

Exploring the Substance and Style of Gentrification: Berlin's "Prenzlberg"¹

Matthias Bernt and Andrej Holm

INTRODUCTION

Gentrification has been a significant topic in urban research for more than forty years according to its chronicling in the West. In the context of Germany and its capital city, social division and economic transformation have also brought changes at the neighborhood level. This chapter describes the changes in this capital city and considers the changes at the neighborhood level in Prenzlauer Berg, an area of the old East Berlin and now symptomatic of the gentrification of much of the inner city.

Depending on the researchers' intellectual background, analysis of gentrification has been based either on economic or socio-structural and cultural factors. Though nowadays, such a one-dimensional view is generally regarded as obsolete and researchers have tended to try and incorporate approaches taken by other schools into their own research. However, this has arguably not led to conceptual clarification. In contrast recent attempts to paper over the fundamental cracks between Marxist and liberal, supply-side versus demand-side explanations, and structure versus agency, tended to move discussions even further away from the possibility of reconciliation of these views: a synthesis, that moved "beyond the positions of economics or culture" (Lees 1994b) has thus far been hard to find.

Apart from these older debates about supply vs. demand an important issue remains over the relative generalizability of the process that has been described as gentrification. As Sykora in this book shows, gentrification has unfolded in different ways and means in cities that have moved from differing economic systems. Here we pick up on this theme but also consider the differing regula-

1 | Source: Bernt, M. and Holm, A. (2005) Exploring the Substance and Style of Gentrification: Berlin's "Prenzlberg." In Atkinson, R. and Bridge, G. (eds.) *Gentrification in a Global Context*. Routledge, London, 106-120.

tory and tenurial systems that have affected the rate and distribution of gentrification activity in Berlin and other of the larger German cities. Finally we try to consider the adequacy of explanatory frameworks of gentrification given their origins in cities and countries dominated by stronger sets of property market relations and differing welfare regimes.

International comparative research has generally restricted itself to Australia, the UK and US. In comparing the gentrification of London, New York and Paris, Carpenter and Lees, for example, found that the course of gentrification depended in large part on a range of public policies, planning schemes and subsidies (Carpenter and Lees 1995: 300). The argument that national and regional context are crucial is also supported by a number of other contributions which have highlighted the role of national context in shaping local forms of gentrification activity (Kennedy and Leonard 2001; Lees 1994a; Badcock 1989; Musterd and van Weesep 1991).

With this article we try to push the project to move beyond these established positions further. Our main focus is on an attempt to confront established gentrification theories with a case in East Berlin, where the framework under which gentrification has occurred is largely different from that of the US or Great Britain in which the dominant theoretical lines and case studies have been identified and developed. Our main conclusion from this work is a call to embed gentrification research into a more advanced political economy of land and housing markets and an analysis of state intervention which has often been lost sight of in the minutiae of regular and in-depth case studies at the local level.

GERMAN RESEARCH ON GENTRIFICATION

The international debate on gentrification has been picked up by a number of German social scientists. Some have even gone so far as to suggest that gentrification represented “probably the most thrilling debate of recent years” (Helbrecht 1996: 2). What makes discussion difficult is not only a lack of comparative research at the international level, but also the state of German research on gentrification more generally. Though gentrification has since the late 1980s been seen as a hot topic on the German academic agenda and numerous articles have been written, empirical research was generally characterized by a positivist application of structural and consumption-side theories (Blasius 1993; Falk 1994; Friedrich 2000) and, while production-side explanations were often cited, they were applied much less often.

The reason for this is less national arrogance in the face of important and relevant urban debates, but rather a reaction to the situation in West German cities that appeared to differ so greatly from the conditions described in the

US and UK in relation to rent and value gaps. This has been due to a range of national characteristics that suggest significant and differing preconditions which may strongly affect the value of considering gentrification as a live topic for German cities, even while interest remained high. A number of local contingencies impact on the probability and nature of gentrification activity in German cities.

In the first place state intervention is much greater than in the West while a much lower degree of income polarization at a national level and lower ethnic segregation contrast sharply with the US model of neighborhood dynamics and locales that have been shaped by gentrification processes. Like the UK race is much less of an issue in urban social relationships and neither has there been the same degree of suburbanization. Perhaps most important is the differing tenurial structure of Germany's housing stock. With rental units forming nearly two thirds of the stock (36 percent private, 26 percent social; Balchin 1996) many might suggest that opportunities for tenure transfer and gentrification are pronounced.

Germany also differs from the western city model in terms of its traditions of urban planning and an urban culture largely different from that of the UK and US which is linked to largely different attitudes to housing tenure (a distinctive "tolerance" of renting rather than owning) and the larger degree of state intervention (Häußermann 1983). Traditionally urban planning always aimed on balancing socio-spatial disparities and applied large amounts of public money to prevent segregation. Also, zoning regulations and rent-laws did a great deal to level socio-spatial disparities. Social housing, as an example, was for a long time not predominantly directed on the urban poor, but on broad strata of the society. As a result segregation in German cities is visibly smaller than in their American or British counterparts.

Due to these special conditions German sociologists and geographers have generally assumed that urban change in their country would be slower, less dramatic and less pronounced than in US cities. Consequentially studies on the upgrading of German inner-city neighborhoods were nearly exclusively engaged in the socio-cultural aspects of neighborhood change. Their main focus was on household-types, lifestyles and invasion-succession-cycles (Alisch and zum Felde 1990; Blasius 1993; Dangschat 1990; Dangschat and Friedrichs 1988), and with an impressive conscientiousness, phase models were analyzed and typologies of actors were improved. The outcome was, however, often disappointing, both for the prediction of these processes and theoretical clarification (Alisch and Dangschat 1996).

