



THE STATE OF HOUSING IN THE EU 2017



A Housing Europe Review

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www.housingeurope.eu/page-67/we-are-our-members

While every effort has been made to ensure that the facts and figures in this report are accurate, some errors may remain.



Housing Europe, the European Federation of Public,
Cooperative and Social Housing
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FOREWORD BY HOUSING EUROPE PRESIDENT.

“IT’S THE HOUSING CHALLENGE, MR JUNCKER!”



Despite President Juncker’s cheerful speech, actual recovery in the EU cannot be celebrated as long as it is confronted by an alarming housing challenge. What will the future of the European Union look like? Listening just to President’s Juncker State of the Union speech one can only be optimistic since growth has returned to our continent, the numbers are on the positive side again and the Commission can focus on delivering its plan for the EU’s future. I wish I could share Mr Juncker’s optimism, but the situation on the ground is quite different. Prosperity seems not to have knocked on the door of most of our fellow Europeans. There is no better indicator than housing to help us do a reality check. The housing sector can be used as a litmus test for the broader economy and society.

2016 saw the highest increase in prices since the crisis. 11 European countries have surpassed the annual growth rate to above the alarm threshold. A lack of affordable housing and resulting exclusion are among the key risks faced by our cities, regions and societies at large. Eurofound is warning that inadequate housing costs our economies 195 billion annually. At the same time, one in ten Europeans spends more than 40% of their income on housing related expenses. The human and economic cost of what is a policy failure, or in some cases a policy vacuum with over reliance on the market, is becoming difficult to brush over. Financialization of housing was at the core of the free fall that both the European and the global economy have experienced nine years ago, but the provision of public, cooperative and social housing, generates growth, jobs, without contribution to speculation.

I couldn’t agree more with the UN Special Rapporteur on Adequate Housing that we need to start treating housing as a right rather as a commodity; as an investment with a valuable return rather than a cost. Housing associations in Europe have managed to deliver more than 440,000 new affordable homes during the peak of the crisis, offering rents significantly lower than the market - up to 60% lower in some cases - but also services that cater for increasingly diverse needs (the elderly and the disabled) to help people accessing and keeping accommodation as well as working to decrease energy consumption and bills for residents. However, still, most major European cities are confronted with a lot of pressure when it comes to housing. Urbanisation, migration, labour mobility and demographic changes feed rising housing exclusion rates.

The public, cooperative and social housing sector has al-

ready welcomed the European Fund for Strategic Investment (EFSI), submitting a number of projects that are already working on the ground for funding. From 2011 to 2015, EIB social housing finance amounted up to €5bn, while so far, the largest share of the EFSI social infrastructure support has been channelled to our sector. However, there is still a lot to be done given the 10% target. Furthermore, it will be key in the years to come that the EU Cohesion Policy further supports these positive experiences and helps Europe house responsibly so that all citizens can benefit. For this, simplicity in accessing funds for those engaged on the ground will be key. The possibility to blend grants and loans (Structural Funds, EIB loans, European Fund for Strategic Investments etc.) is vital.

In any case, before we start discussing the tools and the practicalities we have to commonly acknowledge one thing. Housing for all should not just be a vision, it’s our obligation. We are lucky to live in probably the most privileged part of our world today but we still need to make sure that nobody is left behind. For as long as there are people without a decent roof over their heads, we cannot be calling the State of Our Union anything but critical.

*Cédric Van Styvendael,
Housing Europe President.*



INTRODUCTION BY HOUSING EUROPE SECRETARY GENERAL.
“5 REASONS WE NEED TO TALK ABOUT HOUSING & THE EU”



- 1. The best non-for-profit housing systems are supported by long-term stable financing. Spending limits and deficit rules on Member States are set at EU level via the Growth and Stability Pact. VAT levels in housing are set within a framework agreed at EU level. EUROSTAT, An EU statistics office also classifies spending as public or private based on how it is funded and governed. The EU also has a say in the negotiation of new international banking rules. These limits and classifications have a real impact on investment in social and affordable housing around Europe.
- 2. Markets increasingly also fail to provide affordable housing to households that would not directly be labelled as ‘disadvantaged citizens or socially disadvantaged groups’ (including middle incomes, large families, young families and households that are incentivised and allowed to remain to prevent segregated communities). Market rules within

the EU, are defined at EU level. Since 2005, the European Commission requires limiting social housing as a Service of General Economic Interest to ‘disadvantaged citizens or socially disadvantaged groups.’ In additional, as housing markets were at the epicentre of the Great Financial Crisis, they are now subject to recommendations (albeit non-binding) agreed at EU level.

3. Inadequate use of energy in housing results in an environmental and social problem. Heating and cooling of homes produces Green housing gases alongside bills which increasing numbers have difficulty paying. The implementation of the Paris climate agreement and Globally agreed Sustainable Development Goals are coordinated at EU level. In addition, EU directives impact Member States regulatory framework & financing of energy efficiency in housing, the governance of the energy grid which impacts development of renewable energy and strategies to measure and tackle fuel poverty.

4. Migration of people across the internal and external borders of the EU has reached the highest levels since the foundation of the Union. Global warming, war and poverty will mean that this is set to continue and implies that in many cases stays will not be temporary. Successful integration will be key to the success of the EU and requires access to rights and services with adequate housing being a pre-requisite. Those who are opposed to immigration are also Euro sceptic. A clear support framework for those contributing to the integration process is vital.

5. Housing policies need to be determined locally however when it comes to the EU, coherent unambiguous support is required for those working on this basic building block for sustainable societies. The right to housing has been included in the proposed social pillar. As part of the EU Urban agenda a Housing partnership, including Housing Europe, has been established to prepare a roadmap for better regulation, financing & knowledge on housing. European banks are increasing loans in the non-speculative housing sector, while eligibility for structural funds in our sector is widening in scope. These are steps in the right direction and may help to improve coherence, however the statistics presented in this publication reveal that social housing systems are increasingly being weakened. There is now no time nor room for confusing or contradictory signals coming from EU level which may reinforce this trend. The stakes are too high.

*Sorcha Edwards,
Housing Europe Secretary General*



A FEW WORDS ABOUT HOUSING EUROPE

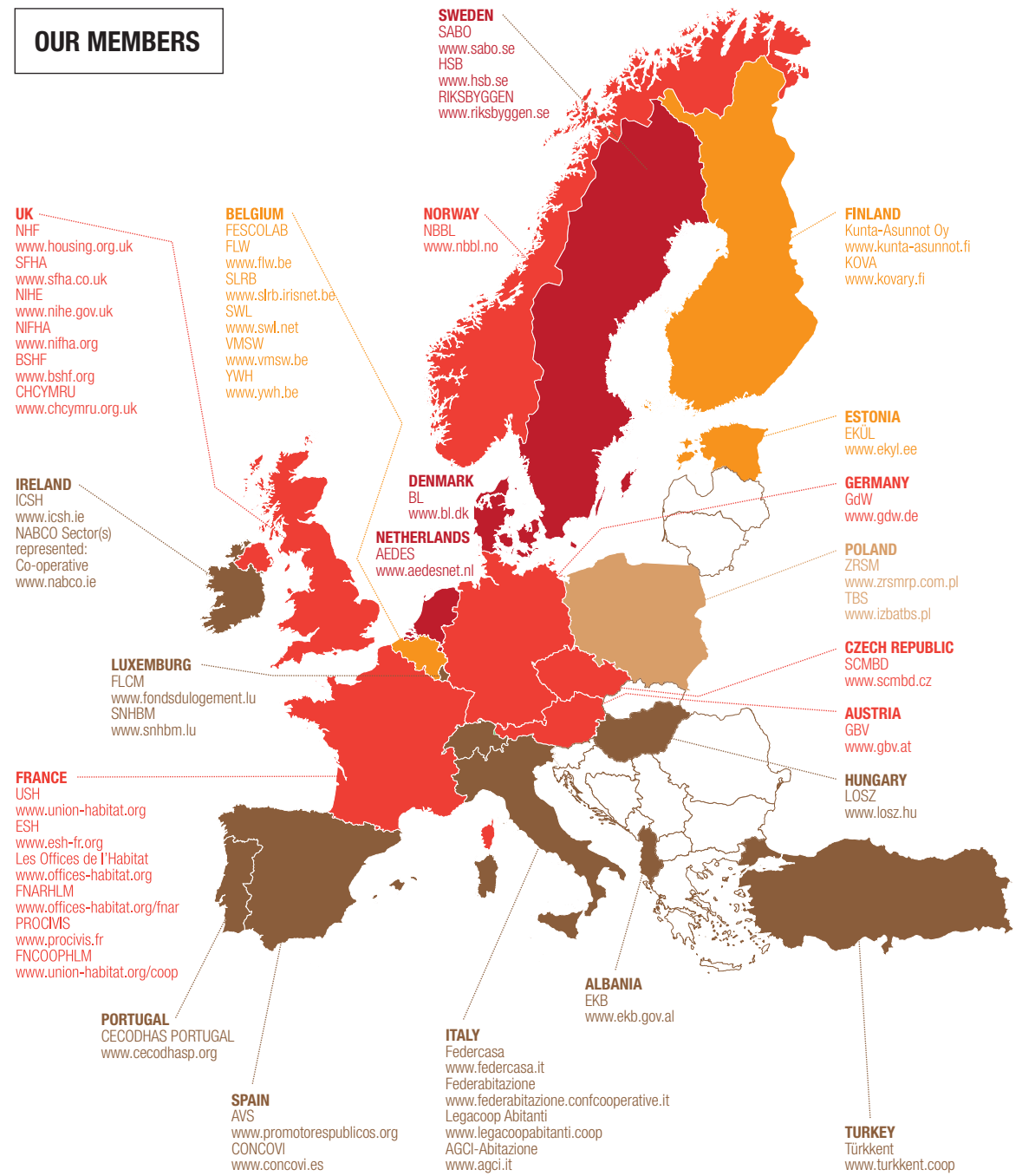
Housing Europe is the European Federation of Public, Cooperative and Social Housing. Established in 1988, it is a network of 45 national and regional federations which together gather about 43.000 public, social and cooperative housing providers in 24 countries. Altogether they manage about 26 million homes, about 11% of existing dwellings in the EU. Social, public and co-operative housing providers have a vision of a Europe which provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where everyone is enabled to reach their full potential. Therefore, they do not just provide affordable homes but a number of other services such as:

- Domiciliary care and support services for residents with specific needs
- Additional services for tenants (kindergartens, community centres, employment and training services, financial advice)
- Neighbourhood services
- Management of other types of ‘sheltered’ accommodation
- Urban development and urban regeneration

THE HOUSING EUROPE OBSERVATORY

Launched in 2004, the Observatory is the research branch of Housing Europe. The main aim of the Observatory is to identify research needs and analyse key trends in the field of housing and social housing at European level, and thus support Housing Europe’s policy work by providing strategic and evidence-based analysis. Besides from regularly publishing its own reports and research briefings, the Observatory participates into a number of EU-funded research projects and liaises with European and international agencies and networks such as OECD, UNECE, ENHR.

OUR MEMBERS



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TEI - Technical Educational Institute of Athens
www.habitat.org/emea

**SUMMARY
OF KEY
FINDINGS**

GROWTH
HAS RETURNED
TO OUR CONTINENT,
BUT WE SHOULD NOT FORGET
THIS GROWTH IS LEAVING
MANY BEHIND...

THE STATE OF HOUSING IN THE EU 2017: SUMMARY OF KEY FINDINGS

Growth has returned to our continent, but we should not forget this growth is leaving many behind and our societies are increasingly unequal. Similarly, the recent 'recovery' in housing markets is far from benefitting everyone and the state of housing in the European Union today remains critical.

IN A NUTSHELL:

1. The growth recovery means also recovery in house prices, which are growing faster than income in a majority of EU Member States.

- 2.** Housing inequalities and income inequalities do reinforce each other.
- 3.** Housing has become the highest expenditure for Europeans and overburden rate remains stable at high level, hitting disproportionately harder the poor.
- 4.** This is reflected in increasing levels of homelessness.
- 5.** As the level of housing construction is still low, especially major cities face a structural housing shortage reinforced by recent waves of migration.
- 6.** In most cases policy responses at Member States level have been to decrease public expenditure for housing and relying on measures to increase the supply in the private sector or access to homeownership.
- 7.** As cities are at the forefront of the housing crisis, they are showing a more prominent role in finding solutions.

IN DETAILS:

• House prices are growing again

Two years have passed since the previous edition of the State of Housing report. Since then, housing markets across the EU have started to speed up again. 2016 saw the highest annual growth rate in house prices since 2009, showing house price growth has overall picked up since the crisis. This is not true everywhere: while in some countries like the UK or Sweden prices are higher than pre-crisis level, in others like Greece, Portugal and Spain the downward trend has only marginally slowed down. But what is more important is that in a majority of countries house prices are growing faster than incomes. At the same time there are countries where the crisis had a large impact in terms of worsening households' economic situation and this means less capacity to make ends meet even in a context of lower house prices. Overall, housing is the single highest expenditure item for Europeans, at about a quarter of total EU households' budget in 2015, increasing from 21.7 in 2000 and 22.5% in 2005.

• Inequality and housing exclusion are mutually reinforcing

There is a direct link between the rising inequality at global scale and housing. Looking at housing costs in relative terms, the average EU overburden rate among people at risk of poverty has increased significantly compared to pre-crisis level, from 35.9 in 2005 to 39.3 in 2015. However, it has slightly decreased for those with higher incomes. The share of poor households paying too much for housing has doubled (or more) in Spain, Portugal and Ireland. Greece has registered the sharpest increase and it also shows the most severe situation. Furthermore, increasing house prices are contributing to a big transfer of wealth from the poor to the rich and from the young to the old. At the same time price growth is linked to conflicting interests between profit seeking investors in the housing markets and inhabitants. We also see that the income gap between tenants and owners is widening in a number of countries, and people trying to enter the housing market such as youth and migrants face increasing difficulties. Working poors are also emerging more clearly as a category very much at risk.

• Poor political response to homelessness

Also, and most worryingly, housing exclusion has been exacerbated by the crisis and policies are failing to provide an adequate response in most countries. Evidence points to an alarming situation with increasing homelessness, Finland being the only country in the EU which managed to reverse this trend by implementing effective policies.

• The consequences of the slow recovery of construction

Construction is recovering much slower than prices and consequently housing shortages are emerging more clearly, especially in large cities/metropolitan areas with a growing population. This has been reported notably in the UK, Sweden, Ireland, Luxembourg, but also at local level in Netherlands and Germany. Shortage contributes to increasing prices and rents.

• The territorial divide

Major cities face a structural housing shortage and house

prices in areas of high demand are higher and raising faster with rents following similar upward trends. This means finding adequate and affordable housing in places where job opportunities are is increasingly hard. At the same time, some of our cities and regions are experiencing outward migration and population decrease. Shrinking regions show high housing vacancy rates, abandoned properties and negative equity, as well as an increased need for services and revitalization of areas with an increasingly old population.

• The shaping forces of labour mobility & migration

Migration flows are contributing to widening the housing gap in already tight housing market areas. The extraordinary influx of migrants in 2015 commonly referred to as the 'refugee crisis' marked a peak in the need for housing in destination countries - both in terms of emergency accommodation and long-term solutions - as well as mobilizing resources for integration.

• Why affordable homes are not enough?

In this context, social housing providers continue to offer rents significantly lower than the market, but are faced with a double challenge: decreasing income of current residents and large number of people registered on waiting lists. Responding to the ever growing demand in the context of increasing building and energy requirements and decreasing public support is becoming more difficult.

• Lesson not learnt by housing policy makers

The crisis could have represented a turning point showing the importance of investing in affordable, non-speculative housing. However, overall so far there has been little change in social housing policies. In general, with few exception, social housing providers have to cope with less public funding and rely more on private finance. In countries with a long tradition of social renting the sector has shown more resilience (like for instance Austria and France), but there's a trend of moving towards a more residual role (e.g. in the Netherlands). However, in countries with little tradition of social housing (CEE region) and/or where public finances have been particularly constrained (for instance Greece, Ireland, Italy and Portugal) are struggling to find ways to invest in supply and maintenance as well as necessary social measures.

• Cities at the forefront

In this context, increasingly we find local authorities/cities coming up with solutions rather than national policies, ranging from making land available at reduces cost for social/affordable housing, demanding private developers to contribute to the development of affordable housing and social infrastructures, bringing vacant premises back into use, promoting initiatives to increase social inclusion, education and employment opportunities in poor neighbourhoods and enhancing mixity.

The image features a minimalist design with two large triangles meeting at a point. The triangle on the left is blue, and the triangle on the right is red. The background is white. The text is located within the red triangle.

**HOUSING
MARKETS
IN THE EUROPEAN
UNION**

HOUSING CONSTRUCTION

- Residential construction as a share of GDP is currently just over half than its 2006 level, and construction is recovering much slower than prices.
- There is huge disparity across Europe in the cost of construction investment, with Switzerland, Sweden and Norway showing the highest costs.
- High building standards and requirements are posing a significant challenge to the provision of social and affordable housing in a number of countries.

There has been a significant reduction in construction activity in a number of countries since 2000, with the global financial playing a particularly significant curbing role in countries that had previously experienced a prolonged boom (OECD, 2016). Overall across the EU, residential construction today represented on average about 3.7% of GDP in EU countries, compared to about 6% in 2006 (Eurostat). Nine years into the crisis, the aggregate picture in the EU on the housing supply side has remained relatively constant since 2008 (with some exception such as Sweden, where construction has increased significantly over the past 3 years after a decade of subdued supply). This trend doesn't match the development in house prices which in the meantime have stabilized and have recently started to increase (see House Prices, below).

One explanation for the slow responsiveness of EU housing supply lies in the fact that building land is scarce and the price of land ever-increasing. In Luxemburg for instance a major issue at the moment is to identify and mobilize land for affordable housing provision, and the government is working on an agreement with municipalities around this objective. In Ireland, work has been undertaken to identify sites, including sites in public ownership, that housing associations can get access to, but there has yet been no co-ordinated programme to translate these sites into an active development programme. Speeding up the planning process is also necessary as the EC points out for instance in the case of the UK and Sweden (European Commission, 2017). Moreover, in some countries there is currently scarcity of workers and/or companies in the construction sector (EMF, 2016). Most important, high construction costs can pose a severe challenge for the provision of affordable housing. According to data on construction price levels (Eurostat), the most expensive countries for construction investment after Switzerland are Scandinavian countries, followed by Germany, France, The Netherlands and Austria. In some of these countries, where building quality standards and regulations are already very high, affordable housing providers are increasingly concerned with the cost of new construction and trying to find ways to reduce it. For instance Swedish municipal housing companies have introduced a framework agreement procurement ('Kombohus') to build energy-efficient and accessible adapted homes at a construction price that is 25 per cent lower than the average. In Austria discussion is ongoing on whether to include as part of newbuilt some smaller dwellings and/or dwellings with fewer amenities so as to reduce prices.

NEW: EUROPEAN CONSTRUCTION SECTOR OBSERVATORY

The European Construction Sector Observatory has been set up by the European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

(DG GROW) and the Executive Agency for Small and Medium-Sized Enterprises (EASME). The ECSO website provides access to a wide range of industry data and analysis, from evidence on how Member States are performing in relation to the five thematic objectives of Construction 2020 Strategy, to insights on national policy developments, trends and experiences. It includes country fact sheets, policy fact sheets and analytical reports.



Find out more:
https://ec.europa.eu/growth/sectors/construction/observatory_en

MATCHING SUPPLY AND DEMAND

- As a consequence of construction not keeping up with demand, housing shortages are emerging more clearly, especially in large cities/metropolitan areas with a growing population.
- This has been reported notably in the UK, Sweden, Ireland, Luxemburg, but also at local level in the Netherlands and Germany.
- Migration has put further pressure on already tight housing markets.
- Shortage contributes to increasing prices and rents.

A number of countries have identified a shortfall in new housing supply compared to demand raising from household formation and demographic change. Furthermore, regardless of whether the aggregate national dwelling stock is sufficiently developed, across countries there are significant housing shortages in attractive urban areas due to rural-urban migration.

For instance, Germany highlights a growing housing shortage in the agglomerations and in a growing number of other towns, as in the last decade housing construction has not kept up with population development in metropolitan areas and in university cities. In 2016 around 290,000 new dwellings were built, an increase by 130,000 units compared to 2010. But the actual new construction still falls short compared to the estimated need for 400,000 new dwellings per year and the shortage of social/affordable is particularly acute.

In Ireland, according to estimates by the Housing Agency (Housing Agency, 2015), an average new supply of 21,000 units per year would be required in the period 2015 to 2017, but new construction in 2015 amounted to only 12,666 units. Despite a moderate increase in supply in 2015, the UK housing market continues to suffer from a shortage of housing, with supply lagging behind demand for decades. In order to make up for the long-term shortfall and to keep up with population growth, between 225,000 and 275,000 additional homes are needed each year in England only. This stands at odds with the 141,000 completions in 2016 and has severe implications on housing affordability, in particular for low to middle income households.

Much of Sweden is facing a housing shortage, primarily in its metropolitan regions as the country has one of the highest levels of urbanisation in the EU. Overall, 255 out of 290 municipalities report a shortage of housing, especially for young people, newly arrived and elderly people who are looking for an apartment more suitable for their needs. Approximately 710,000 new dwellings are needed over the next 10 years.

In the Netherlands a strong population growth is expected the four major cities, as opposed to shrinking population in the peripheries of the country. Housing demand is expected

to increase in the period 2015 to 2019 by approximately 73.000 a year. At the same time, expected housing supply is around 62.000 new homes per year (up from only 48.400 in 2015).

HOUSE PRICES

- House prices in 2016 showed the highest increase since the crisis
- There are huge differences at local level, in general house prices in cities are higher and rising faster

House prices are one of the key determinants of housing affordability, and monitoring their development is also important to identify potential risks for the overall economic and financial stability. Data released by Eurostat in the spring 2017 (see Eurostat, Housing price statistics) show that house prices, as measured by the House Price Index, rose by 4.1% in the euro area and by 4.7% in the EU in the fourth quarter of 2016 compared with the same quarter of the previous year. Although still way below the growth registered in 2006, this is the highest annual growth rate since 2009, showing house prices have overall recovered since the crisis. Nevertheless, data show different trends across EU countries. Among the Member States for which data are available, the highest annual increases in house prices in the fourth quarter of 2016 were recorded in the Czech Republic (+11.0%), Hungary (+9.7%) and Lithuania (+9.5%),

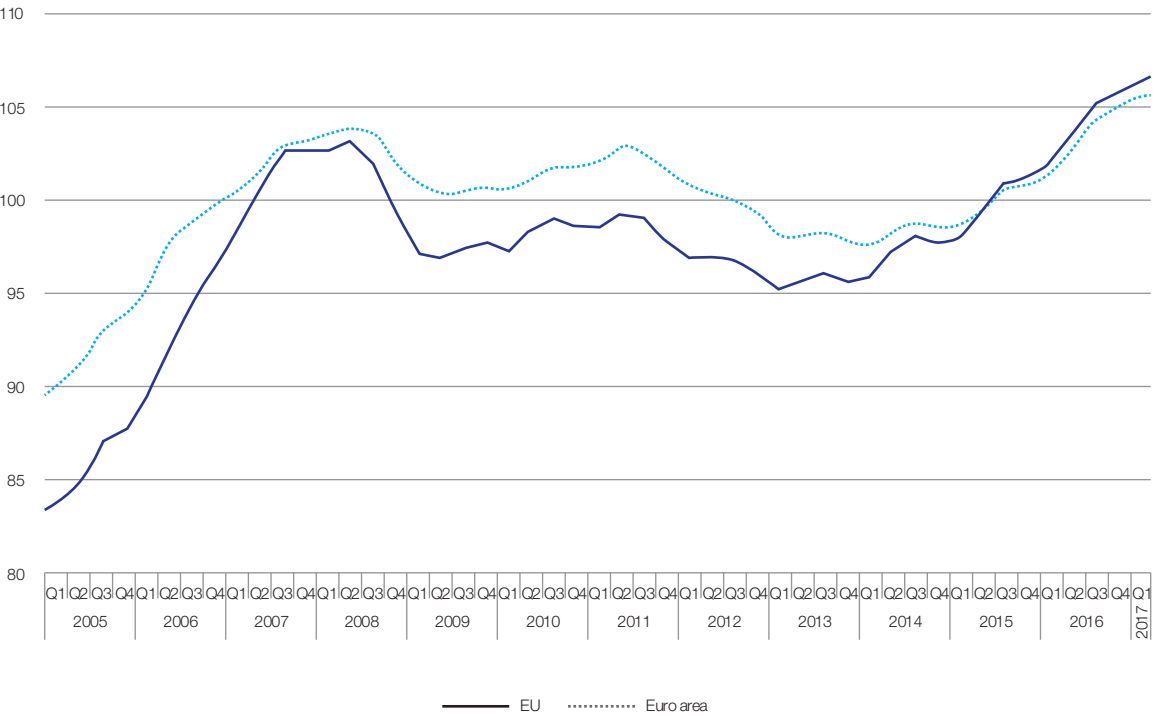
while prices remained nearly stable in Italy (+0.1%). Looking at the deflated (or 'real') house prices index (which is part of the scoreboard indicators used in the Macroeconomic Imbalances Procedure (MIP) of the European Commission), in 2016 eleven countries registered an annual growth rate equal to or above the 6% 'alarm' threshold adopted in the context of the MIP. They included Bulgaria, Czech Republic, Hungary, Latvia, Malta, Austria, Portugal, Romania, Slovakia, Sweden and the UK.

However, national house price indices may mask considerable variation in regional house price levels. In the majority of countries house prices are highest in capital city areas. Raising house prices risk to eventually push large segments of the population out of cities (OECD, 2016b), with a negative impact on lower income households' access to opportunities and jobs. Furthermore, generally speaking, house prices in major cities are not only higher but also rising faster compared to the rest of the country (EMF, 2016).



Find out more:
• Eurostat, Housing Price statistics
http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_price_statistics_-_house_price_index
• Eurostat, Macroeconomic Imbalance Procedure (MIP) Scoreboard
<http://ec.europa.eu/eurostat/web/macroeconomic-imbalances-procedure>

HOUSE PRICE INDICES, 2005 - 2017
Euro area and EU aggregates. Index levels (2015=100)
Source: Eurostat



TENURES

- **Owner-occupation is the most common type of tenure, although with huge variations across countries.**
- **However some trends can be observed over the past 10 years: an overall decrease in owner-occupiers and increase in tenants.**
- **More specifically, since 2007 the share of owners with a mortgage increased at the expenses of owners outright, and the share of tenants who rent at market price increased while those renting at reduced rent decreased.**
- **Overall renting is more common among low incomes compared to owner occupation.**

The most common tenure in Europe is owner occupation, with an average 69.4% of the population living in owner-occupied housing against 30.6% tenants. However, this masks wide variations in tenure distribution across countries. Most former communist countries of Central and Eastern Europe show a very high share of home-owners without mortgage, as after the fall of the communist regimes tenants were offered to buy the dwellings in which they lived at a low price. In Southern European countries outright ownership rates are also high. In most English-speaking and Nordic countries, Belgium and the Netherlands owners with outstanding mortgages are the most common tenure type. Only in Switzerland and Germany renting is more common than owning

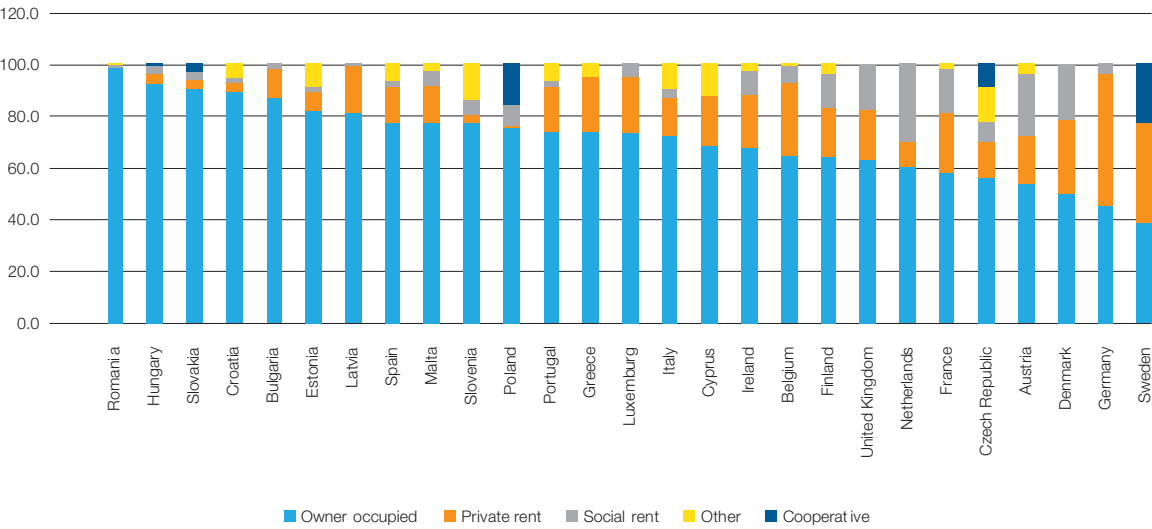
your home (OECD, 2016).

However, a number of countries have registered a decrease in the share of owner-occupation since the turn of the century, corresponding to an increase in the share of tenant households in the private rental market - for instance in Ireland and the United Kingdom.

This trend is reflected in the EU average: keeping in mind that there are significant cross-country variations, since 2007 the share of owners with a mortgage increased slightly (from 25.6 to 27%), that of owners outright decreased (from 47.2 to 42.2%). Over the same period, the proportion of tenants at market price increased significantly (from 12.6 to 19.9%) and that of tenants paying a reduced rent decreased (from 14.6 to 10.9%) (Eurostat, SILC). Experts point out that while in some countries the decline in owner-occupation rates has been concentrated in the period following the global financial crisis, in many others countries this decrease was as great, or even greater, during ‘boom’ years – as a result of increasing house prices and worsening affordability (Whitehead and Williams).

In general terms, a household’s likelihood to own the dwelling (with and without outstanding mortgages) increases with income (OECD, 2016). However, in countries like Greece or those in Central and Eastern Europe there are very high levels of homeownership rates also among poor households, reflecting the overall tenure structure of the housing market.

Tenure split in EU Member States
Dwellings in each tenure as share of total occupied housing stock, latest year available

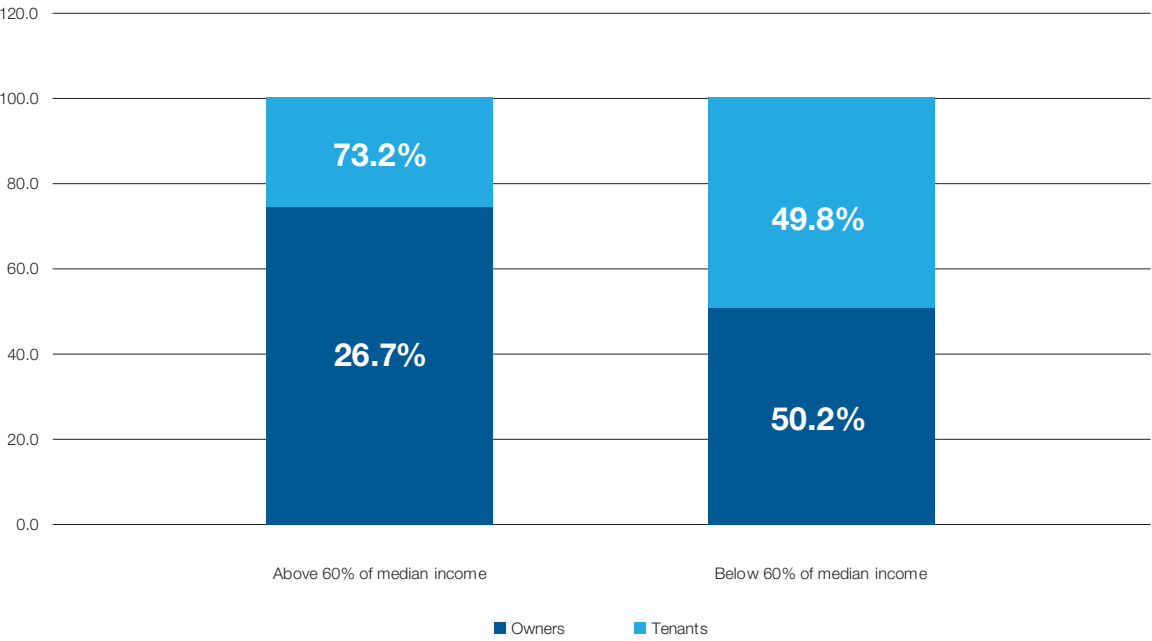


Notes:

- Sources vary across countries, see the country profiles in Part V for details.
- Germany: under ‘private rent’ we include the share of rental dwellings which are let at market rates. The wording is not fully adapted to the case of Germany, see the country profile for further details.
- Netherlands: under ‘social rent’ we include all lettings by housing corporations. See the Netherlands country profile for details.
- Sweden: under ‘private rent’ we include both dwellings rented by private providers (19%) and those rented by municipal housing companies (19%) which follow the same rent rules. See Sweden country profile for further details.
- United Kingdom: under ‘social rent’ we include all lettings by housing associations and local authorities, without differentiating between what is defined as ‘social rent’ and ‘affordable rent’ at national level. See the UK country profile for details.

DISTRIBUTION OF THE POPULATION BY TENURE STATUS AND INCOME GROUP

EU 28 average
Source: Eurostat SILC



MORTGAGES: STILL TRYING TO STRIKE A NEW BALANCE?

- **Since the crisis, in some countries there has been significant deleveraging.**
- **Whereas in others the volume of mortgage lending has kept expanding.**

Ten years ago, persistent dysfunctionalities on mortgage markets inherited from the previous decade greatly contributed to the largest financial crisis in half a century (Bouyon, 2017). Since then, significant deleveraging processes have been observed in some EU markets, such as Ireland, Portugal and Spain. In these economies, the 2016 volumes recorded for both outstanding and gross residential lending were much below 2007 levels, although a timid recovery could be observed in recent years. By contrast, the volume of mortgage activities moved around significant upward paths in Belgium, France, Germany and Sweden, and stagnated somewhat in the Netherlands and Denmark (Ibid.).

Interest rates on mortgage loans in the EU have been historically low in recent years, as a reaction to the expansionary monetary policy stance of the ECB and other central banks in the EU (EMF, 2016). Nevertheless, both lender institutions and households are still very risk averse (Whitehead and Williams, 2017). There is lack of data on first time buyers across the EU, but where evidence is available it shows that lack of affordability and job and income insecurity make it harder for young households to access home ownership. Furthermore, higher deposit requirements means that potential mortgage borrowers have to save longer for a deposit. In this context, access to parental wealth, the so called ‘Bank of Mum and Dad’, has become more important for

first time buyers in many countries including France and the United Kingdom (Ibid).



Find out more:

- André, C. (2016), “Household debt in OECD countries: Stylised facts and policy issues”, OECD Economics Department Working Papers, No. 1277, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jm3xgk1f2-en>
- Bouyon, S www.ecri.eu/publications/commentaries/recent-trends-and-developments-european-mortgage-markets
- EMF (2017) Hypostat, European Mortgage Federation <https://hypo.org/emf/publications/hypostat/>
- Whitehead, C. and P. Williams (2017), “Changes in the regulation and control of mortgage markets and access to owner-occupation among younger households”, OECD Social, Employment and Migration Working Papers, No. 196, OECD Publishing, Paris. <http://dx.doi.org/10.1787/e16ab00e-en>

**AFFORDABILITY
OF HOUSING:
A NEW STAKE
FOR THE UNION**

MAIN TRENDS

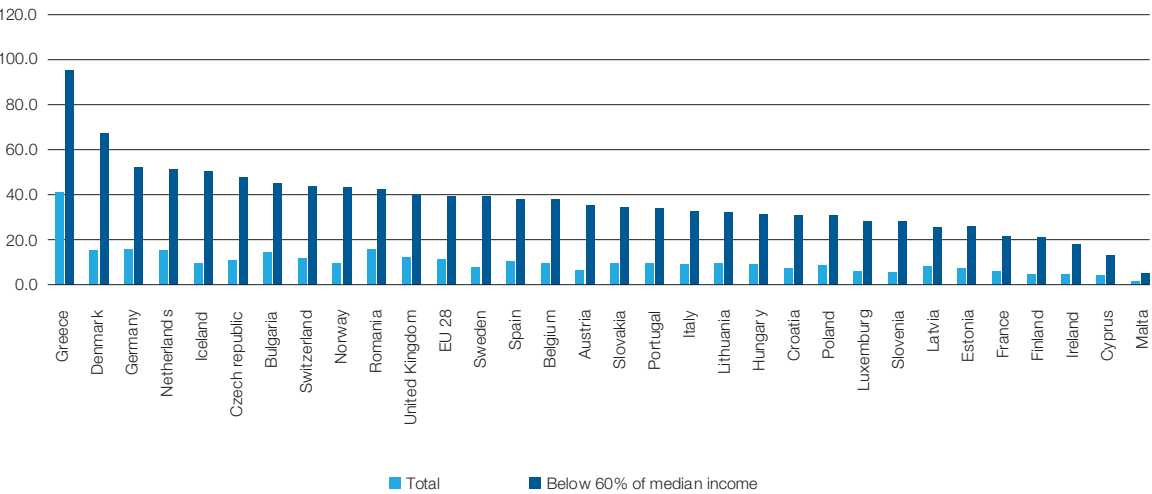
Housing affordability has become a key issue, impacting the lives of millions of European citizens. Housing costs is the single highest expenditure item for households, at about a quarter of total households' budget in 2015, increasing from 21.7 in 2000 and 22.5% in 2005 to 24.4 in 2015 (Eurostat, Annual National Accounts).

A large number of households are 'overburdened' by housing costs (i.e. they spend over 40% of their disposable income on housing) and this becomes more and more evident in the crisis-ridden countries like Greece, where more and more families appear to have difficulties to cover their

housing expenses as the crisis keeps evolving. 11.3 of the overall EU population was 'overburdened' by housing costs in 2015, but this share increases to 39.3 if we look at people at risk of poverty.

Most interestingly, although the average housing overburden rate for the overall population has remained more or less stable in recent years, the share of poor people overburdened by housing costs has increased significantly over the past decade, from 35% in 2005 to over 39% in 2015 (Eurostat, SILC). This increase has been particularly steep in some crisis-ridden countries where the housing cost overburden rate among the poor has more than doubled over this period (Greece, Ireland, Portugal and Spain) (Ibid.).

HOUSING COST OVERBURDEN BY INCOME GROUP
Overburden rate for the total population and those at risk of poverty, 2015
Source: Eurostat SILC



NEW: THE OECD AFFORDABLE HOUSING DATABASE

Supported by EU funding in 2016, the new Affordable Housing Database (AHD) has been developed to help countries monitor access to good-quality affordable housing and strengthen the knowledge base for policy evaluation. It brings together cross-national information from OECD countries and EU member states.

The database currently includes indicators grouped along three main dimensions: housing market context, housing conditions, and public policies towards affordable housing. Each indicator presents data on a particular issue, relevant definitions and methodology, as well as key results. Indicators also discuss comparability, data and source issues, and, where relevant, include the raw data or descriptive information across countries.



Find out more:

- *OECD Affordable Housing Database*
<http://www.oecd.org/social/affordable-housing-database.htm>

- *Habitat for Humanity (2015), Housing Review 2015 AFFORDABILITY, LIVABILITY, SUSTAINABILITY*

AFFORDABILITY GAP IN THE RENTAL SECTOR

Taking a closer look at the rental sector, in the following countries tenants spend more than one fourth of their income on rents alone, without including additional costs such as utilities: Finland, the Czech Republic, Sweden, Norway, Greece, the UK, Denmark, Spain, Belgium and Luxembourg. Looking at the evolution of rents over income, since 2010 the sharpest increases have been registered in the Czech Republic (from 21.73% to 29.56%), Greece (from 24.8% to 28.57%), Luxembourg (21.18% to 26.37%), the Netherlands (from 24.7% to 28.8%), and Portugal (from 10.58% to 18.08%) (OECD, 2016).

In this context, social and affordable housing providers continue to offer rents significantly lower than the market (e.g. rents in social housing are about 60% of market rents in the UK and France). They also provide affordable home ownership and shared ownership options. However, they are faced with a double challenge: decreasing income of current residents, and increasing number of people registered on waiting lists.

As a consequence of the lack of affordable housing solu-

tions, the social housing sector is under increasing pressure to deliver homes and respond to increasing demand. The number of households on waiting lists for social housing is increasing everywhere. Just to name a few examples, in France the number of people registered increased from about 1.2 million in 2010 to about 1.9 million in 2016. In Ireland the number almost doubled between 2008 and 2010 and it's currently over 96 thousand.

