location. As the site of major post-war renewal, Friedrichshain was not explicitly earmarked for redevelopment like Mitte and Prenzlauer Berg, and gentrification dynamics were restrained in the years following reunification (White and Gutting 1998). It was not until the late 1990s that it was celebrated as the new ‘scene’ quarter—compared with

neighbourhoods in Mitte and Prenzlauer Berg that were by then described as established and boring (Holm 2011). Changes to the social composition were most pronounced at first in terms of the rising share of residents with high educational status (Krätke 2013). Modernization activities, on the other hand, were delayed. Nevertheless, comprehensive modernization has taken place, resulting in significant increases in rents (Holm 2011). Moreover, countless bars and clubs shaped the image of Friedrichshain, and their increasing commercialization leaves little room for the traditional corner pubs that once occupied the area (Holm 2011). Friedrichshain has thus undergone its pioneer phase, evidence of displacement has surfaced, and, as in Mitte and Prenzlauer Berg, this will likely continue unevenly according to the geography of private investment in the subdistrict.

### The end of ‘Cautious Urban Renewal’ in West Berlin

West Berlin in the 1990s was marked by suburbanization and urban sprawl with middle and upper-income groups migrating out of the city, which, prior to 1990, was encircled by the Mauer (Füller and Michel 2014). Although there were concerns that inner city districts of West Berlin would undergo rapid gentrification—particularly Kreuzberg with its low rents, history of radical and alternative subculture, and sudden central location in the returned capital—these fears did not materialize (Füller and Michel 2014). Rather, throughout the 1990s, Kreuzberg faced a rise in unemployment, increased poverty and overall decline (Füller and Michel 2014). Of central importance to Kreuzberg was its history of cautious urban renewal. The program’s long-term rental agreements, which established rent caps as preconditions for modernization, kept rents at affordable levels for some 15 to 25 years (Holm 2013). The principle of cautious urban renewal thus performed the dual function of upgrading Kreuzberg’s most seriously devalued housing and infrastructure while retaining the former district’s original working class residential structure.

More than 20 years after cautious urban renewal, today’s subdistrict of Kreuzberg is faced with so-called rental gentrification (Van Criekingen 2010). According to Holm (2013), German tenancy law strongly protects residents from rent increases resulting from modernization unless it entails a wholesale transformation of the standard of housing (as in Mitte and Prenzlauer Berg). Hence, even today there is little leeway for rent increases in the context of modernization since substantial amounts of property were upgraded to a relatively high standard in the 1980s. Contrary to modernization and super gentrification in East Berlin, Holm contends that the ‘rent gap’ and resulting displacement pressure in Kreuzberg is largely based on the difference in rental prices between long-term rental agreements and new rental contracts (Holm 2013). Changing ownership exacerbates the pressure for displacement “since the buyers usually see the buildings as an investment whose worth should be realized through replacement of former tenants in order to close a new contract or rather through the transformation of rental properties into sale properties” (Holm 2013, 179).

Building on Holm's argument, Füller and Michel (2014) note how the transformation of rental properties into holiday apartments, which are periodically visited by their owners but otherwise rented out on a short-term basis, has become a popular investment scheme for individual buyers in Berlin and particularly in Kreuzberg. Short-term rental, they argue, "promises higher revenue and avoids dealing with the strict German tenancy law if considered against a traditional buy-to-let scheme. Weekly rates typically resemble the monthly rates for long-term rent and private vacation rental does not have to fulfill the costly security standards and tax payments of a professional hotel or hostel" (Füller and Michel 2014, 1312).

