

European City Development in Berlin: Towards an Urban Renaissance of the Historic City Centre?

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Veröffentlichungsversion / Published Version

Konferenzbeitrag / conference paper

Empfohlene Zitierung / Suggested Citation:

Sondermann, M. (2009). European City Development in Berlin: Towards an Urban Renaissance of the Historic City Centre? In M. Bontje, & H. Pethe (Eds.), *Living in the 21st century city: contributions to the 13th Berlin-Amsterdam Conference* (pp. 73-89). Amsterdam: University of Amsterdam, Amsterdam institute for Metropolitan and International Development Studies (AMIDSt). <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-83080-7>

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Living in the 21st century city

Contributions to the 13th Berlin-Amsterdam Conference

ISBN 978-94-90312-11-4

Printed in the Netherlands by Xerox Service Center, Amsterdam

Edition: 2009

Cartography lay-out: Puikang Chan, AMIDSt, University of Amsterdam

Cover: UvA kaartenmakers

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EUROPEAN CITY DEVELOPMENT IN BERLIN: TOWARDS AN URBAN RENAISSANCE OF THE HISTORIC CITY CENTRE?

Martin Sondermann

1. Introduction

‘The Cities are changing. They shrink, age, decline, perforate, drain and disappear - at the same time, however, they grow, consolidate and rejuvenate’ (Lang et al. 2004: 3, author’s translation). The dynamic of social, economic, cultural and political processes has always had an impact on cities as a built environment and a place to live. The *European city* underwent two thousand years of development and still it is present as an ideal in discussions about the future of the city, especially in the terms of housing. As a model, the *European city* is the basis for recent urban development policies on all political levels in Europe and by all means in Berlin. A recent trend towards a mixing of functions within compact settlement structures is correlated to the *urban renaissance*, which represents the increased importance of city centres as a place to live. An influx of inhabitants to city centres and a subsequent mixing of functions arise. The historic city centre of Berlin is supposed to be a prime example for an *urban renaissance*, as it gained significantly in importance as an upmarket housing location, being widely discussed in the media. This change will be reconsidered in this study as the central question is:

Does Berlin’s historic city centre experience an *urban renaissance* within its politically intended development towards a *European city*?

To answer this question the study is structured as follows:

The second chapter of this study focuses on the *European city* and its impact on urban policies, emphasising city centre housing as a central issue. The *urban renaissance* as it is discussed in literature will also be reconsidered, for the further study seizes on these two subject matters and explores their relation. The third chapter introduces Berlin’s historic city centre as the study area. This area has been chosen because its housing structure and its perception as a place to live have changed considerably since 1990. The historical developments will be recapitulated as well as the political framework. In the fourth chapter the development of Berlin’s historic city centre as a housing location since 1990 is analysed. Divided into four phases the change of this area from a marginal populated urban frontier to one of Berlin’s most favoured and expensive housing locations is analysed. A concluding consideration is provided in the fifth chapter.

2. European city and urban renaissance

The *European city* as a model is subject to the contemporary scientific and political discussions concerning urban development today and in the future. However, there is no unified definition what the *European city* is or what it should be. In this chapter a first approach to the *European city* will be made (2.1), emphasising the importance of city centre housing as a central issue of the political implementation of this model (2.2). An urban development towards a *European city* is coevally a development towards an *urban renaissance*, which will be reconsidered concerning its origin and its use in this study (2.3).

2.1 The *European city*

Historically seen, the *European city* has a tradition of more than two thousand years of settlement history, which began with the ancient Greek *polis*. Spatially seen, the ancient and later the medieval cities were limited in their spatial expansion due to surrounding defensive walls which enclosed all major city functions. In consequence of the founding of territorial states and their takeover of defence issues, the walls were demolished and the cities expanded into former agriculturally used areas (cf. Kreibich 2001: 42-42).

A leap of development that included a considerable reshaping and reorganisation can be asserted for the time of industrialisation at the end of the 19th century. With a massive outward urban growth and a growing density of buildings and population, the centres gained more significance through the concentration of economic activities and public transport. Subsequently, the compact pre-industrial *European city* with its mixture of housing, working, recreation, and traffic disappeared (Siebel: 2000: 28-29) whilst the spatial separation of functions in terms of the Athens Charter increased (cf. Kreibich 2001: 42 f.). In other words, 'the 20th century has moved to fragment urban complexity and reached out to optimise each individual element in individual spatial allocation' (Scheurer 2001: 170). A proceeding fragmentation and dissolution of compact settlement structures is still present, as the process of suburbanisation has not ended yet.

Despite these changes there is still an idea of a *European city*, as well as there is an aspiration for it. The criteria to define a *European city* are considerably wide-ranged and include the 'presence of history', bourgeois 'emancipation' as well as a 'gap between a private and public sphere' (Siebel 2005: 1-2). Another sociological approach to definition relates the *European city* to an urbanity which is closely connected with the European civilisation and culture (cf. Häußermann 2007: 71). A more comprehensible idea might be the one of a traditional, compact and mix-use *European city* (cf. Stimmann 1999: 547). This rather simple definition is also considered in the European urban development strategy, namely in the 'Leipzig Charter on Sustainable European Cities' (2007). This charter comprehends a 'compact settlement structure' as a 'basis for efficient and sustainable use of resources' and proclaims a 'strategy of mixing housing, employment, education, supply and recreational use' (Leipzig Charter 2007). The *European city* today can therefore be seen as a model for urban development. This model is based on an idealised image of pre-industrial *European cities*, which enclosed all city functions within a compact urban structure.