HOUSING QUALITY AND ENERGY POVERTY

A number of countries especially in Eastern Europe has a relatively lesser problem in terms of overall affordability of housing (price/rents). Unfortunately though in many of these countries inadequate housing quality is still a big issue, with potentially a huge negative impact on health. The phenomenon of 'poor home owners' in CEE countries implies that a large part of the existing stock in apartment buildings is badly in need of upkeep and modernization, but residents cannot afford it without public support (for instance in Bulgaria, Estonia, Romania). Furthermore, energetic performance of housing can have a significant impact on the cost of utilities and contribute to fuel poverty.

However, fuel poverty is a complex issue. For instance in the UK the average social rented home is of significantly higher energy efficiency than any other tenure. Despite this, with 22% of social rented households saying that they are unable to keep their home adequately warm the proportion is higher than among home-owners or private renters reflecting the concentration of low incomes in social housing. Almost 1 in 10 (9.4%) households in the European Union are unable to keep their homes adequately warm. While the proportion of households in fuel poverty across Europe has remained relatively stable at around 10%, there are significant variations both across countries and in terms of the changes over time.

Somewhat counterintuitively, the highest levels fuel poverty can actually be found in countries of South and South East Europe. In Bulgaria, Greece, Cyprus and Portugal more than 20% of all households say that they are unable to keep their home adequately warm. While some of these high rates are certainly the outcome of the quality and energy efficiency of homes, the recent growth in fuel poor households in countries such as Greece, Italy and Spain can at least partially be explained with the worsening social and economic conditions in the aftermath of the financial crisis and austerity measures. Lower levels of fuel poverty are observed in Scandinavian and other Northern and Central European countries, including Germany, the Netherlands or Austria. In these countries, less than 5% of all households report that they are unable to keep their home adequately warm.

The launch of the European Energy Poverty Observatory in early 2017 is hopefully going to contribute a better understanding of this problem and its consequences and guide better policies in this field.



Find out more:

- <http://fuelpoverty.eu/about/epov/>
- *Tamás Meszerics (2016) Energy Poverty Handbook, Greens/EFA group of the European Parliament*
<http://meszerics.eu/pdf/energypovertyhandbook-online.pdf>

RISK OF HOUSING EXCLUSION

Defining the issue of homelessness in quantitative terms is a difficult task. As experts point out (see OECD 2016, FEANTSA 2017), definitions of whom should be considered as homeless and methodologies used to collect data vary significantly at national level, hampering comparison across countries. Nevertheless, if we take into account the different starting point, it is still possible to identify trends. The most recent available evidence (FEANTSA, 2017), shows an alarming situation with increasing homelessness in 15 countries, Finland being the only example in the EU of a country which has managed to decrease the share of homeless people through an effective housing first policy. In France, the number of homeless people increased by 50% between 2001 and 2012. In Denmark, the number of homeless people has increased by 23% between 2009 and 2015, and by 24% between 2013 and 2016 in the Netherlands.

Studies carried out at the local level show a significant increase in some European cities and capitals such as Brussels, Paris, London, Dublin, Vienna, and Barcelona. In some cases the 'profile' of homeless people is also changing, with for instance an increase in the number of young people who are homeless in Netherlands and Denmark, or an increase in the number of families with children residing in homeless accommodation in Ireland (FEANTSA, 2017).

Besides homelessness, the risk of housing exclusion touches a larger share of the population. Overall, we can identify a number of 'categories' of people find it increasingly difficult to access and secure adequate housing, and they have diverse profiles: youth without significant parental financial support, people who are unemployed or those in unstable/low-paid jobs, elderly people who would like to downsize or get adapted dwellings but can't afford to, migrants, single parents, people with physical/mental disabilities.

As for social and affordable housing providers, catering for these diverse needs implies a change in the way they work their role is evolving rapidly way beyond simply providing 'bricks and mortar'. According to a recent survey, housing providers members of Housing Europe provide additional services for tenants such as money advice, employment training, advice on how to access available social benefits and public services, they engage in social mediation and neighbourhood services to improve local area or community, they manage 'sheltered' accommodation such as sheltered housing, retirement homes, foyers, they arrange for domiciliary care and support services for residents with specific needs (Housing Europe, 2016). Cooperation with other actors and stakeholders at the local level such as local authorities and associations is key in this respect. Furthermore, affordable housing providers must dedicate resources to address these issue, at times when the state retreats from the social housing sector and hands over a big share of responsibility to private initiatives.



Find out more:

- *FEANTSA (2017), Second overview of housing exclusion in Europe*
www.feantsa.org/en/report/2017/03/21/the-second-overview-of-housing-exclusion-in-europe-2017
- *OECD (2016), Society at a Glance 2016: OECD Social Indicators, OECD Publishing, Paris.*
<http://dx.doi.org/10.1787/9789264261488-en>
- *Eurofound (2017), In-work poverty in the EU, Publications*

DECREASING ROLE OF THE STATE
AND SHIFT IN PUBLIC FUNDING

The retreat of the state from housing policies is not a new trend, it's been happening in most Western European countries over decades. In some countries the crisis has exacerbated this trend by putting a further constraint on public budgets. There is little comparable cross-country data on public investment in housing. However, if we take public expenditure on 'Housing and community amenities' compared to %GDP, the share has decreased in 15 countries since pre-crisis levels. Those countries where it has remained stable or even increased are typically starting from very low levels (with the exception of France and to some extent Austria and Finland - Eurostat, COFOG)

There are various policy instruments governments can use to achieve desired housing outcomes, ranging from building subsidies (so-called 'bricks and mortar subsidies'), over low interest rates for people wanting to buy a home to supporting low-income households with housing allowances. The range becomes even bigger if we compare housing policies across different European countries, each having a very distinct system of financial measures geared towards different tenures, for different income thresholds and available under different conditions and eligibility criteria. In some countries, housing policies even vary by region, as it is the case for instance with the nine federal states in Austria or the four countries of the UK. Despite this complexity, the literature on housing research broadly distinguishes between supply and demand side interventions or, sometimes also referred to as object and subject subsidies. Historically, the housing shortages many European countries faced in the wake of

World War I and II have been tackled by large government investment programmes into building new homes. Building subsidies were seen as the most effective way of dealing with this problem. In many cases this was achieved via the construction of public or social housing.

As a result the most severe housing shortages have been alleviated and housing standards have improved. Despite the diversity of European housing systems and several exceptions in this regard (notably Austria for instance), there has been a noticeable shift from supply to demand side subsidies over recent decades in many European countries, with many now spending more on housing allowances than on supply-side subsidies or building new homes. A trend towards declining capital investment into housing has been particularly prevalent in countries with a comparatively large rented sector, including Denmark, France, the Netherlands and Sweden.

The case of the UK however is probably the most significant example of the shift towards housing allowances. The low levels of public investment into new homes and the resulting lack of affordable (rented or owned) housing options has seen a growing number of low to middle income households having to claim housing benefit in the comparatively expensive private rented sector. Today, around one in three (32%) of all households claiming housing benefit rent privately (NHF/Koessler 2016). This has contributed to a growing housing benefit bill in the UK in recent years. In 2015/16 there were more than 4m housing benefit claimants in England only, adding up to a total expenditure of £24.7bn in 2014/15. In comparison, capital expenditure on building new homes in 2014/15 amounted to £5.4bn, which is less than a quarter of the housing benefit bill (CCHPR 2017).

With the growing shortage of homes in many European countries, in particular in urban areas that are experiencing a rapid growth of their population, this demand-led system has become increasingly questioned (IPPR 2014, CIH 2014).

DEVELOPMENTS IN SOCIAL
AND AFFORDABLE HOUSING

In a number of countries social housing construction played a counter-cyclical role in the aftermath of the crisis. Social housing providers in Belgium, Austria, France and the UK managed to increase the yearly production of new homes during the period 2005-2015.

However, new supply of social housing was affected in many countries by budget cuts: for instance In Italy the production of public housing between 2005 and 2014 almost halved, from about 9000 units per year to 4600. In Spain, it went from over 15 thousand in 2005 to 2.5 thousand in 2014. Housing associations in Ireland built about 1.3 thousand homes in 2005 but only 350 in 2014. In the case of the Netherlands, the level of new housing production by housing associations dropped from over 40 thousand in the year 2009 to about 20 thousand in 2014 as a consequence of reforms in the regulation and taxation of the sector (Housing Europe 2016). Conversely, over the past two years, an increased output of social rental housing was reported in Germany and Luxemburg and in the Belgian region of Flanders. Housing associations in England have also managed to increase housing construction but since 2012 public funding has been only available for affordable housing instead of social rentals.

In general, with few exception, social housing providers have to cope with less public funding and rely more on private finance. Countries with a long tradition of social renting have shown more resilience (Austria, France and Denmark have not registered a decrease in the share of social housing out of the total housing stock since the early 2000s). Even in countries with a relatively large share of social housing we see a trend towards moving towards a more residual role (i.e. a stronger focus on lower incomes), either through regulatory changes (e.g. in the Netherlands), or de facto as the sector tends to house increasingly poor households (France). Increased residualisation raises issues of economic sustainability for the social landlords (Poggio and Whitehead, 2017) and it risks hampering social mix which in many countries is an essential part of the mission of social housing providers (this concern led the Belgian region of Wallonia to recently increase income ceilings for the allocation of public housing so as to allow access also to some middle-income households). The problems with the sustainability of this model are particularly visible where the social housing sector is small and public finances have been significantly constrained.

Another trend is the emergence of an intermediate or 'affordable' housing segment (e.g. 'affordable housing' in the UK, or the so-called 'housing sociale' sector in Italy which is mainly linked with foundations). The idea being that this intermediate sector should cater for people who need affordable housing options but they do not fall into the typical criteria for the allocation of social housing, this represents both a challenge and an opportunity and the role to be played by the different providers/stakeholders in this segment is often a subject of debate.

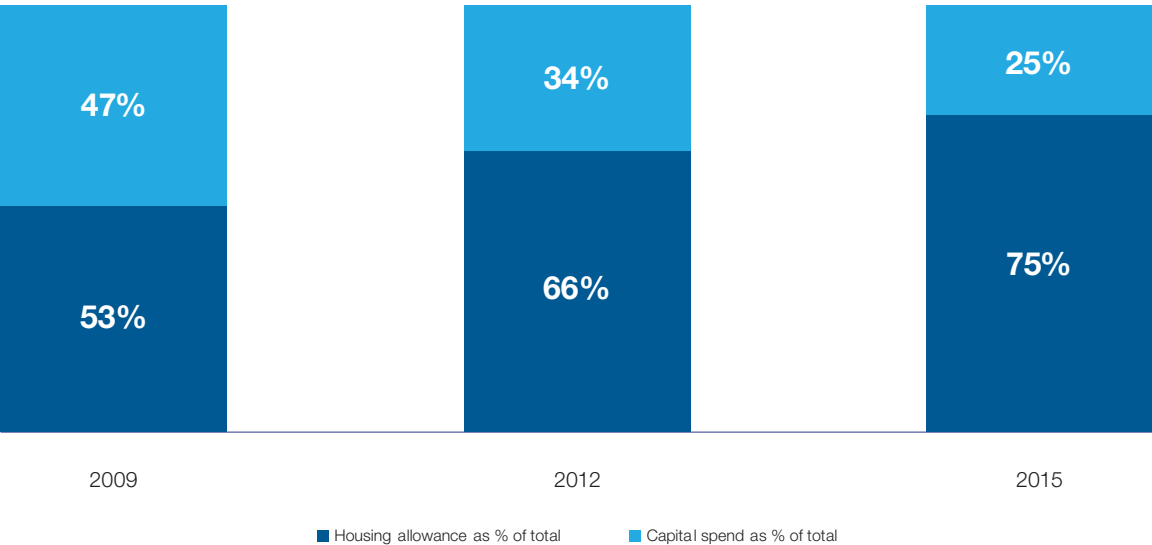
Furthermore, a growing body of literature points to the recent (re)emergence of 'collaborative housing' (Czischke, 2017). Under this term we find a number of initiatives such as co-housing, community land trusts, housing co-operatives and other forms of collective self-organised housing, all characterised by a high degree of residents involvement,

self-help and mutual solidarity. However, the scale of operation is often very limited and access to finance difficult (Wetzstein, 2017). Overall, some positive signals have appeared at the level of national policy over the past two years: Ireland adopting an ambitious 'Rebuilding Ireland' strategy with a strong emphasis on the (social) rental sector and tackling homelessness, the Czech Republic debating a new law on social housing. For the time being this shows a degree of political commitment, but the effects are not seen yet. In this context, increasingly we find local authorities/cities coming up with solutions rather than national policies.



Find out more:
• *Critical Housing Analysis (2017) Social Housing after the Global Financial Crisis: New Trends across Europe, Special Issue, Volume 4 Issue 1*
www.housing-critical.com

PUBLIC FUNDING TOWARDS CAPITAL SPEND ON HOUSING DEVELOPMENT
AND HOUSING ALLOWANCE
European Union (28 countries)
Source: Eurostat, COFOG



LOCAL
HOUSING
MARKETS
OF THE UNION:
INCREASING
DIVERSITY
AND MOBILITY

HOUSING & THE CITY: A HOME TO EU URBAN POPULATION?

According to UN Habitat by 2050 over two-thirds of the world's population will be living in cities to a lesser extent. Europe already exceeds these projections (although less than North America and Latin America & the Caribbean's). Almost three quarters (72.5 %) of EU-28 inhabitants lived in cities, towns and suburbs in 2014, although with considerable differences in the size and spatial distribution of urban developments between EU Member States.

The recent report on Urban Europe highlights the so-called 'urban paradox' "Although cities are motors for economic growth, they are also confronted by a wide range of problems, like crime, traffic congestion, pollution and various social inequalities. Furthermore, within many cities it is possible to find people who enjoy a comfortable lifestyle living in close proximity to others who may face considerable challenges, for example, in relation to affordable/adequate housing or poverty - herein lies the 'urban paradox'" (European Commission, 2016).

Local administrations are faced with increasing migration and ever-growing demand for more liveable and inclusive cities, including a growing unmet need for affordable accommodation. Especially the largest and most economically attractive urban centres, rising house prices risk to eventually push large segments of the population out of cities (OECD, 2016), with a negative impact on lower income households' access to opportunities and jobs.

Some of Europe's most fashionable cities are indeed facing a 'housing gap' (European Commission, 2016): a large number of people wanting to live in these cities in order to benefit from the education, jobs, lifestyles and cultural life that they offer. At the same time the buoyant demand for property in some of Europe's most popular cities has also attracted investors, many of whom seek to establish property portfolios. Given that land in urban centres is a finite resource, such an increase in demand may result in spiralling property and rental prices (unless adequately regulated).

Some new housing or office developments in Europe's major cities are designed to attract (international) investors - for example, luxury riverside developments or the gentrification of previously unfashionable areas. By contrast, local residents are more likely to be interested in an expansion of affordable (social) housing that provides them with the opportunity to continue living in the area where they have grown-up (European Commission, 2016).

In January 2017 the UN Human Rights Council, the Special Rapporteur on the right to housing published a report addressing the repercussions of a hyper-financialized housing market that pits speculation against human rights and pushes the cost of housing out of reach of most households.

In "hedge cities", prime destinations for global capital seeking safe havens for investments, housing prices have increased to levels that most residents cannot afford, creating huge increases in wealth for property owners in prime locations while excluding moderate- and low-income households from access to homeownership or rentals due to unaffordability. Those households are pushed to peri-urban areas with scant employment and services (UN Special Rapporteur on adequate housing, 2017).

Cities are in the frontline at facing the contradiction between housing as a commodity and housing as a fundamental right. Some of them are have a long tradition of housing policies like Vienna, Berlin or Amsterdam, others are rethinking

their strategy to achieve a more balanced and spatially integrated city (Paris, Copenhagen) and to provide more social and affordable housing in a tight market (Barcelona, Munich). They all have good lessons to share. We will present these examples over the next pages of this report.

THE REALITY OF SHRINKING REGIONS

Although much of the political attention is focused on growing cities, some of our cities and regions are experiencing de-industrialization, outward migration and population decrease. For cities with a rapidly declining population, the problems of overcrowding and affordability are likely to become less pronounced, albeit that in cases of sustained decline the property market may have difficulty adjusting. This can lead to high vacancy rates, abandoned properties and negative equity (European Commission, 2016). From the country information collected, the reality of shrinking regions emerges for instance in the case of parts of Eastern Germany, as well rural areas in the Netherlands, Sweden and Finland.

In these areas, housing providers are faced with decreasing income of local tenants, an ageing population, and a real need for provision of services and revitalization of social housing neighbourhoods, as well as renovation/modernisation of the existing stock, mobilization of empty homes where possible and in some cases demolitions. This calls for specific policies. Interestingly, five regional social housing federations in France (in Auvergne, Bourgogne, Champagne-Ardenne, Franche-Comté and Lorraine) recently signed a 'Manifesto for rethinking housing policy in regions with decreasing population'.



Find out more:

- www.friendsofeurope.org/quality-europe/four-reasons-shrinking-areas-ripe-innovative-housing-solutions

- <https://ressourceshlm.union-habitat.org/ush/CommunicationPublicationsRevue/Pour+une+autre+politique+de+l'habitat+dans+les+territoires+dits+%22d%C3%A9tendus%22>

HOUSING AT THE CENTRE OF THE NEW URBAN AGENDA

The United Nations Conference on Housing and Sustainable Urban Development - the so called Habitat III - took place in Quito, Ecuador in October 2016 with delegations adopting the New Urban Agenda, a new framework that that lays out how cities should be planned and managed to best promote sustainable urbanization over the next 20 years.

It is important to highlight that among the main commitments of the New Urban Agenda is the motto 'Housing at the Centre'. This is clear signal that aims to shift the focus from simply building houses to a holistic framework for housing development, orchestrated with urban planning practice and placing people and human rights at the forefront of urban sustainable development. At the national level, the goal is to integrate housing into National Urban Policies and into UN-Habitat's strategic thinking on planned urbanization.



Find out more:

- <https://unhabitat.org/new-urban-agenda-adopted-at-habitat-iii/>

**"WE HAVE TO STOP
SPEAKING ABOUT
A HOUSING MARKET
AND START
FOR THE HOUSING CHALLENGE"**

**LAURENS IVENS, Amsterdam Alderperson responsible for housing and planning,
at the International Social Housing Festival, Amsterdam, June 2017**

THE URBAN AGENDA FOR THE EU

The Urban Agenda for the EU, agreed upon by the EU Urban Affairs Ministers with the 'Pact of Amsterdam', is a new working method to ensure the best use of the growth potential of cities and to successfully tackle social challenges. It aims to promote cooperation between Member States, Cities, the European Commission and other stakeholders, in order to stimulate growth, liveability and innovation in urban Europe. This new platform that affirms the importance of the urban policies for Europe focuses specifically on three pillars of EU policy making and implementation: a) better regulation, b) better funding and c) better knowledge. The Housing Partnership of the EU Urban Agenda, where Housing Europe is a partner, has delivered the first steps in a Toolkit for Affordable Housing that presents a wide range of solutions being implemented around Europe to tackle the housing challenge affordably now and in the long term from the perspective of cities, housing providers, users, and policy makers.



Find out more:

- <https://ec.europa.eu/futurium/en/urban-agenda-eu/what-urban-agenda>

KEY ROLE OF CITIES IN HOUSING POLICIES AND SUSTAINABLE DEVELOPMENT: EXAMPLES FROM 7 EUROPEAN CITIES

Vienna | The role-model city in transition

The Austrian capital is hailed by many housing researchers, policy makers and other relevant stakeholders as the role-model city for social housing. Over the last year the demand for affordable homes has been triggered due to huge immigration and population increase. Despite the general construction boom, the relatively little increase in subsidised housing has created a mis-match that puts the inclusion challenge in the picture. The well working instruments, including the work carried out by the limited profit housing associations, are fundamental in Vienna that is looking for new tools to address the bottlenecks in land supply. Concerning affordability, the current housing policies seem to rely on increasing overall supply to lower prices on the long term.

Munich | Tackling the challenge of growth

Scoring usually in the TOP-5 of all quality of life surveys Munich has traditionally been a desirable destination for people moving inside Europe. The City authorities have set out over the last couple of years four strategic guidelines: a) fostering Munich as an open and attractive place to live, b) public space of high quality, c) solidarity and active urban community and d) sustainable and collaborative policies. Addressing the crucial land issue, the Bavarian capital has introduced the so called "Socially equitable land use" in all building plans taken by the city council. This means that developers have to take a share in planning costs by financially contributing to technical (streets) and social (schools) infrastructure. With Munich emerging as an "arrival city" for

refugees - approx. 12,000 of them have stayed - the municipality has implemented the "Housing for All" programme that will deliver immediately - by 2019 - 3,000 dwellings, 51% of which will host refugees and 49% will be used as regular social housing.

Copenhagen | Will ambition meet reality?

Proud of its tenant democracy model, its non-profit character and its residents' composition the social housing sector in Denmark has been facing a few challenges lately. New social homes amount up to 800 per year while approximately 10,000 new citizens are registered in the city population at the same time. Waiting lists are growing reaching sometimes a 30-year delay. Within this context the City of Copenhagen wishes to remain a city for all income groups and therefore has a target to increase social housing to 25% of every new development project from the current 20%. The municipality still has to approve and finance a smaller part of the new social housing construction and the negotiation with the housing associations is still on, focusing in securing equal terms between the private and the social housing sector that will in the long-term decompress the demand.

Paris | Social housing becomes priority

As the real estate market in one of the largest metropolitan regions of Europe is under pressure the local authorities seem to have put social housing high on their priority list. A growing population of 2.3 million inhabitants with high density (21,000 inhabitants/km²) has to pay on average EUR 25/m² for rent in the market while in the social housing sector the respective price ranges between EUR 6-13/m². Waiting lists have become a nightmare with 180 000 pending applications for social housing and acknowledging this reality the municipality has pushed forward development of social homes, measures to improve social mix as well as initiatives to support energy efficiency in dwellings. The commitments stand clear; 25% of every new development project will have to be social housing units by 2025 and 30% by 2030, 7,500 new social homes will be financed every year while a 'Climate Plan for Paris' aims to deliver a decrease of 25% in Greenhouse Gas Emissions and a decrease of 25% in energy consumption by 2020.

Barcelona | Right to Housing

Having experienced a wave of evictions as the rest of Spain, Barcelona also had to deal with the gentrification generated by the massive arrivals of tourists in the city that triggered financial speculation leading to an increase of rental prices. Price increase is worrying for the local authorities as it happens within a context of declining wages. At the same time the demographic issue is becoming a challenge as a significant part of the population (21%) is over 65 years old. Mayor Ada Colau introduced the 'Right to Housing Plan 2016-2025' that set out 4 strategic targets: 1) Preventing and addressing housing emergency and residential exclusion, 2) Guaranteeing the good use of housing, 3) Maintaining, rehabilitating and improving the current stock and 4) Increasing the public and affordable housing stock. With regard to the last pillar of the Plan the European Investment Bank (EIB) will provide a EUR 125m loan to the Barcelona Municipal Housing Board





with the aim of building 2,198 homes for public rental to low-income households in eight city districts as part of the European Fund for Strategic Investments (EFSI)

Amsterdam | Staying accessible, inclusive and undivided

The Dutch capital had to deal with quite a lot of pressure on the housing market due to the arrivals of many ambitious young professionals but also significant numbers of refugees. With the average time on the social housing waiting lists ranging from 10 to 19 years key questions concerning the way the city can stay accessible for newcomers keeping its open, inclusive and undivided character started arising. Provision of homes to the middle segment of population that can no longer access social housing as well as plans to turn Amsterdam into a climate neutral city have also been central for the local authorities. Therefore, the Municipality of Amsterdam has signed with the Amsterdam Federation of Housing Associations and with the local Tenants' Union the so called 'Amsterdam Cooperation Agreement 2015-2019' that defined four basic axes of action on housing: a) stop the decline of social housing, b) increase affordability with a goal for 75% of lettings below EUR 600, c) less sales of social housing from 2,500/year to 1,200 and d) boost new construction. At the same time, local housing associations experimented with creative solutions, including transforming vacant office spaces into housing and launching projects that host students and asylum seekers.

Berlin | A challenging housing reality

It's almost a decade now that a true transformation has started taking place in Berlin turning the German capital into the ultimate destination for the creatives, youngsters, hipsters as well as skilled workers in Europe. The housing stock of 1,6 million rental units, of which 600,000 are social housing units is simply not enough anymore. Increasing immigration along with the relatively high proportion of one-person households were the main housing demand drivers. Although completed units and owner-occupation rates have been on the rise for more than five years in a row almost no pressure relief for the rental housing market was achieved. Another important aspect is that 40% of all Berlin households are said to be entitled to access publicly funded social housing which makes competition a true challenge. What will the future look like for Berlin? The Housing policy as well as the subsidy policy shall be under revision. Berlin public housing companies run only 15-20% of the social housing stock, while the private sector hasn't taken an equal share of commitment. On the other hand, local stakeholders have been pushing for individual housing subsidies for tenants with frequent revisions of their incomes as opposed to publicly funded housing objects and projects. On top of this, over-regulation and reduction of bureaucracy are still an issue.

HOUSING IN EU CITIES. DATA AND KEY FINDINGS

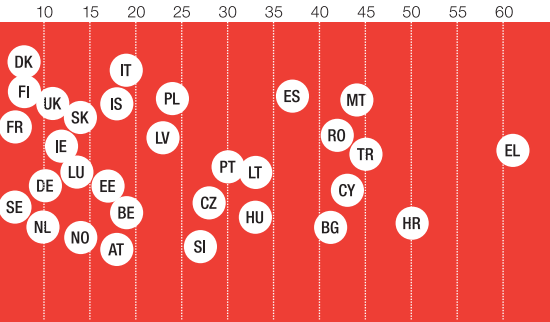
What does the housing situation look like in European cities? The 2016 report Urban Europe. Statistics on cities, towns and suburbs present a number of interesting findings: First of all, people living in cities usually pay more for housing, although they get less space for their money compared

to rural areas and towns/suburbs. As a result, more city households live in crowded conditions and a higher share pays at least 40% of their income to cover housing costs. The median housing cost burden across the EU 28 in 2014 ranged from 17.9 % in cities down to 15.8 % in rural areas. The median housing cost burden was considerably higher in cities (than in rural areas) in Denmark, Germany, Belgium, Luxembourg and Austria. At the same time homes in cities are usually smaller. Unsurprisingly, only 14.2% of city-dwellers in the EU live in a detached house, while almost 60% live in flats (and data show an even much greater share of flats in the largest cities and capitals). On the contrary, towns and suburbs are characterised by lower density than cities and there almost two thirds of the population lives in a house.

Home ownership is higher in towns and suburbs than in large/capital cities. This may partly reflect the composition of the population and the fact that cities attract young inhabitants looking for opportunities for study and work. In recent decades, it has become increasingly difficult for young people to buy their first property. This pattern may be magnified in cities, where house prices tend to be higher than in rural areas. The larger a city the less likely its inhabitants are to find good housing, and there is a clear trade-off between availability of jobs and affordable housing.

Based on a perception survey on the quality of life in 79 cities, the report finds that people living in cities with dynamic labour markets often faced great difficulties in finding adequate housing at a reasonable price. For example, while a majority (61 %) of respondents from the Greek capital (Athens) agreed they could find good housing at a reasonable price in 2015, only 10 % agreed that it was easy to find a job. Conversely, while a majority (62 %) of respondents from the German city of München thought it was easy to find a job, only 3 % agreed they could find good housing at a reasonable price.

People who agreed that in their city it is easy to find good housing at a reasonable price (%) in 2015



Residential mobility is greater among those living in cities. More than one in five (20.9 %) people living in a city in the EU-28 had moved dwelling during the five-year period prior to a survey in 2012, while the corresponding shares for those living in towns and suburbs (17.0 %) and rural areas (13.4 %) were lower. These figures may be explained, at least to some degree, by a higher proportion of city-dwellers renting their accommodation and by the relatively large numbers of young people living in cities (in particular, students in higher education and young people moving to cities in search of work).



Find out more:

- Eurostat (2016), Urban Europe. Statistics on cities, towns and suburbs

SHORT TERM LETTINGS IN EUROPEAN CITIES: REPLACING PERMANENT RESIDENTS WITH TOURISTS?

Holiday rentals in some European cities that are important tourist destinations are not a new reality. However, the spreading of Airbnb and other on-line platforms for short lettings has significantly contributed to increasing this practice in recent years. Questions have started to arise around its impact on the local housing market and on the chances of those in need to find permanent accommodation at affordable prices. The extent to which Airbnb is distorting property markets and pushing up rents is a controversial issue, to say the least. Few independent studies have been carried out on this phenomenon (mainly in the US) and there's a significant lack of data allowing for monitoring what's happening in this sector, making it hard to draw direct connections between the spread of short term lettings and increases in property prices and rents. Nevertheless, the limited available evidence seems to point to Airbnb-like lettings exacerbating the situation in cities with an already very tense housing market.

The narrative around this phenomenon is also complex. On the one hand in many cities most Airbnb landlords are just 'regular' people/households who occasionally rent out a room or let their apartment when they're away - and the tool is an example of the potential of the sharing economy to empower people. On the other hand though, professional landlords/commercial operators are increasingly involved in Airbnb lettings which represents a profitable market. Also, the time limits are not always respected. For instance, a survey carried out at the end of 2015 finding that across France, 44 percent of the homes advertised on Airbnb were permanently available for rental. As a response to this emerging trend, some cities are implementing stricter regulation on this type of lettings, focusing mostly around the issue of whether entire homes can be let out and for how long.

Amsterdam for instance was the first city to sign an agreement with Airbnb in 2014, whereby the latter agreed to levy and hand over tourist taxes to the city, remove addresses where the council has intervened because of complaints, and inform users of its rules. Apartments should be rented out for no longer than 60 days per year, to not more than four guests at a time, and only the owner him/herself can rent it. The city authorities use an automated computer systems to monitor online advertising.

In 2014, Airbnb was fined €30,000 (\$33,913) by the Catalan government for a "serious" breach of laws, which stipulate that any residence rented to tourists must also be registered with the Tourism Registry of Catalonia. Since then Barcelona has significantly intensified checks on illegal tourist lettings (paying no licence fee or tax and usually operating without permission for their building management) and established high fines for those found to be without licences.

Paris is one of the most popular Airbnb destinations in the world. The law forbids owners from renting out their flats for more than 120 days a year, and authorities in the capital ran-

domly carry out "raids". Paris Council voted a new rule in the summer 2017 according to which will force those who rent apartments on Airbnb to register the property with the City Hall first, which would allow monitor the short-term rental market using registration numbers.

Berlin went a step further than other European cities and short term leasing of entire flats is now illegal since 2016 (only up to 50% of the entire space is allowed), with breaches punishable by a €100,000 fine.





**“DECISION MAKERS
HAVE TO TAKE
THEIR SHARE
OF RESPONSIBILITY
REGARDING AFFORDABLE HOUSING”**

Joan Clos, Executive Director of UN Habitat,
video statement for Housing Europe website, June 2016

**HOUSING
AS A TOOL
TO IMPLEMENT
OBJECTIVES AND POLICIES
OF THE UNION**

THE ADDED VALUE OF INVESTING IN AFFORDABLE HOUSING

Probably the most self-evident argument in favour of investing in adequate and affordable housing is that it allows people to fulfil a basic human need, and it enables access also by people on low incomes who would otherwise risk being excluded from the housing market. Importantly, it also provides gain in purchasing power for residents who can benefit from reduced housing costs. But providing good quality social and affordable housing can also lead to a variety of additional positive outcomes. UNECE points out that housing is ‘*an integrative good, it is linked to many other sectors such as: health, economic security, energy security, transportation, education, employment. Housing also influences issues such as social cohesion and neighbourhood security [...]*’ (UNECE, 2015).

This means that providing good quality social and affordable housing can actually help reducing other areas of public spending such as healthcare, social protection and social services, while at the same time stimulating growth and local employment. There is a growing body of evidence pointing in this direction, and we will present some of these arguments below.

Investing in good quality social and affordable housing can significantly improve health. According to a recent report covering the whole European Union (Eurofound, 2016), inadequate housing costs EU economies nearly €194 billion per year - in direct costs associated with healthcare and related medical and social services, and indirect costs such as lost productivity and reduced opportunities. To bring the standard of housing up to an acceptable level would cost about €295 billion, an investment which would be repaid within 18 months by savings in healthcare and better social outcomes.

Integrated housing support is an efficient tool to improve protection of vulnerable groups. A recent OECD study found that ‘The public service cost of caring for the chronically homeless can be up to three times higher than a supported housing response, where care services are provided in the home. Models that provide housing first and then integrate health and social care support are effective treatments for chronic homelessness (OECD, 2015)’.

Positive outcomes of investment in affordable homes include a stimulation of the local economy through its multiplier effect. However, such impact varies significantly depending on location (Monk, Tang and Whitehead, 2010). As an example, the Welsh Economy Research Unit (WERU) report, prepared by Cardiff University on behalf of Community Housing Cymru (CHC), investigates the wider economic impact of Welsh housing associations. In addition to the £1,027m directly spent by housing associations, transactions between different sectors of the economy have allowed the effect of the spending to be traced through the entire Welsh economy. These indirect impacts are estimated to be £921m. The combined direct and indirect economic impacts total almost £2bn. Gross Value Added (the measure of how much actual wealth is created in an area) for 2013/14 was £267m (Welsh Economy Research Unit, 2015). In England, the National Housing Federation has produced a Local Economic Impact Calculator which allows housing associations to estimate the economic impact of their activities.

STATE OF PLAY ON EU FUNDING AND HOUSING

The financial needs in the social, cooperative and public housing sectors translate in different ways : the number of people on the waiting lists, the gap between the increase of households and the increase of new build in one specific area, the number of young persons aged 18-34 still living at their parents’ home, or the over crowdedness in existing dwellings. These issues are all illustration of the housing crisis that many Member States and local authorities are facing. As this report has pointed out, the share of public spending in affordable house building has not hit its pre-crisis level and in the meantime the trend seems to be a state retreat from social, cooperative and public housing. In its mission to “encourage economic integration & promoting social cohesion”¹ the EU provides significant structural and financial support to Member States mainly via the instruments of Cohesion Policy, Strategic Investment, EIB lending.

COHESION POLICY AND HOUSING

In 2014 - 2020, the approach of Cohesion Policy has significantly improved towards housing compared to the last period: larger budget for housing, specific allocations in INTERREG and UIA, better combination of funds and more strategic focus. The New Investment Plan, called the EFSI also brings a new hybrid opportunity of financing besides only private or public support.

In the current programming period, European Structural and Investment Funds (ESIF) provide with several opportunities for housing. This is notably the case for activities related to promoting energy efficiency as well as activities related to the regeneration and social inclusion of deprived urban areas.

Some key differences between the current and the previous period include a potentially larger budget, more strategic focus, and the possibility of combination of funds. As far as the strategic approach is concerned, in 2014-2020 the key sectors are those which allow long-term, smart and sustainable development such as research, innovation, technology, and low-carbon economy. As mentioned above, the support to the low-carbon economy is the most significant (20% of ESIF is dedicated to support low carbon economy). Amongst others like smart distribution, renewable energy, research and innovation, energy efficiency receives the largest share of funding for low carbon economy. The contribution of the Cohesion Policy to low carbon economy through ERDF and Cohesion Fund is clearly more ambitious than in the previous period.

Talking about the total allocation, in 2007-2013, the total expenditure for housing related projects was around 2 billion € and this was focused on the energy refurbishment of housing for low-income families. During the current period, we can already see a significant improvement in terms of planned expenditure: the foreseen total expenditure only under energy efficiency is at least € 5,5 billion which can be - among others - explained by the EU target of 20% increase in energy efficiency until 2020². Besides energy efficiency, the EU-13 has the possibility to invest in social infrastructures (urban regeneration, promoting social inclusion through improved access to social, cultural and recreational

¹ According to the Treaty of Maastricht

² https://ec.europa.eu/clima/policies/strategies/2020_en

services etc.) as well. For example, Slovakia, Belgium, Portugal and Estonia rely more on the social inclusion, while Italy, Lithuania, Sweden and Luxembourg are more focused on energy efficiency. Slovakia, Portugal and Estonia also set social inclusion related aims: Slovakia sets ‘Social inclusion and technical facilities with marginalised Roma communities’ and ‘Facilitation of the transition of social services’ as ones of the main priorities. The Czech Republic, Bulgaria, Hungary and Romania have a similar approach by including measures targeting the integration of marginalized groups, including Roma in their programmes. Overall, our previous report “Structural Funds and Housing 2014-2020” showed that 77% of Operational Programmes allow investment in housing.

Regarding the possibility to combine funds and use funds with more flexibility, Member States may use financial instruments³ (i.e. EU funds in the form of repayable loans, guarantee or equity) in relation to all thematic objectives at regional level. This normally leads to a better combination of financial instruments with other forms of support. To give an example of the combination, the European Social Fund (ESF) and European Regional Development Fund (ERDF) can be combined to achieve *low-carbon and resource-efficient economy, through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the up-skilling of the labour force, as well as the creation of new jobs in sectors related to the environment and energy*⁴. This could be also used for instance to train unemployed tenants.

In the current period, 88 % of ESIF consists of grants; the remaining 12% is financial instruments (loan, equity, and guarantee). This latter represents an increased proportion compared to the previous programming period and the European Commission is likely to push for bigger share of financial instruments in the years to come.

All in all, the Cohesion Policy is making an increasingly important contribution towards EU challenges and although these funds offer significant opportunities, their implementation represent an important challenge in terms of the readiness in the Member States. The challenge include financial barriers (especially in the case of financial instruments), administrative obstacles due to capacity and lack of understanding and expertise of the applicable rules (combination of Cohesion Policy funds with other financing). These are differently present in member countries, depending on their governance, type of their housing stock, and regulatory framework.

EIB SUPPORT

The European Investment Bank (EIB) has been supporting the construction and renovation of social housing for many years. The housing sector is one of the EIB target areas and between 2011 and 2015, around €6 billion has been granted in loans for the development of social housing by the bank. Recent loans for housing include a € 200 million loan the Dutch Portaal Housing Corporation for energy efficient refurbishment; a € 120 million loan to Germany for the construction of refugee accommodation; a 1 billion GBP loan to the Housing Finance Corporation in the UK to build 20000 new homes in the frame of the Affordable Housing Finance Programme. EIB loans are not only provided for “normal”

³ http://ec.europa.eu/regional_policy/en/funding/financial-instruments/2007-2013-changes/

⁴ State of Housing in the EU, 2015, page 96

social housing. Recently, a 120 € million loan has been granted to Investitionsbank des Landes Brandenburg (ILB) for the refurbishment and construction of refugee accommodation in different parts of the Federal State. Overall, the project is expected to deliver housing for many of the asylum seekers arriving in Brandenburg until 2018.

In addition, the EIB recently started investing in new countries as well, such as Malta, Poland, Spain, Portugal and Ireland, and noted that other countries should follow⁵. Investing in housing is not only beneficial because of the stable return on investment or the generation of multiple socio-economic benefits, but also because of the stability it gives to the governance structures in the housing sector. As whether the financing is provided for renovation or new construction, the assurance of management and ongoing maintenance of the properties along with community outreach is ensured. All those elements contribute that the allocated money will be channelled to high quality projects.

STRATEGIC INVESTMENT

As a decreasing commitment to supply-side measures can be observed on national level⁶ and non-repayable grants tend to decrease in favour of other forms of support, access to private funding is gaining importance in the sector. Innovative ways to finance the economy are also taken into account by the EU. The relatively new, hybrid system, called the Juncker Plan (full name is European Fund for Strategic Investment - EFSI) which was launched in 2015 is a good example.

As EFSI provides funding for economically viable projects where it adds value and contribute to EU priorities, therefore, it fits the need of filling the market failure gap in the case of high risk profile projects that would not have the chance to get financing under EIB traditional lending. EFSI is a tool to guarantee and mobilise private investment in line with Europe 2020 objectives.

The social housing sector’s experience with EFSI so far include projects such the construction of 12,000 energy efficient housing (intermediate units) in France, the renovation of several hundreds of housing units as part of the urban regeneration of Lisbon or the construction of 1300 affordable residential units in Poland⁷. However, the 4% uptake of the overall EFSI budget on social infrastructures⁸ signals some obstacles for the use of EFSI in the social housing sector, such as:

- The deficit rules in the Stability and Growth Pact and the lack of the systematic use of investment clause to encourage more social investment.
- The Eurostat classification (which leads some Member States

⁵ *Intervention of Gerry Muscat, Head of Division Regional and Urban Development, EIB, Half-day EIB seminar organized by Housing Europe, Brussels, 13rd June 2016, Brussels*

⁶ *Public spending on ‘Housing and community amenities’ as % GDP decreased in 15 countries since its pre-crisis levels. It remained stable in 9 countries and even slightly increased in 4 countries, but in all these cases it was starting from very low levels. Eurostat, February 2017*

http://ec.europa.eu/eurostat/statistics-explained/index.php/Government_expenditure_on_housing_and_community_amenities

⁷ See more on EFSI project list:

www.eib.org/efsi/efsi-projects/index.htm

⁸ Investment Plan brochure, 21 June 2017, page 5

https://ec.europa.eu/commission/sites/beta-political/files/brochure-investment-plan-17x17-june17_en.pdf

to choose to put social housing in the perimeter of public administration when calculating the public deficit).