These peculiarly German conditions for gentrification changed fundamentally with the reunification of East and West Germany in 1990. As the result of the "return" of real estate properties to their original owners, or their heirs in the former GDR, a massive turnover of properties was brought about and

markets suddenly started to play a previously unheard-of role in new urban changes. This “re-commodification” (or what Sykora has called commercialization) in the context of post-communist cities, of urban development could, of course, not leave German gentrification research unaffected. Inner-cities were visibly upgraded by private capital and the face of the urban landscape changed dramatically. Furthermore, due to massive social changes the pre-conditions emerged on which a wave of gentrification could be expected. What made the issue thorny, however, was the fact, that the East German housing stock faced huge investments, although all data (due to the low incomes and a different socio-cultural differentiation in Eastern Germany) showed a clear lack of demand for “gentrified” housing. Nevertheless, as we show, a combination of local state agency, private capital and an urban culture increasingly celebrating centrality and a new infrastructure of entertainment have managed to overcome these apparent barriers.

Such processes of rapid gentrification, in the early 1990s, were then prophesied for many towns and cities in Eastern Germany (e.g. Häußermann and Siebel 1991; Krätke 1991; Herlyn and Hunger 1994). Yet just a few years later these hypotheses were toned down by empirical investigations which suggested that early waves in cities like Berlin were not matched in less “central” locations (Harth et al. 1996; Rink 1997; Weiske 1996). Harth et al. (1996) even went so far as to suggest that gentrification in Eastern Germany would be “halved” from initial estimates of its proliferation. Following the mid-1990s the view that gentrification was no longer a relevant theme for East German cities became widespread. Recent analyses have now indicated the opposite with gentrification widening its base (Franz 2000; SAS 1999; Friedrich 2000).

THE PUZZLE OF PRENZLAUER BERG

The most prominent example of this confusion in academic discourse regarding gentrification is East Berlin’s Prenzlauer Berg. This is an old district in the immediate vicinity of the city center but whose centrality was circumvented by the Berlin Wall and was therefore neglected during the lifetime of East German state socialism. However, following re-unification the area was declared a redevelopment zone (*Sanierungsgebiet*). It is here that our story starts.

It is hard to find another urban district in Germany about which so much has been written in the past ten years as Prenzlauer Berg (Mieterberatung and TOPOS 1995 and 1998; ARGUS 1997 and 2000; Bernt 1998; Häußermann and Kapphan 2000; Borst and Krätke 2000; Holm 1999 and 2000; Reimann 2000). Moreover, despite many investigations the only thing German urban researchers appear to agree on is that Prenzlauer Berg has undergone fundamental socio-spatial transformations during the last decade. However, while some

scholars have identified a “gentrification process” taking place in Prenzlauer Berg (Borst and Krätke 2000), others reject this view as too “one-dimensional” (Häußermann and Kappan 2000: 197) and instead see a “juxtaposition of upgrading and decline” which will continue for a long time to come (ibid.: 177), or even anticipate that gentrification (especially around Helmholtzplatz) will be replaced by devaluation tendencies with the risk of “social hotspots” forming.

The difficulty of interpreting and explaining recent and future changes in old East Berlin suggests that the area, in some sense, exceeds the conceptual and empirical language and indicators of neighborhood change in the city. This is perplexing but, as the difficulty is due not so much to a lack of quantitative data and research work, but rather the *nature* of the topic, it is a good starting point to discuss what it is that makes gentrification in Prenzlauer Berg so difficult to analyze. An examination of the assumption that Prenzlauer Berg is gentrified can thus not only clarify to what extent the findings of international gentrification research are relevant for a German neighborhood and clarify the peculiarities of urban change in Germany, but may also advance our understanding of gentrification as a process that is deeply embedded into varying social and economic environments (Criekingen van and Decroly 2003).

EXAMINING NEIGHBORHOOD CHANGE IN PRENZLAUER BERG

Our approach in this chapter is perhaps a simple one, to put the confusingly complex situation in Prenzlauer Berg in analytical order. In order to achieve this we framed a series of research questions which drew on conventional definitions of gentrification from the literature to see in what ways gentrification in Prenzlauer Berg converged and differed on these points. We compared these hypotheses with the available data and finally we draw conclusions concerning similarities and peculiarities characterizing the changes in Prenzlauer Berg compared to gentrification processes in other countries.

We were concerned with three key assumptions. First, that, if gentrification is understood as a *reinvestment process* (Smith 1996), a verifiable rise ought to occur in investments in the dilapidated housing stock. These investments would have to be spatially concentrated and lead to an increase in the local property market and/or in rental prices. Second, regarding *population changes*, new household types with a higher social status (particularly in terms of income and formal qualifications) compared to the previous inhabitants would be expected to invade (Ley 1996). As a result an “enhancement” of the social structure might be expected to occur, this enhancement being a consequence of migration movements. In connection with our first question, these changes would be particularly visible in refurbished buildings. Finally, parallel to the changes observed in the composition of the population and investment, a gen-

eral *shift in cultural discourses about the affected neighborhood* ought to occur, which in the meantime would be likely to acquired a reputation as being “chic,” trendy or a new locus of cultural activity more generally (Zukin 1991). This change in values would be likely to result in a new infrastructure of lifestyle restaurants, boutiques and delicatessens.