2.2 City centre housing

One central issue of the *European city* as a model for urban development is a (re-)integration of housing into city centres. This ideal is rooted in a fear of deserted streets at night, like in the City of London and wide-spread suburbs with an expanding traffic infrastructure, like in Los Angeles. Suburban sprawl is a process which is also present in Europe, causing a multitude of problems: First of all, landscape consumption can be stated as well as environmental impacts based on increasing commuter traffic. Secondly, the loss of inhabitants means also a loss of taxes and purchasing power. Thirdly, social segregation and the decline of young and well educated people with a higher income results in the decline of civic involvement (cf. Harlander et al. 2007: 11; Rosenkranz 1998: 147).

‘The *European alternative* to the highly spread-out American city’ (Tosics 2004: 69) aims at a small-scale integration of all city functions including housing, which contributes to a enlivenment of the city centres (cf. Kreibich 2001, 53-54; Heath 2001: 465). One aim of the small-scale integration of functions is the resulting spatial proximity and a ‘City of short distances’. The latter are creating a diverse urban functionality sui generis and also help to reduce commuter traffic and the expenditure of time. Further benefits are lower expenses for infrastructure due to smaller supply areas and higher utilisation rates (cf. Holl, Jessen 2007: 285, Rosenkranz 1998: 147-148). An ‘increasing residential community’ also contributes ‘significantly to the local economy by creating a greater indigenous demand for a diverse range of goods and services’ (Heath 2001: 465). There are, of course, disadvantages of city centre housing as well. There are only few shopping facilities for daily needs, for example. Other barely profitable uses like children’s playgrounds are also often absent. In addition to this, the traffic noise and exhaust fumes as well as the hustle and bustle are presenting a cause of conflict for the inhabitants’ need of rest (cf. Harlander et a. 2007: 12; Rosenkranz 1998: 148).

Despite these disadvantages, it can be assumed that the preservation and redevelopment of housing as a constitutive part of the city centre is a central issue of further development of the *European city*. It is not only in tradition of the European settlement history but also important by means of sustainability, cost reduction and enlivenment.

2.3 The urban renaissance

A development towards the ideal *European city* is the currently discussed *urban renaissance*, which encompasses processes of urban renewal from repopulation, and regeneration up to a new appreciation of cities and especially city centres as places to live. This first definition, however, appears rather blurred and therefore needs to be reflected concerning its origin and defined concerning its use in this work.

In 1955 the *Time magazine* devoted a cover story to the ‘Rebirth of the city’. The French equivalent to rebirth was eponymous to another article in 1962, entitled ‘Renaissance’ which was followed by the cover story ‘Bringing the city back to life’ in 1987. Referring to these articles, Storper and Manville (2006: 1247) assert that ‘The urban comeback has been coming for some time’. Indeed, neither the term nor the process is new. An explicit use of the term

urban renaissance, which is still applicable today, can be stated for Peter Borsay's work 'The English Urban renaissance' (1989). Borsay examines the reconstruction of the English county town of Warwick, which has been destroyed completely in a fire in 1664. He describes Warwick's post-fire reconstruction as a part of a 'wider economic, social, and cultural revival' and concerning this he uses the term *English Urban renaissance* for he sees parallels to the *Italian Renaissance*: From his perspective both are 'urban phenomena' which are 'associated with high culture' and an 'absorption and propagation of classical art and thought' (Borsay 1989: viii). More concrete, he considers 'fashionable and comfortable housing', 'better civic facilities' and 'an appealing new range of recreational services' to be 'critical in attracting the wealthy to visit towns and reside in them' (ibid.: 312). The presence of wealthy people 'stimulated the urban economy as a whole' (ibid.), because of the raising demand for lodging, services, luxury crafts and trade. Borsay also concludes that wealthy residents 'no longer found it necessary to flee the town to pursue status and civilised living', an aim which has been rediscovered ten years after this publication by the British government.

In 1998 the 'Urban Task Force' was launched by the New Labour government, commissioned to explore the reasons for the decline of British cities and to make proposals how to repopulate them. The resulting report 'Towards an Urban Renaissance' (Urban Task Force 1999) 'was very influential and the term 'Urban Renaissance' has permeated in policy discourses and official papers since' (Colomb 2007: 4). Although the term has been introduced before, this report affected the *urban renaissance* in its second meaning, namely as an urban development policy. The meaning of the term *urban renaissance* has been modified compared to Borsay: As a British urban development policy the *urban renaissance* is aiming to construct urban environments which base on the 'principles of social mixing, sustainability, connectivity, higher densities, walkability, and high-quality streetscapes' (Rogers, Coaffee 2005: 323, cited after Colomb 2007: 4) and seeks to attract people back to the city. These aims are congruent with those of the *European city* as a model for urban development (cf. 2.1).

