THE STATE OF HOUSING IN THE EU 2015

HOUSING EUROPE

A Housing Europe Review

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www.housingeurope.eu/section-22/our-members

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** While every effort has been made to ensure that the data and other information in this report are accurate, some errors may remain.*

Housing Europe, the European Federation for Public, Cooperative and Social Housing
Brussels, 2015

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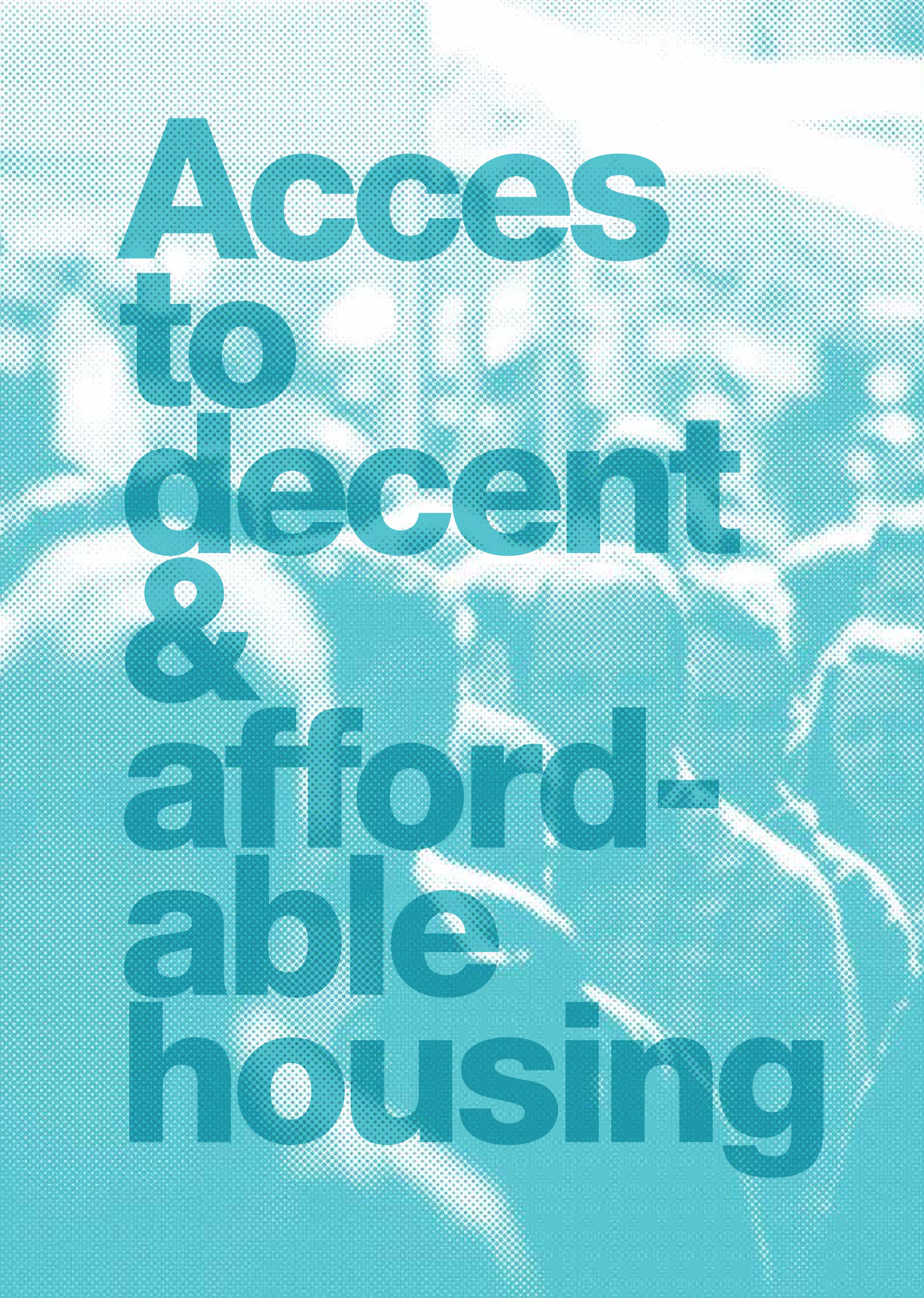


Acces to decent & afford-able housing

HOUSING EUROPE IS THE EUROPEAN FEDERATION OF PUBLIC, COOPERATIVE SOCIAL HOUSING.