THE PROPERTY MARKET AND INVESTMENT BEHAVIOR

Starting with the analysis of investment activity in Prenzlauer Berg over the past decade, a number of peculiarities were observed. A central precondition for gentrification – and one which is often taken as a matter of course – is the existence of developed property markets, which have to be in place before properties can start rising in price in a certain area. However, such a market simply did not exist in East Berlin in 1990. The market was only just emerging in Prenzlauer Berg due to the “return” of real estate to its “original owners” (in a manner with a marked similarity to that which Sykora describes). In the central areas of the old borough, this accounted for some 70-90 percent of the entire housing stock, leading to its rapid sale (cf. Dieser 1996; Reimann 2000). Since there was no generally accepted land price structure based on rational expectations and experience, the agreed-upon selling prices were largely speculative. Following an unprecedented speculative property boom (cf. Borst and Krätke 2000: 145 ff.), prices positively exploded in the early 1990s, sometimes well in excess of DM 1,000/sq.m. in inner-city areas of old housing. The property market has since noticeably cooled down, with prices for unrefurbished tenement blocks near the city center dropping to DM 600-800/sq.m.

The overheating of the property price structure in Berlin in the early 1990s owing to speculation thus led – in contrast to the assumptions in our first question – to prices falling rather than rising over the course of the decade. The development of land prices hence ran against the expectations expressed here. However, this state of affairs is a consequence of the exceptional circumstances of German reunification, which led to a speculative “bubble” on Berlin’s property market, and this point can be expected to become less influential.

Other German peculiarities result from local state intervention. This mainly concerns direct subsidies for modernization and repair of unrefurbished housing offered by the government of Berlin which are linked with various rent and occupation obligations for the owners. Links might be seen here between the grant program for disrepair available in cities like London in the 1970s and which were also linked to gentrification activity (Hamnett 1973). Before German reunification, urban renewal in West Berlin was financed almost exclusively by public subsidies. However, because of the obviously greater need for renovation in the older East Berlin housing areas and the deep budget crisis

in Berlin, this is no longer considered financially possible. For this reason in the course of the 1990s successively fewer funds were made available and the financing of renewal was left for private capital to fill the gaps, a process which was taken on board with relish given the priming effect of the local state and the newly perceived value of the location itself.

Table 1: Refurbishment Progress in Redevelopment Zones in Prenzlauer Berg

	no. of dwellings	modernized	%	of which subsidized*	%	of which privately financed	%
1994	32,202	811	2,5	811	100	0	0
1996	32,202	6,718	21	4,215	63	2,503	37
1997	32,202	8,186	25	5,002	61	3,184	39
1999	32,202	12,851	40	6,927	54	5,924	46
2001	32,202	16,938	53	8,536	50.4	8,402	49.6

* Includes subsidized schemes under the government programs “Soziale Stadterneuerung,” “Stadtweite Maßnahmen,” “Wohnungspolitische Maßnahmen” (figures taken from S.T.E.R.N., the 20th report: 36 and the 21st report: 23, as well as own research)

Above all, as Table 1 indicates, in the early 1990s refurbishment was largely financed by public money; until 1996 the ratio between publicly subsidized and privately financed refurbishment was about 2:1. Since then, public funding has been continuously reduced, and by 1999 the ratio had been reversed with only about a third of (extensive) refurbishment measures being supported by public subsidies, the rest being privately financed. In 2001, following a deep budgetary crisis, subventions were completely cut. Nevertheless, thanks to the large-scale public subsidies in the early 1990s, around a sixth of the entire housing stock was refurbished using direct public grants. As a result, the local housing market contains a considerable “welfare segment” where rent development, occupancy and the economic profitability of investment are largely disconnected from market activities – at least for the duration of the grant programs.

Another, probably more important peculiarity stems from German tax legislation. The special depreciation possibilities enshrined in the Development Zone Act (*Fördergebietsgesetz*) meant that a considerable share of refurbishment costs for building owners in the 1990s was tax deductible. Until 1996 this form of depreciation allowed up to 50 percent of refurbishment costs in the first year of investment to be offset against tax, this proportion being reduced to 40 percent until 1998/99. These high indirect subsidies made refurbishing old housing 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. The lion's share of the yield from letting housing thus mainly resulted from claiming tax benefits, with only a small amount stemming from rental income. As the balance of investment could be evened out by tax advantages, investors could afford to do without high rental income for a while, as well as building in areas where no affluent demand was apparent. Therefore, investment largely took place irrespective of the rents realistically expected after refurbishment, and often irrespective of location. Encouraged by the possibility of saving tax and due to the uncertainty about good or poor locations, refurbishment was widespread in Prenzlauer Berg. Even the area around Kollwitzplatz, which was generally considered to be especially attractive, did not attract significantly more investment than other districts.

In consequence investment activities show in Prenzlauer Berg a different spatial pattern than that which is traditionally known from international gentrification studies. A "frontier of profitability" of the type observed in American gentrification areas (Smith 1996; Reid et al. 1989) has so far not emerged. Instead of having a clear "frontier," gentrification in Prenzlauer Berg has had a restricted scattering of investment across the neighborhood.