In Germany the contemporary *urban renaissance* debate can be traced back to the publication of '*Rettet unsere Städte jetzt!*' ('Save our cities now!'), published by *Deutscher Städtetag* (German Association of Cities) in 1971. It expounds the problems of suburban sprawl and initiated subsequent discussions and research projects. In 1987 first evidence of a return of certain lifestyle groups from suburbia to the city centres was found, resulting in the idea of 'new urbanity' (cf. Häußermann, Siebel 1987). A more recent publication deals with the *urban renaissance* in terms of living in the city centre (cf. Brühl et al. 2005). This study explores the 'rediscovery' (ibid.: 19) of inner-city neighbourhoods as places to live. Several factors are mentioned, such as the demographic change, changing lifestyles which evolve from a 'service and knowledge society' and an 'information age' (ibid.: 20). It is further stated that suburban living is 'losing its predominant attractiveness for certain sections of the population' whereas the city centre 'is becoming the preferred residential location for people of all phases of life, living in households of all sizes and cultivating a wide range of lifestyles and habits' (ibid.: 21). The explicit use of the notion 'renaissance' represents a positive public perception of city centres as places to live and a positive evaluation of this change on the part of the authors. A changing perception, however, does not necessarily lead to actual and quantifiable effects in terms of an increase of residents within city centre areas. The

suburbanisation process in Germany is on its decline, a return of suburbanites to city centres, however, is yet not detected (Hesse 2008: 420 f.). Therefore, the German *urban renaissance* cannot be equated with an actual repopulation or with a reurbanisation.

Taking these examples into consideration, different uses of the term *urban renaissance* can be seen: Borsay (1989) used the term in a rather descriptive way for an urban regeneration process, emphasising its embedding into a wider economic, social, and cultural revival and the positive impact of the influx of wealthy people. The Urban Task Force (1999) declared the *urban renaissance* to be an urban development policy which is basically aiming at a repopulation of (inner) cities. In Germany the recent *urban renaissance* is a rather qualitative effect, which can be seen as a mental reversal of the trend to prefer living in suburbia. Considering these three approaches, I like to define *urban renaissance* as follows:

The *urban renaissance* is the revival of (inner) cities as places to live. It is embedded into urban regeneration processes, which are characterised by a growing number of (upper class) residents within (inner) cities, who contribute to a vivid and economically prosperous urban environment. Thereby the effects range from a quantifiable to a rather intentional and qualitative nature. Concerning its expected outcome the *urban renaissance* is highly correlated to the *European city* as model for urban development and therefore it is also characterised by the principles of social and functional mixing, sustainability, connectivity, walkability and dense built environments. The *urban renaissance* is both, a descriptive term and an urban development policy.

3. The Berlin case study

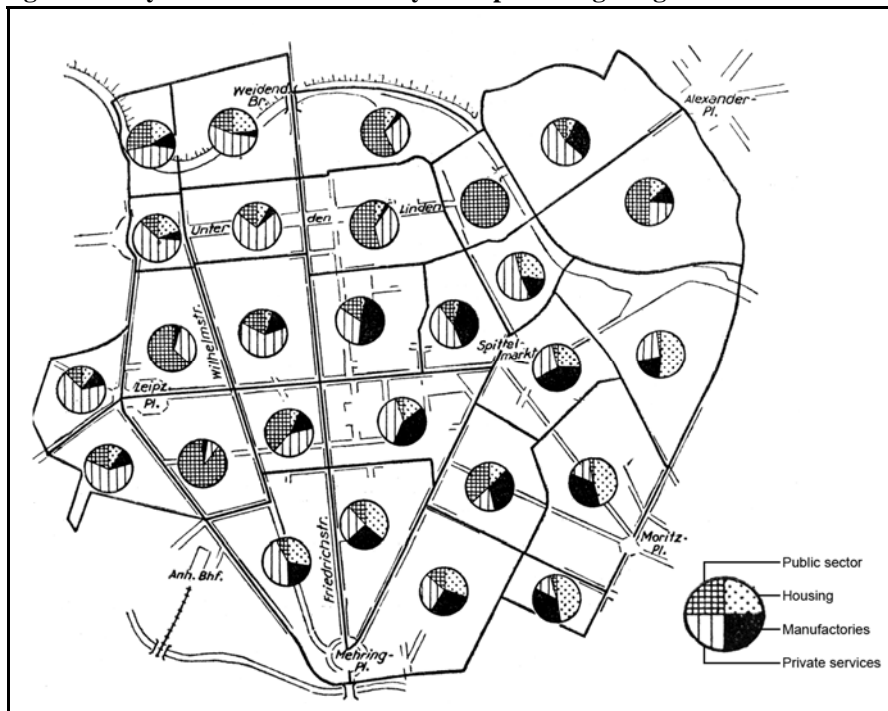
City centre housing in the *European city* became a concrete subject within the discussion about the urban development of Berlin. The fall of the Berlin wall offered unique possibilities for a city centre development through the existence of widespread brownfield sites. In addition to this, a new appreciation of Berlin as the Capital of Germany emerged. Today Berlin appears as a prime example for an *urban renaissance* (cf. Hesse 2008: 416, 423). This chapter introduces Berlin's historic city centre as the study object, considering city centre housing in its historic development until 1990.