Established in 1988, it is a network of 42 national and regional federations which together gather about 41.400 public, social and cooperative housing providers in 22 countries. Altogether they manage over 25 million homes, about 12% 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

OUR IMPACT

- **43 000** local housing organizations
- **26 090 000** dwellings – that is over 11 % of the total EU housing stock
- **267 000** new dwellings completed in the year 2012
- **155 000** dwellings refurbished in the year 2012
- **38 529 430 000** Euros investment in 2012
- **88 480 107 000** Euros turnover in 2012
- **7 170** staff employed by the federations
- **369 024** staff employed by local housing providers

THIS STATE OF HOUSING IS A KEY INDICATOR OF THE STATE OF THE UNION

LAURENT GHEKIERE

Housing Europe Observatory Chairman

Housing is a complex good, at the crossroads of economic, social, urban and political dimensions. Housing is both a fundamental right recognized by the European Union and a major economic driver for its growth and its employment. This first report on the state of housing in the Union, draws up a first analysis of the situation of European citizens facing the need to satisfy this basic need.

While expenditures on housing of European households are growing, while housing needs are becoming increasingly complex, changing in time and space, it is now a necessity for European policy makers to take this reality into account and to integrate this first state of housing in the Union to their forward thinking and their legislative output .

THE 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.

Chair: Laurent Ghekiere - USH, France
Vice-Chair: Klaus Lugger - GBV, Austria
Research Coordinator: Alice Pittini
Research Assistant: Igor Kiss

FOREWORD FROM MARC CALON & SORCHA EDWARDS

RESPONSIBLE HOUSING IS THE KEY FOR A BETTER FUTURE

MARC CALON
Housing Europe President

It's been already seven years since the beginning of the financial crisis and as you will see for yourselves over the next pages the state of housing in the EU hasn't gotten much better. For all of us working for the public, cooperative and social housing sector the figures presented by our Observatory should work as an alarm bell that will make us work harder both at European and at national level to provide every person in the continent, if possible, with a decent, affordable and safe home. Housing is the foundation for people's lives and their priority among their needs. We should make sure that it becomes a priority for policy makers, too.

I see three major challenges for us:
• Guarantee cities which are accessible and affordable for all
• More sustainable, efficient and decentralised energy
• And neighbourhoods where people feel secure and where they can reach their full potential.

Through housing and accompanying services - the hardware and the software – we can ensure stable and affordable housing markets; we can drive the energy transition in the housing sector; we can fight social segregation in urban and rural regions. We already do! Housing Europe members as well as many other housing associations across Europe have already committed themselves to the values and practices of Responsible Housing, paving the way for a better future economically, environmentally and socially.

Demographic changes – and their impact on health services - will pose major challenges in many regions. Further urbanization of Europe must be beneficial to all households, including those with lower incomes.

Social, public and cooperative housing providers must be seen as part of the economic strength and welfare of the EU. It will be essential for EU policies and regulation to recognize these forces and ensure suitable financial schemes are available in member states.
EU decision making is still too remote for the average EU citizen. That is why I would expect EU institutions to open themselves to the needs of people and shorten the distance between Brussels and European citizens.
Organizations such as Housing Europe have an important role to facilitate this as connector between local needs and EU policies.

...I would expect that they open themselves to the needs of people and shorten the distance to EU institutions

ABOUT THIS REPORT. THE STATE OF HOUSING IN THE UNION 2015: INFORMING POLICY, INSPIRING INNOVATION

SORCHA EDWARDS
Housing Europe Secretary General

Too often housing reports and policies show a lack of regard for the fact that housing markets are not limited to individual private ownership and private rental. People rent their homes from municipally- owned housing companies, they own or rent housing in buildings run by not-for-profit or limited-profit housing cooperatives and have a 'one member – one vote' say in the management of their homes and surroundings, they own homes on land managed by community land trusts (CLT), they live in shared-equity housing provided by housing association, they rent from housing associations which by law involve them in all decisions affecting their homes and communities. The activities of these housing providers are not always limited to housing but often include home care and support services for residents with specific needs, additional services like kindergartens, community centres, employment and training services, financial advice, neighbourhood services, management of other types of 'sheltered' accommodation, energy renovation, urban development and urban regeneration.