It is speculated that the increasing number of holiday apartment in Kreuzberg is related to growing touristic interest and the particular demands of so-called new urban tourism. Unlike ordinary tourism, new urban tourism deals with a specific kind of urban experience where staged experiences in officially sanctioned tourist spaces are avoided. Instead, the passive consumerist notion of everyday and mundane tourism is "replaced by an active search for new and unusual personal experiences and for being part of the visited place and lifestyle ascribed to it" (Füller and Michel 2014: 1306). Oftentimes, these experiences are found in working-class, ethnically and gastronomically mixed inner-city neighbourhoods whose diversity and gritty character contributes to the sought-after authenticity of urban places (Füller and Michel 2014). According to Füller and Michel, in Kreuzberg "the history of immigration, an abundance of small grassroots culture and entertainment venues, a leftist history and a well-preserved housing stock due to cautious urban renewal all make for a socially diverse and amenity-rich [sub]district, which is especially attractive to the new type of tourists" (Füller and Michel 2014, 1309). In addition, Kreuzberg's diverse and rugged character encapsulates much of the 'creative' and 'poor but sexy' mantra the city has used since the early 2000s to promote growth in the single most important sector of its economy—tourism (Füller and Michel 2014).

The trend of converting long-term into short-term rental apartments, while relished by new tourists, is a veritable problem for residents. The growing number of holiday apartments in combination with the absence of any new-build activities means fewer living options are available to residents and increasing pressure on existing long-term rental prices is exerted. The number of housing units per 100 households dropped from 93 to 81 between 2005 and 2009 alone (Holm 2013), thereby indicating that the availability of housing in Kreuzberg is already shrinking. On the other hand, the residential population in Kreuzberg remains relatively poor; about 30 percent of households have a monthly income under the poverty line (Holm 2013), and tenants in some areas are already obliged to commit up to one third of their monthly budget for rent (Füller and Michel 2014). As long-term rental agreements expire, it can only be expected that low-income residents will search out more affordable options elsewhere. In short, while substantial displacement of poor and working class residents has not yet taken place, the phenomenon of new urban tourism and short-term holiday apartments aggra-

vates the increasingly hot competition for affordable housing in Kreuzberg.

Southeast of Kreuzberg, in the northern part of Neukölln, there are indications of a similar dynamic; the term 'Kreuzkölln' is, in fact, often used in real estate advertising to indicate these smeared boundaries (Füller and Michel 2014). Like Kreuzberg, the district of Neukölln has a strong migrant background, having been a major recipient of 'guest workers' from Turkey in the 1960s, as well as the destination for political refugees from former Yugoslavia and Lebanon (Hentschel 2015). Neukölln was also characterized by poverty and decline in the 1990s being hit particularly hard when "its last factories and department stores were moved to the cheaper outskirts of former East Berlin, and municipal support was discontinued and transferred to urban renewal initiatives in the East Berlin districts" (Hentschel 2015, 82). Today, the district is still characterized by one of the highest proportions of immigrants and low-income households in Berlin (Holm 2013). Moreover, like Kreuzberg, Neukölln has become something of a new urban hotspot for international artists, students, and tourists in the last decade (Holm 2013).

Füller and Michel (2014) note how, despite Neukölln having been described for decades as a ghetto plagued by crime and decay, "local and international newspapers and city magazines [have] increasingly depicted the northern parts of Neukölln and the east of Kreuzberg as a diverse, cosmopolitan and liberal neighborhood, as the most interesting place to be and 'the epicenter of cool'" (Füller and Michel 2014, 1309). In turn, Neukölln has attracted a considerable number of young Europeans and North Americans in recent years. Between 2010 and 2011, Neukölln received a net gain of 6741 non-German residential moves from abroad, which accounted for nearly 27 percent of Berlin's total immigration that year, but experienced a net loss of 711 domestic residential moves (by all nationals) (Holm 2013). Meanwhile, Berlin as a whole received a net gain of 2195 immigrants from Turkey, which accounted for only 11.5 percent of Berlin's total immigration (Holm 2013). Even if all immigrants from Turkey to Berlin that year settled in Neukölln, they would have comprised less than one third of the district's total residential moves; this is to be compared with immigration from European countries, which was nearly double the district's total residential moves during the same period (Holm 2013). In other words, in Neukölln there has been "a strong impact of moving-ins from EU countries and North America, whereas the traditionally strong migration relation to Turkey is only subordinated today" (Holm 2013, 181).