- Basel III rules on risk-weighted assessment and liquidity ratios (higher risk weighting and increased capital requirements would have a potential negative impact on lending to housing associations).

Furthermore, distribution of EFSI support shows that investments are concentrated in wealthier countries. The small size of the projects as well as the general economic conditions in some EU countries (especially in Southern Europe) are still obstacles to bigger involvement of the EIB (and EFSI as a guarantee for EIB loans). As the EIB works to maintain its AAA rating, the EFSI should be an opportunity to invest in activities and areas where access to capital through existing channels face limits.

In terms of the extension of the programme, the negotiations between the EU institutions is on-going, however we can already note their high support⁹ for an extended financial capacity, enhanced geographic coverage; earmarking for COP21 commitments; more targeted technical assistance to regions that face difficulties; closer cooperation between EIB and financial intermediaries; setting up new intermediary platforms; and new instruments for social services. For the social housing sector, other features would be also crucial in the future EFSI, such as:

- Technical assistance for developing sector based intermediaries which could cluster smaller projects
- Integrated approach with other social infrastructure investments (e.g. housing, healthcare)
- Involvement of social investment experts in the Advisory Hub which would facilitate the faster take-up of the sector.

In terms of the desired financial intermediaries, the lead organization needs to pass through lending rate to developer (+operating expenses) unlike commercial bank, providing long term financing at fixed rate (commercial bank requires refinancing), and acting in the public interest (which is reducing programme risks). The Housing Finance Corporation in the UK is a type of an entity which illustrates the sectorial approach.

Finally, the commitments of the European Commission in the context of the EU Pillar of social rights which strongly express the need for social investment should be also reflected in the EFSI. With the appropriate improvement, in long term, EFSI can finance high risk projects without project partners losing their triple A rating.

STATE OF PLAY ON POST-2020 AND THE FUTURE OF EU FUNDING

The negotiations on the 2021-2027 period have already started. The European Parliament, in its report on the 'post-2020 Cohesion policy'¹⁰ recommends to keep ex-ante conditionalities and partnership principle due to their high contribution to results. In addition, the Parliament also highlights that long-term objectives should remain the core function of cohesion policy and that there must be a balanced link

⁹ *Press release of the EP of 15 May 2017*
www.europarl.europa.eu/news/en/news-room/20170515IPR74885/meps-want-future-oriented-investments-in-neediest-eu-economies

¹⁰ *Report details*
[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/2326\(INI\)](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/2326(INI))

between cohesion policy and economic governance processes. Furthermore, the European Parliament expresses its concern about the suspension process of ESIF which it calls 'very counter-productive' linking the sanctions to deficits. Therefore, it advocates for not taking national co-funding into account in Stability and Growth Pact.

Some dialogue between the European Parliament and European Commission already started concerning the future indicators, acknowledging that the GDP indicator only is not enough to measure performance, thus alternative indicators should be studied.

The reflection paper on 'the future of EU financing'¹¹, prepared by the European Commission gives some inputs in the debate on how big the EU budget should be and how it should be financed. The report puts forward an idea of reducing economic and social divergences between and within Member States and providing incentives to support structural reform in line with the Semester process. Moreover, the Commission recognises that the financial instruments are only appropriate for revenue-generating projects and the existence of grants are crucial for projects with social impact, however it can be observed that it proposes the increased share of financial instruments as a general principle. Finally, the Commission is also looking at possibilities to set a single set of rules for existing funds to increase coherent investment and to ensure consistency between cohesion policy and competition policy (in particular state aid rules).

Overall, the reflection paper serves as a basis for a discussion between Member States and Institutions and contributes to the legislative proposal for the next programming period. It will be key in the years to come that the EU Cohesion Policy further supports these positive experiences and helps Europe house responsibly so that all citizens can benefit. For this, simplicity in accessing funds for those engaged on the ground will be key. The possibility to blend grants and loans (Structural Funds, EIB loans, European Fund for Strategic Investments etc.) is vital.

HOUSING, MIGRATION AND INTEGRATION

2015, the year with the highest number of displaced persons worldwide since World War II (EMF, 2016), marked an extraordinary influx of immigrants to Europe. However, the issue goes far beyond the refugee crisis and changes the social dynamics of the continent.

As large-scale migration towards and within Europe is becoming a norm, cities, local government and relevant stakeholders like providers of affordable housing in many countries are already offering solutions to the integration of refugees. Part of the daily job of social housing providers is to understand residents' needs and provide early support, which could take various forms: from employment and skills training to advice on welfare support and direct care provision - as highlighted by the examples below.

¹¹ *Paper published on 28 June 2017*
https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

Horton Housing Association in Bradford, UK

Horton Housing Association in Bradford works closely with partners including Bradford Council, private landlords, schools, its own training centre and other training providers and the Job Centre to make sure people coming to the city are given a warm welcome. Horton Housing Association provides accommodation, housing, healthcare and wrap-around support for 12 months to enable refugee families to settle into their new life in the UK. They are encouraged to engage in community activities and events, attend training, voluntary work and employment. Intensive support tapers off towards the end of 12 months as independence increases, but Horton Housing continues to keep in touch and offers support through a drop-in service twice a week should it be needed.

Startblok Riekerhaven in Amsterdam, the Netherlands

Startblok Riekerhaven is an innovative example. Startblok offers apartments built on former sports-grounds to refugees who have recently received their residence permit (status-holders) and to young persons from the Netherlands. The two groups are not only encouraged to mix socially but to think of themselves as building a new community together. They organize joint activities, like movie nights and football matches. Through a buddy system, they learn about each other's cultures. They also share responsibility for maintaining the buildings and grounds, a "self-management" structure intended to unite all the residents in the common cause of caring for their living space. Startblok offers 565 housing units consisting of 463 studios and 102 rooms in shared flats. Since July 2016, more than 550 young adults under the age of 28 have been living here. Half of them are Dutch, including students and others without the means to afford Amsterdam's high rents.

Gewobag in Berlin, Germany

In 2015 alone, 80,000 refugees arrived in Berlin. The Federal State of Berlin has identified integration as an important task. The public housing company Gewobag Wohnungsbau Aktiengesellschaft in Berlin recently launched a project for integration of refugees through the individual development of their vocational and professional qualifications as well as language skills, to help them enter the local labour market. This project was among the winners of the 2016 European Responsible Housing Awards.

THE EU PILLAR OF SOCIAL RIGHTS FROM THE SOCIAL HOUSING PERSPECTIVE

In spring 2017, the European Commission officially presented the long awaited European Pillar of Social Rights. The Pillar sets out 20 key principles and rights to support fair and well-functioning labour markets and welfare systems. What is very crucial for the housing sector is that the European Commission considers access to social housing as part of the Pillar. This suggests that it considers that a good social policy should promote access to social housing. More in detail, the Commission recognises the importance of:

- Access to social housing or housing assistance of good quality shall be provided for those in need.
- Vulnerable people having the right to appropriate assist-

ance and protection against forced eviction.

- Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion

SOURCES OF CONCERN

In terms of the legal nature of the Pillar, these principles and rights are not directly enforceable which means - as the European Commission explains - that 'they require a translation into dedicated action or separate legislation, at the appropriate level'. Important question is that how we can make sure that these rights and principles will be implemented. As is primary the responsibility of the Member States level, the EU can act according to the Treaty of Maastricht:

- Enforcement of the already existing acquis
- Social dialogue
- Policy guidance and recommendation through the European Semester
- Financial support
- New social scoreboard allowing for a monitoring of progress in terms of performances

The already existing acquis indeed needs to be better enforced, notably the Art 34 of The Charter of Fundamental Rights of the European Union which affirms recognition and respect of the right, inter alia, to housing assistance. As for the recent measures of the European Union towards the right to housing include:

- A Commission Recommendation of 2008/867/EC laying down that Member States should provide services that are essential for supporting social inclusion policies, such as housing support and social housing.
- A Commission Recommendation of 2013/112/EU which addresses the housing and living conditions of poor children.
- The Union Framework for National Roma Integration Strategies which recognises housing as a key area of intervention for the inclusion of disadvantaged Roma people.
- The Directive of 2012/29/EU of the European Parliament and of the Council establishing minimum standards on the rights, support and protection of victims of crime provides for the provision of shelter or any other appropriate interim accommodation.
- Finally, the UN Convention on the Rights of Persons with Disabilities also recognises the right to an adequate standard of living for people with disabilities and their families, including adequate housing, and to access to public housing programmes.

There is no doubt that the EU Pillar of social rights is the first clear attempt of the European Union to cover the different aspects of the right to housing in a comprehensive way. However it is mostly the Member States which have a major role to play here. The European Commission can only invite the Member States to adopt measures - according to the 3 principles - on national, regional or local level for more effective housing policies and to support universal and rapid access to shelter.

Another concerning aspect is that as a first try the European Commission plans to apply these principles in the EMU area and the Pillar will stay open to other Member States who are willing to join. This can definitely widen the gap in the efficiency of housing policies between South-North and East-West.

EU FUNDING GOING SOCIAL

It is positive that beyond the usual EU funding instruments such as ERDF for housing infrastructure and ESF for social services, the European Commission also mentions the EFSI for social housing investments. However, the affordable housing sector needs a greater push as according to the data of EIB, only 4 % of the Fund has been used for investments in social infrastructure. Finally, even though 95 % of FEAD is currently used for food assistance to homeless persons, the 5 % accompanying measures represent an important tool that need to be enhanced.

EUROPEAN SEMESTER AND THE NEW SOCIAL SCOREBOARD

The initiative of the European Commission to link the European Pillar to the European Semester is very much welcomed by Housing Europe. As the European Commission explains in the Pillar documents, 'the reform of social housing, the accessibility and affordability of housing, as well as the effectiveness of housing allowances' will be monitored and assessed in the Semester process and the Social Protection Committee will be following the progress. However, it is rather disappointing that no indicator in the Social Pillar Scoreboard refers to housing. We can only find indicators such as

- People at risk of poverty or social exclusion (% of total population)
 - Severe housing deprivation rate (% of total population living in overcrowded dwellings and exhibiting housing deprivation, by tenure status)
- which will not give a clear picture either on housing affordability, access to housing or on the effectiveness of housing allowances. Thus, there is no way for the Commission to follow whether Member States are making progress on the right to housing. Additional indicators (such as housing cost overburden by Eurostat) need to be taken into consideration as soon as possible by the European Commission and Social Protection Committee. Harmonizing the scoreboard with the housing related indicators of the Agenda 2030 (SDGs) such as
- Overcrowding rate
 - Housing cost overburden
 - % of population affected by fuel poverty (unable to keep homes adequately warm)
- would save energy of the institutions and can ensure a hands-on follow-up in long term.

HOUSING AND THE EUROPEAN SEMESTER

The European Commission published its annual country specific recommendations to the member states on 22 May 2017. Despite the fact that the country analysis published earlier in the year (which constitute the basis for recommendations) included detailed analysis of the housing markets in each country, only four countries have received recommendations related to housing in 2017.

- **Netherlands:** Use fiscal policy to support domestic demand, including investment in research and development. Take measures to reduce the remaining distortions in the housing market and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.
- **Ireland:** Enhance social infrastructure, including social housing and quality childcare; deliver an integrated package of activation policies to increase employment prospects of low-skilled people and to address low work intensity of

households. Encourage a more durable reduction in non-performing loans through resolution strategies that involve write-offs for viable businesses and households, with a special emphasis on resolving long-term arrears.

- **Sweden:** Address risks related to household debt, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, while constraining lending at excessive debt-to-income levels. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.
- **United Kingdom:** Take further steps to boost housing supply, including through reforms to planning rules and their implementation.



Find out more:

- *2017 European Semester: Country Specific Recommendations / Commission Recommendations*

https://ec.europa.eu/info/publications/2017-european-semester-country-specific-recommendations-commission-recommendations_en

HOUSING AND THE EUROPEAN ENERGY POLICIES

INTRODUCTION

There is a clear consensus about the important role of housing retrofitting in meeting the climate objectives that have been collectively agreed in order to halt global warming. However there is a lack of detailed understanding about the drivers for energy renovation, despite a vast number of recent EU projects and reports¹². The EU policies in the field of energy have therefore a role to play in order to shape the adequate framework for more and affordable renovated homes. The social housing segment is particularly relevant for policy makers: although social housing, cooperative and public housing make on average only 11% of the housing stock of the EU countries, their energy performance is on average better than the private rental or the homeowners sectors, the expertise of social housing providers in renovation activities is getting increasingly strong and it is the segment who by definition caters for low-income families, people with special housing needs and more generally people who can't find a decent and affordable accommodation on the private rental market nor through access homeownership. Making renovation affordable for low-income social housing residents is the key question for social housing providers.

The EU policies in the field of energy have tried to cope with the main challenges of quality of supply (for both renovation and new build), low cost finance, regulation (such as the split incentives) and the aggregation of demand.

I. Quality of supply: towards nearly zero energy homes in the social, cooperative and public Housing sector and cost optimal refurbishment

The European Union (EU) sets a series of requirements for newly built homes. Existing requirements from Energy Performance of Buildings Directive are about making sure that

¹² For instance: www.powerhouseeurope.eu

all new buildings will be nearly zero-energy by the end of 2020. As the Directive states 'nearly zero-energy building' means a building that has a very high energy performance, as determined in accordance to national standards using commonly agreed principled. The nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby. To achieve nearly zero energy homes in the new build by 2020 would require an improvement if not transformation of the supply chain, chiefly in the construction sector. There is indeed a growing consensus about the importance of the construction industry in achieving a fair energy transition but also about the need to boost innovation and productivity in the sector to build and renovate more buildings in a cost efficient way.

To address innovation and productivity, part of the industry is moving toward a manufacturing-inspired mass-production system, in which the bulk of a construction project is built from prefabricated standardized components off-site in a factory. In countries like the Netherlands¹³, France, UK, Germany, agreements between housing providers and construction/renovation companies have been struck and might give rise to a new wave of renovation of social housing in the years to come.

II. Low cost finance for energy efficient social, cooperative and public housing

The question of the financing of renovation of social housing remains an important one in the debate about the energy transition. The volume of investment needed for the renovation of one apartment is still an obstacle for many owners (be they homeowners, private or social landlords). It is therefore crucial that the cost of financing is brought down. The right mix between private finance, public support and own capital needs to be found by social housing providers in various national legislative contexts.

How does the EU address this? The draft revised Energy Performance of Buildings Directive states in its article 2¹⁴ that "To guide investment decisions[...], Member States shall consider the introduction of mechanisms for: (a) the aggregation of projects, to make it easier for investors to fund the renovations; (b) reducing the perceived risk of energy efficiency operations for investors and the private sector; and (c) the use of public funding to leverage additional private-sector investment or address specific market failures". This calls for mechanisms that will help housing providers get access to low cost capital. However the implementation phase of the revised Directive might be too long to create a significant boost in the market. Other currently existing initiatives have to be mobilised. The European Fund for Strategic Investment (EFSI) could be used in that sense since it combined a guarantee from the European Commission and loans from the EIB in order to attract match funding from public or private entities. The use of the European Structural and Investment Funds in particular in the form of financial instruments (revolving funds) and project development assistance (PDA) have also to be considered.

¹³ See for instance the *EnergieSprong* approach of retrofitting: <http://energiesprong.eu/> and the "serielles Bauen" concept for new construction in Germany: <http://web.gdw.de/wohnen-und-stadt/serielles-bauen/3570-seriellesbauen>
¹⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1490877208700&uri=CELEX:52016PC0765>

III. Regulation on split incentives and the use of energy savings to cover cost of investment

One important aspect of successful business models in the field of renovation is the fact that tenants contribute financially to the cost of renovation. For instance, the possibility to use "energy plan" paid by the tenants to the renovation companies (instead of paying energy bills paid to energy providers) is related to the national legislation. Indeed some countries like France, UK, Belgium considerably limit the possibility for housing providers to use energy savings to pay for the investment (part of the energy savings should directly benefit tenants) or to increase the rents after renovation¹⁵. This is typically a case of split incentives.

How can the EU address this? Article 19 of the Energy efficiency directive (EED) provides: "Member States shall evaluate and if necessary take appropriate measures to remove regulatory and non-regulatory barriers to energy efficiency in particular as regards the split of incentives between the owner and the tenant of a building or among owners, with a view to ensuring that these parties are not deterred from making efficiency improving investments that they would otherwise have made by the fact that they will not individually obtain the full benefits or by the absence of rules for dividing the costs and benefits between them, including national rules and measures regulating decision-making processes in multi-owner properties" The European Commission's role should be to facilitate the exchange of experience between Member States in order to allow a greater use of energy savings. The Concerted Action¹⁶ on the Energy Performance of Buildings Directive (EPBD) is a relevant forum where those regulatory aspects can be discussed

IV. Demand for renovation of social housing

One of the key drivers for an increased demand for renovation of social housing is the existence of a guarantee of performance and a clear division of the roles between the renovation companies and the housing organisations. The concept of energy performance guarantee is linked (although not similar to) the concept of energy performance contracting. Energy performance contracting (or EPC), is recognized as a guaranteed, cost effective and scalable procurement method for reducing the operating costs and environmental impacts of buildings. Under a performance contract, an Energy Services Company (ESCO) with technical know-how provides a comprehensive building retrofit, which can include the replacement of boilers, insulation, cooling systems, and lighting and temperature automation controls, as well as the integration of energy data management software and on-site renewable energy systems. How can the EU address this? The Energy efficiency directive¹⁷ provides in its article 4 paragraph 7c: "Member States shall encourage public bodies, including at regional and local level, and social housing bodies governed by public law, with due

¹⁵ For an overview of the different mechanisms to overcome split incentives: http://publications.jrc.ec.europa.eu/repository/bitstream/JRC90407/2014_jrc_sci_pol_rep_cov_template_online_final.pdf

¹⁶ www.epbd-ca.eu/

¹⁷ For an overview of the different mechanisms to overcome split incentives: http://publications.jrc.ec.europa.eu/repository/bitstream/JRC90407/2014_jrc_sci_pol_rep_cov_template_online_final.pdf

regard for their respective competences and administrative set-up, to use, where appropriate, energy service companies, and energy performance contracting to finance renovations and implement plans to maintain or improve energy efficiency in the long term".

However the lack of awareness and expertise in setting up EPCs and the model of energy performance guarantees in particular for housing providers subject to public procurement rules is a current limit. The European Commission can issue guidance documents for public authorities to incentivise the use the guarantee of performance thus referring to article 4 of the EED. For housing providers subject to public procurement rules, specific guidance on how to use the different form of procurements (for instance competitive dialogue) will be needed.

UNION LAW RECOGNISING THE GENERAL INTEREST MISSIONS OF SOCIAL HOUSING

The general interest missions entrusted by the Member States to social housing providers are recognised by the EU (arts.14 and 106.2 TFUE, art. 36 of the Charter of Fundamental Rights of the Union) as making a contribution towards the Union social and territorial cohesion.

The right to access to social housing is thus recognised, as so is the access to all services of general economic interest (SGEI). The public service obligations related to the conditions of occupation of social housing as a SGEI involves the Member States capping their rents and prices, setting conditions for the allocation of these affordable housing units to households whose requirements in terms of housing are not met by the market, and in general providing security of occupation of social housing via long leases or a right to remain. The recognition of the importance of social housing to meet the Union objectives was bolstered by a Decision taken by the European Commission exempting State subsidies granted to social housing from the obligation of notification. The logic behind this decision is clear: the social objective and the local nature of the activities of the social housing operators led the Commission to consider that they did not affect cross-border trade within the EU in a way that might run counter to the interest of the Union. Therefore, an exemption from notification was granted regardless of the amount of subsidy provided, including for the investments needed to provide social housing on the market.

In an answer to a parliamentary question, Margrethe Vestager, the European Commissioner for Competition, recognised that the Member States had considerable discretionary competence when defining social housing as a SGEI. Indeed, the scope and the organisation of social housing as a SGEI vary considerably from one Member State to another, depending on the history and culture of public intervention and the economic and social conditions that are prevalent in each Member State.

Commissioner Vestager stated that in order to be recognised as a SGEI, social housing must however meet a public need: the provision of housing to economically deprived citizens or to socially disadvantaged groups that, owing to constraints of solvency, cannot access housing under normal market conditions.

Under these circumstances, the Commission thus explicitly acknowledged that social mix and social cohesion were public policy objectives that were in keeping with the objectives of the Union and for which State subsidies may be granted in keeping with the SGEI Decision.

MEMBER
STATES
PROFILES
OF THE HOUSING
SECTOR

AUSTRIA

TRENDS IN HOUSING MARKETS

The Austrian housing system is characterized by a high share of rent (approximately 42% of dwellings) and in particular a high share of social rent within the rental sector: 24% of all dwellings (or 57% of all rental units) are provided by a public authority or a limited-profit housing association. [1], [2]. This fact contributes to overall rather stable and affordable housing conditions for the majority of households, and contributed to the fact that Austria did not experience a real estate and housing crisis in the years following 2008. A high quality level is also characteristic of the housing stock in Austria. In 2015, the average dwelling measures approx. 100 sqm, with an average 4.0 rooms per dwelling (multi-family housing 71 sqm/3,2 rooms) [1]

However, housing affordability is worsening. The average share of housing costs (including energy) on disposable income is 21%, but 40% for households below 60% of the median income. The share of housing costs has significantly increased since 2010, when it was 18% on average and 34% for households below 60% of median income. [4] In the private rental sector (+21% 2015 to 2010) and, even more, in the ownership sector strong price increases after the global financial crisis can be observed, particularly in metropolitan areas [1], [5]. The price dynamics in the ownership sector are driven by investments in this sector; there is an increasing trend to buy while the share of households owning their main residence remains rather stable. Due to high population gains - mainly caused by immigration - the housing demand remains very high in urban areas. Although production rates have significantly risen (2015 +21% compared to the average for 2010-2014 in the social sector, +9% in total), there is an obvious gap between demand and supply in the social and affordable housing segment. [2], [3]

POLICY DEVELOPMENTS

Austria continues to pursue a supply-orientated housing strategy with focus on rental tenure, which contrasts with the drift towards more demand-side strategies and home-ownership-promoting policies in other European countries. However, at present the shrinking affordability of housing especially for low-income households and new entrants in the housing market dominates the political discussion. Several incentives aim at increasing production of new affordable housing units:

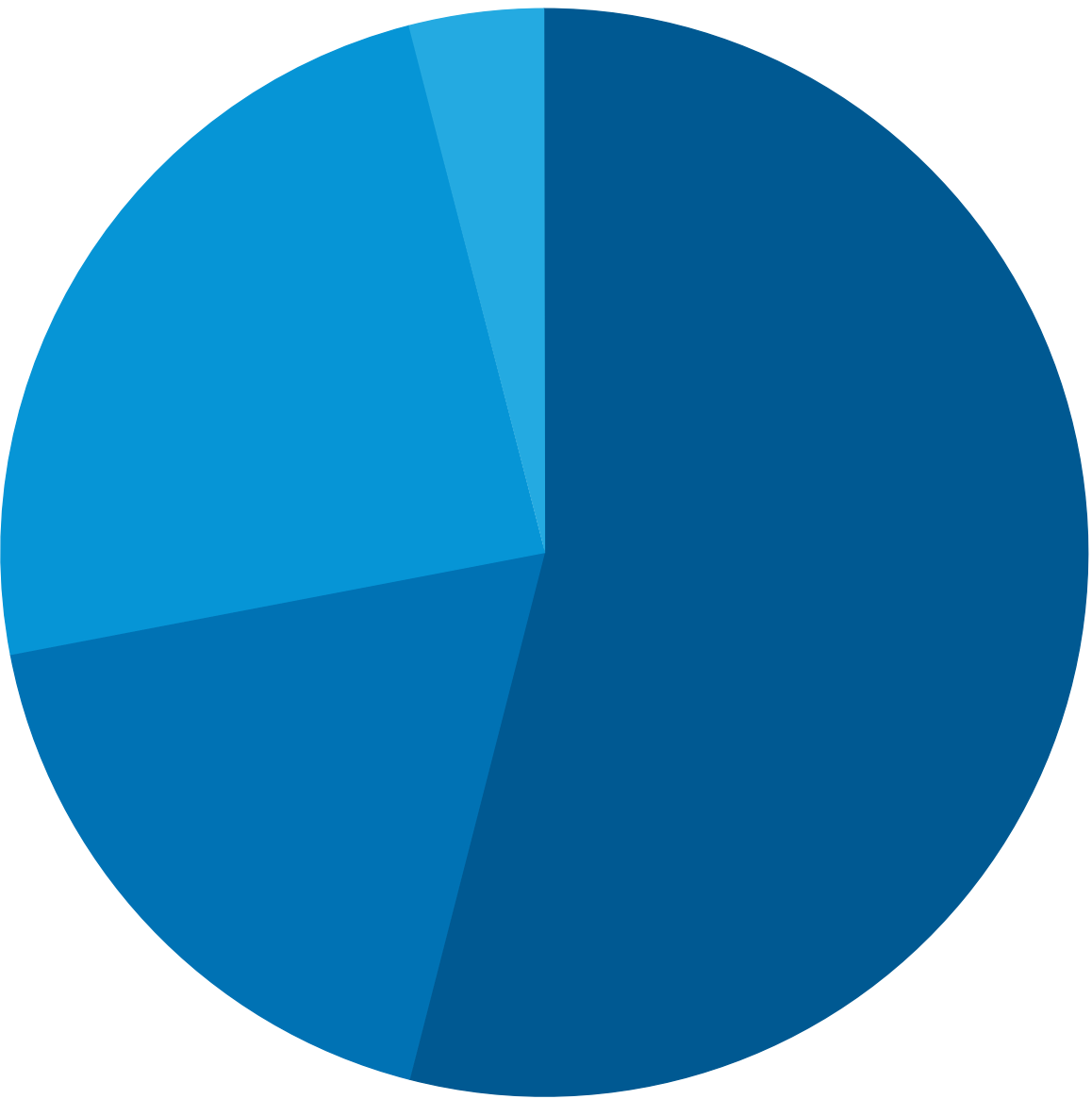
- Mobilisation of land and introduction of planning obligations or land use regulation (e.g. "urban development agreements").
- Reducing production costs by adapting standards within the subsidized sector (which usually are more ambitious than those set in the building acts).
- Introducing special offers of affordable housing - e.g. housing with reduced amenities (no underground parking lots, no elevators, no balconies) or housing with reduced floor space but optimized floor plans.

Furthermore, at the moment the government is workign on setting up a financial aggregator which could act as an intermediary to attract funding from EIB to be channeled into the provision of affordable housing. Concerning the legal framework, the planned reform of the complex Austrian rent regulation system (Rental act) has been postponed.

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Austria continues to pursue a supply-orientated housing strategy with focus on rental tenure



OWNER OCCUPIED 54%
PRIVATE RENT 18%
SOCIAL RENT 24%
OTHER 4%

- Number of dwellings (thousands): 4 593
- Number of dwellings per 1000 inhabitants: 547
- Housing completions in 2015: 50 100

- Number of social rental dwellings: 954 300
 - Yearly social housing completion in 2015: 17 800
 - Providers: municipalities, Limited - Profit sector (including cooperatives and companies), also limited provision by for-profit providers
- (Source: GBV, Statistics Austria)

- High quality of dwellings, large living space
- Overall stable and affordable housing condition for the majority of the population
- Policies supporting affordable housing supply

- Increasing rents in the private sector and house prices which are driving worsening affordability especially for low income households

BELGIUM

TRENDS IN HOUSING MARKETS

In Belgium almost 65% of the housing stock is owner occupied. The rental sector represents about one fourth of the stock, with social rental housing at about 6% of the total. Looking more in details at the three regions, Flanders is the one with the highest share of home owners and the lowest share of rental housing. On the contrary, Brussels has the highest share both of tenants at market price and social housing, while Wallonia is between the former two (Census 2011).

Unlike many other EU countries, the housing market in Belgium appeared relatively unaffected by the global financial crisis, with steady growth of house prices and availability of mortgage credit and a small number of non-performing loans compared to other countries.

Investment in housing construction is relatively stable. Over 51 thousand building permits for residential dwellings were issued in 2016. The number of building permits peaked in 2006 at 61,000, and after that the annual average has been of about 50,000.

House price falls during the 2007/2008 crisis were relatively minor both in size and duration when compared with a number of other euro area countries. Overall house prices rose sharply in real terms prior to 2008 (by around 70 % in 1997-2008 or 5 % on average annually). They have been broadly flat since, increasing by 0.5 % on average annually (European Commission 2017). However, in the light of the fast increase in household indebtedness and price developments, there is disagreement among experts on whether house prices are currently over-valued or not. The European Systemic Risk Board warns there are sizeable pockets of vulnerability: specific groups of highly indebted households hold large mortgage loans compared to the property value and spend a high proportion of income on debt service, or have a low level of net financial wealth compared to their indebtedness (Ibid.).

The rental market is particularly under pressure in Brussels which is experiencing a demographic boom. According to the SILC (Statistics on Income and Living Conditions) survey, the average monthly market rent (excluding charges) in 2014 was 626 € in the Brussels-Capital region, 605 € in Flanders and 518 € in Wallonia. The average monthly rent for those renting social housing was significantly lower: from € 398 in Brussels, € 351 in Flanders and € 308 in Wallonia. At the same time the social rental sector is relatively small and insufficient to meet all demand (as an example, there are almost 40 thousand households waiting to be assigned social housing in Wallonia, about 28,000 in Brussels). However, contrary to many other European countries, the production of social housing has been increasing over recent years especially in Flanders (Housing Europe, 2016).

POLICY DEVELOPMENTS

In Belgium the Regions are fully responsible for housing policies. The three regions have different priorities linked with the different local conditions.

In Flanders, Since 2008, the number of units in the social rental sector in Flanders has risen from 139,392 to 150,903 at the end of 2015 (De Decker et al, 2017). The goal is to achieve 63.000 additional social dwellings by 2025. Furthermore, according to the Flemish Energy Renovation

Program, by 2020 all social dwellings must have insulating glazing, roof isolation and low-energy heating installation. Recent reforms ended life-long lettings in social housing and introduced rental agreements of 9 years.

In Brussels, there is an ongoing process of 'rationalization' of social housing companies which has led to a process of mergers and halved the number of public companies (from 32 in 2013 to 16 in 2016). The most recent housing plan includes the 'Alliance Habitat' plan which foresees the development of 4000 dwellings (3000 social and 1000 intermediate rent), and the establishment of a housing allowance for households registered on waiting lists for social housing. The plan also increased the budget for the renovation of the housing stock.

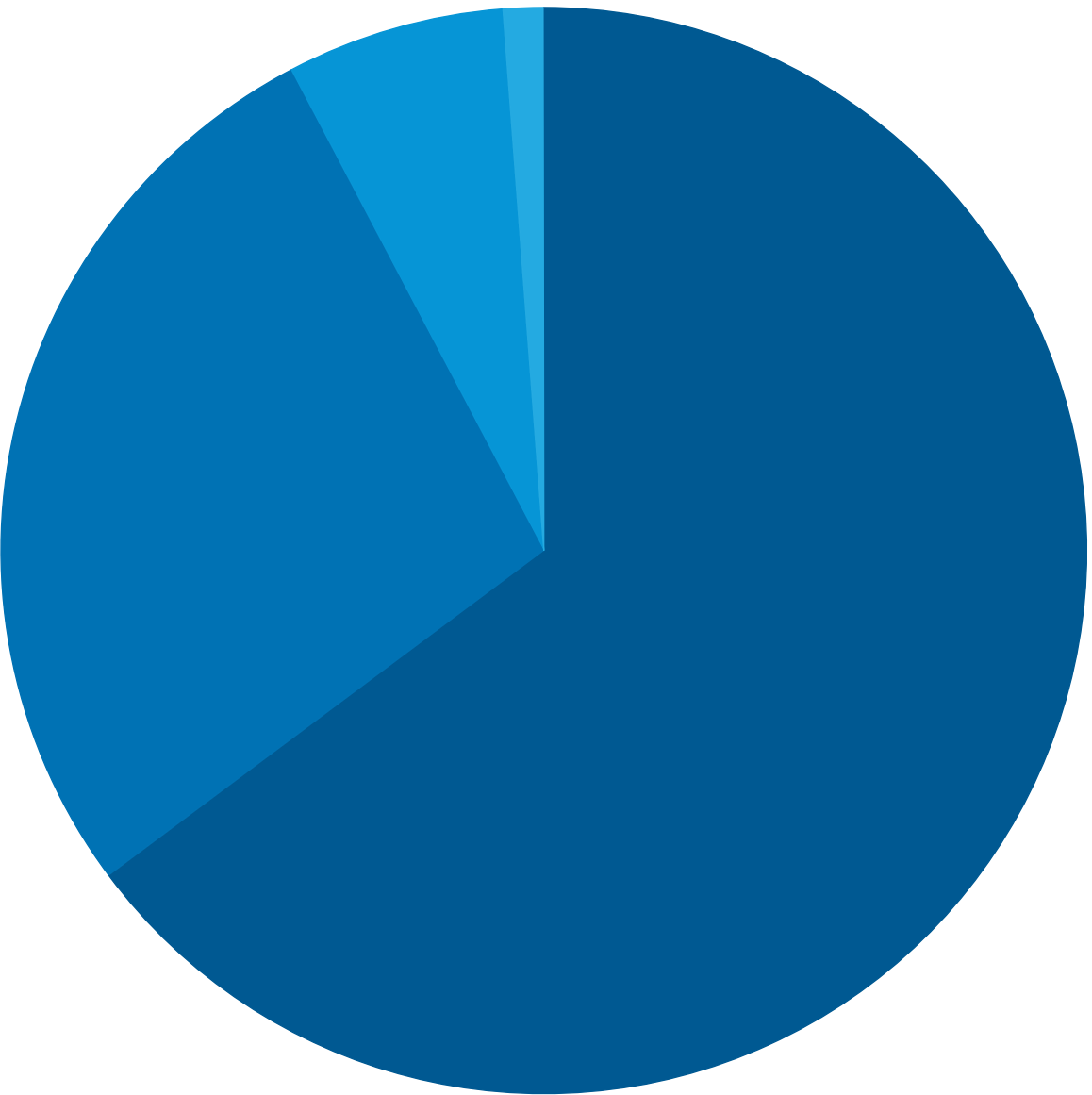
In Wallonia, the regional government has implemented a wide reform of the Housing Code which includes also social housing from 2018. The terms 'social housing' is replaced by 'housing of public interest'. At the same time, with the objective of increasing social mix, the income ceiling which determine eligibility of households has been increased. The reform also foresees a possibility for sitting tenants to buy their home after renting it for 6 years. The financing model for public housing companies is also modified by the reform: from 2019 onwards funding from the Société Wallonne du Logement will be replaced by credit, with a total budget set by the government and caps to borrowing in each municipality.

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In Belgium the Regions are fully responsible for housing policies.

The three regions have different priorities linked with the different local conditions



OWNER OCCUPIED 64.8%
PRIVATE RENT 27.5%
SOCIAL RENT 6.5%
OTHER 1.2%

- Number of dwellings (thousands): 5 367
- Number of dwellings per 1000 inhabitants: 474
- Housing completions in 2016: nav (51 654 building permits for residential dwellings)

- Number of social rental dwellings: 302 000
 - Yearly social housing completion in 2014: 4 000
- (Source: Census 2011, Housing Europe General Survey 2016, Statistics Belgium BeStat)

- Affordability in line with EU average
- Relatively low mortgage indebtedness despite high share of home ownership
- Overall increase in social housing supply, although starting from relatively low level

- Limited supply of good quality affordable rental housing, especially in high demand areas such as Brussels
- Possible overpricing deserving close monitoring

BULGARIA

TRENDS IN HOUSING MARKETS

From 2000 to 2008, Bulgaria had a house price boom, with residential property prices surging around 300%. The bubble burst at the end of 2008. Recently, house prices have once again increased rapidly, following easier lending conditions for households and labour market improvement. House prices growth is driven by trends in the capital Sofia. Housing construction is still way below the pre-crisis levels. Access to adequate and affordable housing remains a challenge for vulnerable people, also due to limited access to social housing (which is let by municipalities and it is estimated around 2.5% of the total housing stock only). Overall about 87% of households are owner-occupiers and 13% are tenants.

Although Bulgaria has a high number of dwellings compared to population size, 41.4% of the population lives in overcrowded dwellings (compared with an EU average of 16.7%). Housing quality in general seems to still be a serious issue in the country, with a rate of severe housing deprivation more than twice the EU average, and a high share of households who don't have indoor basic amenities (such as a flushing toilet or and bath/shower). Habitat for Humanity points out that 'The majority of Bulgarians own a house or a flat, but they struggle to maintain them. Many live in big blocks of flats constructed 40-50 years ago that have never been maintained ever since'.

Most important, indicators point to a widespread and growing level of fuel poverty: Bulgaria is the country in Europe with the highest share of households who cannot afford to keep their dwelling warm, and the highest share of households facing arrears on their utilities bills.

POLICY DEVELOPMENTS

The Ministry of Regional Development and Public Works started to develop a new National Housing Strategy at the beginning of 2017. The new strategy aims to establish more sustainable housing policies in Bulgaria. For the time being, there are rent allowances available for people living in municipal housing who are particularly at risk such as orphans under 25, old people living alone, single parents or people disabilities. There is also financial assistance available for households on very low incomes to heat their homes during the winter season (OECD, 2016). Poverty and social exclusion among the Roma population are particularly high and often they are also facing dire housing conditions. The Operational Programme "Human Resources Development" funded by the European Social Fund provides funding for the development of municipal projects which secure integrated services for Roma, migrants and the disadvantaged, including employment, education, housing and social services (EC). The Operational Program "Regions in Growth" provides the municipalities funding for building social homes in parallel to the above-mentioned "soft measures".

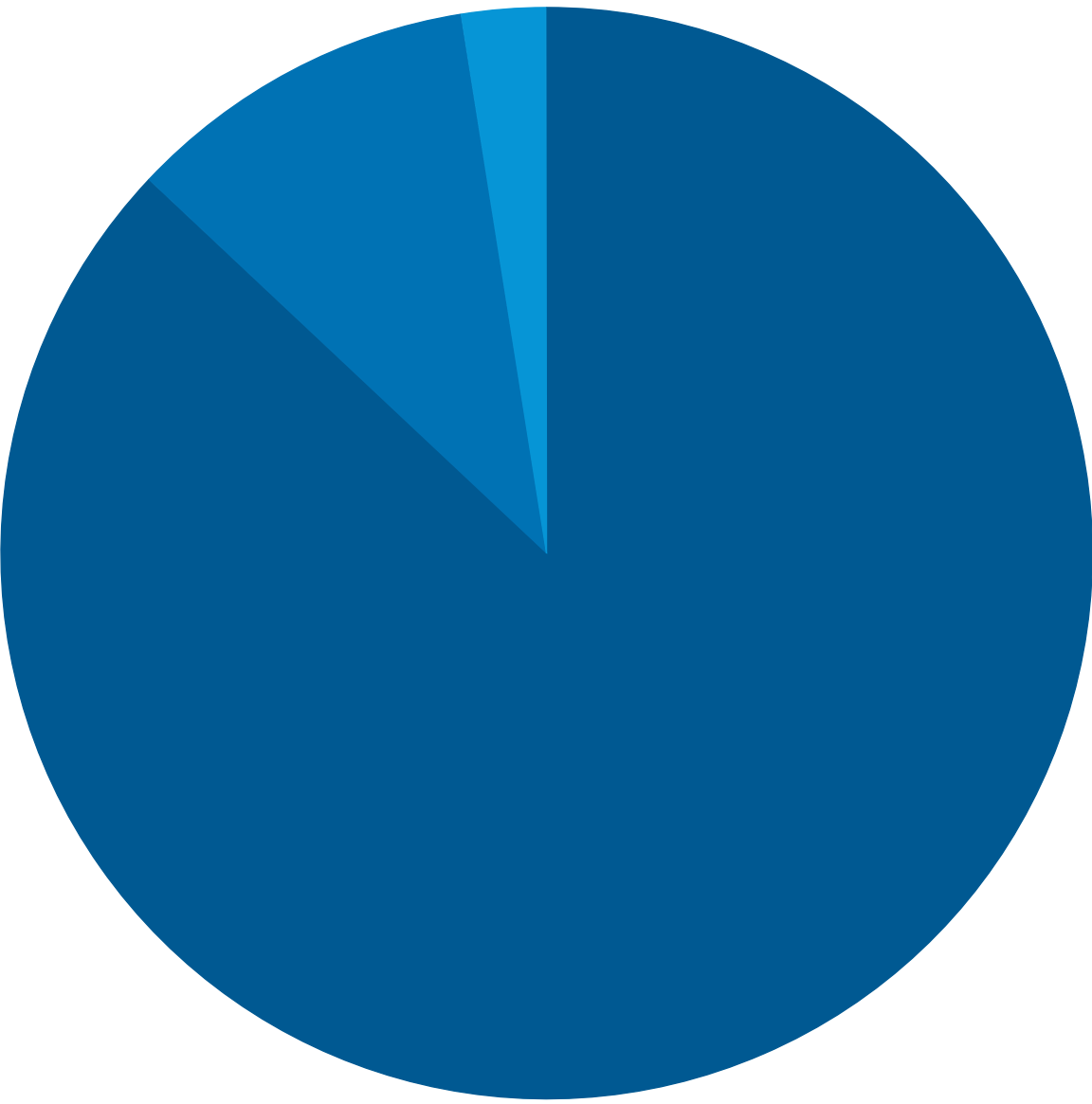
The National Programme for Energy Efficiency of Multi-Family Residential Buildings was adopted in 2015. It provides for financial assistance to owners of private residential buildings of no less than 36 apartments built under an industrial method. Bulgarian Development Bank (BDB) attracted financial resources in the amount of BGN 2 billion for the

implementation of the Programme, including credit from the Council of Europe Development Bank. The homeowners in approved buildings do not contribute to the renovation process, but are beneficiaries of 100% grant funding.