3.1 Short history of housing in the historic city centre

The question how housing and living in Berlin's historic city centre are changing today cannot be answered without a reflection of the past: With the formation of the German Reich in the year 1871 Berlin gained significant importance as a political centre. The rebuilding of the historic centre within its medieval borders, which began in 1866, was accompanied by the urbanisation of bordering areas. The industrialisation accelerated the process of growth and spatial differentiation and due to a free property market the urban developments mainly proceeded out of economic interest. Therefore the price became a controlling factor which enabled the tertiary sector to displace the residential population (cf. Wagner 1998: 10-11). Between 1871 and 1910 the population of the historic city centre districts decreased by 40.8

percent in *Dorotheenstadt*, 45.7 percent in *Friedrichstadt* and 66.4 percent in *Friedrichswerder* (cf. Schulz 2006: 31). With the decline of residential estates the night population declined whilst the day population increased due to employment creation. Another result was the domination of the public sector, private services and manufactories compared to housing. This did not change during the time of National Socialism (see figure 1).

Figure 1: City functions measured by their percentage of gross floor area 1939



Source: Krause, R. (1958): *Die Berliner City*. Berlin: 46; modified by author.

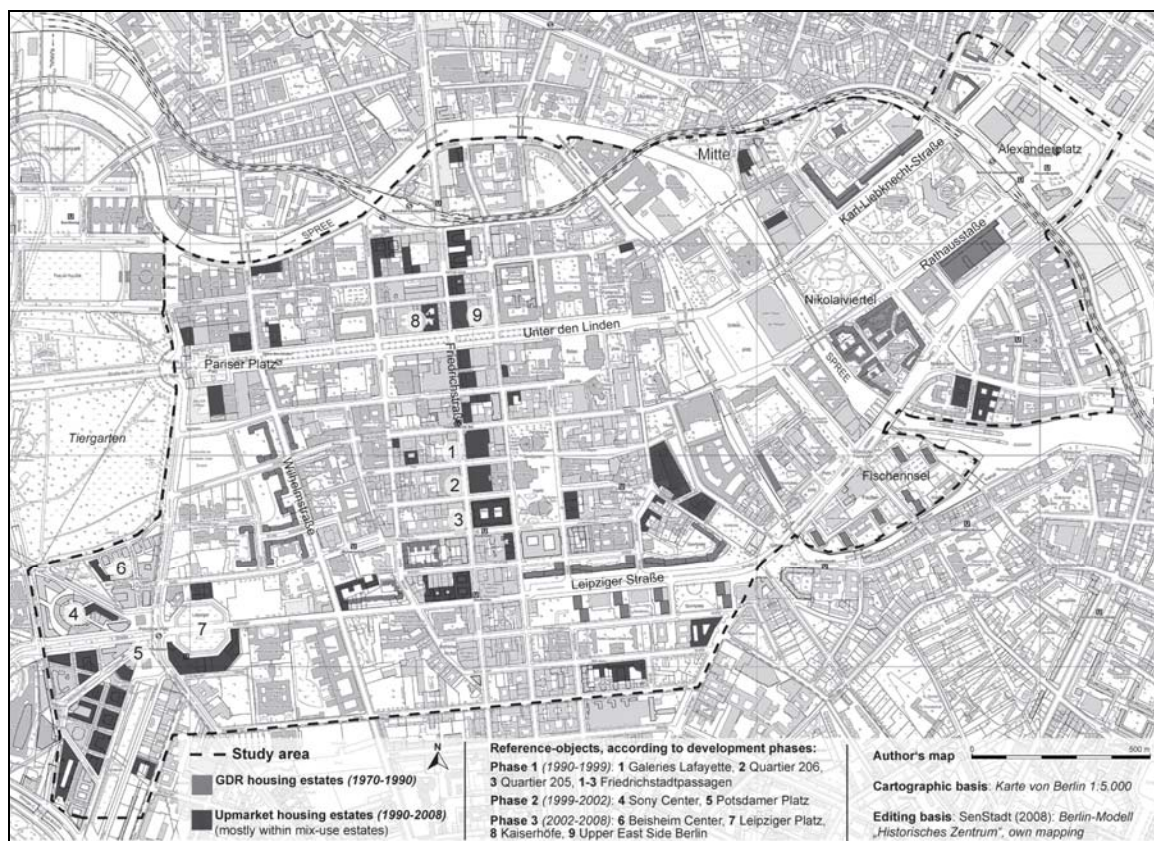
The rebuilding of Berlin's historic city centre between 1949 and 1990 took place in the German Democratic Republic (GDR), where urban planning was handled differently to the Federal Republic of Germany (FRG). Urban planning and house building were in the government's responsibility. The system was characterised by the building of prefabricated residential estates in the outskirts. Old buildings in the central parts of the city, however, either deteriorated or were demolished (cf. Schulz 2006: 35). In the 1970s the historic city centre received a new attention and new residential estates within this area were constructed. One of the first projects was the development of estates around *Alexanderplatz* which are still present in *Rathausstraße* and *Karl-Liebknecht-Straße* (see figure 2). Later on, the medieval buildings on *Fischerinsel* were replaced by new residential high risers, which have been built along *Leipziger Straße* as well. One purpose of these projects was to show that socialism enables every citizen to live in the most attractive parts of the city (cf. Schulz 2006: 35-36; Holl, Jessen 2007: 288-289). The urban development during the GDR is important for the situation today, as it changed the layout of the historic city centre completely. The modern approach to architecture and urban planning aiming at a '*Stadtlandschaft*' resulted in an incoherent fragmentation of the built environment. This turning to a radical modernity is still a problem for parts of the historic city centre, such as *Alexanderplatz* and *Leipziger Straße*, which lost much of their former sojourn quality (cf. Stimmann 1999: 546 f.). Despite the

fragmentation of coherent settlement structures, the GDR house building contributed to a residential population of the historic city centre.