While Neukölln attracts a type of new tourist, the district has also drawn a large number of creative expats, for whom the length of their stay cannot be accommodated by a mere holiday apartment. In consequence, the long-term rental market in Neukölln is grounded on an unprecedented internationalization (Holm 2013). While apartment prices stagnated prior to 2011, average prices in Neukölln have since more than doubled for smaller apartments and even tripled for larger apartments (Guthmann Estate 2015a). What renders the situation particularly problematic is the absence of the previously applied principle of cautious urban renewal. The housing stock has undergone

significant depreciation; internationally positioned realtors are advertising how the “district still has an enormous un-renovated housing stock offering many good investment opportunities” (Guthmann Estate 2015a). And like Kreuzberg, higher rents are being negotiated in new contracts but at a much faster pace given the absence of established rental protections (Holm 2013). The Berlin state government (Berlin Senate) has also sought to capitalize on the changing residential mobility by upgrading the district’s functional and gastronomic diversity, having declared the once-renowned shopping area along Karl-Marx-Straße a redevelopment zone in 2011 (Hentschel 2015). The relative absence of rental protection in combination with state efforts to establish an infrastructure for conspicuous cultural consumption, the growing number of expats, and an un-modernized housing stock makes Neukölln a new chapter in the development of gentrification in Berlin.

### Future developments

An overview of the spatial dynamics of gentrification in Berlin illustrates how the restructuring of the inner city is shaped not only by an outward diffusion of gentrification, but also by a constellation of different phases and forms of gentrification which are all inextricable products of Berlin’s history of urban politics and renewal strategies. The development of gentrification in former East and West Berlin, while markedly different, underscores the importance of local and national governments in harnessing, preventing, and moderating the economic pressures for displacement.