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The majority of Bulgarians own a house or a flat, but they struggle to maintain them. Many live in big blocks of flats constructed 40 - 50 years ago that have never been maintained ever since



OWNER OCCUPIED 87%
PRIVATE RENT 10.5%
SOCIAL RENT 2.5%

- Number of dwellings (thousands): 3 944
 - Number of dwellings per 1000 inhabitants: 551
 - Housing Completions in 2015: 7 806
 - Number of social rental dwellings: not available, roughly 70 000
 - Providers: municipalities
- (Sources: Bulgaria National Statistical Institute, EMF

- Hypostat 2016)
- Ongoing work to develop a National Housing Strategy and recently adopted programme for renovation of multi-family buildings
 - Some funding from Structural Funds for social housing and employment, education and integration measures for disadvantaged groups
 - Indicators point to highest levels of fuel poverty in Europe
 - Widespread overcrowding and problems with housing quality/lack of maintenance
 - Limited access to social housing and housing assistance

CROATIA

TRENDS IN HOUSING MARKETS

According to the latest Census, in 2011 Croatia had a population of 4 290 612 inhabitants, living in 1 534 148 private households located in 1 923 522 dwellings for permanent habitation. The total housing stock (including vacant dwellings and those that were not occupied as primary residence) amounted to 2 246 910 housing units in the same year. In 2011 89,4 % of households were owner-occupiers, 2.9 % tenants in the private rental sector, 1.8 % tenants with protected rent, 0.9 % rented a part of a flat; 4,2% lived with relatives and 0,6 % were living in other types of accommodation.

Croatia experienced a strong house price increase between 2002 and 2008. A housing boom and expectations of rapid convergence of income levels with the EU average fuelled the past household debt surge. This went hand in hand with increasing mortgage debt, including a high share of mortgages indexed to foreign currency: at the end of 2015 nearly 70% of existing mortgage loans were indexed to Euro and 20% to Swiss Francs. However, the country was strongly hit by the crisis. House prices started to adjust and credit growth to households started to fall. Nevertheless deleveraging by households has been slow as 'A sharp deterioration in labour market conditions and decreasing disposable income hindered swift debt repayment and increased the household debt burden' (European Commission, 2017). After six years of negative macroeconomic trends and falling house prices, in 2015 the Croatian economy started to improve and the property market slightly recovered. However, since the beginning of the credit crunch in 2008 when residential construction activity started to fall, the construction sector has not recovered (EMF, 2016). Besides national trends, it's important to keep in mind the significant differences between the coastal areas with a lot of foreign owned properties where prices basically kept rising over the years, and the rest of the country (Global Property Guide).

Access to quality and affordable housing in Croatia remains difficult, partly because the social housing sector is small - less than 2 % of all housing stock (European Commission, 2017). Almost 90% of the housing stock in the country is owner-occupied.

POLICY DEVELOPMENTS

Current housing policy priorities in Croatia include improving access to rental housing for low income households and improving quality of the existing housing stock (OECD, 2016). There are several national programmes dealing with housing, although their scope is relatively limited. The most significant one is the Programme of subsidised housing construction or 'POS'. POS is managed by the Agency for Transaction and Mediation in Immovable Properties and it provides state and local funding for housing construction by local not for profit organisations and municipalities. The average price of new dwellings built under the POS programme is significantly lower (30% lower on average in 2015) than those build by commercial developers (EMF, 2016). Apartments are mainly for home ownership but since 2015 they can also be let with an option to buy. POS also provides subsidised loans to households to build, renovate or purchase a home.

There are also the programmes 'Housing for homeland war victims', helping disabled veterans ensuring adequate accommodation, and 'Housing care in the areas of special state concern' which targets areas particularly damaged by the war.

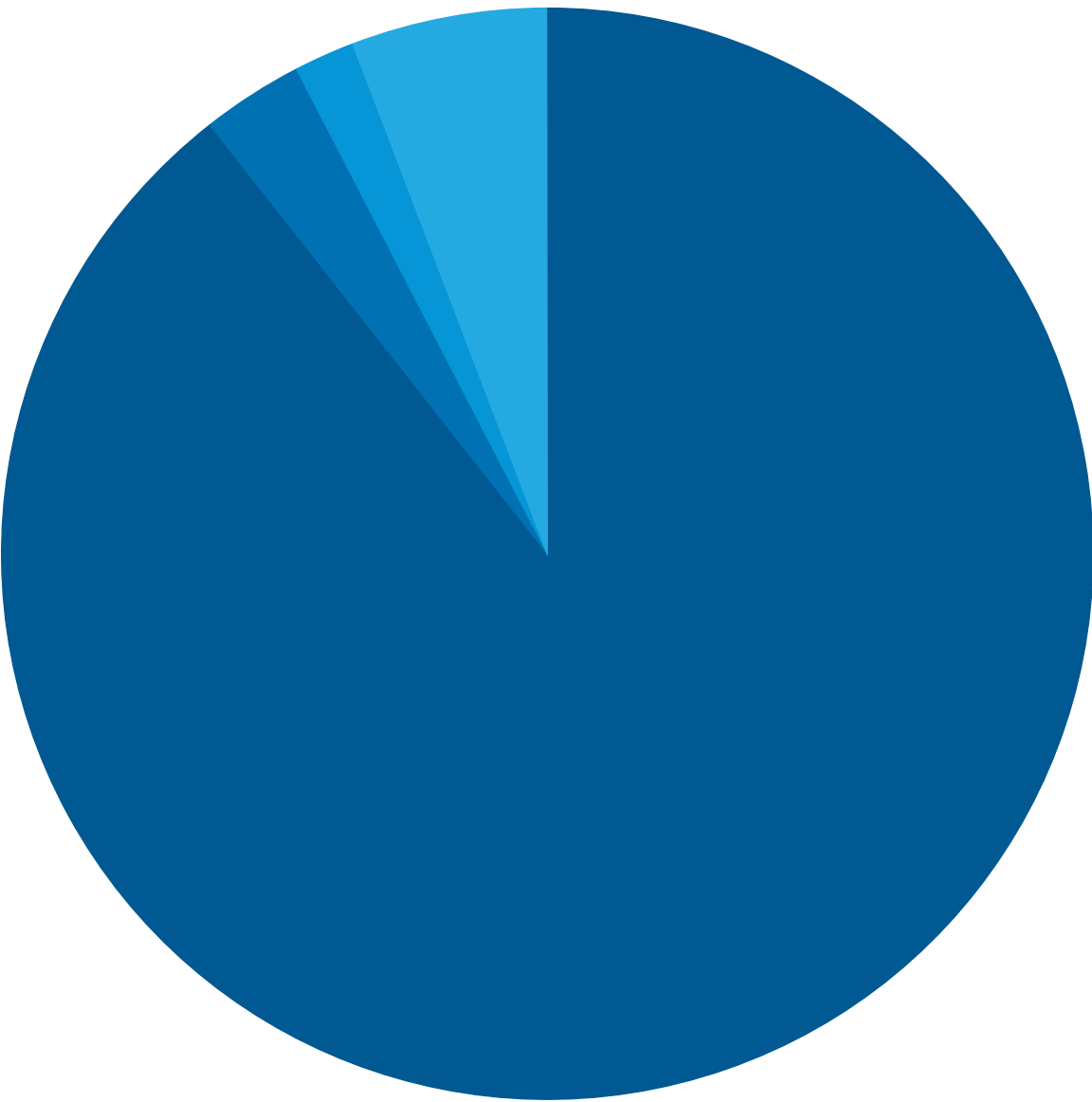
Finally, two different programmes for energy renovation exist targeting multi-residential buildings and family houses respectively.

It is also worth mentioning that at the beginning of 2015 the government intervened in the banks with a CHF portfolio as a consequence of considerable CHF/HRK exchange rate growth and problems caused with borrowers' debt repayments. In order to help borrowers, the government regulated an immediate CHF/HRK exchange rate fixation for a one-year long period and a possibility of converting CHF loans to EUR in that period, and forced banks to partially write-off of household loans in CHF (EMF).

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Significant differences between the coastal areas with a lot of foreign owned properties where prices basically kept rising over the years, and the rest of the country



OWNER OCCUPIED 89.4%
PRIVATE RENT 3%
SOCIAL RENT 1.8%
OTHER 5.8%

- Number of dwellings (thousands): 2 246
 - Number of dwellings per 1000 inhabitants: 524
 - Housing completions in 2015: 3 678
- (Source: Census 2011, EMF Hypostat 2017)

- Relatively low rate of housing overburden compared to EU average

- Problems with mortgage debt repayments including mortgages indexed to foreign currency
- Very small rental sector, both public and private

CYPRUS

TRENDS IN HOUSING MARKETS

In 2011, the year of the last Population Census, there were 312 700 households living in 433 212 dwellings in Cyprus. The tenure structure in Cyprus in 2011 consisted of 68.6 % owner-occupied dwellings, 18.8 % rented dwellings, 11.4 % were defined as intermediate tenures (such as usufruct, right to use an immovable property, shared ownership) and 1,2 % not defined. These two latter categories are included in the pie chart above as 'other' (Cystat, 2013). The housing market in Cyprus is also characterized by a high share of secondary and holiday homes and has relatively high structural vacancy.

Cyprus is among the countries which experienced the highest house price inflation in the EU until the crisis. Since then, the Cypriot housing market has undergone a sizeable price correction (prices have fallen by 32 % from the 2008 peak), but currently it shows signs of stabilisation. Housing investment has recently picked up, transactions have started to rise and the decline in housing prices has moderated. However, overall the housing market in Cyprus seems to be experiencing a less prominent but longer price adjustment in comparison for instance to those in Ireland and Spain (European Commission, 2017).

Cyprus has a high share of the population with arrears on mortgage or rent (8.8% compared to 4.2% average for the EU), particularly among those with an income below 60% of the national median income, with almost 50% of low income people in arrears. It also has the second highest share of population unable to keep their home adequately warm after Bulgaria, according to EU SILC data (4).

POLICY DEVELOPMENTS

A number of different schemes are in place in Cyprus, supporting home purchase (for large families and disabled people), home enlargement in case of cohabitation with relatives, amelioration of living conditions. Some schemes target specifically people on low-income or middle incomes, mainly through affordable home ownership programmes run by the Cyprus Land Development Corporation. The main purpose is to grant long-term loans to families who want to acquire their own home. Priority is given to families on low and medium income groups.

The other main public agency involved in housing is the Housing Finance Corporation, whose main purpose is to grant long-term loans to families who want to acquire their own home. Priority is given to families on low and medium income groups and at the end of 2016 a new scheme was introduced providing long term mortgage loans to young couples (Cyprus Mail, 2016).

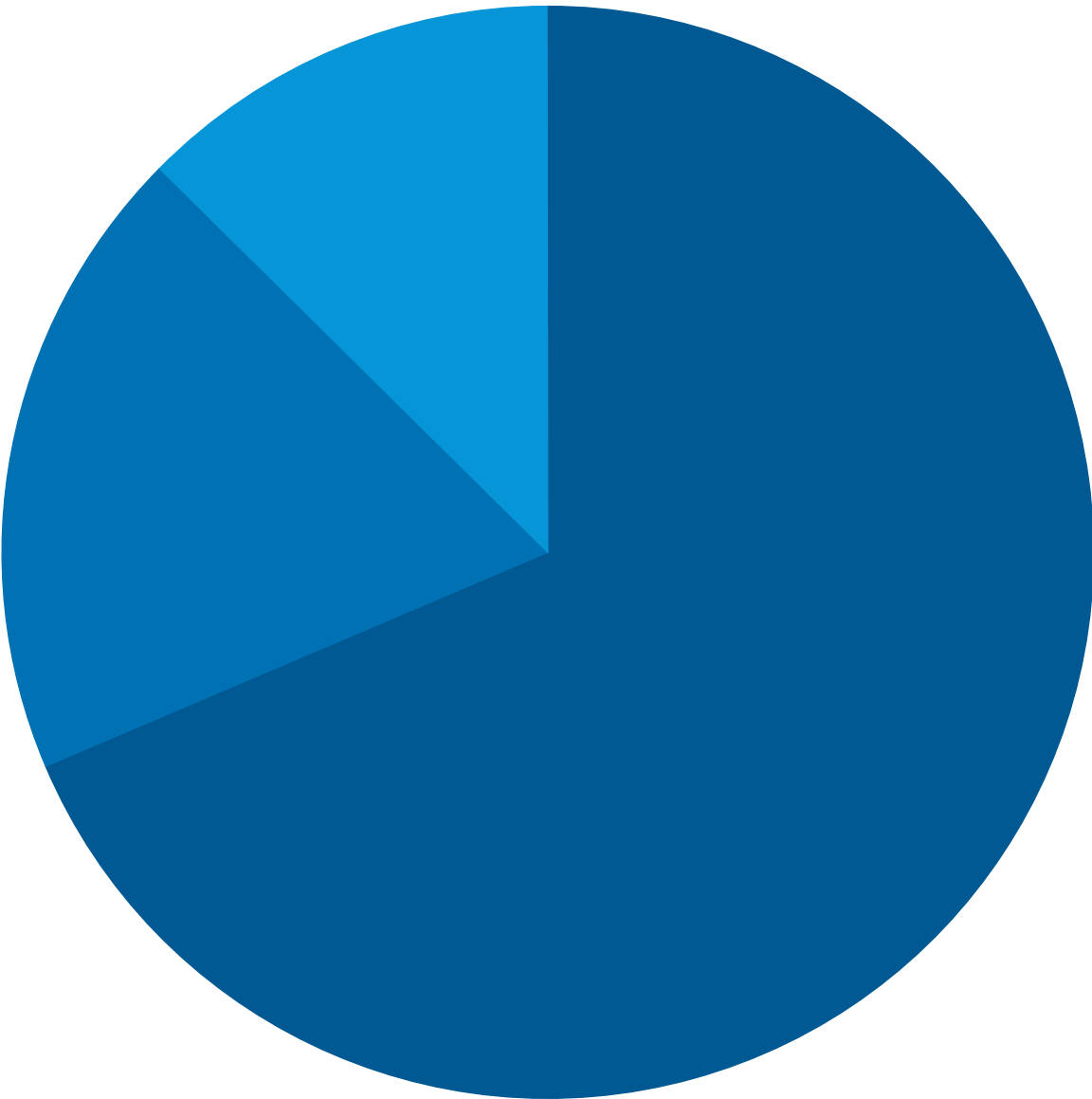
There are also a number of programmes targeting internally displaced persons, among others through rent subsidies, provision of units in specific housing estates, provision of land for self-building, grants for purchase or construction of a house or apartment. Furthermore, since 2014, there is also a housing allowance which, although paid separately, is part of the Guaranteed Minimum Income (GMI) scheme. The value of the housing allowance 'top up' depends on the size and area of residence of the recipient unit. It aims at reducing the housing costs of deprived households and it is available not only tenants, but also homeowners who

experience difficulties in repaying their mortgage loans (European Commission 2015).

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Overall the housing market in Cyprus seems to be experiencing a less prominent but longer price adjustment in comparison for instance to those in Ireland and Spain



OWNER OCCUPIED 68.6%
PRIVATE RENT 18.8%
OTHER 12.6%

• Number of dwellings (thousands) as of 2011: 433 212

• Number of dwellings per 1000 inhabitants: 392
• Housing completions in 2015: 2 390
(Sources: Cystat, Census 2011; EMF Hypostat 2017)

+ • Housing costs compared to disposable income as well as the housing overburden rate are the second lowest in the EU after Malta
• Recently introduced housing allowance as part of minimum income scheme

- • Second highest share of population unable to keep their home adequately warm in the EU after Bulgaria
• One of the highest shares of households having arrears on rent/mortgage payments

CZECH REPUBLIC

TRENDS IN HOUSING MARKETS

In terms of tenure structure, due to policy choices after 1990 the Czech Republic has more rental housing than most other post-socialist countries. According to results of the 2011 Census, homeownership rate is about 56%, coop housing formed 9%, public rental 8% and private rental housing 14% of the housing stock. Since then, as the public housing privatisation continued in several municipalities, the stock of public housing has probably further diminished to 6-7% of the total housing stock according to experts estimates (Lux, 2017).

The Czech Republic has experienced increasing house prices since their post-crisis low in 2013. Real house price growth accelerated to 3.9 % in 2015, compared to 1.8 % in 2014 (EC, 2017). There are several elements contributing to this increase such as historically low interest rates, strong economic growth, increasing real wages, and a good economic outlook (Global Property Guide, 2017). This has gone hand in hand with an increase in mortgage lending to households to unprecedented volumes, which has recently triggered the introduction of macroprudential rules by banking authorities (EC, 2017). Furthermore, housing supply was severely affected by the crisis, with the number of building permits falling by over 40% between 2008 and 2015. Since 2014 new housing supply has been recovering but it is still lagging behind further contributing to price increases, particularly in large cities where demand is highest (especially Prague, followed by Brno). In the capital, prices increase is also driven by the offer of luxury properties and the attractiveness to foreign investors (EMF, 2016).

Housing exclusion and homelessness are increasing among low-income households and the lack of affordable quality rental housing pose a growing challenge. The housing cost overburden rate among those at risk of poverty in 2015 was high at 48% (compared to 39.3% EU average), and it was particularly high among tenants at market price (SILC). The share of income spent on housing costs has been increasing for tenants in recent years, possibly linked with the process of liberalization of formerly regulated rents. Furthermore, according to data from the Ministry of Labour and Social Affairs, the number of people living in social hostels has extremely increased from about 11,000 people in 2008 to some 27,000 in 2014 (Ministry of Labour and Social Affairs). The total number of homeless people and at risk of losing housing was estimated at around 187,000 in 2015 and the estimated need for homeless shelters is double the current available capacity (EC, 2017).

POLICY DEVELOPMENTS

According to OECD (OECD, 2016) finalizing regulation of social housing and increasing investment in this area are key policy priorities of the current government, as well as the improvement of housing stock and its energy efficiency, and enhancing access to housing for young people and young families with children.

To understand current policy developments in the Czech Republic it is important to look back at the history of the country since the fall of communism. While the changes in Czech housing policy have many features in common with those implemented in other post-socialist states after 1990 (i.e. the end of the central planning, the withdrawal of the state from the direct financing of public housing construc-

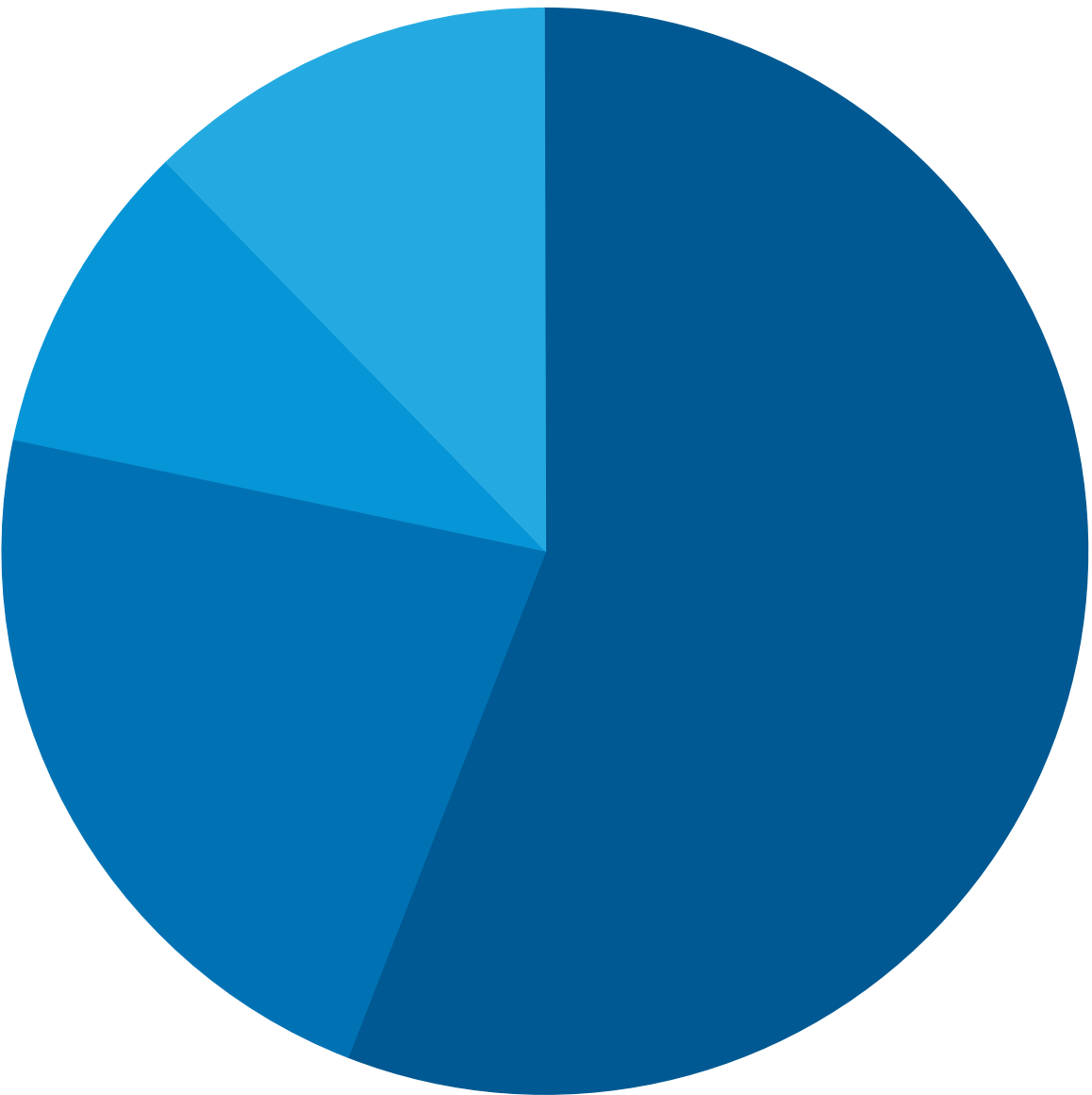
tion, etc.), there were also important differences (Lux). The Czech Republic ‘(a) did not apply a right-to-buy policy; (b) introduced the largest in kind restitution of residential properties in the CEE region; and (c) after two decades of strong rent control the rents for all running tenancies were finally fully liberalised at the end of 2012’ (Lux, 2017).

Decentralisation of power also meant the transfer of the housing stock from the state to municipalities. Over time, some municipal flats were privatised, some were rented out for market rents, and some were rented at below-market rent to people in housing need. For the latter case, the municipalities adopted their own systems to assess housing need, with obligations only vaguely defined by law. Despite the existence of funding from the central government for the supply of rental housing at low costs to people in need since 2003, there has been limited uptake by the local authorities. Furthermore, in the Czech Republic there is no special legislation to regulate not-for-profit housing or housing associations, and while some NGOs are active in provision of temporary housing/shelters, they are very little involved in permanent housing provision (Lux, 2017).

Recently, there have been positive signs such as the adoption in 2015 of a new Social Housing Strategy 2015-2020. An Act on social housing has been passed by the government and it was assumed to enter into force in 2018; however, the Parliament has so far failed to agree upon moving the bill to the second reading. It is therefore clear that the bill will not be passed by the Parliament during this term. Other support programmes related to housing include mortgage interest subsidies for young people buying their first home, and housing benefits – which have registered a significant increase in terms of government spending over recent years (OECD, 2016).

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OWNER OCCUPIED 55.9%
PRIVATE RENT 22.4%
SOCIAL RENT 9.4%
OTHER 12.3%

- ▶ **Number of dwellings (thousands): 4 756.57**
Number of dwellings per 1000 inhabitants: 454
Housing completions in 2016: 27 333
(Source: Czech Statistical Office)
- ⊕ **Adoption of a new Social Housing Strategy in 2015, but so far failure to adopt legislative measures**
- ⊖ **Many households in housing need especially in Prague and Brno**
Increasing housing cost burden among tenants
Increasing housing exclusion among low income households

DENMARK

TRENDS IN HOUSING MARKETS

According to the Statistics Denmark, in 2017 there were 2 815 045 dwellings in the country, out of which 2 662 595 were occupied dwellings. Approximately 50% are owner-occupied dwellings and 50 % are rented (1). In the years before the financial crisis property prices in Denmark registered large increases until 2008, followed by a downturn. Nominal house prices registered the strongest year on year decrease in 2009 (-12.9%), slightly increased in 2010 and then fell again in 2011 and 2012 by 2.8% and 3.2% respectively (2). The price decrease concerned mainly single family houses and holiday cottages. Most recently house prices have stabilized and are beginning to rise (3). Transaction activity increased slightly in 2012, but remains low in a historic context, and so does construction activity (2). Construction costs in Denmark are the second highest in the EU after Sweden.

Denmark has the second highest level of mortgage debt in the EU after the Netherlands (with the outstanding residential Loans to GDP ratio at 100.8%, and outstanding residential debt to disposable income of households ratio at 205.7%) (2). Nevertheless, household debt is matched by a high level of assets, such as real estate and very high pension savings, and arrears on mortgage payments are relatively low (4). However, in November 2016, the European Systemic Risk Board (ESRB) the main highlighted that the rapidly rising RRE prices - in particular in the major cities - in combination with highly indebted households represents a potential vulnerability for the Danish residential real estate sector (5).

POLICY DEVELOPMENTS

Based on a number of sources, we can estimate that social housing, rented by not for profit housing associations, represents roughly 20% of the total housing stock. Tenants both in private and social rented housing are entitled to housing allowances, depending on their income. In 2013, 553 355 tenants received rent subsidies. The problem of concentrations of socially deprived and ethnic communities on social housing estates has been on the political agenda over the past two decades and different solutions were implemented. Currently social housing associations have been increasingly active promoting initiatives aimed at local community regeneration such as among others establishing schools, running local employment initiatives, implementing crime prevention measures (6).

Another recent debate concerns the use of the National Building Fund. Set up in 1967, the fund collects part of the surplus generated by rents in the social housing sector once the construction loans are paid off. The Fund's level of investments as well as the concrete focus areas that can be supported within social development plans is laid down in political agreements made every 4 years by the Danish Parliament. Its resources have been used for renovation and repairs of existing social housing, but its income is set to grow in the coming years and the government and housing associations are discussing the best balance in the use of the fund between renovation and new construction (6).

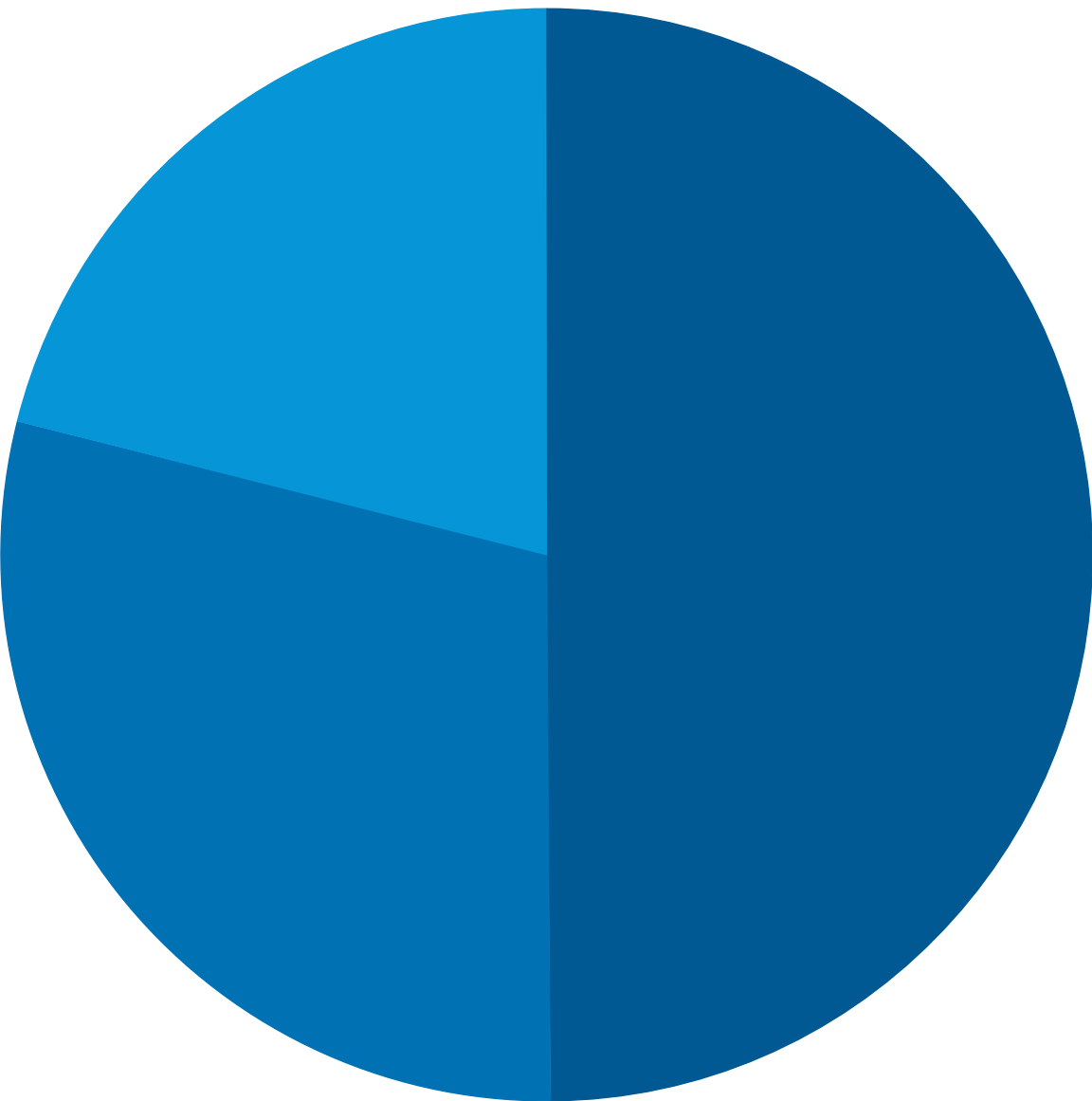
Recently there has been in general a strong policy focus on the environment and energy efficiency of housing. In early

2014 an energy renovation program was launched under the name of "Better Housing - Better Savings". The main goal of this program is to make it easier for homeowners to get qualified advice regarding to energy saving issues. In the same year, the government published its energy renovation strategy. The expectations are that the energy renovation strategy will lead to a 35% reduction in the energy consumption for heating and warm water by 2050. A new strategy for the building sector was also introduced in 2014, aiming at increasing growth, productivity and employment in the building sector and addressing some of the structural challenges in construction industry.

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Currently social housing associations have been increasingly active promoting initiatives aimed at local community regeneration



OWNER OCCUPIED 49.5%
PRIVATE RENT 28.8%
SOCIAL RENT 20.9%

- Number of dwellings (thousands): 2 815
- Number of dwellings per 1000 inhabitants: 490
- Housing completions in 2012: 13 851
- Number of social rental dwellings: 553 600

- Yearly social housing completion in 2012: 1 250
 - Providers: Not for profit housing associations
- (Sources: Statistics Denmark, EMF Hypostat, BL)

- + • Low share of people with arrears on mortgage/rent payment
- Highest share of young people living independently and leaving the parental home earlier than in the rest of the EU

- • Very high construction costs
- High level of mortgage debt
- Average housing costs compared to disposable income and the rate of housing overburden are the second highest in the EU

ESTONIA

TRENDS IN HOUSING MARKETS

The Estonian housing market is characterized by a high rate of owner-occupancy (82% of non-vacant conventional dwellings). The reminder is divided between public (1,7%) and private (15%) rental. Comparing data from the 2011 Census with those of 2000, the share of home ownership has significantly increased over the past decade while the overall share of rental housing has decreased. Furthermore, while in 2000 there were still 5% of dwellings under cooperative ownership, by 2011 there were no longer any cooperatives in existence (1). The vast majority of the housing stock in Estonia consists of multi-family buildings. The Apartment Ownership and Apartment Associations Bill will enter into force on 1 January 2018: from that date onwards it will be compulsory to establish apartment associations in multi-apartment buildings. Every apartment owner will have the right to obtain information concerning the activities of the apartment association from its board and to examine all relevant documents (2). It is estimated that already about 60%pf the population lives in buildings managed by such associations.

There is limited provision of rental social housing by municipalities, targeted at disabled people and low-income households. Tallinn is the only municipality which offers public housing also to young families and key municipal workers. While there is an oversupply of dwellings in rural areas, the housing market in the two largest cities, Tallinn and Tartu, is subject to great demand pressure. Other types of mismatches are related to the size of dwellings compared to size of households. In particular, young families frequently have difficulties starting their individual housing career, and families with many children are constrained in tight housing conditions, whereas elderly households often are in a situation of under-occupancy in detached houses or large apartments (1). As pointed out by the European Commission (3), Estonia's resource intensity continues to be very high and efforts need to be sustained and increased to achieve better energy efficiency in the residential sector.

POLICY DEVELOPMENTS

Current housing policy support mainly home ownership, with limited interference with the rental market only to target social housing for low-income people. However the government identifies the shortage of affordable housing and the need to create a suitable environment in terms of legislation and taxation as a major policy issue (4) There are three basic financial instruments used by the state in the field of housing: deduction of housing loan interest from taxable income, state guarantees on housing loans, and the subsistence benefit which can be accessed both by home owners and tenants (1).

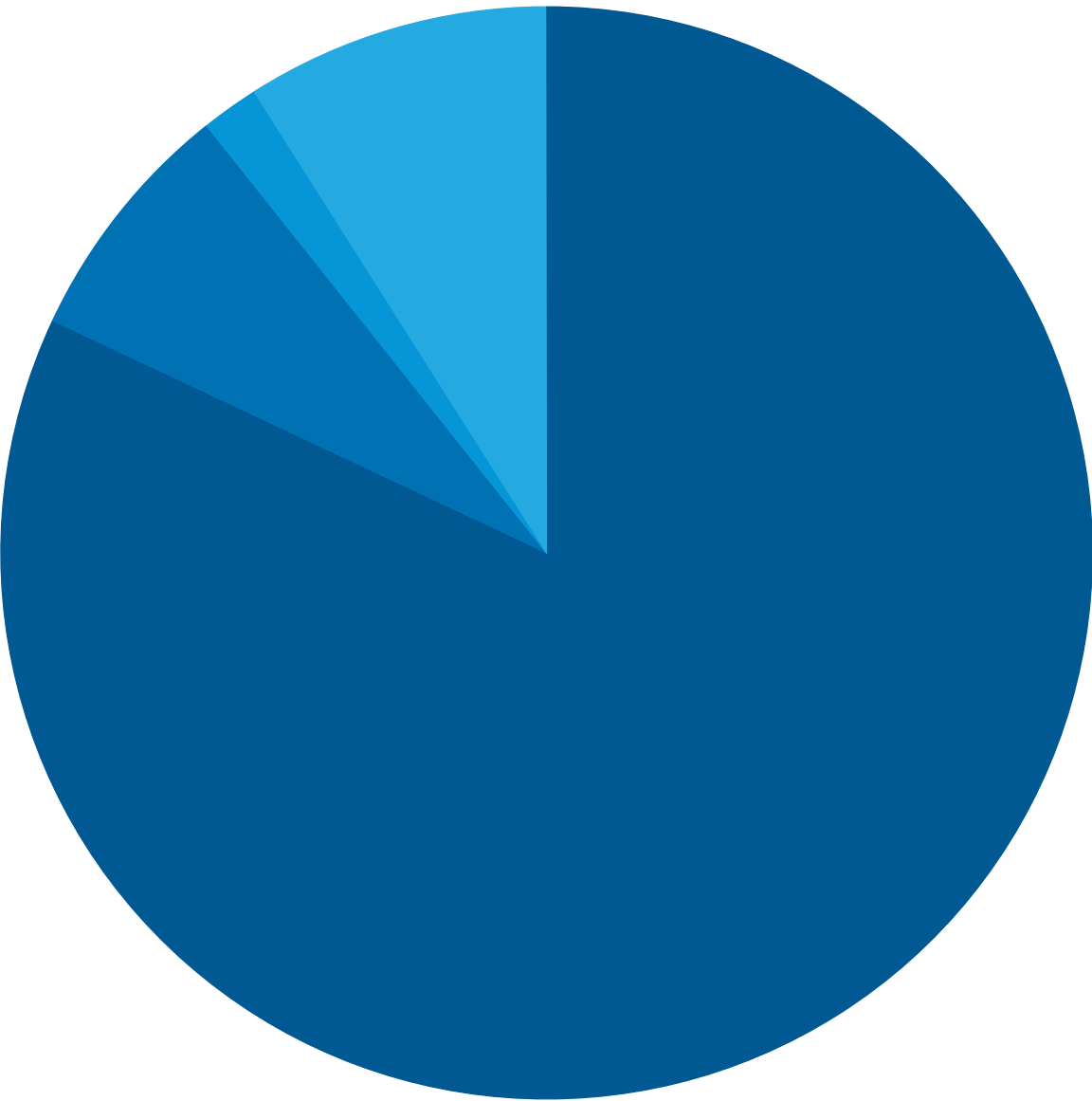
Experts highlighted the fact that the renovation fund triggered a significant positive impact on the residential sector (5). In March 2015, the regulation on the grants for reconstruction of apartment buildings entered into force, and apartment associations and local governments had the possibility to receive more support from the state via KredEx fund for repairing apartment buildings and reducing energy expenses. A total of 102 million euros have been allocated for the measure, thanks to which an estimated 1,000 apart-

ment buildings will be reconstructed. This is the first support measure from the European Union funding period for 2014-2020 in the field of energy efficiency (6).

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The renovation fund triggered a significant positive impact on the residential sector



OWNER OCCUPIED 82%
PRIVATE RENT 7.3%
SOCIAL RENT 1.7%
OTHER 9%

- ▶ **Number of dwellings (thousands): 665.3**
Housing completions in 2016: 4 732
(Sources: Census 2011, EMF Hypostat 2017)
- ⊕ **Apartment owners associations in multi-family blocks, which helps better managing buildings and renovation**
Funding for housing reconstruction and energy refurbishment
- ⊖ **Still high energy consumption in residential buildings**
Quality of dwellings in terms of basic amenities lower than EU average (lack of bath or shower, lack of indoor flushing toilet)
Very limited provision of social housing

FINLAND

TRENDS IN HOUSING MARKETS

According to Statistics Finland, at the end of 2015, there were 2 934 500 dwellings in Finland, of which 300 000 were without permanent occupation. At the end of 2015, 45 % of all dwellings were in block of flats. About 64 % of occupied dwellings are owner-occupied, and 32 % rented (of which about 60 % private rental and about 40 state-subsidized social housing under restrictions). Other types of tenures include 1.5 % right of occupancy, whereby the buyer purchases an up-front payment corresponding to 15 % of the value of the dwelling and pays a monthly charge. This type of tenure receives state subsidies and there are permanent restrictions on the use of the dwelling and sale price. There is also a form of partial ownership with an option to buy (1). The demand for rental housing has been growing significantly over the past two decades (2). In 2016, a total of 36 000 dwellings were completed, out of which 45 % were dwellings for rent in blocks of flats (3).

Property prices in Finland have been increasing for almost two decades, with nominal house prices increasing by 150 % since their 1993 trough, and leading to a cumulative inflation-adjusted growth of 84 % over the same period, a significant increase although less than in other Nordic countries. Unlike most other EU countries, there has been no significant reduction in house prices in the recent years except for a modest drop in 2008-2009. This has led to decreasing affordability and rising price-to-rental ratios. Furthermore, increasing property prices were mirrored by the increase in household debt, starting at relatively low levels and currently at the euro-area level (4). Nevertheless, the ratio of outstanding residential loans compared to GDP and compared to disposable income of households remain slightly below the EU average (5).