3.2 The study area

After the fall of the wall in 1989, the existing brownfield sites on both sides of the urban frontier turned into a ‘gap’ in the urban structure of the city centre. This ‘gap’, however, offered a unique possibility for an urban development, especially for the establishment of a new government district and the *Potsdamer Platz* (see figure 2: 4-7), an area which links the eastern part of the city centre to the *Kulturforum* on the western part. After 1990 the whole historic city centre changed considerably. Today it includes the seat of government, capital-associated establishments, such as embassies and representative offices as well as *Potsdamer Platz* and *Leipziger Platz* as examples for a *critical reconstruction* and a development towards a *European city*. Today this area is one of the most favoured and expensive housing locations in Berlin.

Figure 2: Study area



Source: Author's map

4. The urban renaissance of Berlin's historic city centre

The approach to research is an analysis of the *urban renaissance* of Berlin's historic city centre since 1990. The aim of the analysis is to answer the central question of the study, namely if the historic city centre experiences an *urban renaissance* within its politically indented development towards a *European city*.

Contrary to former surveys this study does not focus on one or two projects, but explores the general development in the historic city centre. For that purpose scientific literature, press releases, housing market reports and six semi-structured expert interviews of approximately one hour length have been analysed. The interviews have been conducted with the private research institute GEWOS and five real estate developers, three of which work for two major real-estate companies: Charmatín Meermann Immobilien and Engel & Völkers. The interviews are mainly conducted with real estate developers, because of their precise knowledge of changing consumer needs and developments in supply and demand.

The focus on upmarket housing is based on two assumptions: Firstly, the historic city became a favourite upmarket housing location since 1990 and secondly, the influx of wealthy inhabitants is essential for an urban renaissance. Because they are able to choose their housing location, new wealthy inhabitants are the first proof for a new appreciation of the city centre as a place to live (cf. Harlander et al. 2007: 13; Holl, Jessen 2007: 280). The supply of upmarket housing (definition: 4.1) is not only a result of the return of inhabitants with a higher income, but also requirement for the further influx of inhabitants into the city centres. Urban structures which include upmarket housing are strengthening the trend towards an *urban renaissance*. As a leading function of the city centres upmarket housing promotes other sophisticated uses and supports the development of a multifunctional and diversified urban environment (cf. Kreibich 2001: 54). In other words, it is notable that 'for better or worse, the most reliable measure of a city's vitality is whether rich people are willing to live in the center of it' (Franzen 2002: 192).

The results are structured as follows. Firstly, the term upmarket housing is defined (4.1). Secondly, the developments since 1990 are divided into four phases (4.2), which are characterised concerning their developments towards an *urban renaissance*. Current developments will conclude this subchapter. The essential findings are summarized and discussed in the following chapter five.

4.1 A definition of upmarket housing

There is no unified definition of upmarket housing (German: *hochwertiges Wohnen*) and it appears to be an extendable term, judging by its various uses in public debates and the marketing industry. Related and often synonymously used terms like 'high-quality', 'high-end', 'luxurious' or 'upscale' contribute to a blurred image of what upmarket housing is. In order to get a clearer definition of that term, I asked the experts about their definition in order to find a consensus.

First of all, upmarket housing is high in price. The basic rental charges (*Nettokaltmieten*) of upmarket properties are between 12 and 25 €/sqm and are therefore clearly above the Berlin-wide average of 4.75 €/sqm. Prices for privately owned properties are between approximately 3300 and 7500 €/sqm. The wide price ranges result from a varying valuation of flats in respect to their location within a house or an area. The highest prices can be achieved in ‘top locations’ like *Unter den Linden* (see figure 2), especially in the top floors. The living space of the flats I took into consideration varied from 38 sqm up to 250 sqm. Therefore, the living space as an indicator is only suitable to a certain extent. A more suitable indicator, for instance, is a sophisticated interior design with spacious rooms and features like precious wooden floors, marble bathrooms and bedrooms en suite. High standard furniture and fixtures are a common standard, although the degree of essential features varies considerably between the different suppliers. A last indicator is the location within the city. Upmarket housing estates are either situated in the most attractive locations in the city centre (e.g. at prime addresses, waterfronts etc.) or in well-established settlements in the outskirts, like *Dahlem* or *Frohnau*.

It is important to note that upmarket housing is still an extendable term, for it includes a variety of housing forms and interior design features. It is crucial for the marketability that the properties are unique and attractive in accordance to the sophisticated needs of the consumers. There are luxurious lofts, individually designed townhouses and medium-sized flats at varying locations, all labelled as upmarket housing.