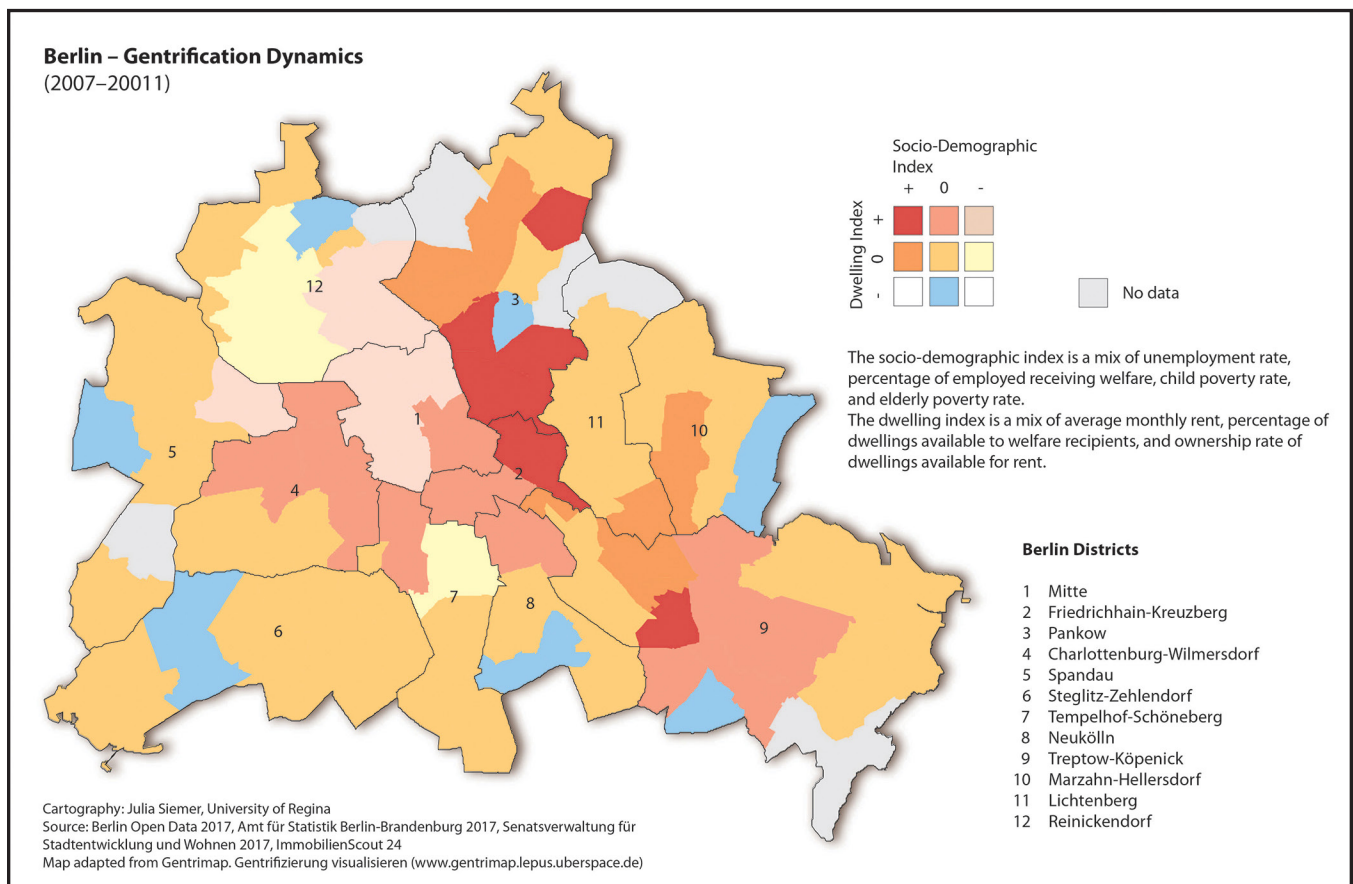
Due to gentrification in Berlin being shaped by the city’s history of local and national state intervention (and lack thereof) in the housing market, new developments must be noted. On June 1, 2015, Berlin became the first city in Germany to implement new federal rent cap legislation, and landlords are now prohibited from increasing rents by more than 10 percent above the average in their localities (Oltermann 2014). Such protections were already established for existing tenants but have now been extended to new rental contracts (Russell 2015). The law is not without its criticisms, and it will take some time to determine its effectiveness. However, rental gentrification may become less significant in the future since property owners can no longer charge exorbitantly high rents that are backed by affluent international demand. In the short run, however, higher rents will still be realized in new contracts, as the rents in long-term agreements surely fall below the present-day average in most inner city districts. In addition, newly-built properties and properties that undergo wholesale modernization are exempt from the law’s restrictions (Oltermann 2014). Therefore, not only will gentrification in Berlin continue to rely on rent gaps that emerge from un-modernized housing, but perhaps the trend of transforming long-term into short-term rental apartments will take on a greater significance in Kreuzkölln.

After an examination of the development of gentrification in Berlin, it becomes apparent that the former district (and, more specifically, today’s subdistrict) of Wedding is the most obvious

candidate for future gentrification processes (Figure 4). Along with Kreuzberg and Neukölln, the former West Berlin district of Wedding is traditionally working-class in nature, comprised largely of low-income households, and is one of the most ethnically diverse localities in Berlin (Jakob 2011; Guthmann Estate 2015b). A mixture of industrial and residential buildings characterizes the area. These include the classic, rehabilitation-prone Wilhelmian style tenement houses in addition to high numbers of empty and/or neglected properties (Jakob 2011; Degewo 2015). The relatively poor population, relatively high vacancy rate, and peripheral location means rents in the former inner city district are cheap in comparison to others; average rental prices today are less than half those for the neighbouring subdistricts of Mitte and Prenzlauer Berg, as well as the former district (to be distinguished from today’s subdistrict) of Tiergarten (Guthmann Estate 2015b). In recent years, an artistic and cultural scene has established itself in the area, where the inexpensive apartments and commercial spaces have attracted a large group of so-called pioneer artists and students.