HOUSING MARKET AND RENT DEVELOPMENT

Since only a dwindling fraction of dwellings in Prenzlauer Berg are inhabited by their owners, we now direct our attention to the development of rents – which, too, is an area that is strongly affected by federal, specifically East German and local regulations. Generally speaking, rent inflation in Germany is subject to strict legal control, with the result that rents can only be increased gradually within a certain framework defined by the "comparative rent system" (*Vergleichsmietensystem*). In addition, various transitional regulations were in force until 1998 in what used to be East Germany (GDR), which again provided narrow scope for rent increases. Furthermore, in 1995 local "rent caps" were introduced in various inner-city districts in East Berlin which were designed to cap rents for a certain period at a socially acceptable level of around DM 6-9/sq.m. What all these regulations have in common is that they provide far more protection for existing than new tenants. Whereas for example rent increases are limited to 20 percent within three years (assuming no modernization has taken place), rents for new contracts are mainly freely negotiated between tenant and landlord. Moreover, the caps applying to certain boroughs and which are supposed to apply to all rent contracts are difficult to enforce when premises are rented to new tenants. A study of rent development in unsubsidized buildings hence found that new tenants paid a third more than existing tenants. In contrast to the rent cap of DM 7,91, which generally worked for remaining tenants, new

tenants pay an average rent of DM 10,50 (ASUM/Mieterberatung 2003; own calculations), considerably higher than the general price level in both East (DM 9,53) and West Berlin (DM 8,65).

Since rent increases among the existing tenants can only be carried out gradually and within certain levels, market development is largely molded by the development of the rents paid by new tenants. However, according to the "Market Monitor – Real Estate Market 2000" (BBU 2000) in which landlords were asked about the development of rents for new tenants, the areas of old inner-city housing in East Berlin are considered to be especially attractive for investors. Even though incomes in East Berlin are still below those of West Berlin, the level of rent agreed by new tenants is significantly higher than that paid in West Berlin. For example, whereas a maximum of DM 9.48/sq.m. is demanded for refurbished housing in inner-city boroughs in West Berlin such as Charlottenburg, Schöneberg and Wedding, rents of up to DM 14.00 are paid in districts of old housing in East Berlin like Friedrichshain, Mitte and Prenzlauer Berg. Moreover, rents are tending to rise in these areas, whereas elsewhere in Berlin they are stagnating. Furthermore, East Berlin is characterized by extreme differences in the rent paid by new tenants in refurbished buildings (for example in Prenzlauer Berg they range from DM 5.14 to DM 11.00). This can be attributed to the effect of the rent caps in redevelopment and "milieu protection" areas, which can hardly be enforced for new tenants, and which are far below the market level. Whereas the lower level of this range represents the effect of state rent caps, the upper level reflects the rent increase potential once these regulations expire. Rents in the district of Mitte are already very high, and aspiring market locations in East Berlin's boroughs of Prenzlauer Berg, Pankow and Friedrichshain are not far behind. In all other districts of Berlin, rents are stagnating.

It is important to stress that rising rents are mostly paid by new tenants, who have a weaker legal position than existing tenants. Rent increases – and as a result economic displacement – are here not only dependent on the market position of the locality, which could well be explained with the available knowledge on gentrification. Rather than that it is also to a certain degree determined by the different positions that legal frameworks offered for different types of tenants.

POPULATION CHANGES IN THE DISTRICT

During the 1990s, the size of households in Prenzlauer Berg changed fundamentally. The proportion of single-person households rose by almost 20 percent between 1991 and 2000, and now makes up about 60 percent of all households, compared to the Berlin average of 48 percent. The average number of persons per household has thus declined from 2.1 to 1.6, compared to the mean figure of 1.9 persons per household in Berlin in 2000 (2000 micro-census). Prenzlauer Berg has developed into a neighborhood dominated by young singles. In areas of older housing, a considerable decline has also occurred in the number of children and youngsters aged below 18. By contrast, the proportion of those aged 25-44 has risen from a third to over half.

A rising tendency towards higher educational qualifications has also been seen in Prenzlauer Berg. Despite the declining population size, the number of residents with *Abitur* (higher education matriculation qualification) has increased. Whereas the number of people with solely lower school qualifications has fallen below the 1991 figures, the number of people with *Abitur* has almost doubled. Prenzlauer Berg now occupies a premier position in this respect, since the average number of people with *Abitur* in East and West Berlin has only increased by about a third.

Table 2: Population in Prenzlauer Berg and Berlin by Higher Education Certificate (*Abitur*)

	Berlin		Prenzlauer Berg	
	No.	Index*	No.	Index*
April 1991	564,000	100	25,400	100
April 1993	654,700	116	31,000	122
April 1995	702,600	125	40,500	160
April 1997	752,400	133	49,500	195
April 1999	775,500	137	47,700	188
April 2000			48,100	189

Source: Berlin Department of Statistics, micro-census 1991-2000, * 1991=100

A similar tendency is to be seen in the number of people with higher education qualifications. Whereas the number of vocational qualifications has stagnated or even fallen, the number of people with higher education qualifications has almost doubled in the area since 1991. The number of higher education graduates increased between 1991 and 2000 from about 15,500 to almost 35,000 – in other words more than one in four adults in Prenzlauer Berg has completed

a degree course. This significant increase in the share of people with higher education sets Prenzlauer Berg apart from other Berlin boroughs.

This upward movement in educational degrees is not yet significantly reflected in income. Households' incomes, which were among the lowest in Berlin in 1991, are still below the East Berlin average – but, given the size of households (Prenzlauer Berg 1.6/East Berlin 1.9), it is apparent that Prenzlauer Berg has reached an average level of prosperity. This apparent normalization of income in Prenzlauer Berg masks significant differentiation, with a large gap between low and high incomes exceeding the average elsewhere in the city. Whereas nearly one in three households (31.5 percent) has to make do with a monthly income of less than DM 1,400 (compared to the average in East Berlin of 26.97 percent), 13.08 percent of households have an income exceeding DM 3,000 (compared to the average in East Berlin of 12.97 percent; 1999 micro-census), thus high and low earners live cheek by jowl.

