

# Coalition Agreement for New German Government: Real Estate Industry Implications

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On 9 April 2025, the Christian Democrats (CDU and CSU) and the Social Democrats (SPD) announced an agreement to form a new government in Germany and presented their coalition agreement (*Koalitionsvertrag*). The CSU has already approved the agreement, while the CDU and SPD plan to finalize their approval the end of April following party conventions and a member survey. The new chancellor is expected to be elected in early May, with the new federal government taking office shortly thereafter.

The coalition agreement includes several key initiatives impacting the real estate industry:

## Rent Control and Tenant Protections

- Prolongation of the rent price brake (*Mietpreisbremse*) for new lettings by four years, through the end of 2029.
- Enhanced regulation of indexed rents for apartments in distressed housing markets (*angespannte Wohnungsmärkte*).
- Tightened regulation of furnished apartments and short-term lettings in distressed housing markets.
- Expert group proposal (due by the end of 2026) to introduce penalty fines for violations of the rent price brake and to tighten rent usury (*Mietwucher*) regulations.
- Adjustment of the modernization levy (*Modernisierungsumlage*) to ensure better “affordability” of rents whilst maintaining sufficient investment incentives.
- Increase in the threshold for the simplified modernization levy procedure from €10,000 to €20,000 by the end of 2025.

- Introduction of a “shared apartment guarantee” (*WG Garantie*) for trainees and students.
- Implementation of national rent surveys.
- Strengthening of consumer protection rights for tenants.
- No reduction of the cap (*Kappungsgrenze*) on rent increases in existing leases.

## Building Law Reform

- Introduction of a “construction turbo” (*Bauturbo*) and simplified noise protection regulations within the first 100 days of the new government’s term. According to a proposal made in the last legislative period, the “construction turbo” aims to enable greater flexibility in building and zoning law requirements.
- Subsequent implementation of a fundamental building law reform, including:
  - Adjustments to technical guidelines for noise emissions (*TA Lärm*) and air protection (*TA Luft*) to better resolve conflicts between residential, commercial, and agricultural uses.
  - Simplification of building standards.
  - Facilitation of serial and modular construction.
  - Protection of building type E.
  - Exclusion of defects when deviating from technical standards (*anerkannte Regeln der Technik*).

## Municipal Preemption Rights

- Measures to prevent circumvention of municipal preemption rights (*Vorkaufsrechte*) through share deals.
- Extension of municipal preemption rights in milieu protection areas (*Milieuschutzgebiete*).

## Ban on Condominium Conversion

- Extension of the ban on converting properties into condominiums in distressed housing markets for another five years, through end of 2030.

## Milieu Protection Areas

- Facilitation of building measures to improve barrier-free access and energy efficiency.

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- Exemption of private owners from milieu protection regulations.

## **ESG Initiatives**

- Repeal of existing heating law (*Heizungsgesetz*).
- Introduction of more technology-neutral provisions into the Buildings Energy Act (*Gebäudeenergiegesetz*).
- Promotion of flexible, urban quarter-based heat planning (*Wärmeplanung*).
- Initiative to postpone the implementation deadline for the EU Energy Performance of Buildings Directive (EPBD), currently scheduled for May 2026.
- Support for the EU omnibus initiative to reduce the scope of sustainability reporting (CSRD) and supply chain due diligence (CSDDD).

## **Tax Incentives and Public Subsidies**

- Establishment of a specialized investment fund for housing construction, combining private capital with public guarantees (e.g., via the *Kreditanstalt für Wiederaufbau* – KfW).
- Tax measures to promote home ownership for families, as well as new construction and refurbishments.
- Federal initiatives to reduce financing costs for apartments in distressed housing markets at rents below €15 per sqm (through guarantees).
- Increased funding for social housing.
- Tax incentives for letting apartments at low rents.
- Restructuring of KfW funding into two programs: “new construction” and “modernization.”
- Support for housing cooperatives (*Wohnungsbaugenossenschaften*).
- Simplification of rent subsidies (*Wohngeldprogramme*) by the federal states.

## **Mixed Signals for the Real Estate Industry**

The coalition agreement sends mixed signals to the real estate industry. While regulatory tightening – especially in the residential market – is evident, there is also a commitment to more flexible building regulations, increased tax incentives, and enhanced subsidy programs. However, many of the initiatives lack specific details, leaving their scope and impact dependent on subsequent actions by federal ministries and parliamentary committees. The real estate industry can engage with these developments by voicing its interests and priorities through industry associations.

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