4.2 *Phases of development*

Between 1990 and 2008 the historic city centre of Berlin became a favourite location for upmarket housing. This development correlates with the urban development policies *European city* and the *critical reconstruction*, with the relocation of the German government and with the following *renaissance* of Berlin as a leading political and cultural centre. Therefore the development of the housing sector can be divided into four phases: 1990-1999: urban regeneration and reconstruction, 1999-2002: capital-related influx of new inhabitants, 2002-2008: decline and revival of the upmarket housing sector, since 2008: latest developments.

4.2.1 *Urban regeneration and reconstruction: 1990-1999*

Berlin’s historic city centre experienced a resurgence of its built environment since 1990. Although a lot of projects (including most of the government buildings) were realised between 1990 and 1999, the process has yet not ended. The definition of this period is based on two events: the German reunification in 1990 and the relocation of the German parliament and government in 1999.

With the reunification Berlin experienced an urban development *sui generis*. The privatisation of all formerly state owned properties resulted in sales on a large scale. Especially in the borough of *Mitte*, which includes the historic city centre, all properties were sold for the highest price. Since private investors, not town planners were in charge of the urban

development, social and aesthetical issues were treated with disregard. The land prices increased because a significant demographic and economical growth was expected. The resulting upheavals in urban development sparked a discussion about the future of Berlin as a *European city*, the results of which have been manifested in a guideline plan for the city centre (*Planwerk Innenstadt*) in 1997 (cf. Schulz 2000: 29).

The *Planwerk Innenstadt* includes the idea of housing in the city centre and considers it suitable for social and economical purposes. It also includes the statement that the Athens Charter is no longer a model for the development of the *European city*. This renunciation from modern approaches in urban planning resulted from the experiences in both parts of the city since World War II, which often turned into a ‘nightmare’ (cf. Stimmann 1999: 547). Being in charge for building and planning at Berlin’s Senate Department for Urban Development since 1991, Hans Stimmann himself was an advocate of the *European city* and represented a return to traditional urban structures. He opposed the advocates of modernity, namely Rem Koolhaas and Hans Scharoun and declared their concepts of a modern city to have failed (cf. Stimmann 1999: 546 f.).

Stimmann was responsible for the conception of the *Planwerk Innenstadt*, which included the two related concepts *European city* and *critical reconstruction*. The *critical reconstruction* was designed for areas which had been preserved in their basic structure, such as *Friedrichstadt* and *Dorotheenstadt*. The *European city* was designed for widely emptied areas. Important elements of the *critical reconstruction* are an eaves height of 22 metres and a consideration or even reconstruction of the historical layout of streets and blocks. The blocks, which had been parcelled into up to 25 properties before, could be redeveloped as a whole (see figure 2: 3). The most important element for the development of the historic city centre as a housing location, however, was (and is) the rule that 20 percent use of the gross floor area (*Bruttogeschossfläche*) is used for housing space; a rule which is obligatory to get a building and planning permission. (Stimmann 1999: 548-555)

An actual *urban renaissance* cannot be stated for this period. Four interviewees stated that the influx of wealthy residents into the city centre was marginal during this time. However, the *urban renaissance* of the city centre as a place to live was prepared due to the reconstruction of the built environment and the obligatory 20 percent housing usage being applied. The apartments being built in this period were rather upper-standard than upmarket and more a fulfilment of the duty than a part of investors’ strategy. Examples are the apartments within the *Friedrichstadtpassagen* (see figure 2: 1-3).

4.2.2 Capital-related influx of new inhabitants: 1999-2002

With the relocation of the federal government and administration in 1999 a quantity of potential consumers, for instance politicians, federal civil servants, lobbyists and diplomats moved to Berlin, but the influx has been on the decline since 2002. Four of six interviewees declare the influx of capital-related inhabitants to be rather marginal today, whereas the two other still recognise these amongst the most important groups of demand. They also refer to the relocation of further Government-related institutions, such as the *Bundesnachrichtendienst* (Federal Intelligence Service) by 2010. The capital-related influx of inhabitants was important

for the *urban renaissance* of the historic city centre as a considerable number of them moved into the housing estates being built in the period before. That caused a changing image of this area as a place to live, which therefore became more popular for other groups. One interviewee even declared the ‘politicians and lobbyists’ to be ‘the pioneers’ of this area. Concerning the motives of these ‘pioneers’ to move into the historic city centre, the most important reasons are spatial proximity to governmental institutions and prestige. Due to the circumstance that a lot of institutions remained (at least partly) in Bonn and a considerable number of the new inhabitants kept their principal residence somewhere else, the number of secondary residences was notably high. For these working-related residents a spatial proximity to the government was a rather rational decision. Diplomats and especially lobbyists, on the contrary, chose prestigious housing locations, for instance around *Gendarmenmarkt* because of their requirements in terms of representation.