To summarize these changes we can see that the changes to the social structure in Prenzlauer Berg are congruent with the changes to be expected during a process of gentrification. In particular, educational degrees and the income distribution demonstrate a clear differentiation among the local population, indicating a pioneering phase of gentrification and the fact that “invaders” are living next door to the usually “displaced.” Moreover, these changes are not due to endogenous developments but are instead the result of enormous internal changes in the population structure of the neighborhood. With a slightly varying total population of 130,000-140,000, between 1991 and 1999 over 225,000 people moved into and away from the Prenzlauer Berg (Berlin Department of Statistics). Mobility grew continuously; in the second half of the 1990s some 30,000 (about a quarter of the total population in Prenzlauer Berg) moved in or out of the area every year.

These population dynamics are highest where refurbishment has been carried out. Fluctuations are especially prompted by privately financed modernization. A study of inhabitant structure in privately modernized buildings (Mieterberatung/TOPOS 1998) revealed that 50 percent of tenants only moved in following refurbishment. Another study put this figure higher at two-thirds (Häußermann et al. 2002). The latest survey (ASUM 2003) estimates that more than 75 percent of tenants have moved out suggesting a staggeringly high level of population displacement.

The rent, ages and household structure and income of new and old tenants differ greatly. Eighty-five percent of new inhabitants are aged between 18 and 45. Older children as well as seniors are practically non-existent in this group. The majority of new tenants are single-person households. The employment rate is above the local average. Whereas only slight shifts are to be ascertained among existing tenants, the proportions of blue-collar workers, unemployed, pensioners and trainees are especially low among new tenants. By contrast, the relative numbers of self-employed and students are high.

The financial position of newcomers is correspondingly high. Extremely low household incomes of below DM 1,000, which in 1997 still accounted for 15 percent of the population in the area (ATGUS 1997), have now almost completely disappeared. The occurrence of higher income groups is by contrast above average. As a result, the equivalent income of new tenants weighted by household size is significantly above that of not only remaining tenants but also those moving away and the local average. Because of their higher income, especially new tenants in privately refurbished dwellings can also afford higher rents and the average rent they pay is about DM 3/sq.m. above that of existing tenants (Mieterberatung/TOPOS 1998: 25).

Table 3: Average Equivalence Income by Household Type

Tenants in unrefurbished dwellings	DM 1,640,-
Tenants in privately refurbished dwellings	DM 2,460,-
Tenants in subsidized refurbished dwellings	DM 2,050,-
Total population of redevelopment areas	DM 2,056,-

Source: ASUM 2003: 27 ff., and authors' calculations

Privately financed refurbishment, which in the 1990s accounted for two thirds of the total refurbishment volume and which was continuously on the increase, hence clearly contributed to displacing poorer and larger households, which were replaced by smaller, higher-earning households. The changes already evident in the analysis of socio-structural change in the entire district are reflected here in an even more extreme manner. More generally the data shows a close connection between refurbishment, reinvestment decisions and population dynamics which has often been described in the wider gentrification literature (Berry 1985; Marcuse 1996; Dangschat 1988). Privately financed refurbishment can thus be seen as the segment of the local housing market in which gentrification has occurred in a way which strongly resembles that of accounts in the US.

FROM PRENZLAUER BERG TO “PRENZLBERG”

As is well-known from studies of other gentrified areas elsewhere, economic upgrading and changes of the social structure in Prenzlauer Berg have also been accompanied by an unmistakable cultural enthusiasm and an intensive media hype. This new discourse has celebrated the recent changes and challenges the older images of the neighborhood. In the 1990s, Prenzlauer Berg was voted the “funkiest part of town” by the lifestyle media and is currently

regarded as the “liveliest district of Berlin.” Almost all the major German newspapers have published reports on the area, and hardly any Berlin guidebooks can afford not to include a separate chapter on this now “legendary” borough. Local events such as the opening of new bars by local heroes of the area’s bohemian society or the annual Walpurgis Night celebrations receive national media attention and are reported in full detail in the press.

In the 1990s, this cultural boosterism increasingly became the basis for real investments in a “cultural” infrastructure. The blend of cafés, international cuisine, boutiques and delicatessens typical of other gentrified at the global scale can now be found especially around Kollwitzplatz, but recently also on Kastanienallee/Oderberger Straße and Lychener Straße. Prenzlauer Berg has effectively become a brand name which can be found in local names, an apparent aesthetic in the interior design of houses, shops and restaurants. Whereas in the past Berlin pubs were traditionally named after their location (Dunckerquelle, Pappelack), the cuisine they served (Hackepeter/Steak Tartare) or the principal (Antons Bierstübchen/Anton’s Beer Bar), these days pub names feature intellectual puns and metaphors to appeal to their patrons’ sense of place and consumption of these new spaces (Frida Kahlo, Pasternak, Chagall Nr. 1-3, Bukowski). One doesn’t simply eat and drink on Kollwitzplatz; these days one enjoys the “internationality of Alsatian cuisine” in a restaurant where the US President once dined, the lifestyle of the Russian aristocracy, or the feeling of drinking your beer amidst imagined poets and dissidents.

This infrastructure of “conspicuous consumption” (Beauregard 1986) features a pronounced degree of spatial concentration. With the exception of the area around Hackesche Höfe in Mitte and Simon-Dach-Straße in Friedrichshain, no other place in Berlin contains so many pubs, cafés and restaurants as the area around Kollwitzplatz and its side streets. Figures from the area around Teutoburger Platz, where the pub trade is chiefly concentrated on Oderberger Straße and Kastanienallee, show the seating already almost equals the total population of all ages in the surrounding blocks – and is still rising. Yet just a few streets little is to be seen of this culinary boom. In the blocks surrounding Teutoburger Platz there are just 0.46 pub and restaurant seats per resident, this situation being reflected to the north and south of Lottumstraße and north of Eberswalder Straße.

