

# "Demolition or not?"

## **The perspectives for non-marketable residential buildings from the end of the 1960s and 1970s**

In West Germany, during the 70s, about 20,000 blocks of houses were built containing 900,000 apartments. This represents roughly 3% of all apartment housing.

At that time, high-rise flats were an attraction for architects, urban developers and residents. Today they are no longer so popular. Many have construction deficiencies, are difficult to rent, or have even turned into socially volatile areas. In the meantime, some buildings have either been deconstructed or demolished.

The inquiry shows where the perspectives lie with regard to non-marketable high-rise flats in view of renovation, deconstruction and demolition. Twenty-five examples form the basis reflecting the possible initial situations and investment options.

The following investment options and consequences are intended for difficult properties:

- Renovation in line with current standards and/or adaptation to the needs of a new target group (= increase in value; three examples involve a comprehensive set of measures; 20 further examples supplement some aspects),
- Deconstruction/partial demolition of buildings (two stand-alone buildings and groups of houses on several estates),
- Demolition (incl./excl. replacement buildings; a total of nine projects, of which three demolitions have been completed and two are underway).

### **The conclusion from the examples**

As long as demand is there, suboptimal properties will be retained. Often, demolition is not conceivable due to the company philosophy or a lack of other alternatives. Cost comparison calculations are limited to variations based on preserving the buildings.

The decision to upgrade or demolish is not made until demand is no longer apparent, or if the area has become so socially volatile that it is affecting the surrounding area. Previous operations, however, have not been based on property-related, economic calculations. Usually, for political or corporate reasons, there were no real alternatives.

### **Perspectives**

At the present time, demolition is still an expensive undertaking. This is due less to the actual construction work and more to the lease termination, the separation of book values, the repayment or other provision for residual financing in the face of no further revenue, and if necessary, discharge of public funding. For these reasons, the number of demolitions in the

near future will be limited.

Book values and residual financing are decreasing rapidly. Early depreciation, which is now sometimes initiated by some companies, brings about more favourable conditions in a relatively short space of time.

In future, demolitions will also take place in towns where demand is low. Any new building developments in the subsequent empty space must be oriented towards what the town needs; meaning buildings that are going to be built somewhere anyway. As a general rule, no replacement buildings will be built, instead part of ongoing building activity will be taken over.

For this reason, it makes sense to discuss the topic of demolition within the context of urban development. This takes us away from the randomness with which demolitions have previously been carried out and moves us towards considering demolition as a means of providing potential areas for future construction activities.

Up until now, it was possible to ignore the quantitative impact of demolitions on housing availability in major cities and in towns with decreasing populations. In the future, however, it must be assumed that local authorities will inspect the quality of the housing that is to disappear more precisely and that negotiations over replacement solutions will become tougher. In smaller towns a lot of work is always entailed in supplying residents of large housing blocks with a solution within a short space of time.

### **Recommendations**

This building phase is definitely one of the phases that needs to be considered when housing is in oversupply. Generally speaking, however, the decision as to whether or not demolish is appropriate should not be made on business management considerations alone. Thinking in terms of portfolios could otherwise lead to buildings being demolished that are not the town's top priority.

At the current time, there is no special financing for demolition in states of the former West Germany. In the future too the issue will not be favouring demolition as a general housing policy objective, but reassessing particular local situations or selectively assisting towns with a decreasing population and an oversupply in this market segment. General nationwide programmes and tax incentives are not suitable for these demands. It appears more sensible to provide assistance that is related to each situation.