4.2.3 Decline and revival of the upmarket housing sector: 2002-2008

The establishment of the historic city centre as a location for upmarket housing and its *urban renaissance* did not follow the capital-associated ‘pioneers’ immediately, as in 2001 the ‘dotcom bubble’ burst. The following recession affected the real-estate sector until 2004 and led to low-key property sales. Especially the new upmarket housing estates which had been realised by this time were affected. This is because the upmarket housing sector does not supply basic needs of accommodation, or as one interviewee stated: ‘A high number of these properties are an additional luxury. Sales are highly dependent on the economic climate’ (authors translation). As a consequence, it took years to sell most of the new built upmarket flats, for example the ones in the *Sony Center* (see figure 2: 4).

The upmarket housing sector recovered after 2004 and a growing influx of inhabitants caused rising rents and selling prices as well as an explicit development of more luxurious apartments. Examples are the *Kaiserhöfe*, the *Upper East Side Berlin* and the *Beisheim Center* (see figure 2: 6-9). Upmarket housing did not only become a more important part of the investors’ strategy, but partly even more profitable than office space. The rising demand for upmarket housing in the historic city centre accompanied the renaissance of Berlin as ‘the new political, cultural and creative capital’ (interviewee statement, author’s translation) of Germany. In the period 2004-2008 a change in demand was related to a change of consumers and motives.

Many of the new consumers are working in knowledge-based industries, for example as corporate consultants, entrepreneurs or chair(wo-)men. Another important group is formed by people working in cultural and creative industries, like architects, freelance artists, gallery owners as well as the music and film industry. One interviewee said that the percentage of people with a high income in this sector is considerably low. Nevertheless they are amongst the most important groups, as all interviewees agreed on. Lastly, the well-off people with an unearned income have to be mentioned. Concerning their family status the consumers in the historic city centre, who are singles or couples without children outweigh the number of families (all interviewees). The prevailing age group in the upmarket housing sector ranges from 30 to 50 years. Recently, however, consumers in their early 20s or over 50 years are on the increase, as two interviewees stated. Regarding their origin it can be stated that most of

them are not originally from Berlin. The majority is from other parts of Germany, followed by Western Europe and the United States (all interviewees). Furthermore, four interviewees recognise a growing number of people from other parts of the world, namely from China and Russia.

Concerning their motives to choose the historic city centre for renting or buying flats, spatial proximity is still the most relevant factor. One interviewee said that most of the consumers are working in the city centre and have tight schedules every day. In this matter, short distances are not only comfortable but also necessary in terms of an informal exchange and the establishment of new contacts. These are often mandatory for project-related work and new assignments (cf. also Heath 2001: 470, Häußermann/TSP 2008). A second aspect is the variety of cultural offers, which are either highly sophisticated (*Museumsinsel, Staatsoper, Deutsches Theater*) or of a rather alternative or contemporary nature (*Tacheles*, independent art galleries). One interviewee explains Berlin's attractiveness: 'Berlin is a place for alternative artists and has an authentic underground scene. The city is like London 25 years ago. People have the feeling that things and lifestyles are possible that are not possible anywhere else' (author's translation). Acting out one's personal (urban) lifestyle and a distinct self-development are two more reasons to live in the historic city centre. Urbanity also means anonymity and heterogeneity and therefore individualisation (cf. Siebel 2000: 33). Indeed, three interviewees recognise people moving to Berlin for there is no established high-society. Compared to other cities or well-established settlements in the outskirts, the city centre provides less social control. One interviewee concludes that high-income earners who are 'gay, divorced or for other reasons not fitting into the establishment of other, more dapper cities, take a chance on a new beginning in Berlin' (author's translation). In contrast to that three interviewees remarked that a number of potential consumers prefer other parts of the city, for they are want to live in authentic and heterogeneous and less 'antiseptic' quarters.

Berlin as a whole is popular because of its young and creative inhabitants making up the social structure. Twenty-three Universities and colleges are allocated throughout the city with over 130.000 students attending. Four interviewees considered students and other young and creative people to be a decisive factor for the enlivenment of the city and its good reputation. Another aspect are the comparatively low prices for highly sophisticated properties in 'top-locations' and moderate living expenses. 'Even those with a high-income mind the price-performance-ratio' (interviewee statement, author's translation). There are two more groups to be mentioned whose motives differ considerably from the ones mentioned so far: Firstly, the group of private investors who speculate on value enhancements and buy estates to sublet or resale. Secondly, the owners of secondary residences (or 'deluxe holiday flats'). These residences are only infrequently occupied and bought for prestige-related reasons (four interviewees). The ratio of frequently to infrequently occupied properties is estimated to be fifty-fifty (three interviewees). One interviewee remarks, that this subtracts the effect on the politically intended enlivenment considerably.

4.2.4 Since 2008: Recent developments

The recent worldwide economic crisis with its accompanying credit crunch has led to a re-evaluation of the demand on the part of the suppliers. There are different opinions concerning the relation of supply and demand. Real estate developers and estate agents say that the demand is higher than the supply, which is why new projects are about to be developed in the following years. A more neutral market observation concludes that the relation is balanced while yet some other analysts and developers detect an oversupply. A definite answer as to which statement is correct cannot be given. There are, however, notable impacts on the demand, namely the economic climate and differences in privately-owned and rental properties.