When considering the expansion of catering outlets over time, terms from the American discussion such as the formation of “waves,” “beachheads” and “frontiers” are encountered (Smith 1992 and 1996; Abu-Lughod 1994b; Smith and Defilippis 1999). Whereas the area around Kollwitzplatz already had large numbers of pubs and restaurants by 1992/93, the roads to the north, east and west of the area (especially Danziger Straße) were for a long time regarded as frontiers which could hardly be crossed, especially by more expensive restaurants; the few attempts which were made went bankrupt or were demolished.

Only recently has this frontier begun to fade, and nowadays restaurants can be found on Helmholtzplatz and on Oderberger Straße/Kastanienallee which do not differ at all from their counterparts on Kollwitzplatz. Kollwitzplatz is now described in listings magazines as humdrum and boring, whereas the adjectives used for Kollwitzplatz five years ago are now being applied to Helmholtzplatz and Oderberger Straße. The new “urban frontier” is the railway embankment; everything beyond it is “Indian territory” (Smith 1996).

CONCLUSION: A SIMILAR OR PECULIAR BRAND OF GENTRIFICATION?

To sum up, the most important points regarding gentrification in Prenzlauer Berg are the following: The stock of old housing in the district experienced a considerable increase in investment in the 1990s. Instead of being concentrated on certain areas, this investment was broadly spread across a large area. As a result of state intervention the rental market is split and the rents paid by both existing and new, privately refurbished and publicly subsidized households differ greatly. Nevertheless locations have emerged where high rents can be expected for a long time to come. The structure of inhabitants has fundamentally changed and is nowadays dominated by singles and DINKs with higher educational qualifications. This trend is especially apparent in buildings refurbished with private capital, where new tenants have a much higher disposable income. Real investment in Prenzlauer Berg was accompanied by the district’s symbolic upgrading. The myth of Prenzlauer Berg led relatively quickly (sometimes even before the buildings had been refurbished) to investment in a “cultural infrastructure” with a pronounced spatial concentration belying its significance as an international destination and aspect of Berlin’s wider cultural capital and caché. All these major trends are absolutely congruent with what is generally considered as gentrification.

Nevertheless, important peculiarities remain. Contrary to traditional reports from the US direct and indirect subsidies resulted in investments being widespread rather than spatially concentrated and the rent increase (at least for existing tenants) is slowed down by a series of regulations. Urban change in Prenzlauer Berg is therefore puzzlingly split. On one hand, in the case of those dwellings where refurbishment is carried out with private money and where the rents for the new tenants are freely negotiated, gentrification and the displacement of poorer households shows classic features in its correspondence with the wider literature. On the other hand, a supply of substandard housing has remained throughout the district for a long period of time which is still being used by lower-income groups. As a result, poorer and wealthier sections of the population are living side by side for a long time, delaying the transition

from a pioneer phase of gentrification. A similar prolonging of this stage is linked to rent control legislation, which provides some protection for poorer households.² Spatial form, style and dynamic of gentrification are obviously different from the US or the UK – and the reason for this can be found in the different patterns of homeownership, in subsidies and rent laws. Prenzlauer Berg is thus certainly another case of gentrification; but one of a special kind.

But, if the aim of an analysis of urban change is not only to see whether the empirical reality fits with existing models, but to understand the actual patterns, dynamics and actors of a particular neighborhood, the case also shows very clearly that an understanding of regulatory context is crucial. Trying to relate the case to more general scientific discussions, we thus mainly find implications for production-side arguments. In this respect the case of Prenzlauer Berg demonstrates very clearly that the particular features of a neighborhood cannot be understood without at least some kind of analysis of the reinvestment process on one hand. On the other hand it also points at weaknesses in the current application of this kind of analysis, which often failed to go beyond general arguments and come to terms with the varying conditions under which real housing markets work. In this respect our analysis suggests that production-side arguments should be re-examined at least in two areas. First, the implied assumption that re-investments into the run-down housing stock are mainly conducted because of expectations of rising rents/ housing prices (and that there is therefore a clear link leading from investment to rising prices and displacement) has proved to be simplistic. The reasons why professional landlords took the decision to engage in the renovation of Prenzlauer Bergs dilapidated dwellings was the availability of public subsidies, not because of rents. The theory that gentrification is caused by a rent-/price-/value gap has therefore to be reworked and embedded into a broader perspective. Second, the rental income a particular landlord can extract does not only depend on supply and demand in the housing market, but also on legal frameworks that determine how, where and to what extent rents can be increased. As rising rents are seen as the main reason for the economic displacement of poorer households, which is the essence of gentrification, legal frameworks and the power-relations between landlords and tenants that they provide, should gain more attention.

2 | However, as these regulations expire after a certain period, the displacement of these residents is at best only postponed, not cancelled.