Over the past twenty years of upward trending house prices, supply seems to have been lagging behind housing demand. Restricted availability of building land significantly contributed to limiting housing supply, especially in areas experiencing strong population growth such as the Helsinki metropolitan area (4). A serious lack of affordable housing in Helsinki, the metropolitan area, has made it more difficult for young people and immigrants to find access to permanent housing there (6). Also, the rents of privately financed rental dwellings are high in the metropolitan area. Construction cost in the residential sector is also high in Finland, possibly contributing to low level of housing supply.

POLICY DEVELOPMENTS

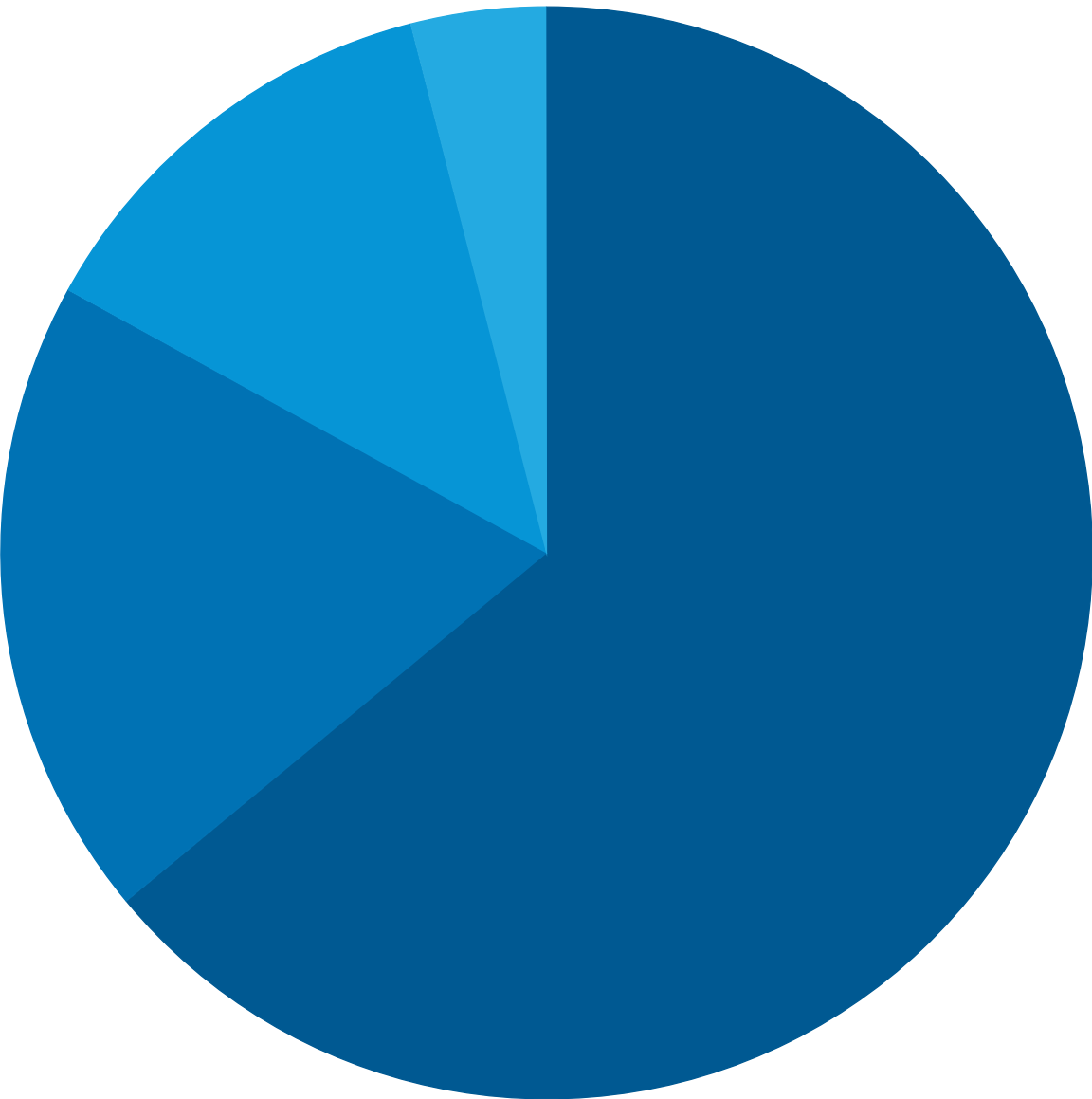
Social housing in Finland consists of dwellings financed through subsidized loans by the Housing Finance and Development Centre of Finland (ARA), and rented to tenants selected in the basis of social and financial needs. Rent is determined on the cost coverage principle for the duration of the loan, then rents become in principle deregulated. The main providers of social housing are municipal housing companies and other non-profit companies and foundations. The sector is relatively large and is characterized by a high level of social mix (7). In the beginning of 2017 income limits were introduced for the selection of tenants in social housing (3000 euros per month for single person households and 5100 euros for household with two adults), although in the metropolitan area only.

Housing allowances are also available helping beneficiaries to pay for rent, maintenance, heating and water supply. In 2016 they amounted to about 12.5 % of the total of social benefits for the year; and benefitted almost 860 000 households. Furthermore, Finland has introduced a series of reforms within the framework of the national strategy to end long-term homelessness which have proved particularly successful, and in the past years the country has managed to decrease homelessness, especially chronic homelessness, contrary to the general trend of increasing numbers of homeless people in many European countries (8). Based on the ‘housing first’ model, places in shelters and hostels are reduced and, with substantial investment, new apartments with rental contracts and social support for the formerly homeless clients were built (6).

Currently, Finland is dealing with two major demographic trends: ageing of the population and high immigration rate. To tackle these issues, the Finnish government has adopted the strategic document “Socially Sustainable Finland 2020: Strategy for social and health policy”. Among other measures, it plans to build a wellbeing network for ageing population, decreasing housing costs down to a level manageable by benefit recipients by developing the housing support system, and building sustainable and community friendly housing (1).

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OWNER OCCUPIED 64%
PRIVATE RENT 19%
SOCIAL RENT 13%
OTHER 4%

- Number of dwellings (thousands) in 2015: 2 934
- Number of dwellings per 1000 inhabitants: 535
- Housing completions in 2016: 37 000
- Number of social rental (under restrictions) dwellings in 2015: 374 000

- Yearly social housing completion: 8 000
- Providers: municipal housing companies, non-profit companies and foundations (Source: Statistics Finland)
- Lowest rate of severe housing deprivation in the EU
- Relatively low share of population overburdened by housing costs
- Decrease in long-term homelessness
- Among the countries with highest construction prices in the EU
- Lack of affordable housing supply in the Helsinki metropolitan area

FRANCE

TRENDS IN HOUSING MARKETS

After facing hard times in 2013 and 2014, the housing market in France has been gradually improving since spring 2015. The low level of interest rates has created favourable conditions for a rebound which was witnessed over the last 2 years: greater level of transactions, pick-up in price indices, higher level of investment and confidence. Construction of new dwellings has regained strength. Over the last 30 years, the housing stock has grown by 1% per year on average, meaning around 350 000 dwellings are produced every year. As of writing (September 2016), the trend is even higher than its historical average. Social landlords have contributed largely to recent housing market improvement with 113,000 social rental dwellings financed in 2014, 120,200 in 2015 and 124,200 in 2016. They also renovate more than 100,000 dwellings per year.

The French population today counts over 66,7 million people and the size of households continues to shrink (2,2 persons per household), resulting in increased pressures in terms of housing needs. Different parts of the country experience different housing issues. Job creation is increasingly concentrated around major cities and this is where housing needs are most stringent. Overall, in 2016, 1,9 million households were registered on waiting list for social housing.

POLICY DEVELOPMENTS

Since the last edition of the State of Housing in the EU report in 2015, many reforms were adopted which impacted significantly the work of social housing providers in France. First of all, the general reform of territorial governance established new responsibilities for inter-communal councils in the housing field. Local housing commissions were created to coordinate at local level the different bodies responsible for housing, and to define the priorities in the allocation process. Priority rules were clarified and transparency increased, while at the same time including a kind of choice-based letting system. At least 25% of new social housing allocations are now reserved for the most vulnerable, outside of poorest districts. The social housing stock will therefore be increasingly specialized in housing the most vulnerable. To balance the effects of allocations process, some flexibility has been introduced in the definition of the rent, so that a social housing provider will be able to mix in its stock different levels of rent (set by the different funding programmes, PLUS, PLAI or PLS).

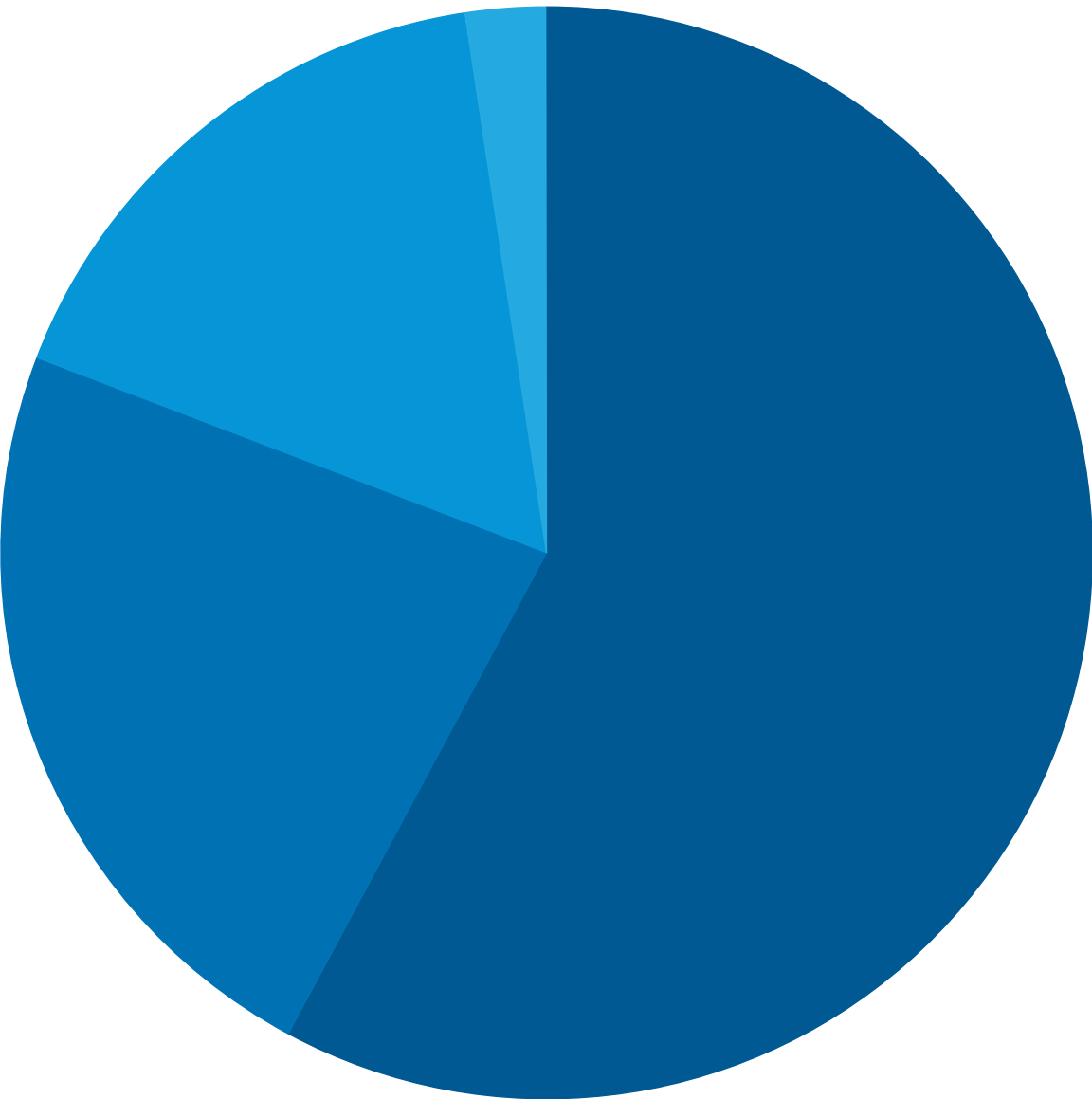
The existing obligation to reach 20% of social housing (established by the law ‘SRU’ in 2000) was also re-designed, increasing it to 25% in specific areas, defined according to population size, size of the housing stock and local needs. In 2015 a new body ANCOLS was created to control and evaluate HLM providers. Furthermore a new finance framework was set up, including a new national fund funded mainly by contribution from social housing companies with some state subsidies, which supports new construction. The employer contribution (1% lodgement) which goes into funding social housing was also reformed. Furthermore, the new law for the energy transition and Green Growth, adopted in 2015, is being implemented through decrees. This means lots of new rules for social

housing as, for example, the generalization of nearly zero energy buildings for new construction, a carbon indicator in thermal regulation, or individual metering for heating cost for buildings with collective system.

Following all the above mentioned changes, social housing providers decided to initiate a consultation process which resulted into the sector commitment ‘Caphlm’: the initiative proposes 45 measures around 4 pillars, namely social integration, performance and innovation for all, residential paths, and financial sustainability. However, in the meantime significant changes have been announced which may again impact social housing. The government presented in September 2017 a global strategy on national housing policies in relation the persistent lack of affordable housing and the expensive prices, notably in high demand areas. It revolves around 3 pillars: build more, better and cheaper; answer to every need; and better quality of life in neighbourhoods (including 5 billion euros for urban regeneration). Under each pillar a list of measures has been proposed.

Some of the measures proposed concern social housing provisions: to reduce public expenditure, a cut in the budget for housing allowances is already decided and it will particularly concern housing allowances to social housing tenants. This cut is supposed to be compensate by the social landlords themselves through reduction of rents. This could mean a decline of EUR 1,5 billion in the financial resources that support the social housing sector. That will take away half of the amount dedicated to maintenance or three quarters of the providers’ capacity to invest in new developments, affecting, of course, construction companies, too. A kind of right to buy regarding 40,000 units per year is also proposed in order to compensate for the decrease in housing allowances. Lifelong tenancies in social rental housing might also be modified in order to help the mobility. Following up to the announced strategy, legislative proposals should be presented end of 2017.

Social landlords have largely contributed to recent housing market improvement with over 124 thousand dwellings financed in 2016. They also have renovated more than 100 thousand dwellings per year



OWNER OCCUPIED 57.9%
PRIVATE RENT 23%
SOCIAL RENT 16.8%
OTHER 2.4%

- Number of dwellings (thousands) in 2016: 35 425
- Number of dwellings per 1000 inhabitants in 2016: 531
- Housing starts in 2016: 370 200 dwellings
- 4.8 million dwellings housing almost 10 million

people
• In 2016: 124 000 social housign units financed and 110 000 renovated

- Resilience of housing policy based on a wide diversity of actors and funding streams
- A highly regulated and strong social housing sector providing on average 100 000 dwellings per year
- Increasing diversity of local housing needs not reflected into national policy and regulation
- Lack of adequate supply of social and affordable housing in some regions, impacting jobs and mobility of workers

GERMANY

TRENDS IN HOUSING MARKETS

Germany is the only country in the EU where renting is still more popular than home ownership. According to recent figures from the federal statistics in 2014 around 54.6 % of all households are tenants and 45.4 % live in their own homes, showing only a slight increase over the last 5 years. Between 2003 and 2010, Germany's population on the whole slightly decreased, but since then the population has risen again—due to considerable immigration, in large parts coming from other EU-member-states and of course topped by recent refugee movements. In 2015 the net-immigration has reached a level of 1.1 million persons, a historical high since the end of World-War II. However, after closing down the so-called "route of the Balkans" at the end of 2015 the influx of refugees in Germany has declined markedly from 800,000 Persons in 2015 to about 280,000 refugees in 2016 according to calculations by the Federal Ministry of the Interior.

The significant migration gains strengthen the regional disparities of current housing market trends in Germany. There are big differences between growth and shrinkage: while there is strong demand-side pressure in metropolitan areas, on the contrary, population is decreasing in regions away from the hot spot areas, resulting in costly structural vacancy in the housing stock. Large towns and metropolitan areas showed over the last six years a relatively strong increase in numbers of inhabitants and households. For a few years now, rents in new contracts in big cities like Berlin, Hamburg, Munich, Cologne, Frankfurt, Stuttgart and Düsseldorf are rising disproportionately.

In the last decade housing construction has not kept up with population development in metropolitan areas and in university cities. In 2016 around 290,000 new dwellings were built, an increase by 130,000 units compared to 2010. But the actual new construction still falls short compared to the estimated need for 400,000 new dwellings per year. Thereby, according to a study by the GdW, 140,000 additional new rented dwellings in urban areas are required annually of which 80,000 apartments should be social housing and 60,000 affordable housing.(3)

Beyond the absolute changes in population size and the number of households, currently, the housing markets are clearly being shaken up by new patterns of intra-national migration. As Germans increasingly move across the country, a recent study (4) shows while some 30 high inflow cities in Germany have benefited from intra-national migration, practically all districts in rural areas have lost out.

The internal demographic shift in the country is being driven by younger people in particular entrants at the beginning of their career (25 to 34 year-old). The "new high inflow cities" where they tend to move to include Munich above all, followed Leipzig, Frankfurt/Main, Mannheim, Heidelberg, Darmstadt, Regensburg and Dresden. However, beyond the mobile youth, the German population overall is ageing fast. That's why the age-appropriate conversion of the existing housing stock is a big challenge. It is estimated that currently only about 700,000 dwellings in Germany are adapted to the needs of the elderly, while demand for adapted dwellings is expected to grow to 2.9 million dwellings by 2035.

POLICY DEVELOPMENTS

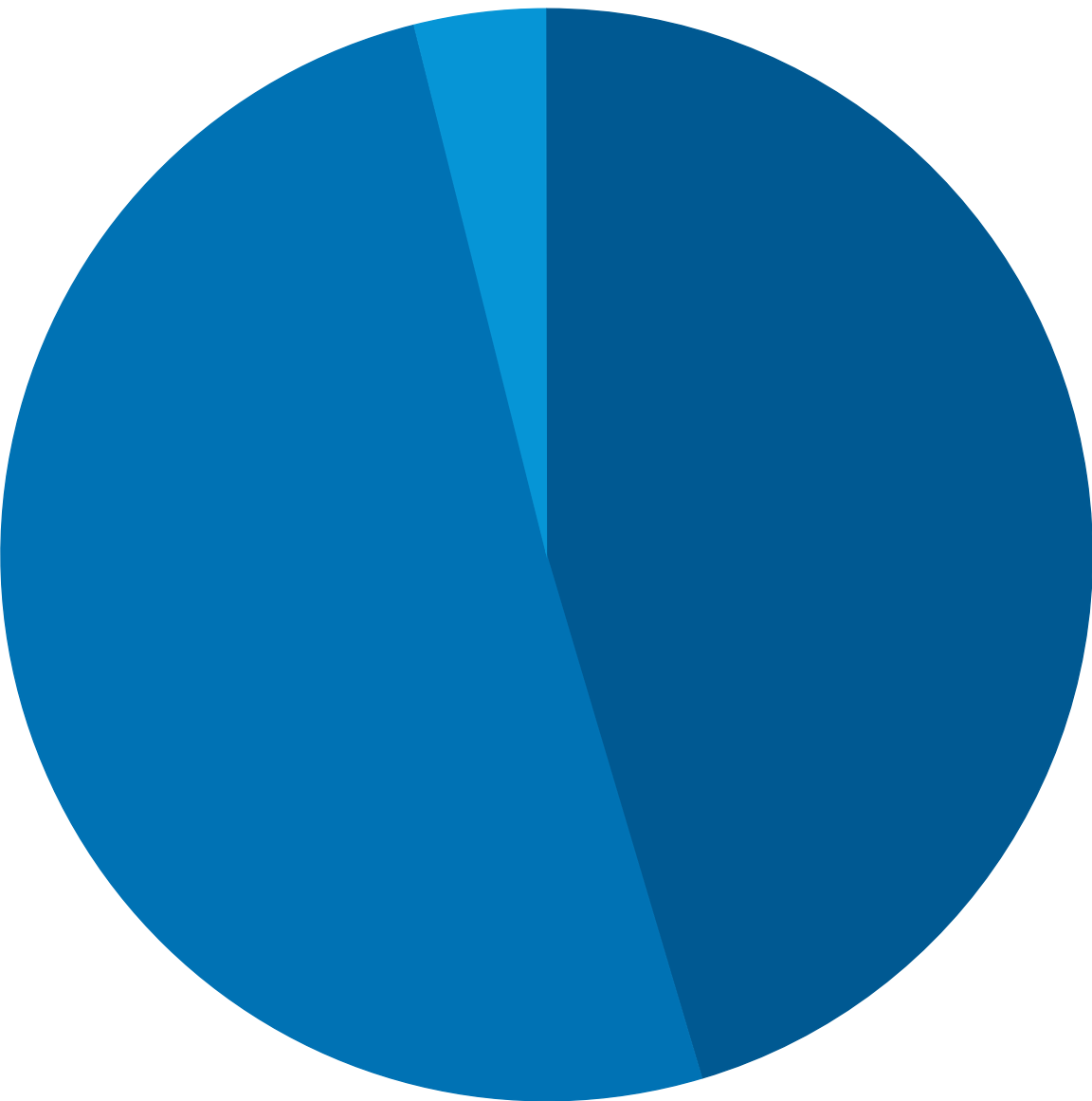
The need for new affordable housing units in urban markets

with high demand pressure puts the increase of construction prices on the top of the political agenda. Due to higher standards and technical developments in field of energy efficiency, fire safety and soundproofing the average construction costs for new dwellings have raised by 49 % between 2000 and 2016 (out of this 15% due to energy efficiency legislation) (6). After a wide consultation process, the Ministry for the Environment has recently put forward a report with a lot of promising measures including land mobilization, construction law deregulation and serial construction. Furthermore, recent rent increases in big cities and metropolitan areas has become a major political topic leading to further reinforcement of rent regulation. Since 2013, the federal states have the possibility to specify municipalities and regions of high demand where the three-year rent increase cap of 20 % is lowered to 15 % in existing contracts. Furthermore, since mid-2015 there is a legislation for rent increase in new contracts, the so called 'rental price brake'. For a period of five years rents in new contracts are not allowed to go up by more than 10 % in comparison to the reference rent for similar dwelling with the same size and location (with exceptions for new build dwellings and dwellings which were fundamentally modernized to improve their energy efficiency). By mid-2016 eleven out of 16 federal states have passed regulations which specify regional areas for the lowered rent cap and for the 'rental price brake'. Most recently, in response to the challenges of the high refugee inflow, the federal government has topped the compensation payments to the regional states for social housing. The aim is to improve the situation for all households with difficulties in gaining access to homes on the housing market, which includes holders of refugee status.

The social housing stock in Germany has been decreasing over the past two decades, from 2,570,000 in 2002 to approximately 1,390,000 in 2015. However, in the past two years the number of new completed social housing has risen again for the first time in years. In 2014 around 37,000 units were newly completed and 38,200 in 2015, compared to only 26,600 in 2012. Furthermore, mmunicipal housing companies, housing cooperatives and professional private housing companies - playing a leading role in housing development as well as social integration - are members of the federation GdW, for a total stock of 6 million dwellings. Apart from what is officially considered as social housing, they often apply rents below the market level.

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OWNER OCCUPIED 45.4%
RENT AT MARKET PRICE 50.7%
SOCIAL RENT 3.9%

- Number of dwellings (thousands): 41 446.3
- Number of dwellings per 1000 inhabitants: 504
- Housing completions in 2015: 247 722

- Number of social rental dwellings in 2015 (estimated): 1 390 000
- Yearly social rental housing completion in 2015: 38 200

(Sources: Destatis; GdW Wohnungswirtschaftliche Daten und Trends 2016/2017)

- Large rental housing sector
- New investment in affordable and social housing over the past 2 years
- High quality of housing

- New construction still falls short of growing demand
- Construction costs have raised disproportionately

GREECE

TRENDS IN HOUSING MARKETS

The social impact of the 2008-9 financial crisis has been extremely severe so far for Greece. Housing costs (including rental or mortgage interest payments and the cost of utilities) are the main items of expenditure for a substantial section of Greek households. In 2015 (1), Greece was the EU Member State recording by far the highest proportion (40.9%) of the population living in households where housing costs exceeded 40% of their disposable income. Although Greece continues to have a high ownership share, Home Ownership Rate reached a record low in 2016 (2) at 73.9% (after reaching an all-time high of 77.20% in 2010). Furthermore, the Greek housing market is strongly affected by the drop of GDP per capita, the shrinking of residential lending and the rise in taxation. Real estate taxes have grown up by approximately 6 times (€ 3bn.) in the five-year period 2010-2015. In 2016, Greeks paid a total of €3.5 billion in property taxes, up from €3 billion in 2014 and from just €500 million in 2009. Approximately €18 bn., or 8.2% of GDP, investments in construction were lost in 2008-2015, further slowing down the economic activity. Residential construction continues to decrease, with building permits falling 6.9% to only around 12.500 units in 2016, a striking contrast to the 70.000-80.000 permits issued annually from in 2004 to 2007.

The Greek housing market is currently an “outlier” of the European markets, with a 41% decline in house prices between 2008 and 2015 and a 72% drop in transactions volume within 2008-2014 (3). The Greek housing market is characterized today by over-supply, judging by the large stock of unsold property. Although the number of dwellings available for sale is hard to estimate, it is believed that in the mid of 2017 there are over 200.000 units due to homeowners and construction companies seeking liquidity and wishing reduce their tax burden.

The mortgage market was 34.9% of GDP by end-2016, down from 38.3% of GDP in 2015 and the lowest level since 2009. Many house-owners cannot repay their debt, and Greek banks hold about €108 billion in bad loans, just under half of all loans given out. Of these, around 41% are delinquent mortgages. The percentage of non-performing housing loans increased to 32.1% in 2016, from 31.6% in 2015, 28.6% in 2014, and 10% in 2010 (4).

POLICY DEVELOPMENTS

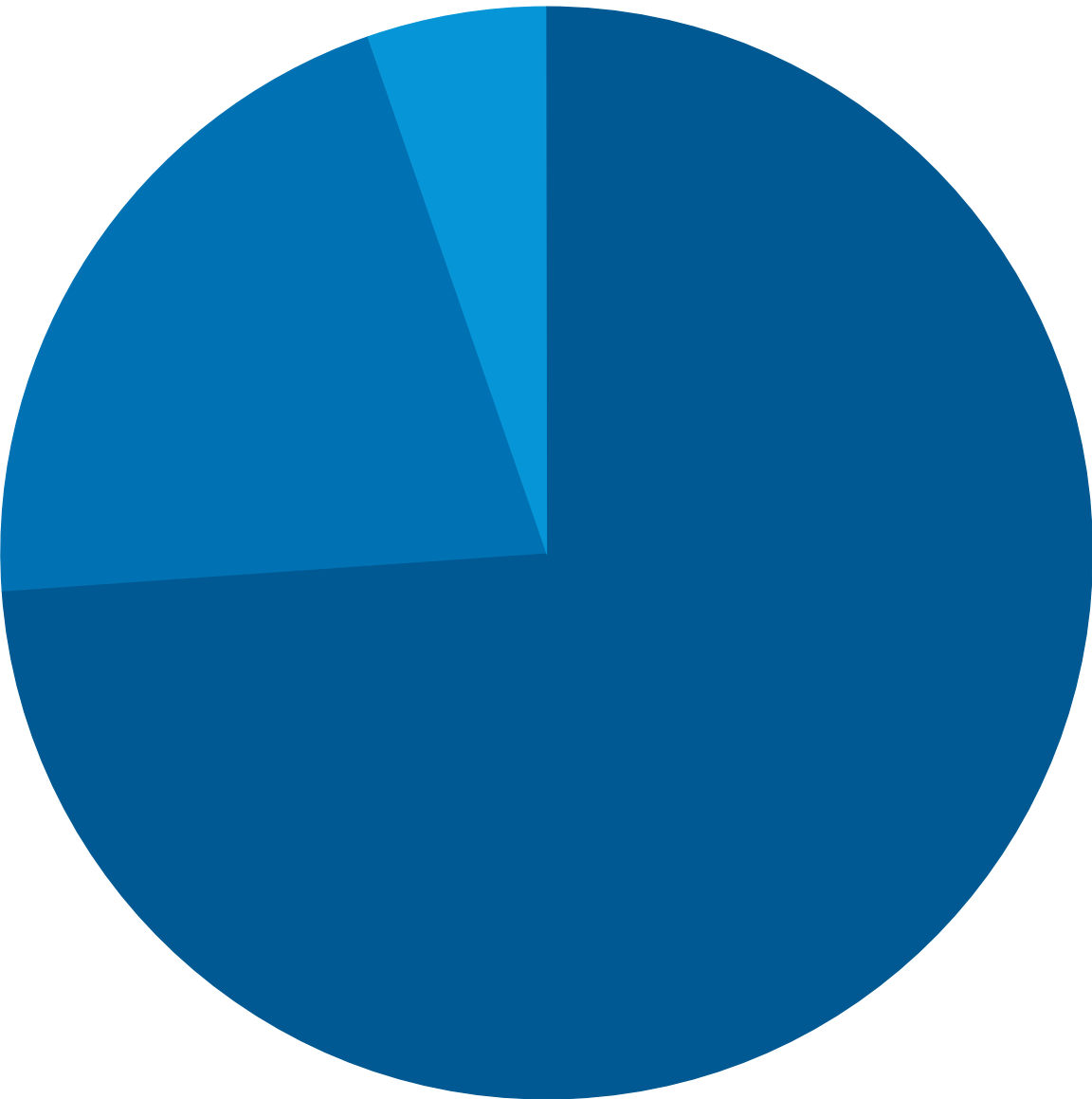
Greece is one of the very few EU Member States without an inclusive social housing regime. The introduction of social housing was addressed for the very first time during the design of the National Social Inclusion Strategy (NSSI), a common framework of principles, priorities and targets to combat poverty and social exclusion at national, regional and local level. This framework was adopted in December 2014 by the Ministry of Labour, Social Insurance and Social Solidarity (MoLSISC) and was endorsed in January 2015 by the European Commission as the policy document fulfilling the respective national conditionality for leverage of ERDF and ESF resources in 2014-2020. Subsequently, the MoLSISC initiated in 2014-2016 the design of two relevant sectoral strategies and adopted specific humanitarian aid measures, while the Financial Ministry focused on the regu-

lation of citizens’ debts in line with their income level, and the protection from auction of individuals’ owned primary residence. More specifically:

- (a) A draft National Strategy to prevent and combat homelessness (NSPCH) 2015-2020 was compiled by the Technological Educational Institute of Athens (5) and a draft National Social Housing Strategy was compiled by the National Centre of Social Research (6); they were both submitted in May 2015 to the MoLSISC in order for the implementation to start. However, until the present day, the Ministry has not initiated any implementation activities and there is no indication of future progress, despite the fact that the Supplemental Memorandum of Understanding of the Third Stability Programme for Greece (2015-2018) has determined that “The authorities will establish an action plan for a permanent housing policy for the most vulnerable in line with European best practice by December 2016 (2.5.3., p. 20).
- (b) The Housing and Reintegration Programme was launched in September 2014 under the form of a 12 months pilot project, which continues today through national funding. It promotes the transition process from emergency accommodation facilities and Social Hostels to independent housing solutions.
- (c) A temporary Housing Allowance Programme to help low-income households meet rental costs was introduced in 2015 by Law No. 4320/2015 as an urgent measure to address the humanitarian crisis. Eligibility was limited to people at risk of extreme poverty, who were entitled to receive a monthly benefit equal to € 70 - 220 for a period of six months, subject to a maximum extension of 12 months after the approval procedure (7). The Housing Allowance was paid to almost 17.500 beneficiaries. It has ceased since January 2017, due to the introduction of the Social Solidarity Income (“SSI”) scheme, a new general minimum income-type welfare programme that is addressed to households living in extreme poverty.
- (d) Law No. 3869/2010 on “Indebted Households” froze foreclosures on houses with outstanding mortgage debt worth up to € 200.000 where a family’s annual income was lower than € 35.000. The law expired at the end of 2014 but the Government continues to provide protection for primary residences, especially to families with incomes below the poverty line. In 2016, about 10.500 homes were transferred to the state as seizures, voluntary transfers, or disclaimers of inheritance. However, the Government recently indicated that it plans to suspend foreclosure procedures of primary residences for debts to the state until end-2017.

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OWNER OCCUPIED 73.9%
PRIVATE RENT 20.8%
OTHER 5.3%

- Number of dwellings (thousands) in 2016: 6 520
- Number of dwellings per 1000 inhabitants as of 2016: 604
- Housing completions in 2016: 6 655 (Source: EMF Hypostat 2017, Eurostat)

- No overall housing shortage
- Housing quality relatively high in terms of basic amenities and living space
- Adoption of the very first National Social Inclusion Strategy
- No social housing exists in Greece, although relevant draft National Strategies were designed in 2015
- Welfare policies focus on humanitarian basic needs support rather on active inclusion through social investment
- 40.9% of the population is ‘overburdened’ by housing costs, the highest share in the EU
- 32.1% of non-performing housing loans

HUNGARY

TRENDS IN HOUSING MARKETS

According to the 2011 Census, which still provides the most up to date estimates, the dwelling stock in Hungary amounts to approximately 4,4 million dwellings, out of which 12 % are vacant. The overall tenure structure in Hungary consisted in 2011 of 92 % owner occupied, 4 % private rental, 3 % municipal rental, and 1 % of cooperative housing stock. However, according to expert estimates the share of the private rental sector indicated in the Census might be smaller than reality because of un-reporting due to the tax avoidance, and the actual size of the private rental sector might be significantly higher (Hegedus and Horváth, forthcoming). The share of rental housing reached about 10 per cent in larger cities and 11 in Budapest (Ibid.). As for public housing, since 1990 most of the municipal housing stock was privatized into private ownership. The share of municipal dwellings decreased from 19 % in 1990 to 3 % in 2011, and it is still being privatized. The remaining publicly owned stock is mainly concentrated in the cities. The rents cover generally only 30 percent of the cost of the sector, and 20-25 percent of the tenants do not pay the rent, with an increasing volume of arrears (Hegedus, 2017).

During the years following the onset of the financial crisis (from 2008) the number of new- houses built was at a very low level with 2013 representing the year with the lowest number of completions at only 7,293 dwellings. In 2015 the number of new completed dwellings was 7,612. However, with the intention of boosting new residential construction, from January 2016 the government reduced the VAT on newbuild dwellings (from 27 % to 5%). As a result of this regulatory change the number of building permits grew significantly: from 12,515 issued permits in 2015 to 31,559 in 2016.

Apart from the VAT reduction, a significant increase in housing subsidies for families was also introduced in 2016. The scheme favors families with 3 or more children, who are entitled to a non-refundable grant as well as a mortgage loan at a preferential rate when buying new dwellings. Families with one or more children may also get a grant but to a lower amount. These new regulations together with increasing net earnings of households gave a boost to the housing market (EMF 2017). The result can be seen in the evolution of house prices. In 2016, house prices increased by 17,3% in nominal terms and by over 9% in real terms (deflated) compared to the previous year, the highest increase in real house prices in the EU (EMF 2017; Eurostat 2017).

Despite significant improvements since the 1990s, Hungary still has huge problems from the point of view of housing quality and comfort, as shown by EU SILC data. Hungary has the second highest rate of severe housing deprivation in the EU after Romania, 15.5% of the population compared to an EU average of 4.9 (Eurostat, SILC). Furthermore, as of 2016, about 60% of dwelling in Hungary resulted as built before 1980 and only approximately 10% of flats were built in the last 15 years. As a result, the quality of the existing dwelling stock is rather obsolete (EMF, 2017).

POLICY DEVELOPMENTS

Housing policy in recent years strongly focused on the mortgage loan crisis, linked to the high share of households in Hungary who took out loans extended in/ indexed to for-

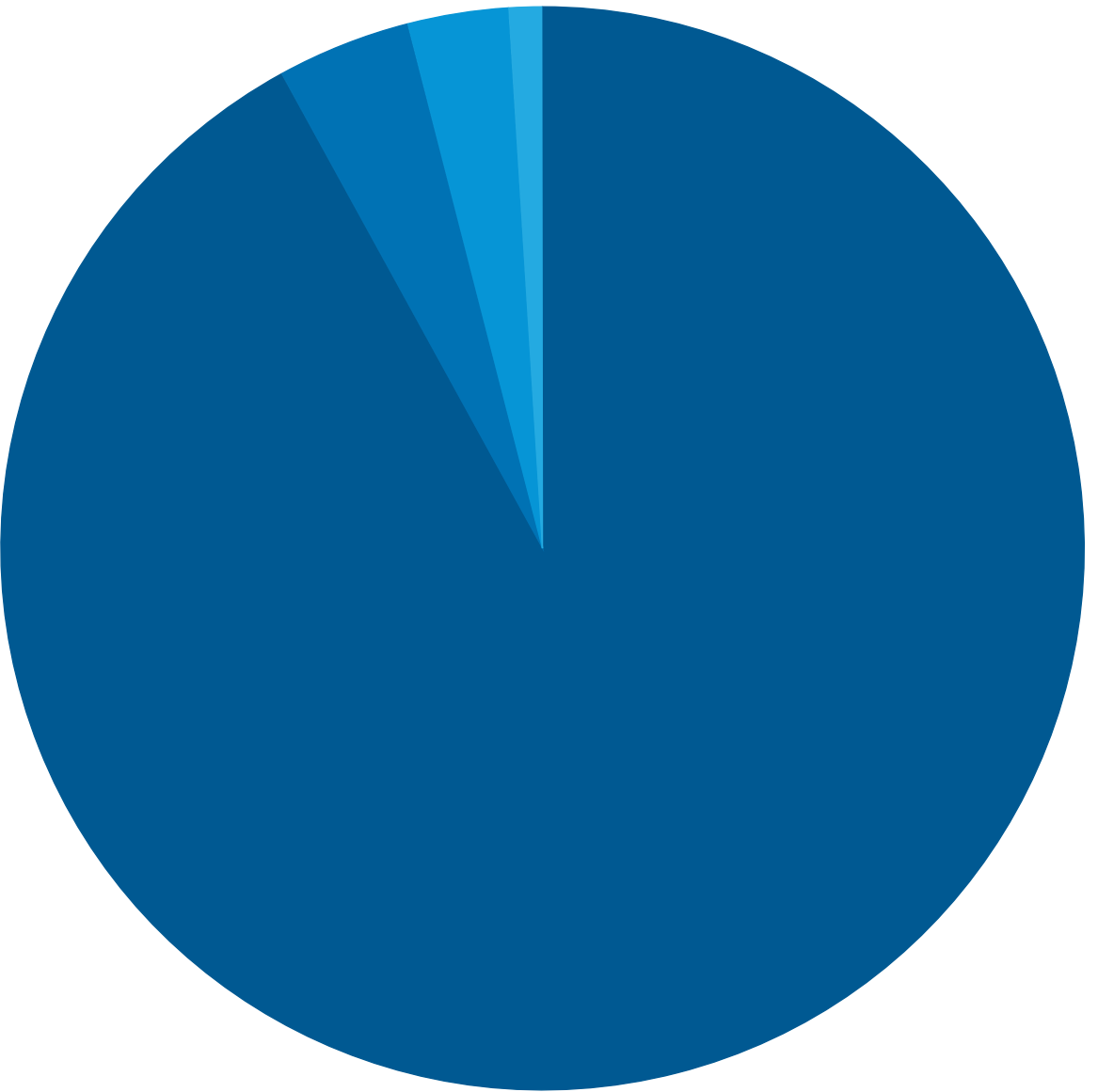
eign currencies in 2004-2008 (FX loans represented 70% of the mortgage portfolio) and were faced with huge financial hardship because of the worsening exchange rate. In 2011 the government launched measures to “rescue” the FX borrowers. Critics point out that, although the FX loan crisis placed the gravest burdened on the poorest borrowers, the early FX loan repayment scheme and the following FX loan rate cap scheme ended up helping mostly households who had access to the necessary financial sources to repay the debt in a lump sum at a discount price (Hegedus, 2017). Finally, a rent-to-own scheme was introduced in 2012, managed by the newly established National Asset Management Company (NAMC). In short, NAMC purchases a limited number of housing properties with non-performing loans, and offers a renting option to the former debtor. The government increased the number of flats available for purchase to 35,000 in 2016. A significant problem of the scheme is that 30 percent of the families targeted by the scheme could not even afford the low rent set by the law due to preexisting debts (e.g. for public utility fees) and there is a problem with insolvency (Ibid.).