This diversity of models and tenures and activities has its roots in different histories and traditions but is driven by a common objective: to meet the demand for affordable, quality homes and neighbourhoods. Having a home, this basic pre-requisite for taking part in society, is something which now is out of reach for a growing number of Europeans highlighting the need to again mobilise all resources to expand existing solutions and come up with new ones.

EU policies have an increasing impact on housing but often reveal a blind spot when it comes to the diverse housing needs and the diverse responses in place and those now required around Europe as well as the advantages this diversity offers society, the environment and individuals. There is a need for European policies which recognise and respect this diversity where it exists and fosters it where it does not, thereby contributing to the common objective. This requires a coherent, constructive informed approach at EU level, something which is not yet a reality.

Country Profiles and Cross-Country Analysis

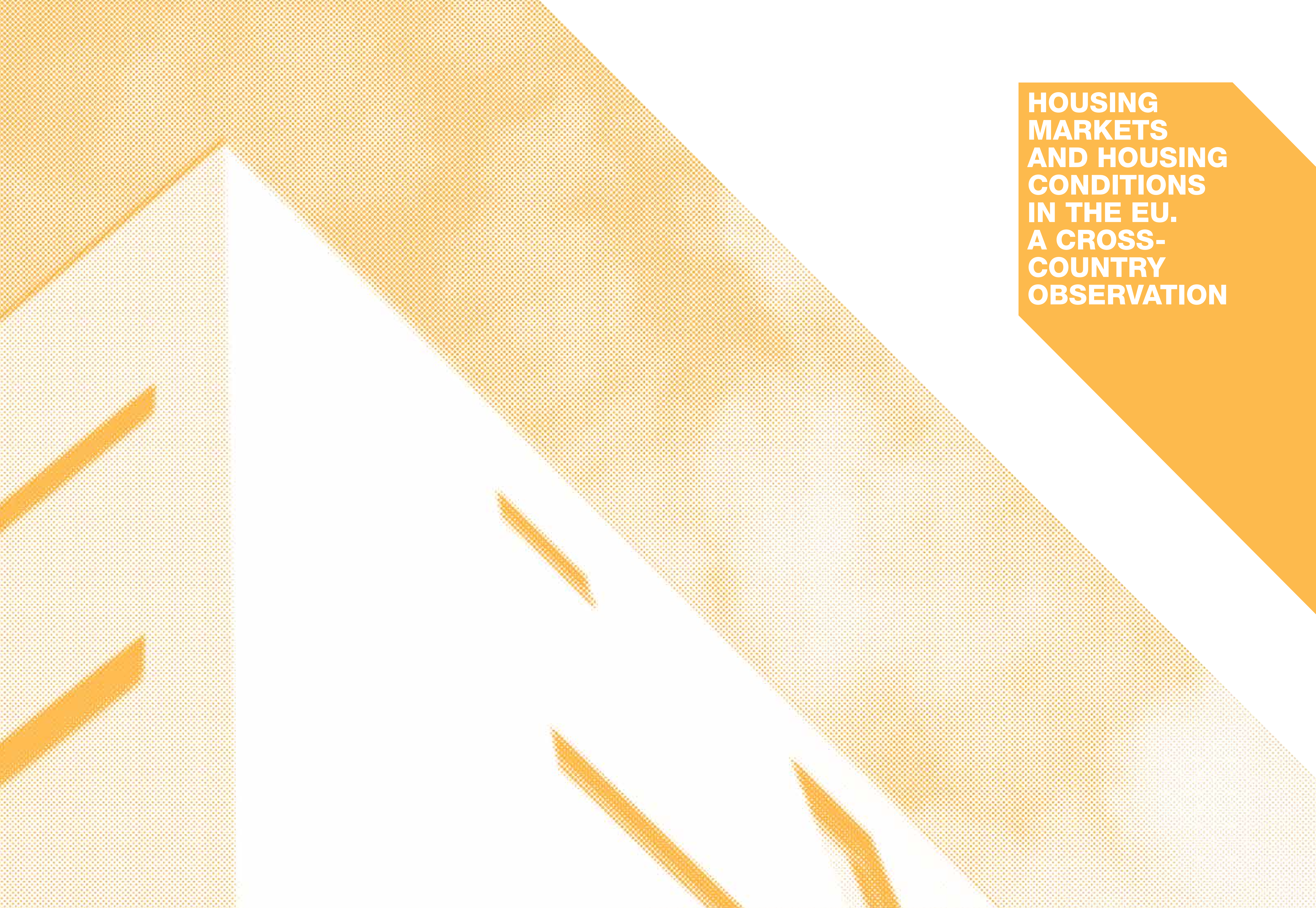
The first part of the 2015 edition of the State of the Housing in the Union builds upon the Housing Europe Observatory's 2012 Housing Europe Review 'The nuts and bolts of European social housing systems' aims to address this policy blind spot by describing the different housing systems country by country with an additional cross-country analysis of the latest trends and changes to the housing systems, highlighting in particular the on-going impact of the crisis and efforts being made- or not- by Member States to address housing shortages and homelessness.
Also included are summaries of additional housing research and studies including those produced by the United Nations Economic Committee for Europe Housing and other European networks.