REFERENCES

- Abu-Lughod, J. L. (1994) The Battle for Tompkins Square Park. In Abu-Lughod, J. L. (ed.) *From Urban Village to East Village*. Blackwell Publishers, Cambridge.
- Alisch, M. and Dangschat, J. S. (1996) Die Akteure der Gentrification und ihre Karrieren. In Friedrich, J. and Kecskes, R. (eds.) *Gentrification. Theorie und Forschungsergebnisse*. Leske + Budrich, Opladen.
- Alisch, M. and zum Felde, W. (1990) Das gute Wohngefühl ist weg. Wahrnehmungen, Bewertungen und Reaktionen von Bewohnern im Vorfeld der Verdrängung. In Blasius, J. and Dangschat, J. S. (eds.) *Gentrification. Die Aufwertung innenstadtnaher Wohnviertel*. Campus Verlag, Frankfurt a.M./New York.
- ARGUS (1997) *Ermittlung gebietstypischer Mietobergrenzen in den Sanierungsgebieten Helmholtzplatz, Kollwitzplatz, Teutoburger Platz, Winsstraße, Bötzowstraße in Berlin-Prenzlauer Berg*. Berlin (unpublished).
- ARGUS (1999) *Längsschnitt-Untersuchung über die Wirkung von Mietobergrenzen auf die Mietentwicklung im freifinanziert modernisierten Wohnungsbestand in den Sanierungsgebieten von Prenzlauer Berg*. Berlin (unpublished).
- ARGUS (2000) *Wohnmobilität in Sanierungsgebieten. Wegzugsmotive von Haushalten aus den Sanierungsgebieten in Berlin-Prenzlauer Berg 1994 bis 1999*. Berlin (unpublished).
- ASUM and Mieterberatung (2003) *Sozialstudie zur Fortschreibung der Sozialen Sanierungsziele und der Mietobergrenzen für die Sanierungsgebiete von Prenzlauer Berg*. Berlin (unpublished).
- Badcock, B. (1989) An Australian View of The Rent Gap Hypothesis. *Annals of the Association of American Geographers* 79, 125-145.
- BBU – Verband Berlin-Brandenburgischer Wohnungsunternehmer (2000) *BBU-Marktmonitor. Der Immobilienmarkt Berlin-Brandenburg 2000 – Wohnimmobilien*. Berlin (unpublished).
- Balchin, P. (ed.) (1996) *Housing Policy in Europe*. Routledge, London/New York.
- Beauregard, R. A. (1986) The chaos and complexity of gentrification. In Smith, N. and Williams, P. (eds.) *Gentrification of the City*. Allan & Unwin, Boston.
- Berichte zur Stadterneuerung in Berlin (consecutively numbered). Berlin.
- Bernt, M. (1998) *Stadterneuerung unter Aufwertungsdruck*. Pro Universitate, Bad Sinsheim.
- Blasius, J. (1993) *Gentrification und Lebensstile. Eine empirische Untersuchung*. Deutscher Universitätsverlag, Wiesbaden.
- Borst, R. and Krätke, S. (2000) *Berlin. Metropole zwischen Boom und Krise*. Leske + Budrich, Opladen.

- Carpenter, J. and Lees, L. (1995) Gentrification in New York, London and Paris. An International Comparison. *International Journal of Urban and Regional Research* 19, 286-303.
- Criekingen, M. van and Decroly, J.-M. (2003) Revisiting the diversity of gentrification. Neighborhood renewal processes in Brussels and Montreal. *Urban Studies* 40.12, 2541-2468.
- Dangschat, J. S. (1988) Gentrification. Der Wandel innenstadtnaher Wohnviertel. In Friedrichs, J. (ed.) *Soziologische Stadtforschung*. Leske + Budrich, Opladen.
- Dangschat, J. S. (1990) Geld ist nicht (mehr) alles. Gentrification als räumliche Segregation nach horizontalen Ungleichheiten. In Blasius, J. and Dangschat, J. S. (eds.) *Gentrification. Die Aufwertung innenstadtnaher Wohnviertel*. Campus Verlag, Frankfurt a.M./New York.
- Dangschat, J. S. and Friedrichs, J. (1988) *Gentrification in der inneren Stadt von Hamburg. Eine empirische Untersuchung des Wandels von drei Wohnvierteln*. Gesellschaft für Sozialwissenschaftliche Stadtforschung, Hamburg.
- Falk, W. (1994) *Städtische Quartiere und Aufwertung. Wo ist Gentrification möglich?* Birkhäuser, Basel et al.
- Dieser, H. (1996) Restitution. Wie funktioniert sie und was bewirkt sie? In Häußermann, H. and Neef, R. (eds.) *Stadtentwicklung in Ostdeutschland*. Leske + Budrich, Opladen.
- Franz, P. (2000) Soziale Ungleichheit und Stadtentwicklung in ostdeutschen Städten. In Harth, A., Scheller, G. and Tessin, W. (eds.) *Stadt und soziale Ungleichheit*. Leske + Budrich, Opladen.
- Friedrich, K. (2000) Gentrifizierung. Theoretische Ansätze und Anwendung auf Städte in den neuen Ländern. *Geografische Rundschau* 52.7/8, 34-39.
- Friedrichs, J. and Kecskes, R. (eds.) (1996) *Gentrification. Theorie und Forschungsergebnisse*. Leske + Budrich, Opladen.
- Hamnett, C. (1973) Improvement Grants as an indicator of gentrification in Inner London. *Area* 5.4, 252-261.
- Harth, A., Herlyn, U. and Scheller, G. (1996) Ostdeutsche Städte auf Gentrifikationkurs? Empirische Befunde zur "gespaltenen" Gentrification in Magdeburg. In Friedrichs, J. and Kecskes, R. (eds.) *Gentrification. Theorie und Forschungsergebnisse*. Leske + Budrich, Opladen.
- Harth, A., Herlyn, U. and Scheller, G. (1998) *Segregation in ostdeutschen Städten. Eine empirische Studie*. Leske + Budrich, Opladen.
- Häußermann, H. (1983) Amerikanisierung der deutschen Städte? Einige Bedingungen der Stadtentwicklung in den USA im Vergleich zur Bundesrepublik in Bezug auf das Wohnen. In Roscher, V. and Evers, A. (eds.) *Wohnen. Beiträge zur Planung, Politik und Ökonomie eines alltäglichen Lebensbereiches*. Christians, Hamburg.