Since then, there have been some further policy developments at national level, besides the recent introduction of housing subsidies for families with children and VAT reduction on construction mentioned above. The government abolished the national housing allowance scheme in 2015, which allocated HUF 30 billion among 400,000 applicants (targeted typically for the lowest quintile), and the task for introducing housing allowance programs was transferred to local municipalities (Ibid.). Furthermore, the government launched a political campaign in 2015 called the ‘war against utility costs’, and utility prices (energy, water, waste management and other elements) were decreased and frozen across the board, parallel to the partial re-nationalization and centralization of the utility companies. However these measures do not appear to have substantially improved the affordability of housing for poor households (Ibid.).

At local level, some of the municipalities are starting to cooperate with social NGOs on a small scale. For instance From Street to Home Association, an NGO specialized to help homeless people access housing units, obtains some homes for their clients from municipalities and in turn renovates the unit and supports the tenant in paying the rent and the utility cost. The Hungarian branch of Habitat for Humanity has also been implementing similar programs. The Maltese Charity Service has been setting up an agreement with the city of Veszprém in Hungary, where the charity overtakes the management of the municipal housing stock and integrates it with social work. This model is to be replicated in other cities (Ibid.).

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OWNER OCCUPIED 92%
PRIVATE RENT 4%
SOCIAL RENT 3%
COOPERATIVE 1%

(Sources: Census 2011, EMF Hypostat 2017)

- ▶ • Number of dwellings (thousands) in 2011: 4 400
- ▶ • Number of dwellings per 1000 inhabitants: 445
- ▶ • Housing completions in 2011: 10 032

- ⊕ • Examples of cooperation between municipalities and NGOs are starting at local level
- ⊕ • The scheme run by National Asset Management Company could represent the largest social housing programme since 1989 (but problems with its financing remain unsolved)
- ⊖ • 12% of dwellings are vacant
- ⊖ • Lack of social rental housing
- ⊖ • On average low levels of housing quality and comfort
- ⊖ • A number of recent housing policy measure fail to target the poorest households

IRELAND

TRENDS IN HOUSING MARKETS

Residential property prices remain below pre-crisis peaks but they have been rising significantly over the past two years. Private rents increased by 9.7 % in 2016. Insufficient housing supply continues to be the prime driver of the increase in rents and house prices. The recovery in construction activity is indeed long in materialising, only picking up gradually and from low levels. Demand for housing is estimated at about 25,000 units per year or around 65 % above the completions expected in 2016 (1). A recent survey carried out in Spring/Summer 2017 amongst 200 CEOs from across all industry sectors shows 84% of respondents see the lack of affordable housing as key challenge for business and the economy (2). Therefore insufficient housing supply is a concern for both its economic and social reasons as the affordability of housing is deteriorating.

There were 7,941 people homeless in the week of June 19-25th 2017 across Ireland. This figure includes adults and children with their families. The number of families becoming homeless has increased by over 27% since June 2016 (3). The phenomenon is especially concentrated in the capital. Dublin local authority homeless services are currently managing an unprecedented demand on services. On the basis of the statistics from May 2016 on the Dublin region alone, some 3,777 people accessed homeless accommodation in Quarter 1 2016, up from 2,997 in Quarter 1 last year. Among these the number of homeless families is also rising rapidly – rising from 556 in July 2015 to 913 in May 2016 (4). This expansion is attributed by the Dublin Region Homeless Executive to a range of factors, including increasing demand for access to emergency accommodation arising from reduced access to housing options combined with an influx of families, which typically would not previously have engaged with homeless services and which are presenting following the loss of private rented accommodation (5). The most recent official assessment of social housing need was published in December 2016 and showed 91,600 households qualified for social housing – one of five of which had been on the list for more than 5 years (6).

POLICY DEVELOPMENTS

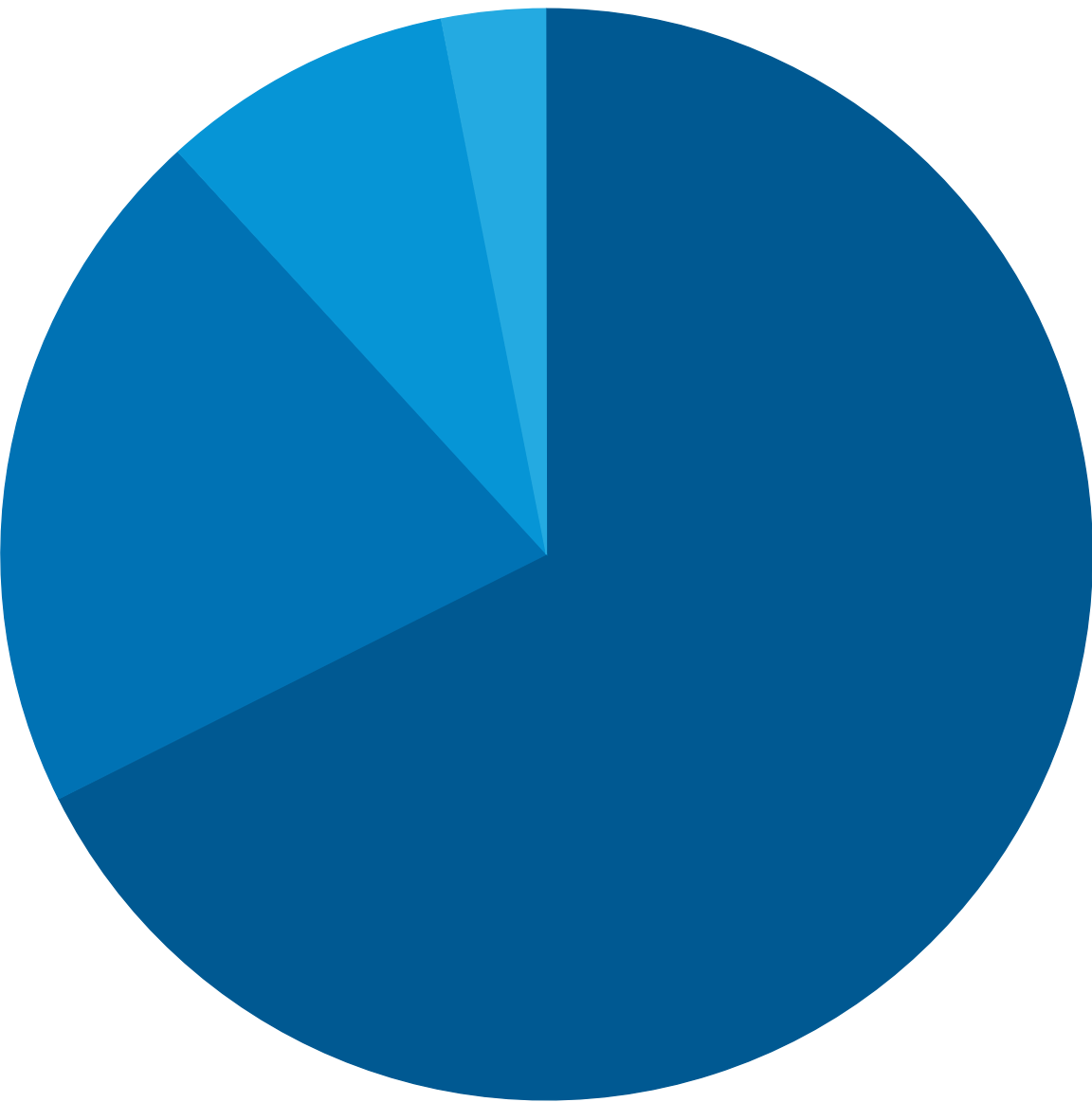
The new strategy “Rebuilding Ireland - an Action Plan for Housing and Homelessness” was launched in July 2016 and raised high hopes in terms of support for accelerating housing supply. Rebuilding Ireland which included 5 pillars of action was aimed at fixing a broken housing system through measures to boost private housing construction, increase the delivery of social housing, improve the private rental market, utilise existing vacant units and address the growing problem of homelessness (7). A year on there are persistent challenges facing people who need a home. An investment programme of €5.35bn to deliver 47,000 units by 2021 has been earmarked for social housing both for local authorities and approved housing bodies. The Plan needs to ensure that this investment will translate into permanent homes for people in housing need whether they are families, single people or vulnerable groups such as the homeless, older people and people with disabilities. Over recent years there have been a number of emerging initiatives and innovations that have been introduced to increase the scale of delivery. Bringing vacant housing

stock back into use, innovative partnerships between local authorities and housing associations and greater use of private loan finance have provided additional tools to deliver solutions. However, there is still a challenge to reverse the dependency on the private market to increase the scale of new social housing delivery. The private market certainly has a role to play as choice is important, however experience has shown the private market is not a reliable and predictable source of housing for those on low incomes or with special needs (8). One of the central components to deliver on an expanded social housing programme is the assembly of building sites which housing associations can obtain access to. Although work has been undertaken to identify sites, including sites in public ownership, there has yet been no co-ordinated programme to translate these sites into an active development programme which would produce an increased pipeline of housing projects.

While there has been an increase in the number of social housing projects in progress, there are still challenges in the procurement and the approval processes to ensure speedier delivery for those in need of social housing. As Government policy was focused on achieving mixed tenure housing developments, new initiatives of affordable and cost rental housing are still awaited to deliver on mixed tenure developments. A new programme of a revolving fund, with a target of 1,600 properties has been introduced by Government to acquire properties for housing associations on the private market. Furthermore, the capacity of the social housing sector has increased in responding to key commitments in rebuilding Ireland, and in particular the increased delivery by housing associations has been achieved through partnerships with the private sector. However, this will come under pressure as a source of delivery due to buoyant wider housing market activity. Therefore, increased construction is required to counterbalance reliance on the private market. From a strategic perspective, there is a need to have greater joint ventures between local authorities and housing associations.

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OWNER OCCUPIED 67.6%
PRIVATE RENT 20.6%
SOCIAL RENT 8.7%
OTHER 3.1%

- ▶ **Number of dwellings (thousands): 2 022**
Number of dwellings per 1000 inhabitants: 423
Housing completions in 2016: approx. 15 000
(Sources: Central Statistics Office Census 2016, OECD Affordable Housing Database, ICSH, Housing Agency National Statement of Housing Supply and Demand 2016)
- ⊕ **Political commitment towards fixing the housing system and tackling homelessness, some new measures are being implemented**
- ⊖ **Shortage of housing supply compared to current and future needs**
Increasing prices and rents, especially in Dublin
Worsening level of homelessness

ITALY

TRENDS IN HOUSING MARKETS

In Italy home ownership is by far the most common tenure. In 2014, 71.9% of households are homeowners, 14.8% rent at market rates, while 9.6% lives in a dwelling rent-free. Only 3.7% of households are tenants paying a reduced rent, out of which 75% live in dwellings managed by public housing companies (often referred to as ‘former IACP’ or ‘Edilizia Residenziale Pubblica, ERP’) and the reminder by the local authorities. Furthermore, there are about 7 million homes that are empty or occupied as other than primary residence.

From 2006 to 2013, the economic crisis has led to the collapse of housing real estate markets. The number of transactions has decreased by 53.7%, and house prices and rents showed similar trends: price and rents increases halted around 2007 and they entered a decline phase which is possibly not entirely concluded yet. As of 2014, the real estate market seems to growing again. In 2016, there was an increase in sales of by 31.5% compared to 2013 and a slight increase in prices (+0.1%, down from -0.9%). The number of new lettings is stable, with an increase by 0.63% in 2016 over the previous year.

Looking more closely at the rental sector, over the years the share of income that goes into paying the rent was affected by the different phases of the economy and real estate. During the years from 1998 to 2008, market rents increased by 57% compared to a growth in household income of 31%. After 2008, rents actually decreased more than incomes (-17.4% and -6% respectively) and as a result the rent to income ratio decreased to the levels registered in the early 2000s (23% on average). Nevertheless, in 2014 about 34% of tenant households spend more than 30% of their income on rent, a sharp increase compared to 16% in the Nineties. This financial burden concerns about 1.7 million families who are facing several economic and housing problems. They run the risk of falling into arrears with payments and possibly social marginalization, as shown by the marked increase (+62%) in eviction measures undertaken between 2006 and 2014. It's also worth mentioning that a rent allowance scheme exists since 1998 but its scope and budget is extremely limited.

As a consequence today we see an increase in the demand for social housing by low and middle-income families with difficulties in accessing or keeping an accommodation in the private rental market. Municipal waiting lists across the country include about 650 thousand pending applications for social housing by households who meet the requirements. In this framework, public housing companies - which historically played a major role across the country in the construction and management of housing for low-income inhabitants – today are only housing about 750,000 households (1/3 of those who are estimated to be in need). In addition to that, financial resources allows to increase the public housing stock on average by only 5,500 units per year, and more than 400,000 homes are in need of maintenance.

Besides public housing, housing cooperatives and, more recently, Private Social Housing Real Estate Funds provide affordable housing for rent and for sale at ‘intermediate’ costs. Furthermore, some not for profit organizations are also active in social housing provision but projects are mostly small in size and concentrated in few regions.

POLICY DEVELOPMENTS

The new housing policy course begun in 2009 has not brought about the expected improvements. In particular, the public-private partnerships instrument requires a profitability of 2-3 percentage points above inflation. This means in the framework of this type of agreement it's not possible to apply a very low rent level that the poorest households can afford. Furthermore this instrument has so far resulted into a limited number of projects targeting the so-called "gray area" of housing demand, i.e. those households whose income is too high to access public housing and yet cannot fulfill their housing needs on the free market due to social/economic.

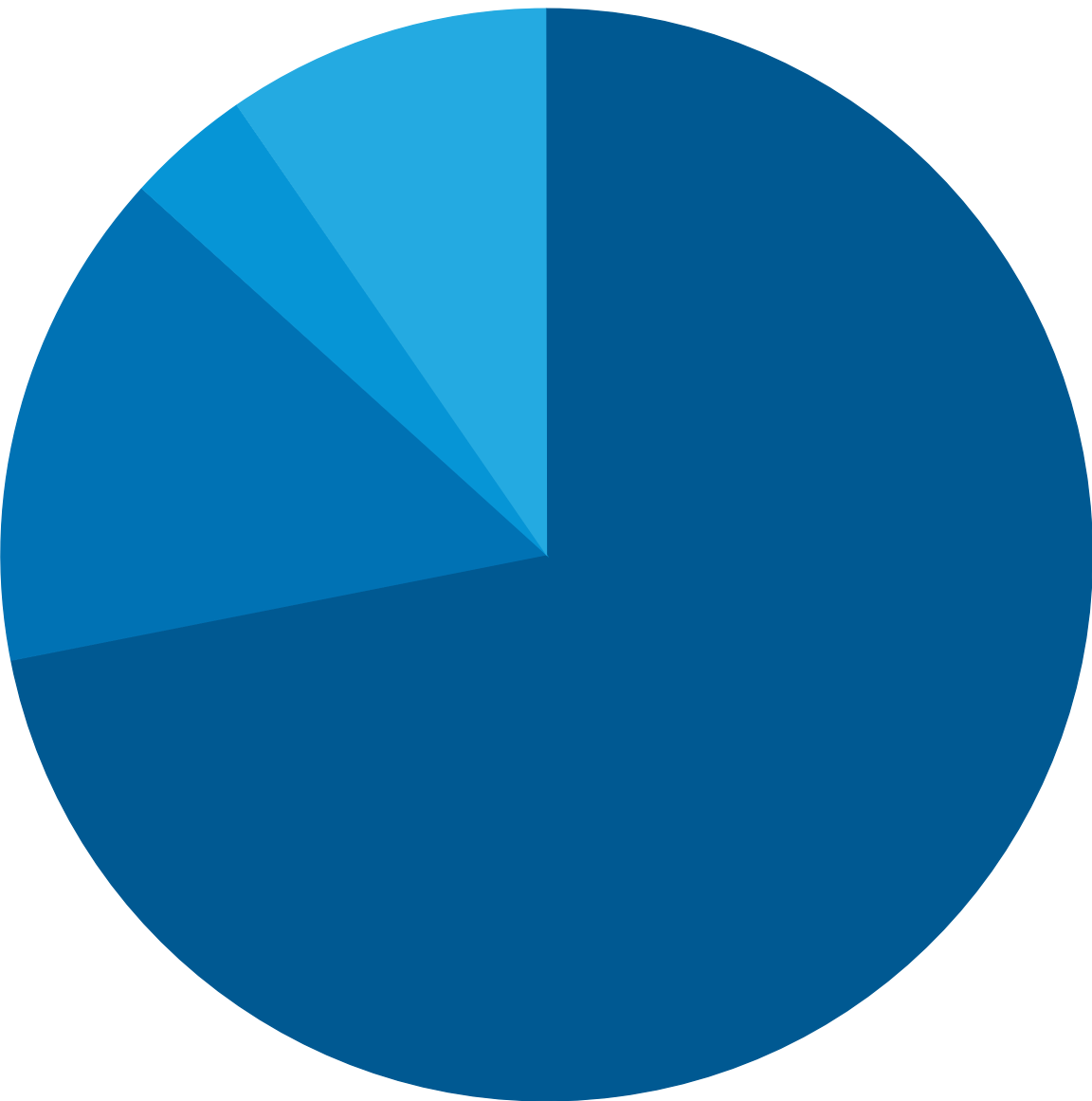
Subsequently, since 2014 some measures have been adopted to support the provision of low-rent housing regulated by specific agreements at the local level which provide tax relief and guarantees to private landlords if they apply low/intermediate rents. Furthermore, a programme was recently launched for the rehabilitation of the housing stock managed by public housing companies and municipalities, for a total of over 490 million euro. The programme include 400 million euro for extraordinary maintenance work, which will affect over 10 thousand units by 2019, and a further 93 million to rehabilitate approximately 5,000 units (currently vacant because they are not fit for living) to be allocated by 2019 to evicted families.

Finally, since 2016, measures to promote energy regeneration of public housing assets have been enhanced through the granting of incentives and tax reliefs covering up to 75% of the cost incurred for interventions.

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1.7 million families facing risk of housing exclusion



OWNER OCCUPIED 71.9%
PRIVATE RENT 14.8%
SOCIAL RENT 3.7%
OTHER 9.6%

- ▶ **Number of dwellings (thousands): 25 783**
Number of dwellings per 1000 inhabitants: 434
- ⊕ **Number of public social housing units: 963 000**
New supply of social housing in 2014: 5 000
Enhanced measures towards energy refurbishment
New funding for maintenance and requalification of social housing stock
- ⊖ **1.7 million families are at risk of housing exclusion**
Over 400 thousand public housing units are in need of maintenance
Supply of social housing for the poorest/most vulnerable currently excluded from financial instruments available at local and European level

LATVIA

TRENDS IN HOUSING MARKETS

Data from Eurostat SILC survey (2015) show a very high level of home ownership in Latvia, with more than 80% of the population living in owner occupied dwellings. 19.1% of households are renting their homes either at market rents, reduced rent or rent-free. Experts estimate social housing amounts to less than 1% of the total housing stock in the country, and it is provided by municipalities to people on low income and in urgent need.

A housing bubble was fueled by the credit expansion up to 2007, with a correction starting thereafter (European Commission, 2017). Yet, it appears that the adjustment is now fading out. House prices are increasing again but the price growth of standard apartments was in line with the rise in real income, and the overall level of rent prices remained rather stable in 2016 (EMF 2017).

However, poor people struggle to get access to adequate housing. A high percentage of poor households live in overcrowded, poor quality housing (27.3 % against an EU average of 12.4 % in 2015) with children living in poverty being especially exposed. Overcrowding rates are high, both for the poor and for the population in general (respectively, 49.4 % and 39.1 % respectively) (European Commission, 2017). Like many other Member States across Eastern Europe, Latvia has an ageing housing stock which is characterized by poor energy efficiency and poor quality. About 70% of apartment blocks in the country are over 50 years old, and on average they poor energy efficiency levels The average amount of energy consumed in an older apartment block in Riga is 400 kWh/m2 compared with just 50 kWh/m2 for a newly renovated building (Eurofound, 2016).

POLICY DEVELOPMENTS

Government support for low income households to improve access to housing includes mainly housing allowances (covering rent payment and payment for utilities) but their coverage is very limited (OECD, 2017).

Furthermore, the local authorities are responsible for financing social housing through their local budgets although they can receive co-financing by the central government covering up to 30% of construction costs. In 2015 there were about only 109 social houses in Latvia with a total amount of 3,413 apartments (Ibid). The availability of social housing is scarce and waiting lists are long, especially in Riga.

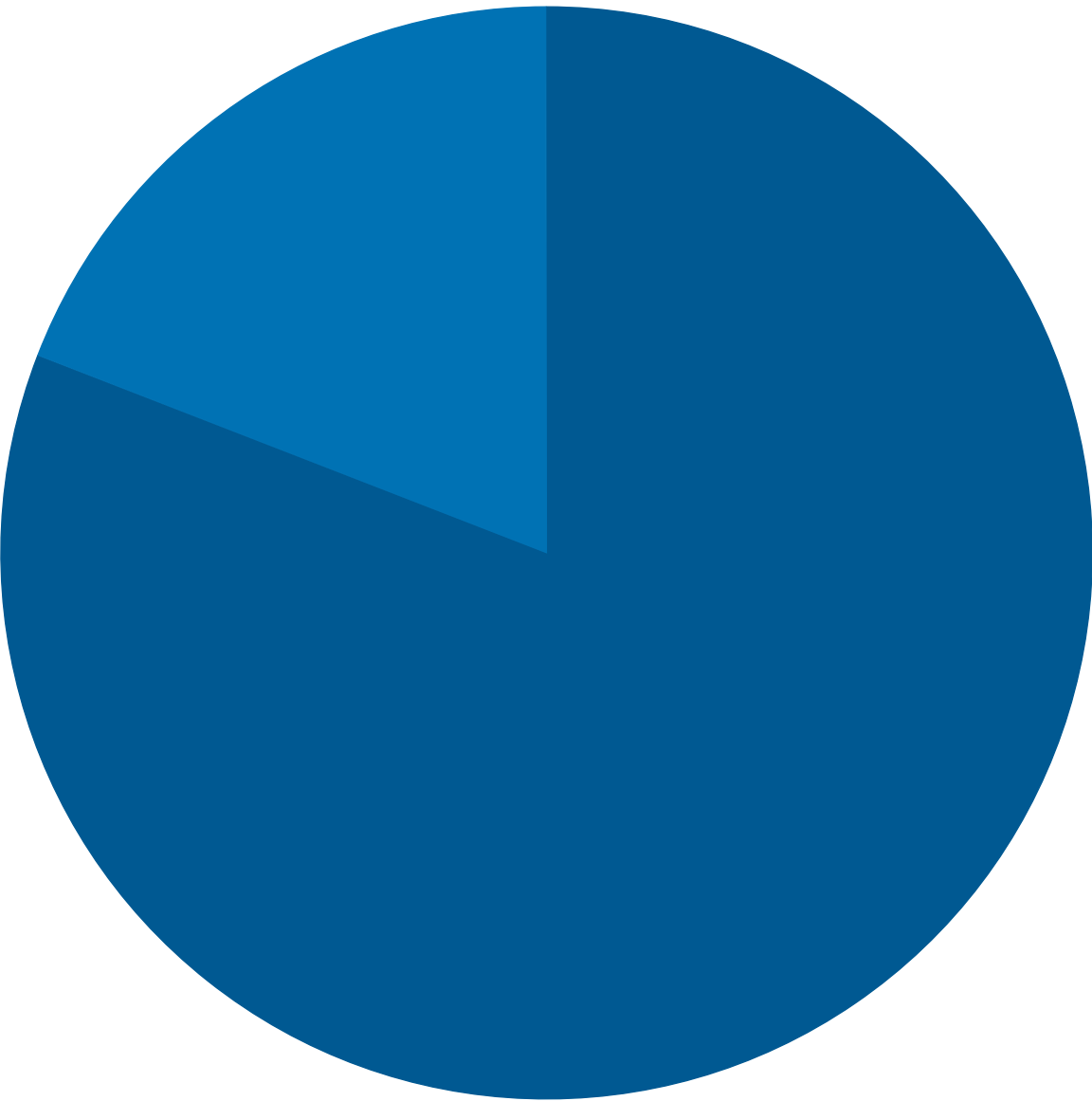
Furthermore, there is funding towards Improvement of Heat Insulation of Multi-Apartment Residential Buildings, a programme that received co-financed by EU European Regional Development Fund (ERDF) over the last programming period. Furthermore, financial aid for multi apartment residential buildings energy efficiency improvement measures in the form of long term loans or loan guarantees are provided by Altum, a state-owned development finance institution. Altum also provides support to home-buyers through the Loan Guarantee to Families with Children for Acquisition or Construction of Living Quarters, launched in 2015.

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Financial aid is available for energy efficiency improvement of multi-apartment buildings, in the form of long term loans and guarantees



OWNER OCCUPIED 80.9%
TENANT 19.1%

- ▶ **Number of dwellings (thousands): 1 018**
Number of dwellings per 1000 inhabitants: 499
Housing completions in 2016: 2 200
Number of social rental dwellings IN 2015: 3413
Providers: Municipalities
(Sources: 2011 Census; EMF Hypostat 2017)
- ⊕ **Programmes supporting refurbishment of multi-apartment buildings, including use of EU funding**
- ⊖ **Shortage of social housing**
Poor housing quality and high level of housing deprivation compared to EU average

LITHUANIA

TRENDS IN HOUSING MARKETS

According to the most recent data available, from Eurostat SILC survey, the housing market in Lithuania includes 89.4% home ownership (a very high level compared to other EU countries), and 10.6% rental housing. Officially the rental housing market is small, however the correct share of tenants is most likely underestimated due to the existence of a black market (Kolomijceva, 2014). Rental housing is concentrated in the biggest cities of Lithuania (Vilnius, Kaunas, Klaipeda). Currently there is a shortage of rental housing in the country, especially for low-income families and in particular young households who cannot afford to purchase or rent housing on the market. Furthermore, the social housing sector, which consists mainly of municipally owned dwellings, is very small. The exact size of the municipal housing sector is not known: 2011 Census reported that 18 926 dwellings are owned by the state or municipalities, that is about 1.6% of the total stock of permanently occupied dwellings, but the 2015 report on Lithuania from the Ten LAW project estimates the size of the sector at about 3% of the total (Kolomijceva, 2014).

After the economic crisis at the end of 2007 the real property market started showing signs of stagnation, but this trend started to reverse already from 2011. 2016 was a record year in terms of apartment prices growth (6.8%). All the five major cities (Vilnius, Kaunas, Klaipeda, Panevezys and Siauliai) saw prices increases (EMF 2017). The level of housing construction and number of transaction has also been increasing.

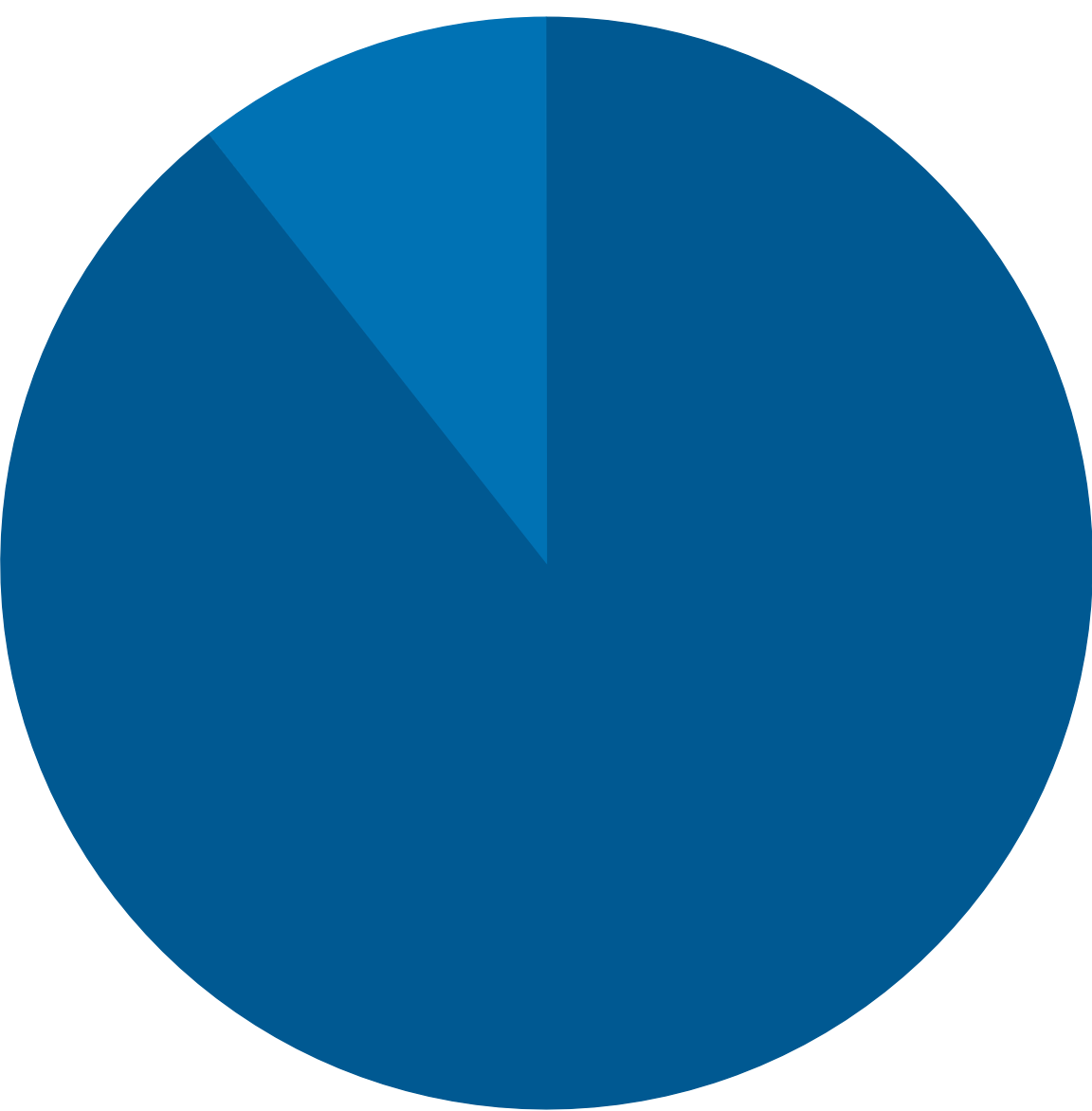
POLICY DEVELOPMENTS

There are subsidies for first time buyers taking out a mortgage loan, targeting especially young families, families with children, disabled person and other vulnerable groups. Furthermore, heating allowances are available during heating season as well as help for low income households paying for hot and drinking water. Furthermore since 2015 there's a rental allowance for household on low income and/or facing urgent need for accommodation (OECD, 2016). While the housing allowance is paid from state budget, the provision of social rental housing is financed solely by municipalities. Lithuania has also made some progress on the energy efficiency of buildings. The renovation programme in multi apartment buildings, aiming at increasing energy efficiency in the housing sector through long-term loans at preferential conditions, is supported by the Lithuanian government's JESSICA Holding Fund (Fund) managed by the EIB.

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Renovation of multi-apartment buildings is supported by loans at preferential conditions through the JESSICA Holding Fund



OWNER OCCUPIED 89.4%
TENANT 10.6%

- ▶ • **Number of dwellings (thousands): 1 389 (in 2011)**
• **Number of dwellings per 1000 inhabitants: 456**
• **Housing completions in 2016: 7 051**
(Sources: 2011 Census, Official Statistics Portal ; EMF Hypostat ; SPC)
- ⊕ • **Measures to support energy efficiency using EU funding**
• **Introduction of housing benefits**
- ⊖ • **Shortage of affordable rental housing and little social housing availability**
• **Second highest share of the population unable to keep home adequately warm in the EU (31.1 in 2015)**

LUXEMBURG

TRENDS IN HOUSING MARKETS

In Luxembourg, 73.2% of households were homeowners in 2015 (42.8% having ongoing mortgages or loans, and 30.4% having no outstanding mortgage or loan), while 21.7% were tenants in the private market (paying rent at market price) and 5.1% were paying a below-market rent or were occupying a dwelling rent-free (EU SILC, 2015). Compared to other EU countries, the share of single family homes is very high in Luxembourg (64.9% of individuals were living in a single-family house in 2015), especially in the owner-occupied stock (EU SILC, 2015).

The rental market registered a significant increase following the crisis, and it is mainly concentrated in the capital. According to the Fonds du Logement, 1 917 households were registered as applicants for subsidised rental housing at the end of 2015, compared to 1 210 the previous year. Luxembourg-Ville and its surroundings are by far the most expensive municipalities: on average, the price for a newly-built flat reached 7.587 €/m² in Luxembourg-Ville in 2016, while it was 5.668 €/m² in Esch-sur-Alzette, the second biggest city located in the South of the country (Ministry of Housing, 2017). Similarly, the sale prices for an existing flat located 30 minutes by car away from the capital city were approximately 25% lower than in Luxembourg-Ville (Ministry of Housing, 2016).

In the last decade, from 2007 to 2016, house prices in Luxembourg have increased by 42% in total (meaning a yearly growth rate close to 3.6%), unlike the aggregate euro area where the increase over the same period is only +1.4% (Eurostat, 2017). The prices of land for property development are the main reason for the fast evolution of the housing prices (Ministry of Housing, 2015). Experts consider that the dynamism of house prices may represent a source of concern, even though the Luxemburgish Central Bank does not indicate a strong overvaluation of house prices and the risk of a sharp price correction appears low. However, there are supply-side concerns and investment in residential construction is still not sufficient to meet the very high housing needs stemming from demographic growth (ESRB, 2016). In recent years, housing supply has not kept up with growing demand associated with population growth and this has contributed to urban sprawl and additional congestion problems (OECD, 2017). The rate of population growth in Luxembourg is the second highest in Europe, and according to projections by STATEC, an additional 129 000 housing units are needed by 2030 to accommodate for increasing demand, which means about 6 500 units per year (Peltier, 2011) - against an average housing construction of about 2 600 units per year in 2000-2014 (STATEC, 2017).

POLICY DEVELOPMENTS

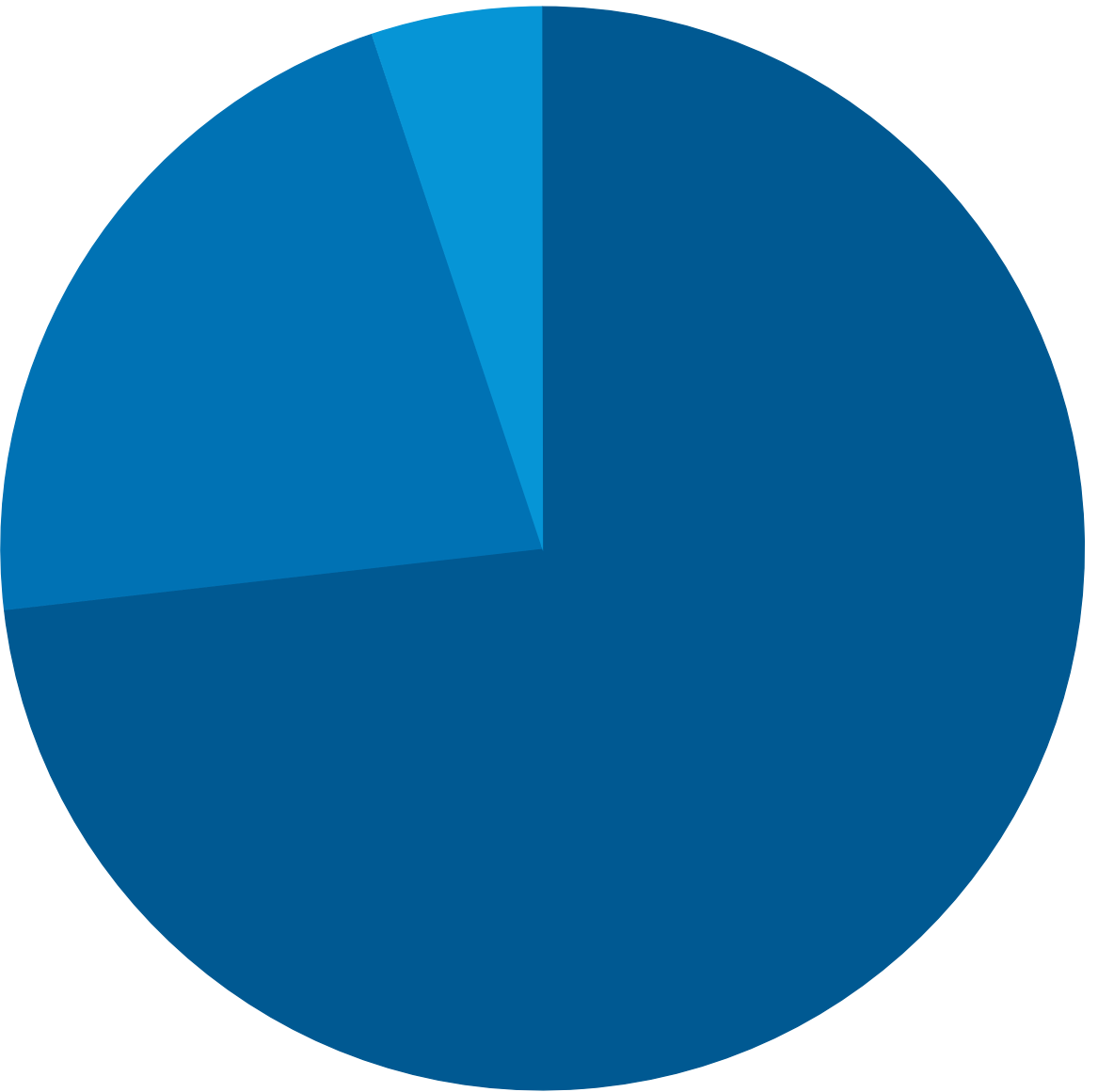
The low taxation, combined with a bundle of government measures that reduce the financial burden for housing investors, mean that the current taxation system is conducive to owner occupation in Luxembourg. However, recently public policy has also been directed at the promotion of tenancy. For instance, a new Law Project introduced a rent subsidy to help tenants who pay rents which surpass one third of their available incomes. Furthermore, the Housing Ministry has been working towards the development of public rental housing through social agencies (Agence Immobilière So-

ciale - AIS). Finally, the Pacte Logement - a law approved in 2008 to promote housing provision in cooperation with municipalities - includes measures which are aimed at fostering affordable rental housing, such as the imposition on property developers to include at least 10% social housing in new developments.

To increase housing supply, the government has recently simplified land planning procedures, and has approved financial measures to foster construction by privates, public promoters and municipalities. The State has also been attempting to meet the need of housing through taxation benefits, particularly for those who are willing to sell land for construction or apartment blocks. Furthermore, a municipal tax was introduced which applies to dwellings that have been vacant for more than 18 months and to land for construction where no construction has been made for at least three years.

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OWNER OCCUPIED 73.2%
TENANT MARKET PRICE 21.7%
TENANT REDUCED RENT 5.1%

- **Number of dwellings (2017): 233 675**
- **Number of dwellings per 1000 inhabitants (2017): 396**
- **Housing completions in 2014: 3 357**
- **Number of social rental dwellings: 1 996**

• **Providers: public developers (Fonds du Logement, SNHBM)**
(Sources: Klein & Peltier 2017, STATEC, Fonds du Logement, SNHBM)

- **Despite price increases, overall housing costs burden is among the lowest in EU**
- **Low share of the population with arrears on rent/mortgage, and relatively low level of mortgage indebtedness compared to GDP**
- **Among the highest construction costs in Europe and rising land prices**
- **Shortage in new construction**
- **Urban sprawl**

MALTA

TRENDS IN HOUSING MARKETS

According to the national Census, in 2011 the housing stock in Malta consisted of 223 850 dwellings, out of which 152 770 were occupied dwellings (68,2 %), 29 848 were seasonal or secondary use dwellings (13,3 %) and 41 232 vacant dwellings (18,4 %).

Out of all occupied dwellings in Malta, 76.45% are owner-occupied (60,4 % are owned through freeholds; and 16,04 % are owned with ground rent); 19.86% are rented, and 3.69% are used free-of-charge (both included as ‘other’ in the chart above). Altogether there are roughly 8,400 social housing units corresponding to about 5.5% of the total stock, of which the large majority are government owned.

The housing market faces a range of supply constraints. Construction is naturally limited by the availability of development zones on the islands, and time and costs of obtaining building permits and licenses pose additional barriers to construction. At the same time, the demand for housing remains strong as reflected by the steady upward trend of mortgage loans. Notwithstanding the constraints, recent trends point to a rebound in supply. Despite the burdensome procedures, building permits have been on a rapid recovery path since 2014 reaching again their 2009 levels (European Commission, 2017).

Despite a slowdown in house price increase following the crisis, the decline was not very significant and residential property prices have been increasing by over 5% in nominal terms in both 2015 and 2016 (EMF 2017). The growth in prices is partly due to the introduction of exemption from stamp duty for first-time buyers, schemes to attract high net-worth individuals as well as the citizenship programme, also referred to as ‘Golden Visa’ programme (Europeanb Commission, 2017; EMF 2017). Despite increasing house prices, EU SILC data continue to show an overall high level of affordability of housing costs, with Malta registering only 1.1 housing cost overburden rate (the lowest in the EU) and good housing conditions.