EU Policy updates – challenges and opportunities

The second part describes a selection of the EU regulations and funding opportunities of relevance for housing. This covers the EU Investment Plan, the EU Cohesion Policy which identifies areas of relevance for EU financial support: energy efficiency measures in housing as part of the low-carbon economy, housing as a social infrastructure and urban regeneration. The European Social Fund and the Employment and Social Innovation Programme.
The regulatory measures covered in this section include the European Energy Union which is setting the EU policy scene for the coming years, the European economic governance mechanism through which member states receive country specific recommendations on their housing systems from EU authorities, EU state aid legislation through which the European Commission has influence on the scope of provision of social housing and EU procurement laws which regulates the tendering practices for large contracts.

Inspiring Innovation

The report also includes highlights of initiatives promoting innovation and exchange on tackling energy poverty with new refurbishment solutions and local solar energy production in social housing, innovative approaches to combining housing and social support and the responsible housing campaign & awards which promote the state of the art in responsible housing and corporate social responsibility.



HOUSING MARKETS AND HOUSING CONDITIONS IN THE EU. A CROSS-COUNTRY OBSERVATION

SHORT OVERVIEW OF HOUSING MARKET DYNAMICS

The financial crisis had a strong impact in the short term on the housing market of almost all European countries, notably with the exception of Germany, that saw as a result of the 'shock' lower construction rates, less transactions, a decrease in house prices.

PRICES

What we see today, 6 years into the crisis is a very different picture. As the European Commission highlighted in its last Alert Mechanism Report, '**In 2013, housing markets became more heterogeneous across the EU.** […] This widening of the distribution reflects the fact that the market in most Member States has already bottomed out while others are expected to do so only in the coming years'. If in 'vulnerable' countries such as Greece, Cyprus and Slovenia house prices continue falling, Ireland is an exception in that house prices have begun rising again after the sharp fall during the crisis. On the contrary in Sweden and in the UK house prices are increasing although they were already relatively high. Elsewhere, for instance in Denmark and in Germany recovery from past falls and/or low prices have triggered increases. This also applies to Estonia and Latvia, the only two countries that in 2013 had a year on year increase in deflated house prices over 6%. **For an overview of house prices dynamics across the EU and worldwide:**

- **Standard & Poor's (2014). Economic Research: Europe's housing markets may be on a slow path to recovery http://goo.gl/DA7GNJ**
- **EMF HYPOSTAT http://goo.gl/FyjnIM**
- **OECD Focus on house prices http://goo.gl/r5ONIH**
- **IMF Global Housing Watch http://goo.gl/Zos6iH**

RESIDENTIAL CONSTRUCTION AND INVESTMENT

Compared to 2007, the number of building permits per 1,000 inhabitants contracted in all countries, excluding Germany, albeit at different paces: it decreased by less than half in Belgium, Czech Republic, France, Poland and Sweden, whereas the contraction exceeded this threshold in Denmark, Hungary, Ireland, Portugal and Spain. The 2015 Alert Mechanism Report points out that '**Residential investment remains at subdued levels**, particularly in Member States where corrections are still running their course. While in some cases this reflects the overinvestment of a few years ago (e.g. Spain), in others, it is related to general economic uncertainty, impaired credit supply and demand, and regulatory bottlenecks'.

