

Private Property in Shrinking Cities – a Challenge for Planning Tools

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ABSTRACT

Urban restructuring (Stadtumbau) has become the new planning paradigm for shrinking cities in Germany. Especially in formerly heavily industrialised but also in remote rural regions demographics point at a long period of population decline and ageing, which is reflected in high rates of vacancy, abandonment, and demolition. While the public housing stock is being downsized with the help of federal subsidies, it remains unclear how the private sector copes with the demographic as well as the urbanistic challenge.

A case study in a rapidly shrinking East German town of 28,000 inhabitants aims at better understanding the structure and processes within the real property ownership facing a constantly lesser demand. The qualitative research generated a typology of owners showing three main strategies. The first is to stay invested with a long term perspective. The second strategy consists of maximising cash flow for a limited investment period. The third path implies an exit of the market at substantial losses.

The analysis of the owners' motivations reveals important issues for planning: as negative equity prevails the gap widens between place based amateur landlords and out of town professionals with broad portfolios. The decision-making power is often transferred to mortgage lenders, estate agents and asset managers, pursuing predominantly financial interests with little regard to urban form, function and social structure. This results in a disparate pattern of uses and building conditions.

In this wicked situation, planning has to distribute losses, remediate dysfunctional urban structures and prevent living conditions from deteriorating. The current planning tools such as comprehensive plans and gap funding for urban renewal projects have not proven effective. Given the financial distress and the inability to generate growth, the cities need to focus their efforts and seek allies among the remaining, but also absentee stakeholders.

This paper discusses the options available to private and public actors for the urban restructuring of shrinking cities. Planning tools seeking the compliance of landlords and their middlemen have to take into account their differing interests and capacities. Today, cooperation and capacity building are favoured over regulatory measures and financial incentives. However, in many cases property owners are not accessible or in foreclosure. Thus stronger instruments and new practices are needed.

Key Words: shrinking cities, property owners, planning tools