- Häußermann, H., Holm, A. and Zunzer, D. (2002) *Stadterneuerung in der Berliner Republik. Modernisierung in Berlin-Prenzlauer Berg*. Leske + Budrich, Opladen.
- Häußermann, H. and Kappahn, A. (2000) *Berlin. Von der geteilten zur gespaltenen Stadt? Sozialräumlicher Wandel seit 1990*. Leske + Budrich, Opladen.
- Helbrecht, I. (1996) Die Wiederkehr der Innenstädte. Zur Rolle von Kultur, Kapital und Konsum in der Gentrification. *Geographische Zeitschrift* 84, 1-15.
- Herlyn, U. and Hunger, B. (eds.) (1994) *Ostdeutsche Wohnmilieus im Wandel. Eine Untersuchung ausgewählter Stadtgebiete als sozialplanerischer Beitrag zur Stadterneuerung*. Birkhäuser, Basel et al.
- Holm, A. (1999) Ausgangsbedingungen und Dimensionen städtischen Wandels – ein Stadtspaziergang durch Berlin Prenzlauer Berg. In Schulz, M. and Gewand, O. (eds.) *Märkte und Strukturen im Wandel*. Berliner Geographische Arbeiten, Berlin.
- Holm, A. (2000) Neue Eigentümer und veränderte Investitionsstrategien – zur Ökonomie der Stadterneuerung in Berlin. In van der Ven, J., and van der Weiden, J. (eds.) *Berlin im Umbruch*. AME, Amsterdam.
- Holm, A. and Zunzer, D. (2000) Prenzlauer Berg im Wandel. Stadterneuerung und sozialräumliche Veränderungen in Sanierungsgebieten. *Gesellschaft für Regionalforschung*, Seminarbericht 42.
- Kennedy, M. and Leonard, P. (2001) *Dealing with Neighbourhood Change. A Primer on Gentrification and Policy Choice*. The Brookings Institution Center on Urban and Metropolitan Policy, Washington D.C.
- Krätke, S. (1991) Berlins Umbau zur neuen Metropole. *Leviathan*, 19.3, 327-352.
- Lees, L. (1994a) Gentrification in London and New York. An Atlantic Gap? *Housing Studies* 9, 199-217.
- Lees, L. (1994b) Rethinking Gentrification. Beyond the Positions of Economics and Culture. *Progress in Human Geography* 18, 137-150.
- Ley, D. (1996) *The New Middle Class and the Remaking of the Central City*. Geographical and Environmental Studies, Oxford.
- Marcuse, P. (1986) Abandonment, gentrification, and displacement. The linkages in New York City. In Smith, N. and Williams, P. (eds.) *Gentrification of the City*. Allan & Unwin, Boston.
- Mieterberatung and TOPOS Stadtforschung (1995) *Privatmodernisierungen in Prenzlauer Berg*. Berlin (unpublished).
- Mieterberatung and TOPOS Stadtforschung (1998) *Privatmodernisierungen in Prenzlauer Berg 1998*. Berlin (unpublished).
- Musterd, S. and van Weesep, J. (1991) European Gentrification or Gentrification in Europe? In Musterd, S. and van Weesep, J. (eds.) *Urban Housing for the Better-Off. Gentrification in Europe*. Stedelijke Netwerken, Utrecht.
- Reimann, B. (2000) *Städtische Wohnquartiere*. Leske + Budrich, Opladen.

- Rink, D. (1997) Zur Segregation in ostdeutschen Großstädten. In Kabisch, S., Kindeler, A. and Rink, D. (eds.) *Sozial-Atlas der Stadt Leipzig*. Helmholtz Zentrum für Umweltforschung, Leipzig.
- Rose, D. (1984) Rethinking Gentrification. Beyond the Uneven Development of Marxist Urban Theory. *Environment and Planning D: Society and Space* 2, 47-74.
- SAS (1999) *Sozialstudie Äußere Neustadt*. Dresden (unpublished).
- Smith, N. (1979) Toward a Theory of Gentrification. A Back to the City Movement by Capital, not by People. *Journal of American Planning Association* 45-4, 538-548.
- Smith, N. (1992) New City, New Frontier. The Lower East Side as Wild, Wild West. In Sorkin, M. (ed.) *Variations on a Theme Park. The New American City and the End of Public Space*. Hill and Wang, New York.
- Smith, N. (1996) *The New Urban Frontier. Gentrification and the Revanchist City*. Routledge, London/New York.
- TOPOS Stadtforschung (1999) *Privatmodernisierungen in den nördlichen Altbauquartieren von Prenzlauer Berg*. Berlin (unpublished).
- TOPOS Stadtforschung (2001) *Einkommens- und Armutsbericht Berlin 2000*. Berlin (unpublished).
- Weiske, C. (1996) Gentrification und Incumbent Upgrading in Erfurt. In Friedrich, J. and Kecskes, R. (eds.) *Gentrification. Theorie und Forschungsergebnisse*. Leske + Budrich, Opladen.
- Zukin, S. (1982) *Loft Living. Culture and Capital in Urban Change*. John Hopkins Press, Baltimore.
- Zukin, S. (1991) *Landscapes of Power. From Detroit to Disney World*. University of California Press, Berkeley et al.