POLICY DEVELOPMENTS

The government owns social rental housing and some units are managed by the Housing Authority. A €50 million investment was approved in 2017 to finance 640 new social-housing units, a significant increase in social housing output compared to previous years. Construction will take place on 16 sites owned by the Housing Authority across Malta and for which building permits are already available. The Council of Europe Development Bank (CEB) is supporting this project with a € 29 million loan (COEB, 2017).

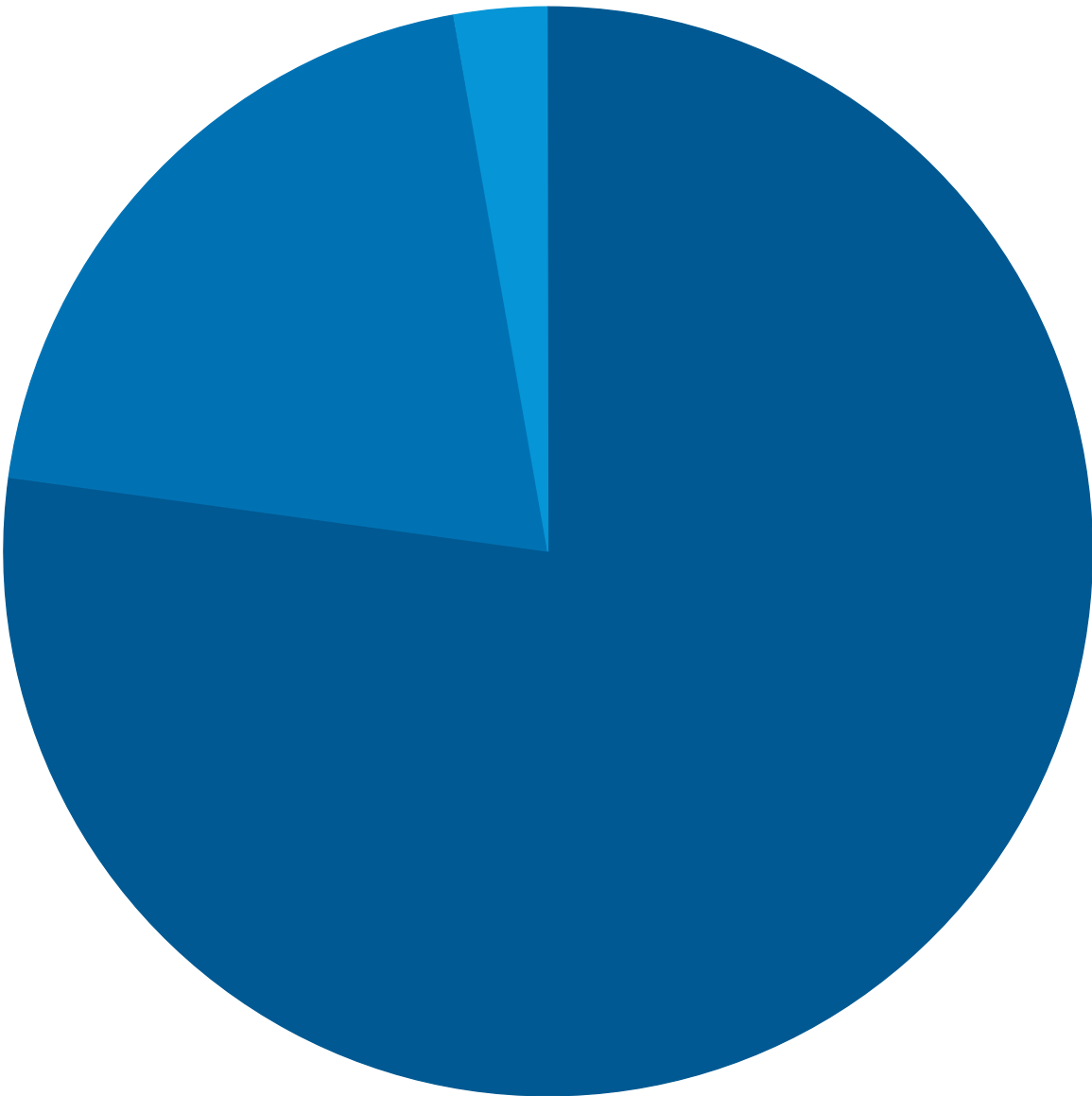
Social tenants can purchase at subsidised prices the residence which is on lease from the Government or Housing Authority through the Sir Sid Darek scheme (OECD, 2016). The Housing Authority also leases around 425 residences from the private market and sub-lets them to social tenants at a subsidised rent. The owners of these residences benefit from a full tax credit on the rental income. There are also a number of low-income families renting privately owned dwellings who receive rent subsidies (with an increasing allocated budget in recent years). Furthermore, grants are provided to assist owners in the

construction or rehabilitation of their first home, and tax incentives are available for first time buyers, as mentioned above.

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A 50 million investment was approved to finance 640 new social housing units, a significant increase from previous years. The project is supported by the Council of Europe Development Bank



OWNER OCCUPIED 76.45%
RENT 19.86%
OTHER 2.75%

- Number of dwellings per 1000 inhabitants: 529
 - Housing completions in 2016: nav (7 508 building permits)
- (Sources: Census of population and housing 2011, EMF Hypostat 2017)

- + • Lowest rate of housing cost overburden (1.1 in the EU)
- Good housing quality and low share of the population in housing deprivation
- New social housing investment programme

- ▶ • Number of dwellings (thousands): 223.9 (as of 2011)

- ◱ • Significant share of vacant dwellings
- Risk that public support programmes may result in increasing house prices

NETHERLANDS

TRENDS IN HOUSING MARKETS

The housing stock in the Netherlands is divided as follows, in terms of tenures: 60% is owner-occupied, 30% is rented by housing corporations (representing the highest share of social housing in Europe), and 10% by private landlords. Some 70% of the 2.9 million rental homes in the country are owned by private not-for-profit housing corporations, and half of all Dutch young people living independently rent from housing corporations. The latter are private not-for-profit organizations, which do not receive subsidies from the central government since the sector agreed to become financially independent in the early Nineties. Almost all the stock of housing associations is rented at regulated rents (and so does also a small share of the private rental sector) based on a points system.

The Dutch rental sector has the highest quality in Europe (in terms of building features but also other aspects like overcrowding). However, there is rising concern about worsening affordability in the rental sector, partly due to overall decreasing income of tenants but also due to structural reforms to rental regulation and social housing. The net rent-cost-to-income-ratio is 26,7 % in the rental sector (it was 23,8% in 2012), against 20,1% for housing costs faced by home-owners (22,2% in 2012). Some 9% of all tenant households spend over 40% of their disposable income on housing, and the share is increasing. The main target groups of social housing providers - namely households eligible for a rent allowance and those earning less than € 34.299 - pay relatively less for their rent than the average tenant, despite lower incomes (25% compared to 27% respectively).

Looking at the housing market overall, since the beginning of the crisis house prices fell by about 20% and housing transactions by over 45% between 2006 and 2011. This had a negative impact on construction activity and the overall economy. In 2015 and 2016 housing transaction recovered and are now comparable to before the crisis. Prices (at mid 2016) are however still 14% down compared to their highest point in 2008 for the whole of the Netherlands. Nevertheless, main cities witnessed much higher increases than the rest of the country, notably with house prices spiraling in Amsterdam (increasing by more than 25% between 2013 and 2016).

The country currently has the highest share of outstanding residential mortgage debt (compared both to GDP and to households' disposable income) in the EU. The high level of mortgage indebtedness is encouraged by a tax treatment which remains very favorable towards owners with mortgages, although some measures have been taken to gradually resolve this. The share of 'underwater' mortgages (i.e. those in negative equity) reached 36% in 2013. It has decreased since but is still 22,5% (in the first quarter 2016). Construction is not in line with the growing number of households and especially demand for rental dwellings is increasing.

Demographic forecasts show a strong population growth in the Randstad region, especially in the four major cities, as opposed to shrinking population in the peripheries of the country. Housing demand is expected to increase in the period 2015 to 2019 by approximately 73.000 a year. At the

same time, expected housing supply is around 62.000 new homes per year (up from only 48.400 in 2015). That means that in some areas a housing gap is emerging, but it is expected to gradually decrease from 2020.

POLICY DEVELOPMENTS

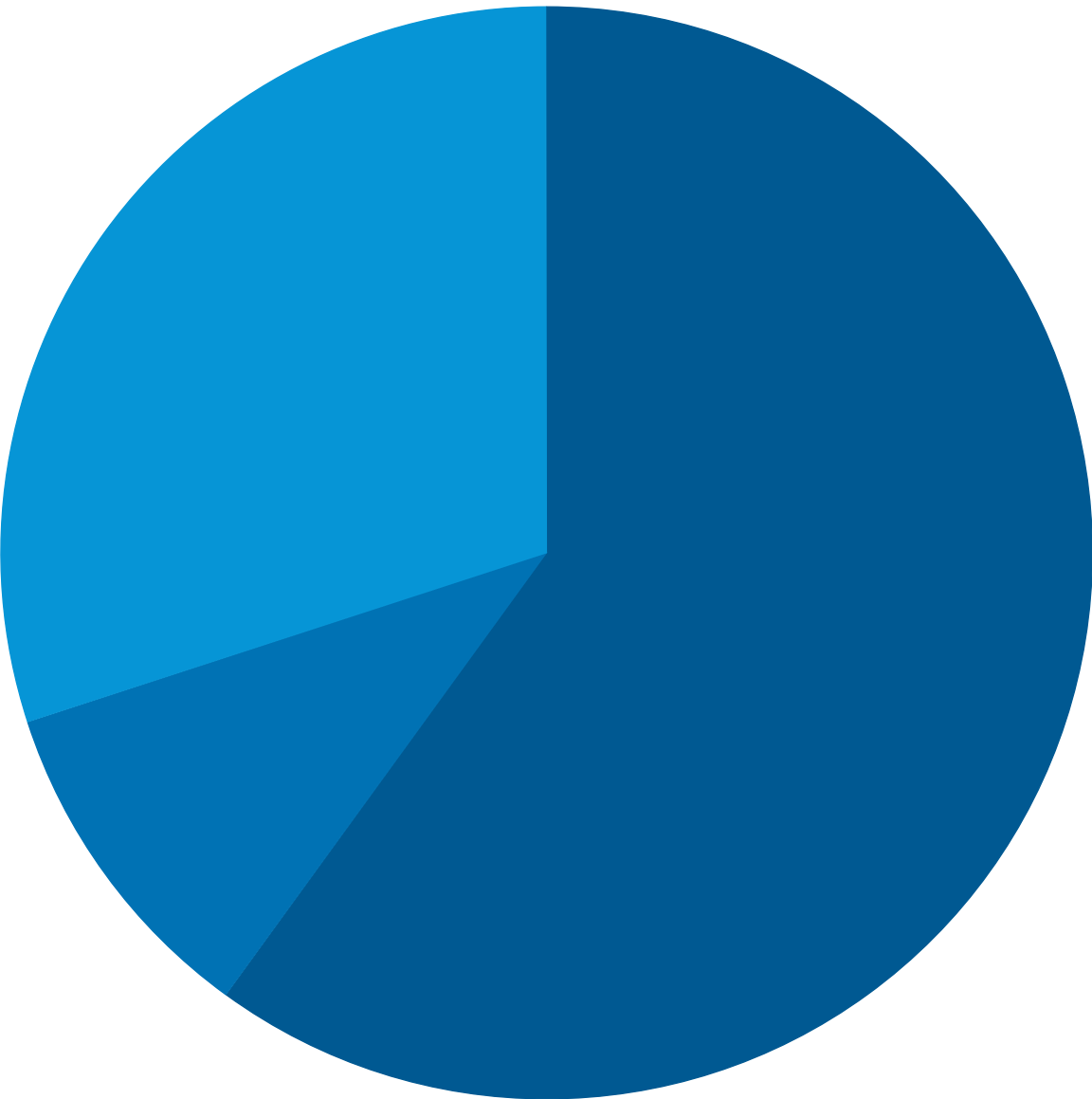
A major issue following recent reforms to the social housing sector was the question of how to deal with sitting tenants who were earning more than the recently introduced income ceiling, who would therefore not be eligible anymore to live in social housing (referred to as 'skewed tenants' by the government). Although their number has decreased significantly compared to 2009, about 409,000 households were still in this situation in 2015. The middle segment of the housing market which could provide alternative options for them still shows an important gap in supply.

Overall the average income of social housing tenants dropped by 12% since 2009, as a result of both stricter allocation rules and declining incomes following the crisis. Combined with recent reforms to rent setting which result into higher rent levels being applied, the number of tenants paying a relatively high rent in social housing increased by 142% between 2009 and 2015 (392.000 households). To tackle worsening affordability, Aedes (the national association for housing corporations), and Woonbond (the national tenants' union) agreed in 2015 to slow down rent increases and not to use the full legal maximum for yearly rent increases that liberalization policies allowed for, at least until 2018. Another recent development was the new social housing levy that was introduced in 2013 with the tax rate set to increase gradually until 2017. The levy applies to landlords owning more than fifty social dwellings and is based on the value of the dwelling: this means that the tax amounts to be paid on social housing in more popular areas can be very high. Overall, the sector has to pay to the government about 1.6 billion euro per year. The introduction of this additional levy has had a significant negative impact on supply.

The delivery of dwellings by social housing corporations continued to drop since 2009. From 30.000 dwellings to 16.700 dwellings in 2015. The same downward trend is visible for improvement and renovation measures, with the exception of energy measures which registered a significant increase from 105 million euro in 2011 to almost 500 million in 2016. Housing corporations now account for 35% of all new home construction in the Netherlands, compared to up to 60% during the crisis period. However, a more stable horizon in terms of regulation and finance might lift investments. Current plans aim at building around 100.000 dwellings in the upcoming five years.

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OWNER OCCUPIED 60%
PRIVATE RENT 10%
SOCIAL RENT 30%

- Number of dwellings (thousands): 7 277
- Number of dwellings per 1000 inhabitants: 447
- Housing Completions in 2015: 48 400

- Highest social renting share in the EU, financed off public balance sheet
- Highest quality rental sector in Europe
- Reforms increasing efficiency and governance of social housing providers
- Construction has started falling short of demand which increases prices
- Share of mortgages underwater (negative equity) still at high levels
- Middle incomes face more difficulties to find affordable homes
- Investments in social dwellings negatively affected by the social housing levy

POLAND

TRENDS IN HOUSING MARKETS

According to the Central Statistical Office of Poland, the number of dwellings in 2013 counted 13 853 000 units, with an average 360 dwellings per 1 000 population (1), the lowest in the EU. In 2013, approximately 75,4% of overall housing stock was in private ownership (of which 57,2 % were houses and 18,2% were dwellings into condominiums); 16,2% was provided by cooperatives; 6,7% was rented by municipalities; 0,8 % was rented by companies; 0,7% was rented by social housing associations (know as TBS) and the rest (0,2%) by the State Treasury.

The stock in cooperative ownership along with housing owned by social building associations is being systematically reduced by transfer to private individual ownership (2). Nevertheless, in spite of the official state policy promoting primarily private individual ownership, the vast possibilities of conversion of cooperative rights into proper ownership have not yet led to their elimination. Municipal housing is also significant, with low rents compared to average rents in private sector (3).

Estimates concerning the latest trends in housing construction have identified a deficit of about 500 000 units, a significant decrease from over 1 million units in 2011. Estimates differ partly due to the existence of a 'grey' unofficial rental market. In 2014 about 143 400 dwellings were built in Poland (about 3.7 dwellings per 1000 people). The majority were built by individual households and commercial developers (4).

Mortgage loans were practically non-existent in Poland in the nineties, but the market took off around 2000 and kept expanding very rapidly until late 2000's. Due to an increase in the volume on non-performing loans since 2008, the Polish Financial Supervisory Authority issued recommendations leading to more prudential practices and stricter lending conditions. Another challenge is related to the fact that a substantial amount of housing loans has been contracted in foreign currencies and particularly in Swiss francs (2). The rapid increase in the exchange rate of the Swiss Franc in January 2015 is estimated to have impacted about 1 million Poles, and the Financial Supervisory Authority has recommended banks to use restructuring solutions tailored to individual needs and adapted to current market conditions (5). House prices have been stable over the last years. The stability of prices connected to the low interest rates and increasing salaries improved the housing affordability, however commercial banks (major lenders of mortgage loans) tightened the conditions of granting new loans. The cost of renting dwellings in the big cities is similar to the cost of payment of mortgage loan, and the level of rents remains stable. Faced with a shortage of affordable housing, the city of Poznan is one of the first in Europe to -finance from the European Fund for Strategic Investment (EFSI) for the provision of affordable housing. The city-owned housing company in Poznań (PTBS) has received a loan from EIB financing approximately half of the project cost, to build about 1,300 affordable housing units of high energy efficiency with ancillary infrastructure.

POLICY DEVELOPMENTS

In 2009 the controversial decision was taken to liquidate the National Housing Fund, which until then had been supporting the provision of affordable rental housing, leading to a

halt in social housing construction. However, in 2016 the Polish government set up a housing programme („Mieszkanie plus”) through which the public Bank Gospodarstwa Krajowego is to award preferential credits to social building associations and housing cooperatives. The programme has not been launched yet but the adequate draft law is now being proceeded.

A new “Housing for Young People” programme (“Mieszkanie dla młodych”) is being implemented over the period 2014-2018. Beneficiaries could receive co-financing from state for purchasing a flat below a certain size and price defined on the basis of the local average property values. Through this scheme young people and young married couples can access better mortgage conditions from banks to buy their first home. The total budget of this program is 3 553 million PLN (approximately 853 million EUR). (2)

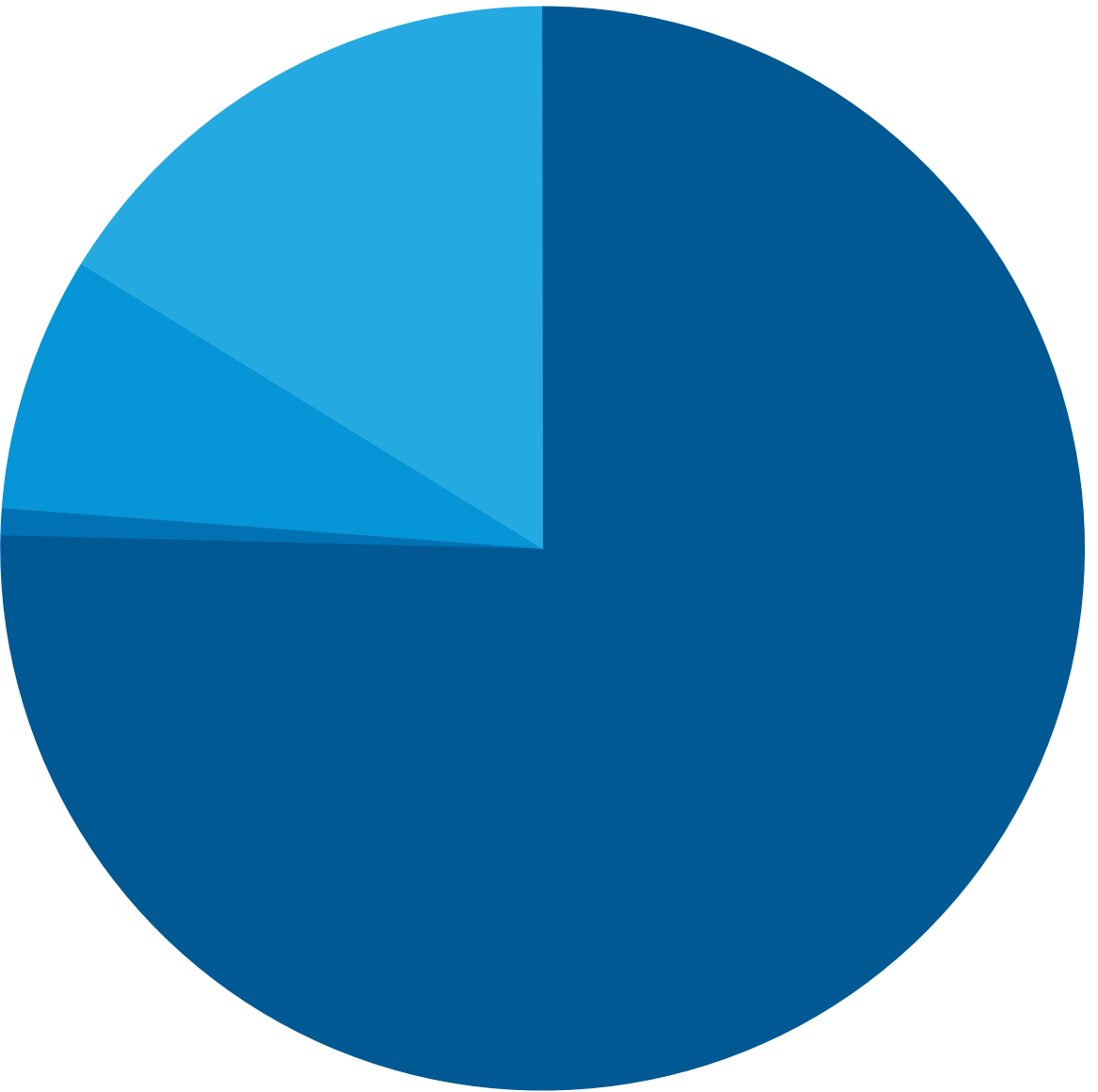
Another important instrument of housing policy was financial support for the emergency housing programme (housing for the poorest and those in special needs), introduced in 2007. According to the programme, the financial support is provided to local authorities to co-finance purchase, construction or refurbishment of very low-income rental housing. It can also support investments of social housing associations. The state subsidies varied from 30% to 50% of the investment costs.

The thermal modernisation and renovation support programme, in operation since 1999, provides subsidies to reduce the energy consumption of residential buildings. The programme aims to increase the quality of the existing housing stock and generate energy savings. The major beneficiaries of the subsidies are housing cooperatives and condominiums (4).

Currently a draft law on housing cooperatives (n. 1533) is being proceeded by the Polish Parliament which according to the Auditing Union of Housing Co-operatives (ZRSM RP) could undermine the existence of housing cooperatives in the country (5).

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OWNER OCCUPIED 75.4%
PRIVATE RENT 0.8%
SOCIAL RENT 7.6%
COOPERATIVE 16.2%

- ▶ **Number of dwellings (thousands): 13 853**
Number of dwellings per 1000 inhabitants: 360
Housing completions in 2014: 143 373
(Source: Ministry of Infrastructure and Development of Poland)
- ⊕ **Housing overburden rate below the EU average**
Still significant social and cooperative housing stock compared to other CEE countries
- ⊖ **Risk of legislation being adopted which would undermine housing cooperatives in Poland**
Severe housing deprivation rate is high at 10.1 compared to 5.2 EU average
Housing shortage

PORTUGAL

TRENDS IN HOUSING MARKETS

In terms of tenure structure, Portugal has a large majority of home owners, at about 74%. According to a recent survey there are about 120000 social housing units in Portugal (about 2% of the overall housing stock) which belong mainly to municipalities and to a lesser extent other organisations (cooperatives, 'misericordias'...). In 2015, 19800 applications for social housing were registered, more than a half in the Lisbon metropolitan area (INE, 2016). After years of depression following the crisis, the housing market in Portugal started to recover in 2014. Prices are still below pre-crisis levels but they are increasing, especially in urban areas which are increasingly attracting interest from investors (Global Property Guide, 2017). Nevertheless, residential loans keep declining since 2010 (EMF, 2016), and banks have substantially reduced access to purchasing a home (Pinto, 2017). Experts point at increases in rents in Lisbon in recent years. This is partly due to the expansion of tourist accommodation and short term lettings/Airbnb which can be more lucrative than long term letting. The European Commission also expresses concern over the lack of sound evidence on the shadow economy in the rental market, potentially leading to housing tax evasion and fraud.

Overall, the share of housing costs in disposable household income are below the EU average. However, since the beginning of the crisis housing costs as a share of disposable income have increased significantly, especially for the poor. This is mainly due to a decrease in household income as a result of growing unemployment and the introduction of austerity policies. Similarly, the the number of households being in arrears with their rents or mortgage credit payments has also increased.

POLICY DEVELOPMENTS

Social housing policy in Portugal emerged after 1974 as a response to rapid urbanisation and the creation of slums and illegal settlements in the outskirts of large cities. Social housing supply has always remained scarce, although less so in Lisbon and Porto (Pinto). The sector has suffered from lack of funding and the constraints of very low rents: the average monthly rent in social housing today is very low at only 56 Euros, although rents in new leases signed under the new 'regime de arrendamiento apoiado' which entered into force in 2015 are higher (113 euros on average) (INE, 2016). Providers and managers of social housing, namely the municipalities, are now facing growing housing needs without the means to tackle them (Pinto, 2017). On the contrary, public support has been historically focused on home ownership: a recent report shows that in the 25 years from 1987 to 2011 over 73% of public funding in the field of housing consisted of credit interest subsidies for people building or buying a home (IRHU, 2015).

Recently the IRHU, in partnership with other entities, has developed two programmes designed to make the rental market more accessible. Firstly, the Social Rental Market (Mercado Social de Arrendamento) was established in 2012 allowing real estate seized by banks to be re-leased at a price 30% below the regular market price. It is aimed at people who can't access social housing, but don't have enough income to buy their own house or to rent in the pri-

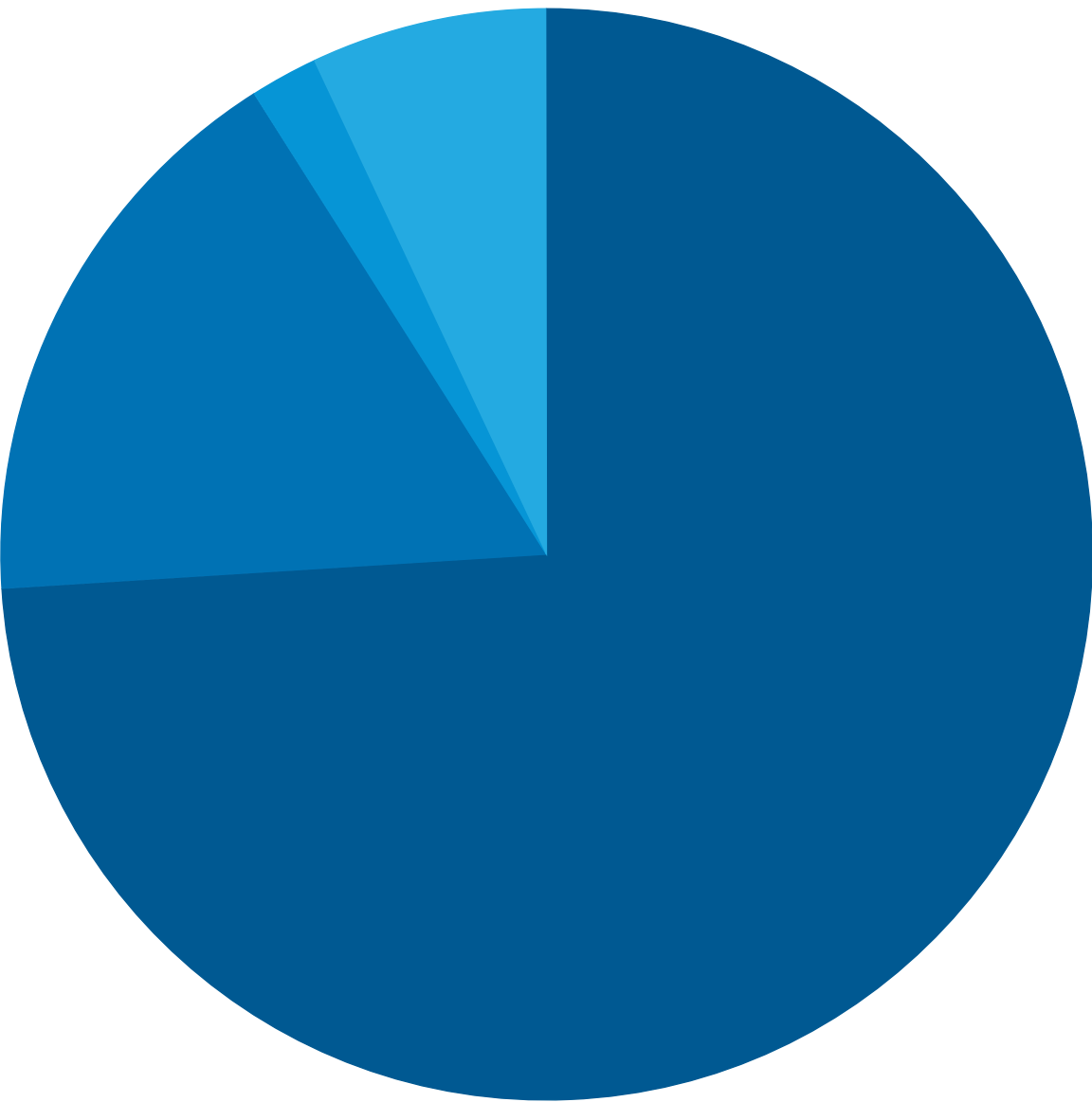
vate market. Secondly, Rehabilitating for Rent (Reabilitar para Arrendar) is intended to provide municipalities, companies, and urban regeneration societies with support to rehabilitate buildings for use as housing and this housing is specifically restored for use as rental housing with regulated rents. However significant, these initiatives are rather limited in scope compared to the real housing needs and the increasing difficulties of families in accessing housing (Pinto, 2017).

The awareness of these difficulties and the need to facilitate housing access to Portuguese families led to the elaboration of a new National Housing Strategy for the period 2015-2031. In a country that has strongly invested in access to homeownership and new construction, this document seems to want to reverse this housing pattern, presenting three pillars that will sustain housing policies in the coming years: 1) to encourage urban rehabilitation; 2) to boost the rental market; 3) to improve housing regeneration (Pinto, 2017).

Other developments worth mentioning concern the private rental market, which has historically been characterized by strong regulation with rents in old contracts set at levels way below market rents. In 2012 Portugal started a process of reforms of rental regulation which over a period of five years would phased out the old system of open-ended leases in which rents were frozen and contracts could not be terminated by landlords, and provided for rents to be updated so as to achieve gradual alignment with market levels. It also introduced more flexibility in the choice of contract duration, set better incentives for renovation and provided a new and fast extrajudicial eviction procedure. A law which simplified administrative procedures for renovation works was adopted as part of the same package (EC, 2017). Although the reform was designed to be fully applicable from 2017, currently the Parliament is considering to further extend the transitional period for certain categories for 10 years (more 5 years). In particular the proposal concerns "old household" (contracts before 1990), namely tenants aged 65 or over or disabled, whose household income is below a certain threshold (EC, 2017).

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OWNER OCCUPIED 74%
PRIVATE RENT 17%
SOCIAL RENT 2%
OTHER 7%

- Number of dwellings (thousands): 5 926
 - Number of dwellings per 1000 inhabitants: 556
 - Housing Completions in 2012: 7 394
 - Number of social rental dwellings: 120 000
 - Providers: municipalities, to a lesser degree charities and cooperatives
- (Sources: INE, EMF Hypostat, OECD Affordable Housing Database)

- New housing strategy focusing on rehabilitation, rental market, housing regeneration
- Initiatives towards affordable rental housing, although still limited in scope
- Lisbon among the first cities in Europe to access EFSI funding for urban renewal, including construction and rehabilitation of social housing
- Legacy of policies historically favoring home ownership with little attention to other tenures (funding, regulation, spatial planning)
- Strong increase in rents in the capital
- Significant increase of housing costs compared to income among the poor and growing arrears on rents/mortgage payments

ROMANIA

TRENDS IN HOUSING MARKETS

Romania has consistently recorded the highest owner-occupancy rate in the European Union, at about 98% of the total housing stock. House prices in Romania have been growing at significant pace over the past year, and the volume of new housing construction is significant, although concentrated in the capital area.

Poverty and social exclusion remain high in Romania. Although declining, a high risk of poverty or social exclusion persists for young NEETs, families with children and people with disabilities. Romania has also one of the highest levels of income inequality in the EU and rising (European Commission, 2017). Compared with urban areas, twice as many people in rural areas live in marginalised communities confronted with housing, employment and social challenges (World Bank, 2014). Roma in particular are concentrated in marginalised communities and about two thirds live in housing lacking basic sanitation (FRA, 2016, p. 19).

The share of people in severe housing deprivation (i.e. who live in bad quality housing and spend over 40% of their incomes on housing) is the highest in the EU (Eurostat, SILC). According to Habitat for Humanity much of Romania's housing stock is low quality and deteriorating because of a lack of maintenance. More than 10,000 blocks of flats were constructed 40-50 years ago and now need serious renovation to their infrastructure, heating systems and roofs (Habitat for Humanity). Romania also shows EU's highest final energy consumption per square meter of dwelling in the residential sector, and the energy inefficient building stock exacerbates the problem for many Romanian households (European Commission, 2017).

POLICY DEVELOPMENTS

With support from the World Bank, the Ministry of Regional Development and Public Administration has developed a project to identify poor communities in urban areas, which will be the target of integrated plans to reduce poverty concentration. The plans will include social housing provision as well as complementary education, health, social services and employment measures for the purpose of mitigating the crucial aspects of poverty and social exclusion in these communities (including the Roma). Furthermore, in 2014 the government devised guidelines in identifying unhealthy housing and tackling the problem at the level of urban neighbourhood, building and dwelling.

Two main programmes support housing construction: the National Housing Agency implements a programme to build homes to be let out to young people whose income does not allow them to buy or rent a home on the free market. Furthermore, the programme for mortgage-based home building supports the construction of privately owned homes, through loans provided by banks in agreement with the National Housing Agency.

The First House program provides state guarantees on mortgage loans under a certain value for first time buyers, allowing the purchaser to give a small individual contribution. Since its launch in 2009, the programme has supported more than 180,000 mortgage loans for the population (EMF, 2016). In 2016, the 'Datio in Solutum' law was adopted

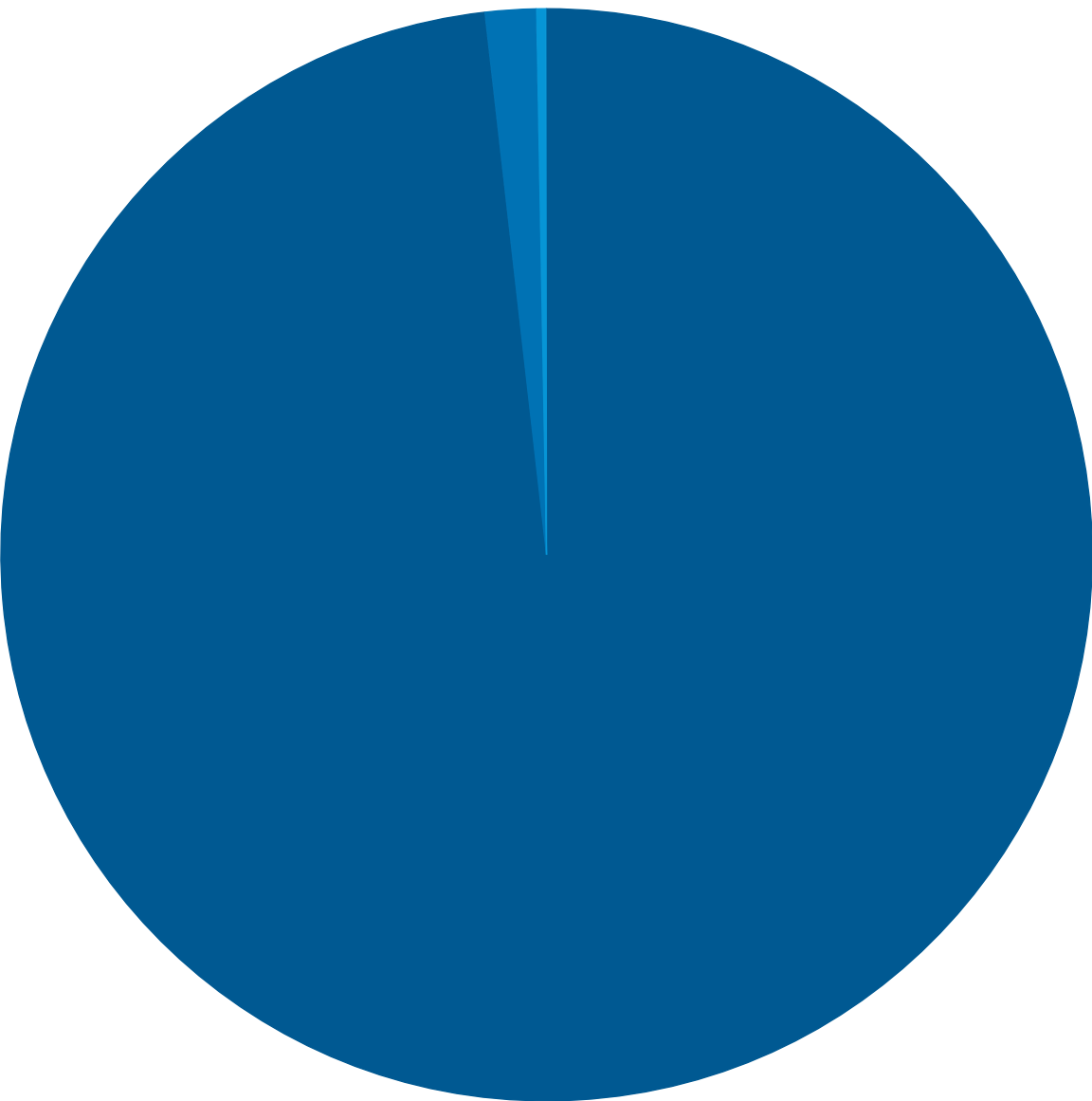
allowing mortgage debtors to fully discharge their debts to banks by giving them the property used as collateral. Interestingly though the First Home programme was excluded from the law (EMF, 2016).

Social housing is provided mainly through funding at local level with support from the State budget. It targets particular categories of disadvantaged persons, and tenants evicted from formerly nationalised houses that are now returned to their rightful owners.

Finally, the Government has set up a number of programmes for the rehabilitation/renovation of existing housing stock in view of protecting them against earthquakes and improve their energy efficiency. The projects target privately owned flats (through the owners associations) and receive ERDF funding. Nevertheless experts are critical about the real outreach and impact of the programme. For instance, in the capital city (in Bucharest), the city with the biggest number of endangered buildings in case of an earthquake (more than 2350 buildings), only 20 buildings have been consolidated against earthquake through this Programme, since 1990. (Badescu G & Munteanu R, 2017). Currently Romania lacks an overall and consistent National Housing Strategy, although the topic has been put forward on the public agenda insistently by civil society and various NGOs active in the housing sector (Habitat for Humanity)

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OWNER OCCUPIED 98.2%
SOCIAL RENT 1.5%
OTHER 0.3%

- ▶ **Number of dwellings (thousands): 8 722 (in 2011)**
Number of dwellings per 1000 inhabitants: 432
Housing Completions in 2015: 47 017
(Sources: 2011 Census, EMF Hypostat 2016)
- ⊕ **Working towards plans to reduce poverty concentration in selected urban areas, including housing**
- ⊖ **Highest rate of home ownership in the EU and very residual rental sector**
Highest rate of severe housing deprivation in the EU (19.8% compared to 4.9%)
Old housing stock of poor quality and energy performance
Poor living conditions of Roma

SLOVAKIA

TRENDS IN HOUSING MARKETS

According to the 2011 Census, the overall housing stock in Slovakia counted 1 994 897 housing units out of which 205 729 units were vacant. Overall there are 370 dwellings per 1 000 inhabitants, one of the lowest shares in the EU. Furthermore overall housing construction is still low (approx. 15 000 dwelling per year). The overall housing stock in Slovakia in 2011 consisted of 90.5% owner occupied housing, 6% rental dwellings (out of which 3% are rented by municipalities and 3% are rented privately) and 3,5% owned by housing cooperatives. Social housing in Slovakia is mainly provided by municipalities and financed by the Programme of Housing Development (combination of subsidies provided by the Ministry of Transport and Construction of the SR and low-interest loans from State housing development fund).

Although Slovakia shows a relatively high level of affordability compared to the EU average, overcrowding is a problem for many of the poor (57.6% vs EU average of 29.7% in 2015) and large numbers of social housing tenants face severe housing deprivation (21.6% vs EU average of 9.6% in 2015). Furthermore, 17% of the Roma population lives in segregated settlements where there is a concentration of 'informal' dwellings and problems in accessing basic services (Atlas of Roma Communities, 2013). House prices show a significant growth in recent years. After bottoming out in 2014, house prices surpassed their pre-crisis levels in 2016, with increases driven mainly by strong demand in the capital region. There are however significant regional differences. Furthermore, rising rents in regions with higher economic activity also reduce internal labour mobility, especially from the Central and Eastern part of the country, where long-term unemployment is the most pressing economic issue (European Commission, 2017).