One of the major developers of upmarket housing estates, Orco Germany, has stopped construction works on one of his current projects (*Fehrbelliner Höfe*), deferred its property development at the *Leipziger Platz* (see figure 2: 7) for an indefinite time, and announced its withdrawal from the residential market (cf. Schönball 2008). The reasons are barely affordable construction costs due to the credit crunch and above all the low number of potential consumers (cf. Oloew 2008). On the contrary, the executive of Vivacon AG, Michael Ries, simultaneously announced that there is still a vital and constantly increasing demand. Therefore his company is developing more than 600 new 'high-end apartments' by 2010 (cf. Ries 2008). The reasons for trying to shed a more positive light on the current and future demand are obvious. The real estate industry, especially in this sector, is highly dependent on a prospering demand, which may be real or suggested. A saturated market and an imminent recession deter potential buyers and pushes down the prices, as it has been in the period after the burst of the 'dotcom bubble'.

The problematic situation with the demand for privately owned properties is visible in the latest housing report for Berlin (cf. GSW, Jones Lang LaSalle 2008): Sales are declining, causing an oversupply whilst the demand for rental property is increasing, thereby causing a shortage. Rental flats for the upper middle class, on the contrary, are much easier to put on the market. The *Leipziger Platz* can be adduced as an example, as two interviewees said that all of the existing flats at this place have been rented within a short time.

Despite the different opinions about the supply and demand ratio, a new decline of the upmarket housing sector in the historic city centre is not improbable. The recent economic crisis has its origins in the US-American real-estate crisis, which was caused by false estimations of real estate values. This affects the situation in Berlin, as investors and consumers are deterred to buy flats whose value might be on a decline as well.

5. Concluding consideration

The *European city* is an urban development model reflecting the tradition of European settlement history and aiming at sustainability, cost reduction and enlivenment. The *European city* and its *critical reconstruction* was the leading principle for the urban (re-)development of Berlin's historic city centre since 1990. The reunification and 'gaps' in the structure of the historic city centre offered unique possibilities to apply this principle. One central issue was (and is) the (re-)enlivenment or even repopulation of the city centre by an increase of residential housing. Thereby a decisive recent and prospective development is the return of inhabitants with a high income. Their influx is not only the first proof of a new estimation of this area as a place to live, but also a first step towards an *urban renaissance*.

Concerning the central question it can be stated, that after the reunification Berlin's historic city centre has gained new importance, not only as a cultural and political centre but also as place to live. After a period of reconstruction between 1990 and 1999 which contributed to the *urban renaissance* due to the obligatory 20 percent housing usage, the influx of capital-associated inhabitants between 1999 and 2002 made a decisive contribution to a new image of the historic city centre as a place for sophisticated living. The actual *urban renaissance* period was between 2004 and 2008, whereupon the end of it is yet not determined. In this period the historic city centre attracted a range of people with a high income to buy or rent flats. Reasons are Berlin's distinguished reputation as an open-minded, tolerant and authentic city. In addition, sophisticated housing estates are affordable, even in prestigious locations and living expenses are comparatively low. Moreover, general advantages of city centres, such as the benefits of short distances, a variety of possibilities and social exchange are also important to attract new residents. Especially a social mixture including young and creative people and an authentic environment increases the attractiveness of an area. On the contrary, homogeneous and artificial environments such as the *Sony Center* are often untenanted for a while.

Therefore, an *urban renaissance* of Berlin's historic city centre can be stated, although it is of a rather qualitative nature. An actual repopulation is not detectable. An indicator is the number of officially registered inhabitants with a main residence in the historic city centre, which declined between 1991 and 2008 by approx. 8 percent (own calculation, data: Statistisches Landesamt Berlin). A reason for this decline is the high number of secondary residences which are not included in the statistics. They subtract the effects on an intended enlivenment considerably (cf. also: GSW, Jones Lang LaSalle 2008: 1).

The actual supply and demand in this sector is indeterminate, for there are no official statistics and the developers will to provide information is limited. However it is notable, that there is a recent shortage of rental flats and an oversupply of privately owned properties. The further development depends on the economic climate and its change due to the recent economic crisis. Another important factor will be the development of the residential structure: The more it is getting homogenous, the more consumers will orientate towards other parts of the city which are more exciting and less artificial. Four interviewees noticed that this is the case already, as quarters which are less gentrified are increasingly demanded. In other words: 'However reliable the presence of the rich may be as an indicator, it's merely the final effect in a chain of causes which begins with a city's ability to attract young people' (Franzen 2002: 192).

Taking everything into consideration, it is to note that the *urban renaissance* of Berlin's historic city centre followed the political intended urban development towards a *European city*. There was and is a wide-range of factors which attract wealthy residents to the historic city centre. The decisive change, however, was driven by the influx of government-associated people between 1999 and 2002. This influx is based on the very special situation in Berlin: In 1999 the city became seat of parliament and government and at the same time an urban policy forced to building of residential estates in this area, which then became home of the government-associated 'pioneers'. Therefore the *urban renaissance* of Berlin's historic city centre has three dimensions: Firstly, it is the result of an urban development policy towards a *European city*. Secondly, it is promoted by a historical event, namely the relocation of the government. And thirdly, it is a self-energising process, which attracts more and more people to rent or buy flats in the historic city centre due to a changed perception of this area as a place to live.

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