Jakob (2011) believes Wedding is the centre of an arts-led neighbourhood revitalization. She examines a joint initiative between a municipal-led neighbourhood management organization and a major real estate holder that organizes monthly ‘art walks’ through the Sprengekiez neighbourhood, one of the neighbourhoods in the subdistrict of Wedding most closely associated with gentrification. Vacant properties are supplied by the realtor to artists at operating costs (near zero rents), and artists transform the spaces into non-commercial art galleries. Visitors are then personally guided from one neighbourhood to the next and encouraged to perceive and reimagine the area as creative (Jakob 2011). According to Jakob, in reality this initiative “is regarded as a ‘model of success’ not for its artistic achievements but because it creates positive attention, lures visitors, publicizes creativity and liveliness and generates hope for gentrification” (Jakob 2011, 197). Jakob’s study underscores how municipal efforts are being made to stimulate reinvestment in a neighbourhood the city believes has “special development needs” (Jakob 2011, 196).

Wedding can thus be viewed as ripe for gentrification. As more so-called pioneers move north-west from Mitte and west from Prenzlauer Berg in search of affordable apartments, more infrastructure for cultural consumption will follow. Moreover, with comparatively low rents and a vast number of buildings in need of renovation, investment opportunities are believed to be almost unlimited for real estate investors and property owners (International Network of Urban Laboratories 2013). Given that it is one of only a few former inner city districts whose original character remains unchanged, it is argued that Wedding will be the next area in Berlin’s inner city to undergo gentrification dynamics. At what speed and in which manner displacement will take place (if it takes place at all) is, as history has shown, largely dependent on the future direction of local and national policies and strategies for Berlin’s urban redevelopment. If this development will indeed take place—in the early 1990s, gentrification similar to Mitte and Prenzlauer Berg was expected to take place in Wedding but never materialized—the observed



**Figure 4**  
Potential areas for future gentrification

circular movement of gentrification will come to a full circle and possibly start a new spatial pattern of gentrification.

**Conclusion**

Although gentrification in Berlin has, compared to other major centres globally, started relatively late, it has developed similar characteristics and impacts for the local populations of inner city districts.

Examination of the historic backdrop of the unique situation of Berlin, controlled by two very different forms of societal and economic systems, has shown a very different development of gentrification in the two parts of the city. While reinvestment in the urban infrastructure of West Berlin took place prior to German reunification, inner city housing in East Berlin was increasingly deprived. With the fall of the Mauer, attention and capital in the inner city moved to Mitte and Prenzlauer Berg in East Berlin where the housing stock was severely neglected, and neighbourhoods in these areas became the first battlegrounds for gentrification in Berlin.

After experiencing negative impacts of gentrification, in addition to the much welcomed refurbishment of derelict housing, the influx of capital, and the development of high quality new

housing, the Berlin government is now trying to lessen the impacts of gentrification on its local population. In 2016, the Senate introduced new legislation to address tourism gentrification and related short-term rentals of apartments, facilitated particularly through online services such as Airbnb (The Guardian 2016). This regulation now makes it illegal to rent entire apartments as holiday apartments on a short-term basis. First analyses indicate a slight decrease in the number of apartments offered through these services (O’Sullivan 2016). However, long-term impacts on the availability of affordable housing need to be monitored and questions on the implementation of new regulations need to be clarified.

Furthermore, the Berlin government announced in 2017 its plan to considerably increase an existing tax on second residences (Spiegel online 2017). According to this plan, the tax will be increased from currently five percent to 15 percent of the yearly rent in 2019. While this tax was not originally introduced as a measure of rent control or as an effort to curb gentrification impacts in 1998 (it was intended to generate additional income for the government) the significantly higher tax might lessen the number of individuals who want to invest in a second residence as a holiday apartment, thereby and positively influencing the availability of affordable apartments in Berlin’s inner city districts.



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