POLICY DEVELOPMENTS

Current policy priorities in the field of housing in Slovakia include the gradual increase of the overall housing quality and affordability, the development of both public and private rental housing, and the modernisation of existing housing stock (OECD, 2016). One of the main obstacles in reaching these objectives include the ownership structure (the result of complex historical development) whereby more than 90% of occupied dwellings is owned by private persons and only 3% is public rental stock.

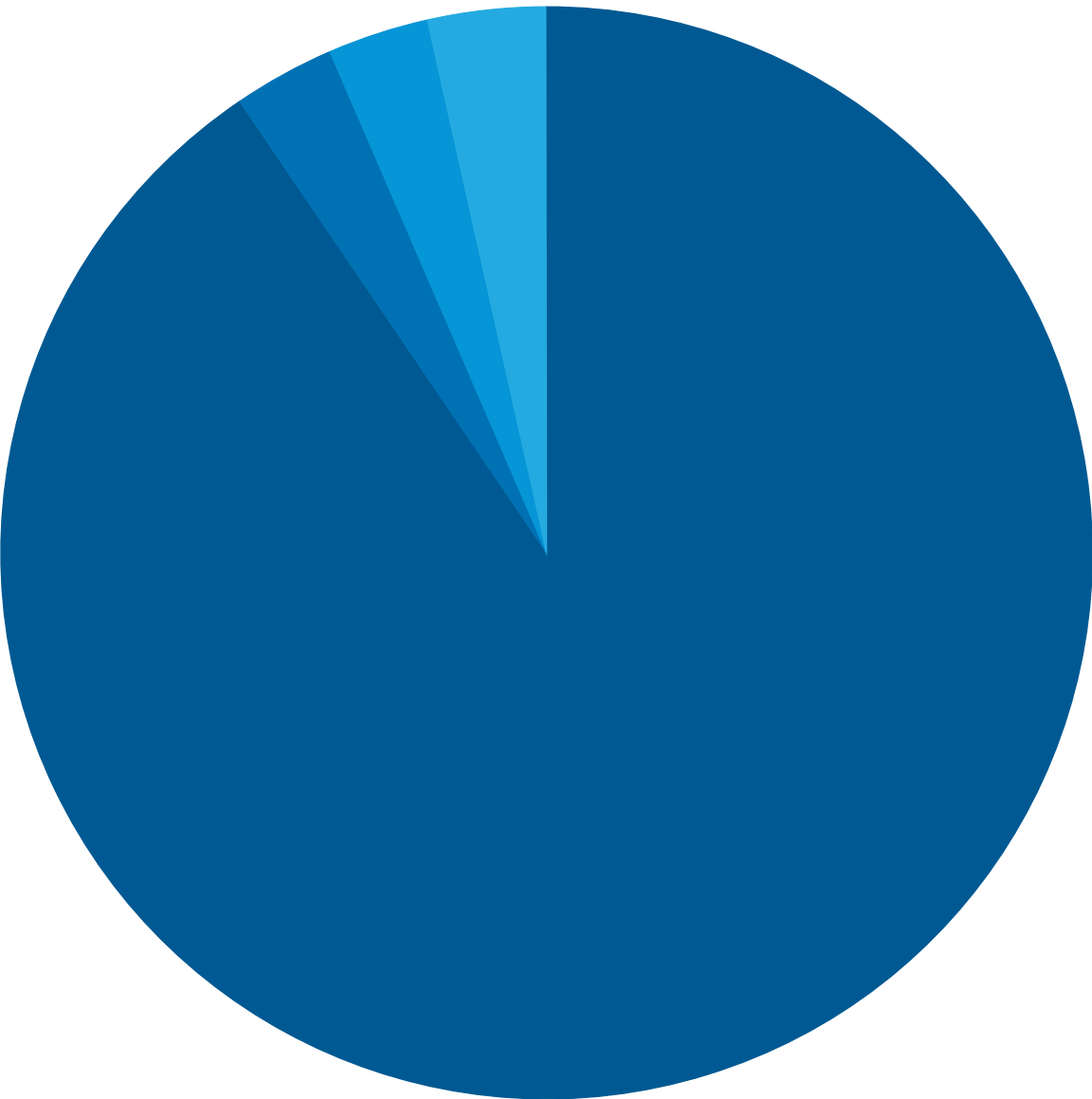
One of the main priorities of housing policy is the modernisation of existing housing stock. In 2016 the State introduced new subsidy programme “Single-family houses thermal insulation support”, which aim is to improve energy efficiency of single-family houses. Supply of social housing is subsidized since 1998 through the Programme of Housing Development. The percentage of state-supported dwellings represents in average 10% of completed dwellings in Slovakia. The availability of social housing is scarce, and support for rental accommodation through housing allowances remains limited (European Commission 2017). Demand side is subsidized by several financial tools primarily focused on mortgage loans and young families. Furthermore, assisted construction of family homes combined with interest-free microloans was piloted successfully among

marginalised Roma communities. (European Commission 2017).

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One of the main obstacles in reaching housing policy objectives is the ownership structure, whereby more than 90% of occupied dwellings is owned by private persons and only 3% is public rental stock



OWNER OCCUPIED 90.5%
PRIVATE RENT 3%
SOCIAL RENT 3%
COOPERATIVE 3.5%

- Number of dwellings (thousands): 1 994
- Number of dwellings per 1000 inhabitants: 360
- Housing completions in 2016: 15 672

- Number of social rental dwellings: 127 000
- Social housing increase in 2016: 1 348
- Providers: municipalities
- (Source: Census 2011, OECD Affordable Housing Database, Ministry of Transport and Construction of the SR)
- Policy orientation towards developing of public and private rental sector and modernisation of existing housing stock
- Relatively low level of ‘housing overburden’
- Small rental housing sector and shortage of social housing
- High rate of overcrowding

SLOVENIA

TRENDS IN HOUSING MARKETS

Property market in Slovenia was significantly hit by the crisis. However, in 2015, house prices rose for the first time since 2011, and continued to record moderate growth in 2016. According to Statistical Office figures, the price of used flats in Slovenia was up 4% in comparison to 2015 and 6% in the capital city, Ljubljana (EMF, 2017). Housing construction remains low with less than 3,000 housing units completed in 2016. However, housing starts in 2016 were 15% higher than in 2015 (EMF, 2017).

Housing stock in Slovenia is divided into 77% of owner-occupied dwellings, 9% are rented ones (more specifically 6% is social housing owned by municipalities and other non-profit housing organizations, and 3% is rented by other legal entities) and 14% of the dwellings fall under other forms of tenure (housing the owners' relatives or friends who are not paying any rent).

POLICY DEVELOPMENTS

Renting at market prices is expensive in Slovenia and social housing is in short supply. The "National Housing Programme 2015 - 2025" approved at the end of 2015 projects a new rental policy and an increase in the housing stock aimed at the most vulnerable population groups. The expected positive consequences of the new regulation include: easier access to their first home for young people and young families, construction of young people's housing communities, higher availability of adequate housing for the elderly and additional housing units for the most socially excluded (European Commission, 2015).

In the social housing area, the document introduces a new rent policy that would facilitate the maintenance of public rented housing by basing the operations on a cost-recovery level. At the same time, it introduces housing allowances to support the most vulnerable.

The National Housing Fund is given a central role: it is expected to move beyond its current role as the supplier of funding for the construction of social housing and becomes an active investor and provider of public housing. The institution is also expected to act as a kind of social rental agency (identifying dwellings in private ownership to be let at not for profit rents) and to contribute to the supply of quality market rental housing.

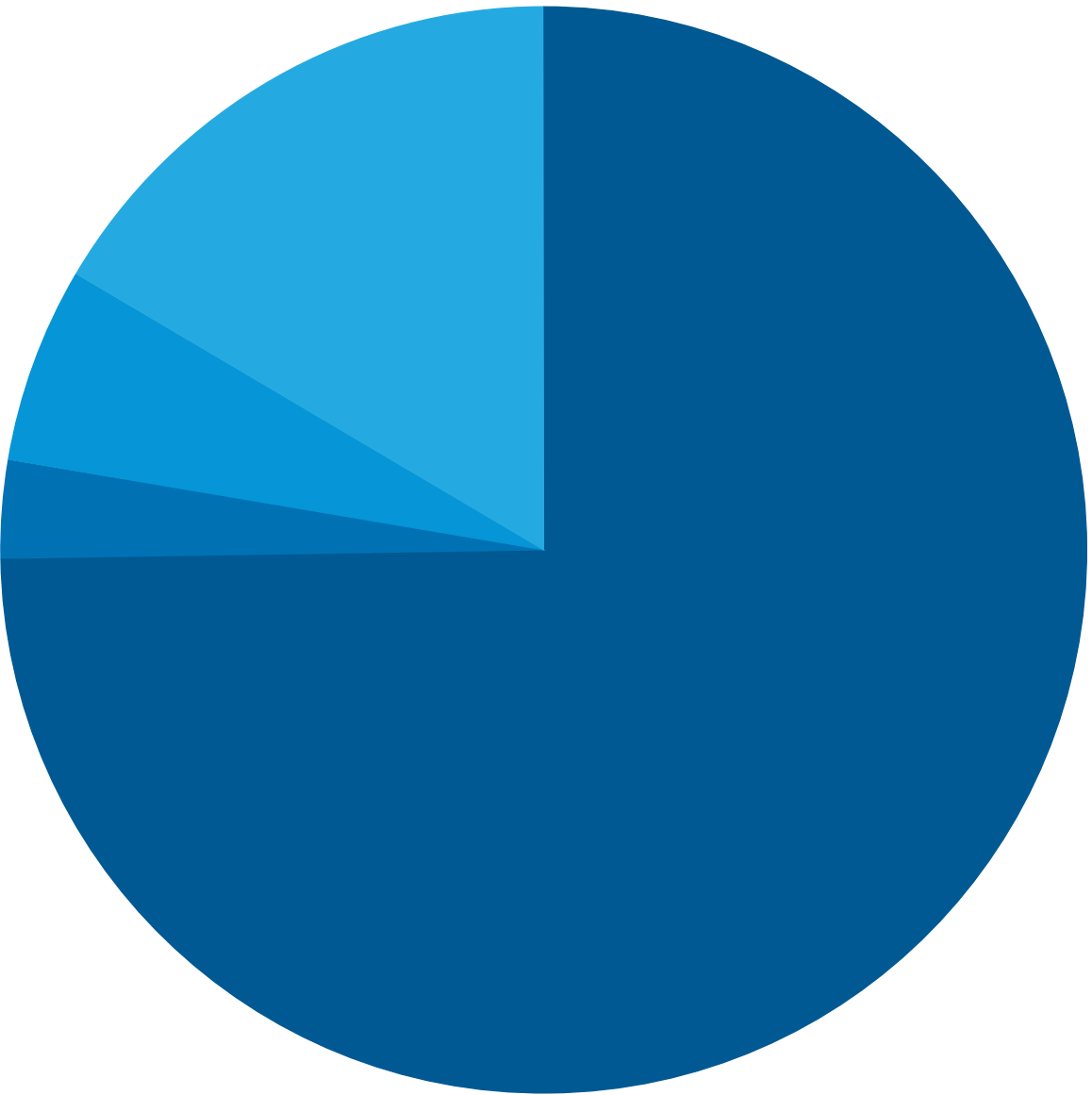
Besides reforms related to rental social housing, there are also subsidies available for socially deprived residents for investments in efficient use of energy in multi-dwelling residential buildings

On the contrary, subsidies for young families to find their first home were available until 2011 but they were cut due to restrictions in the Public Fiscal Balance Act in 2012, which also abolished the national housing saving scheme.

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The National Housing Programme 2015 - 2025 projects a new rental policy and an increase in housign supply aimed at the most vulnerable population



OWNER OCCUPIED 77%
PRIVATE RENT 3%
SOCIAL RENT 6%
OTHER 14%



- Number of dwellings (thousands): 845
- Number of dwellings per 1000 inhabitants: 410

- **Housing Completions in 2016: 6 715**
(Source: OECD Affordable Housing Database; Republic of Slovenia Statistical Office, Estimation of the construction of buildings and dwellings)



- **New National Housing Programme aiming at increasing the housing stock aimed at the most vulnerable population groups**
- **Increased role of the National Housing Fund**



- **Limited investment into social housing by municipalities, linked with rents set administratively at very low levels and limits on public debt**
- **Large share of young people living with parents and lack of dedicated policy measures**

SPAIN

TRENDS IN HOUSING MARKETS

The consequences of the crisis in Spain were particularly severe in the years between 2007 and 2015, with the bursting of the housing bubble. Construction stopped abruptly: while in 2006 there were over 700 thousand building permits, in 2011 their number was only 77 thousand. There were only about 64,000 housing starts in 2016 (EMF, 2017). House prices decreased by over 20% between 2007 and 2012. Furthermore, a large number of homes were left empty/unsold, the majority of which are owned by banks (687,500 dwellings in 2011). Between 2007 and 2012, over 400 thousand evictions were executed because of arrears on mortgage payments. At the close of 2016, the ratio of non-performing loans is still 9.2%, however this represents a significant decrease since 2012 (EMF, 2017). Today the situation has started to change, and the housing market shows signs of recovery. In 2015 housing transactions concerned more than 400 thousand units for the first time since the crisis, and they increased to over 457,000 in 2016 (EMF, 2017). House prices have also started growing again, although growth has not been homogeneous in all regions. The most marked increased have been registered in Barcelona and Madrid.

Spain has traditionally a strong preference for home ownership, driven both by market trends and public policies. However the crisis has affected the capacity of Spaniards to buy a home, and the demand for rental housing increased significantly over the last decade especially among young people. While owner occupation was about 84,5% in 2001 with only 9.6% rental, according to data from the national statistical institute today about 77% of main residence dwellings are owner occupied and 15,4% rented (INE, 2016). Only 2.5% of households live in the public rental system, with most of these dwellings being located in large cities such as Madrid and Barcelona. The AVS-Association of Public Developers, to which the majority of public housing managers in Spain belong, accounts for 140,000 public rental dwellings distributed among 130 companies (Pareja-Eastaway and Sánchez-Martínez, 2017). Housing affordability has worsened significantly over the last decade: the rate of housing overburden doubled among the total population from about 5% to over 10% between 2005 and 2015. The increase is even more marked among those at risk of poverty, from 16.6% to 36.4% over the same period (Eurostat, SILC).

POLICY DEVELOPMENTS

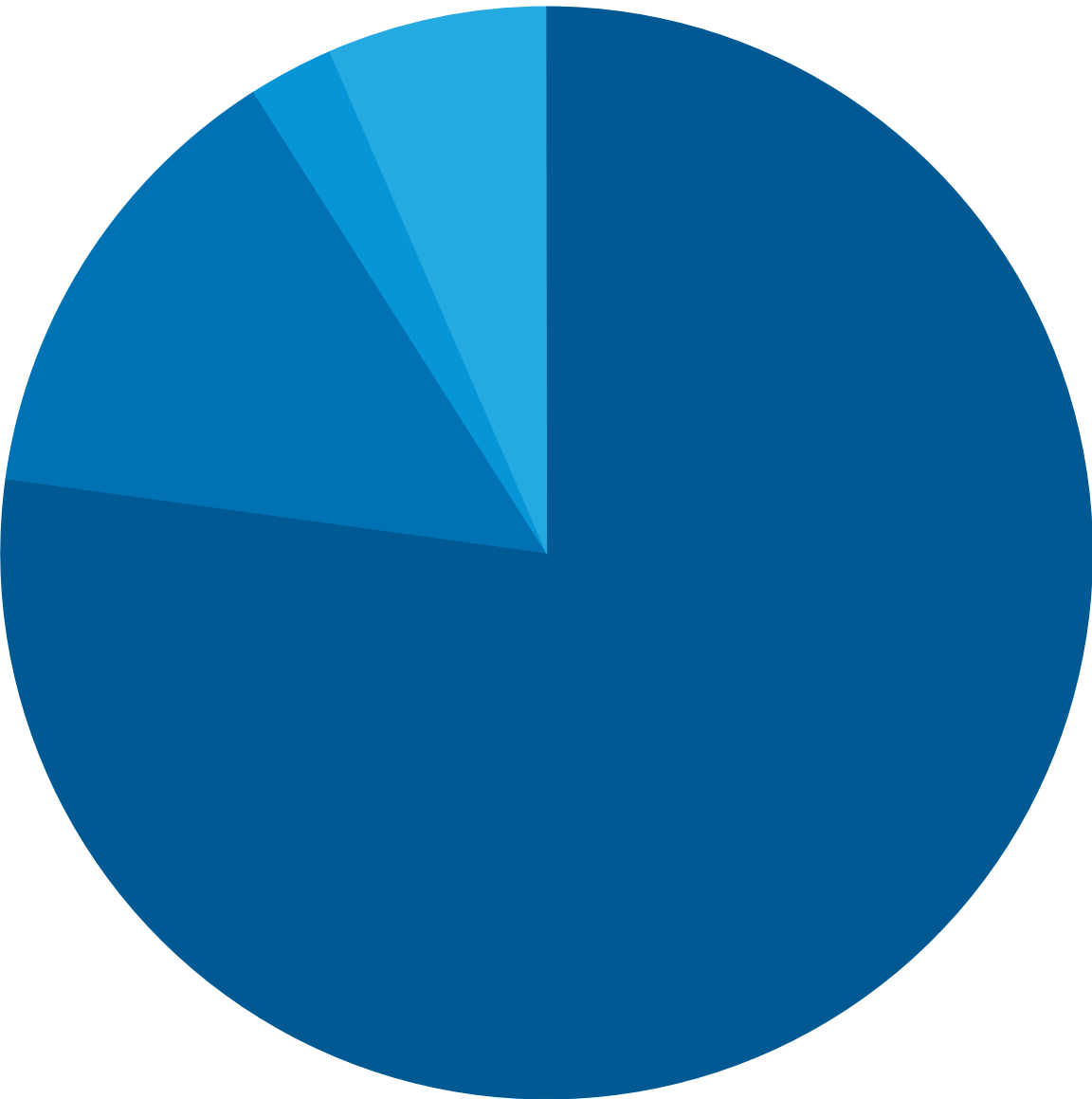
The current housing plan (Plan de Vivienda 2013-2016, which has been extended to 2017) is almost entirely focused on the promotion of rental housing. This represents a reverse of trend in Spanish housing policies, which in the past were mostly geared towards the supply of housing for owner occupation (including in the public sector). The Housing Plan (2013-2016) also promotes public rental housing through a scheme of subsidies to private companies that own the right to build, and to public bodies, NGOs, and foundations and associations considered of public utility. However, difficulties have accompanied the launch of this scheme (Pareja-Eastaway and Sánchez-Martínez, 2017). Today, the public rental sector still remains extremely small, a shortage that was exacerbated by privatisation owing to

budgetary difficulties in the public sector in the aftermath of the crisis. For instance, in 2013, the regional government of Madrid sold around 5,000 social rental dwellings to investment funds, among them Goldman Sachs and Blackstone (Pareja-Eastaway and Sánchez-Martínez, 2017). The actual number of rental units realised thanks to support from the housing plan is so far small, only 1,223 were approved in 2016. Public housing companies have also started a programme for mediation between banks and insolvent mortgage holders, including a type of 'mortgage to let' scheme which includes the possibility to stay in the dwelling as tenants. Public housing companies are faced with a strong reduction in public funding in a time when they have to shift from the traditional provision of affordable housing for sale and re-focus on renting. Furthermore, the law on the rationalisation and sustainability of territorial administration (approved in 2013), shifted some competences from the municipal to regional level, also impacting public housing providers.

Several interesting examples are developing at the level of the Regions (historically responsible for the management of the national Housing Plans) and municipalities. Some regions in tandem with large municipalities are negotiating the acquisition and exercise of preferential rights to empty houses with financial institutions. It is also worth mentioning the establishment of programmes aimed at transforming empty private housing into affordable rented dwellings where the regional government acts mainly as an intermediary, with examples in the Basque Country and Catalonia (Pareja-Eastaway and Sánchez-Martínez, 2017). The latter region is indeed implementing a number of innovations: for instance a law passed last year introducing two new intermediate tenures into Catalan law: 'shared ownership' and 'temporary ownership' (Nasarre-Aznar, 2017). Furthermore, the city of Barcelona has established a number of new measures aimed at guaranteeing the right to housing (see page ... of this report). What comes next in terms of national policies remains to be seen. The current draft for the next Housing Plan (2018-2021) establishes an ambitious set of measures but it hasn't yet been followed by any specific budget allocation. Measures proposed so far include (in short): subsidised mortgage loans; rent allowances; support for those evicted from their primary residence; funding for the supply of rental housing; funding for increasing energy efficiency; funding for maintenance and accessibility measures; programme for urban and rural regeneration; subsidies for young people; and housing programmes and subsidies for elderly people.

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OWNER OCCUPIED 77.1%
PRIVATE RENT 13.8%
SOCIAL RENT 2.5%
OTHER 6.5%

- ▶ • Number of dwellings (thousands): 25 208
- Number of dwellings per 1000 inhabitants: 538
- Housing construction in 2016: 54 760 new units
- ⊕ • National Housing Plan 2013 - 2016 marks a shift towards rental housing
- New policy measures at the level of some regions and municipalities
- ⊖ • Banks still owning many empty homes
- Housing overburden rate has doubled between 2005 and 2015
- Increasing house prices in major cities and risk of speculative investment

SWEDEN

TRENDS IN HOUSING MARKETS

Most housing statistics are available by dwelling type rather than tenure in Sweden, and statistics are separated between one or two dwelling houses and multi-dwelling houses. Furthermore, there are four different regulatory types of tenure in Sweden: direct ownership represents 39%, tenant ownership (in housing cooperatives) 23%, public rental 19% and private rental 19%. Sweden has by definition no social housing, i.e. there's no part of the housing stock that benefits from special subsidies to the builder/owner, and reserved for low-income households (1). But almost half of the rental sector is owned by municipally owned housing companies, whose goal is to provide housing for all, regardless of gender, age, origin or incomes. The rents don't differ much between private and public rental housing as the 'utility value' principle applies to both sectors. This means that rents and rent increases are decided through collective bargaining at local level between tenants and landlords (2). Furthermore, since 2011 municipal housing companies have to apply business like principles and directly compete with the private sector without any specific public funding. However, they are bound to act on the basis of social responsibility, which translate into municipal housing companies increasingly working on enhancing social integration, especially in areas facing segregation. Households with social problems who cannot find suitable housing on the market refer to social authorities to get assistance in finding a home, and social authorities can in turn negotiate solutions either with private or municipal landlords. This is usually referred to as 'secondary housing market' in Sweden, but the number of homes concerned is small and they are usually let on a temporary basis. Furthermore, housing allowances are available for low income households, more specifically for elderly people and households with children (1).

There is significant pressure within the Swedish housing market. Much of Sweden is facing a housing shortage, primarily in its metropolitan regions as the country has one of the highest levels of urbanisation in the EU. Over all, 255 out of 290 municipalities report a shortage of housing, especially for young people, newly arrived and elderly people who are looking for an apartment more suitable for their needs. The level of additional new homes has for a long time been very low, while population growth has been high and, according to forecasts, this will continue. Expert calculations from the National board of Housing, Building and Planning, show an acute shortage of housing. Approximately 710,000 new dwellings are needed over the next 10 years. Construction has increased greatly the last three years, with preliminary figures of 63 000 new units started in 2016 and a forecasted 67 000 new units in 2017. The expert assessment is that it is mainly a bottleneck regarding the workforce that hinders an even higher rate of construction. According to Eurostat, Sweden has the highest housing construction prices in the EU and shows little competition in the construction sector. Despite an initial decrease after the 2008 global economic crisis, in 2009 housing prices started to grow again and have continued to rise since, while most other EU countries saw their house prices fall over the same period. Private households' indebtedness has also been increasing. High prices on owner occupied housing and insufficient rental housing combined high rent makes it hard for students, young households and recent immigrants to enter into the housing market. Housing cooperatives and municipal housing companies have initiated different projects to try to lower costs and facilitate the entrance into the market for (inter alia) such groups. They include low-cost apartments

for young adults that cannot be re-sold at higher price, low-cost cooperative ownership for first time buyers, establishment of ready-to-occupy apartment blocks can be erected anywhere in Sweden at a set price 25% lower than the average.

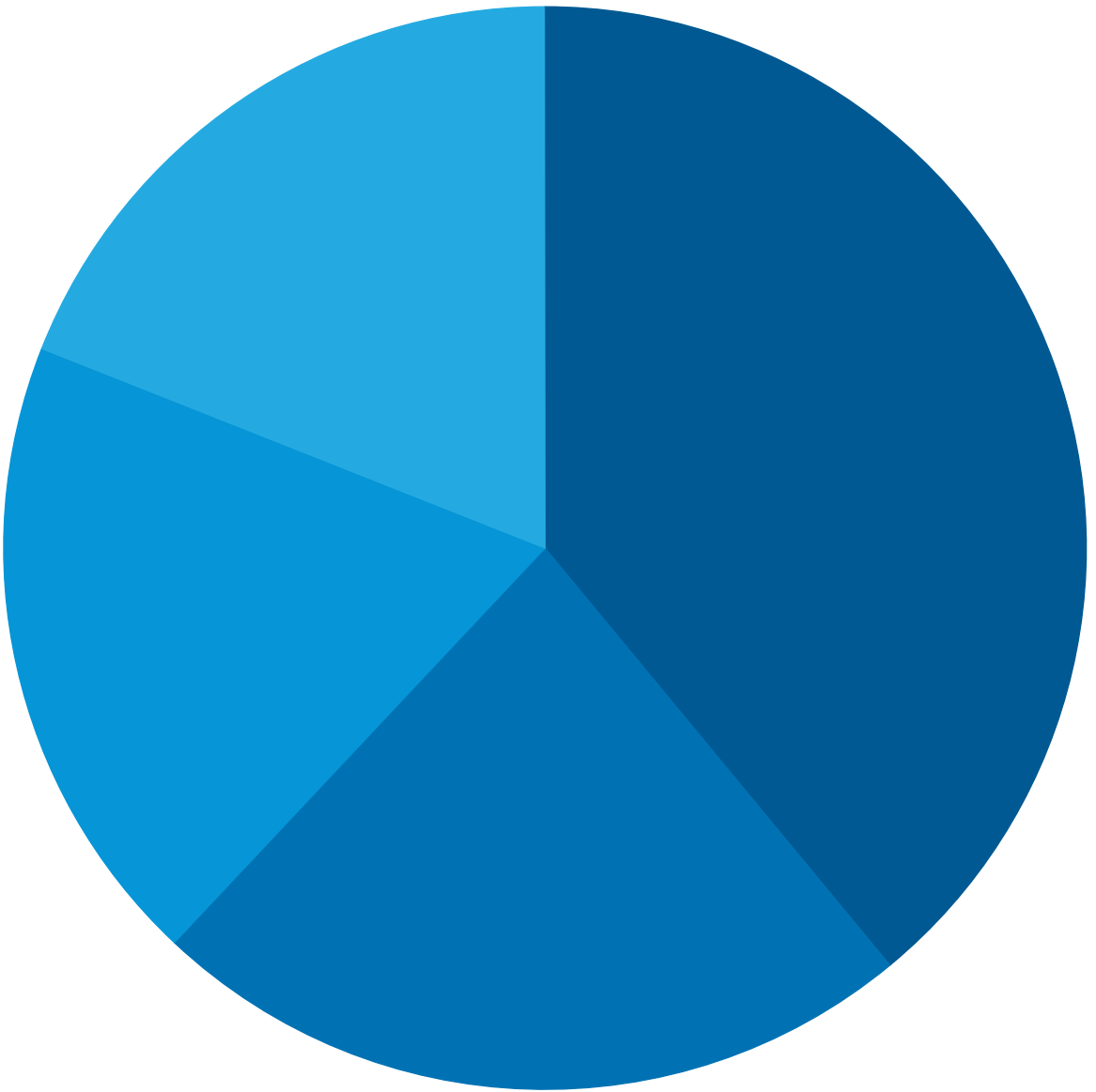
POLICY DEVELOPMENTS

The Swedish tax system favors owner-occupied housing over other investments and rental housing. For owner occupiers, 30% of mortgage interest can be deducted. It is also possible to get a tax rebate on 30% of the cost of repair, renovation and extension work. Furthermore, in 2008 the national real estate tax was abolished and replaced by a lower property fee. Measures have been taken in terms of mortgage regulation in order to avoid over-indebtedness for households. Since 2010 Sweden has gradually introduced a number of measures aimed at containing mortgage debt growth. From June 2016, there is a mandatory amortization requirement for new mortgage loans with a loan-to-value ratio above 50 per cent, and since October 2010 a maximum loan-to-value ratio of 85 percent has been applied to all new mortgages. Furthermore, a temporary reform of the capital gains tax deferral rules for housing transactions was adopted in 2016, with a view to improving housing market liquidity and owner-occupier mobility.

Sweden has gradually implemented a range of measures to raise new housing supply in recent years. Policy action has mainly been focused on streamlining the planning and appeals processes to make lead times shorter and more predictable, on simplifying building and zoning regulations and more generally on reducing red tape for new construction (European Commission, 2015a and 2016a; Emanuelsson, 2015). Additionally, there has been some modest budgetary support for new construction, either in the form of investment subsidies for specific types of rental housing (e.g. for students or the elderly) or of general construction bonuses to encourage municipalities to promote more building activity. In June 2016, the authorities put forward a 22-point plan aimed at tackling a number of supply bottlenecks and improving the overall efficiency of the housing sector. The objective is to increase developable land available, reduce construction costs and shorten the planning process lead times, as well as some specific rental market reforms. Since most of the underlying reforms involve broad review and stakeholder consultation processes, it will take some time before these proposals are finalised and there is uncertainty on if and how they will ultimately be implemented.

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DIRECT OWNERSHIP 39%
TENANT OWNERSHIP 23%
PUBLIC RENT 19%
PRIVATE RENT 19%

(Source: Statistics Sweden)

- Number of dwellings: 4 795 717
- Number of dwellings per 1000 inhabitants: 479
- Housing completions in 2015: 47 209

- Diverse housing market with different options for rent, home ownership and cooperative housing
- Measures aiming at increasing housing supply have started to produce some results
- Severe shortage of housing supply continues to increasing house prices
- Housing taxation biased towards house purchase and encouraging mortgage indebtedness
- Highest housing construction price levels in the EU
- High level of mortgage indebtedness compared to GDP

UNITED KINGDOM

TRENDS IN HOUSING MARKETS

Social housing in the United Kingdom is mainly provided by housing associations (HA) and local authorities (LA). The vast majority of new social housing is constructed by housing associations. In 2015, housing associations completed around 35,000 homes, compared to 2,700 constructed by local authorities. Taken together, affordable and social housing construction made up 22% of total housing completions (171,000) in 2015.

The latest available figures show a continuing increase in private renters and a stalling of owner occupation over the last years. Furthermore etween 2002 and 2015, the proportion of households renting privately has doubled to a current level of 19.4% and has now surpassed the number of households renting from a social landlord (17.5%).

Despite a moderate increase in supply in 2015, the UK housing market continues to suffer from a shortage of housing, with supply lagging behind demand for decades. In order to make up for the long-term shortfall and to keep up with population growth, between 225,000 and 275,000 additional homes are needed each year in England only. This stands at odds with the 141,000 completions in England in 2016 and has severe implications on housing affordability, in particular for low to middle income households. House prices have drifted away from earnings with the average house in England now costing 7.7 times the average full-time earnings of a worker, compared to 4.9 times in 2002. These developments are coupled with strong regional economic imbalances, which have implications for the distribution of property wealth across the country and across generations. The housing crisis also has implications for the rapidly growing number of private renters. With a large difference in private and social rents (£184 vs £101 in England) , there is a growing number of households (in particular lower-income households) who are pushed into poverty due to high housing costs. According to Eurostat, more than a third (37%) of all private renters in the UK are overburdened by rent payments, one of the highest rates in Europe.

One of the most extreme social consequences of the affordability crisis are the growing homelessness figures. The number of people being 'statutory homeless' seeking help from local authorities have increased significantly in England from 40,000 in 2009/10 to 58,000 in 2015/16. The biggest increase is a result of an end to private renters' tenancy agreements (usually issued for six months only). Over the same time period, also the number of rough sleepers in England has more than doubled from around 1,800 to 4,100. The Homelessness Reduction Bill 2016/17 provides an additional £48m to help address the growing problem of homelessness in England and places a new duty on local authorities to prevent and relieve homelessness.

In Northern Ireland, overall affordability pressures remain less intense than elsewhere in the UK. At March 2016, there were 37,586 applicants for social housing, around four per cent lower than the previous year. However, the number of applicants in 'Housing Stress' (i.e. those with 30 or more points based on their housing need) increased steadily between 2003 and 2008, and has averaged just over 22,000 each year since 2013, compared to an average number of social housing allocations just under 11,000 each year since 2003.

POLICY DEVELOPMENTS

Housing capital investment in England has decreased over

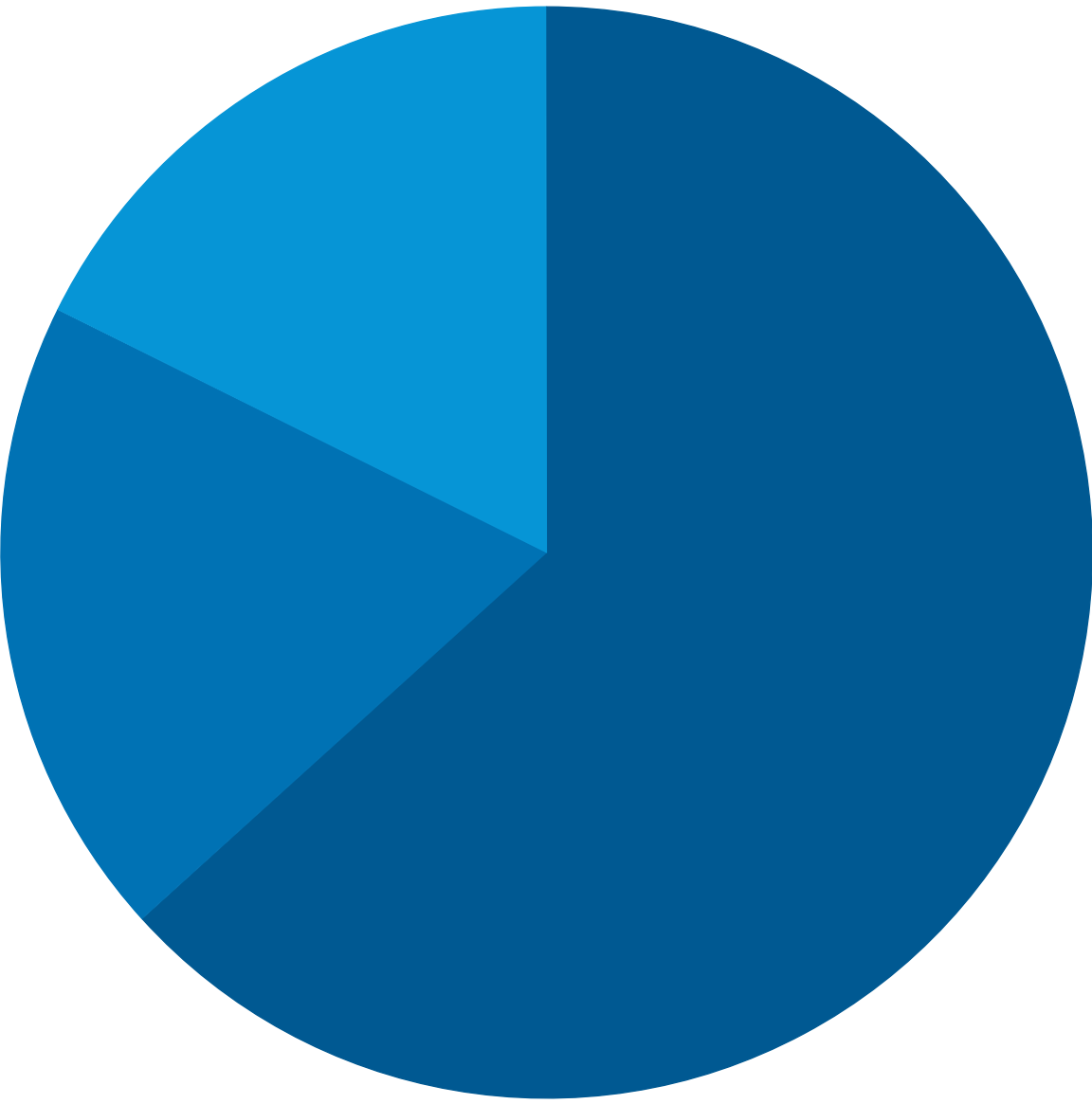
the previous decade, from an annual grant level of £2.97bn during the Affordable Housing Programme (AHP) 2008/09-2010/11 to a budgeted spend of £0.96bn per annum in the latest programme, running from 2015/16 to 2017/18. Also the average grant per dwelling has decreased from £51,178 under the AHP 2008/09-2010/11 to £17,454 under the AHP 2015/16-2017/18. Over the same period, public spending on housing benefit has increased by more than half a million claimants, predominantly due to a growing number of private renters and households in work unable to afford the cost of living. Today, around 1 in 3 housing benefit claimants are private renters. The UK Government has recently issues a Housing White Paper, in which they acknowledged the severity of the housing crisis and made a commitment to drive up the local delivery of new homes by for example addressing problems in the land market and the planning system.

The current Shared Ownership and Affordable Homes Programme, running from 2016 to 2021, is expected to deliver a mix of homes, including Affordable Rent (which can be up to 80% of market rent), Rent-to-Buy (a new scheme where renters pay approximately 20% below market rent on newly built properties for up to five years in order to enable tenants to save for the option to buy the home) and shared ownership. In a shared ownership home, the purchaser buys a share in the equity of the property whilst paying rent on the non-purchased part. As such, the programme places great emphasis on home-ownership and does not provide any grant funding for social rented homes.

The Housing and Planning Act 2016, passed under the Conservative Government, introduced a range of new policies with significant implications for the social housing sector in England. The Act has put an end to lifetime tenancies for new social tenants. Henceforth, the standard tenancy agreement for new local authority tenants will be fixed-term, ranging from two to ten years. Housing associations continue to have discretion over whether to offer life-time or fixed-term tenancies.

The same Act extended the Right to Buy scheme, which allows social housing tenants to buy their home at a discount, to Housing Association tenants. Given that Housing Associations continue to have discretion over which of their properties they sell, it is also known as the Voluntary Right to Buy (VRTB). The Government intends to fully refund the discount to Housing Associations by selling 'high-value' housing stock owned by local authorities. In contrast, while Northern Ireland has a Right to Buy scheme, the Scottish Government abolished the right to buy completely in 2014, and in Wales the Abolition of the Right to Buy and Associated Rights (Wales) Bill was introduced on 13 March 2017 and is now progressing through the Assembly.

In addition, the Welfare Reform 2015 has made changes to the housing benefit system, which is likely to impact in particular on social renters with care needs. Supported housing in England (which caters for people with additional care needs) is predominantly funded through the benefit system and people living in supported housing schemes were previously able to claim a higher benefit rate due to the higher cost attached to this type of housing. In Northern Ireland, certain flexibilities and a package of funding until 2020 to mitigate some of the effects of the reforms being introduced from 2016 has been agreed by the Northern Ireland Executive (which means in practice existing Housing Benefit claimants who remain in the same property will not feel the impact of the change until 2020). Northern Ireland also published in 2016 was the first dedicated housing strategy for Northern Ireland, Facing the Future, which includes a focus on social housing.



OWNER OCCUPIED 63.1%
PRIVATE RENT 19%
SOCIAL RENT 17.6%

- Number of dwellings (thousands): 28 073 (2014)
- Number of dwellings per 1000 inhabitants: 431
- Housing completions in 2015: 170 990
- Number of social rental dwellings (thousands): 4 954
- Social housing production in 2015: 37 640

- **Providers: Housing associations, local authorities**
(Sources: Department for Communities and Local Government, ONS population statistics)
- **Decrease in homes with damp problems**
- **Increase in energy efficiency across all tenures**
- **Government commitment to build more homes**
- **Additional funding to address homelessness**
- **Chronic shortage of housing supply**
- **High number of households overburdened by housing costs**
- **Lack of funding for social rented homes**
- **Changes to welfare system is expected to exacerbate housing crisis**

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 - > Comparative price levels for investment

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Housing Europe is the European Federation of Public, Cooperative and Social Housing

Established in 1988, it is a network of 45 national and regional federations which together gather about 43.000 public, social and cooperative housing providers in 24 countries. Altogether they manage over 26 million homes, about 11% of existing dwellings in the EU.

Social, public and co-operative housing providers have a vision of a Europe which provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where everyone is enabled to reach their full potential.

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