For data on construction activity in Europe:

- **FIEC (2014) Construction activity in Europe**
- **EMF HYPOSTAT http://goo.gl/fBWbQW**

CONSTRUCTION COSTS

High construction costs have an impact on the capacity to supply affordable housing in a number of countries, notably Sweden where construction costs are the highest in the EU. The price level index presented in the chart below provides a comparison of countries' price levels with respect to the EU average: if the PLI is higher than 100, the country concerned is relatively expensive compared to the EU average, while if the index is lower than 100, then the country is relatively inexpensive compared to the EU average (see **Chart 1**).

MORTGAGES

The average EU 27 total outstanding residential loans to GDP ratio has continued increasing since the information became available: from 43% in 2004 to 52% at present. The total outstanding residential debt to disposable income of households ratio has also increased dramatically from 66.4 in 2004 to 81.8% in 2012. The countries with the highest levels of mortgage debt are the Netherlands, Denmark, the UK, and Sweden (see **Chart 2**).

Nevertheless, the crisis has strongly impacted mortgage lending. According to the European Mortgage Federation '**gross residential lending in the EU27 in 2012 stood at only 45.8% of the amount recorded in 2007**.

However, these figures concealed diverse growth dynamics at country level.' Two groups of countries can be identified: one with national mortgage markets where gross lending has followed a positive or stagnant trend between 2007 and 2012; the other composed of countries where gross lending has moved along a downward trend over the same period. The first group includes Belgium and Sweden, as well as Denmark and France. The second subclass contains Hungary, Ireland, Italy, Portugal, Spain and the UK. Although contrary to the other countries of the group, in the UK the trend has not been downwards since 2009.

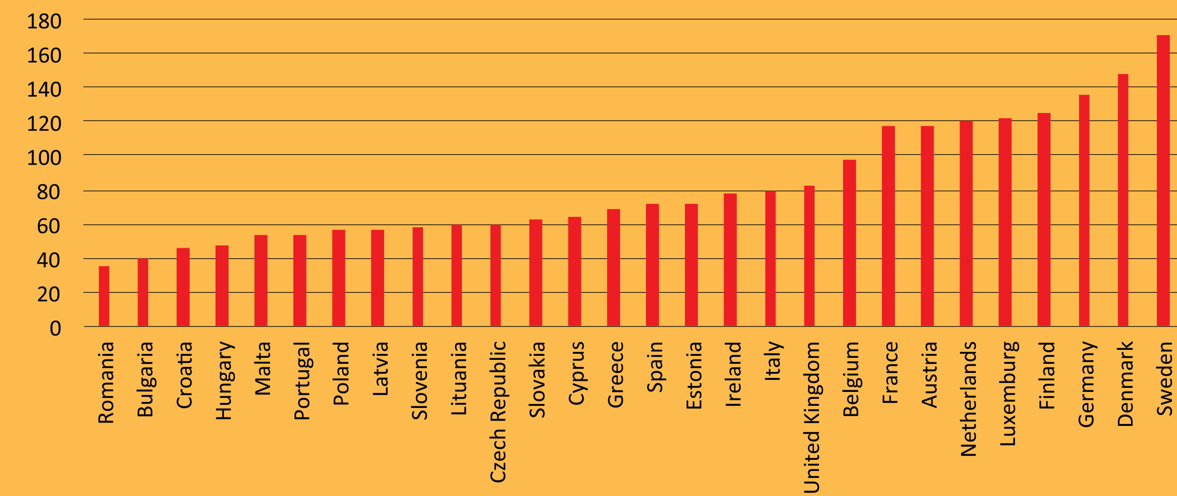
To learn more about trends in mortgage lending:

- **EMF HYPOSTAT http://goo.gl/q4KrKn**

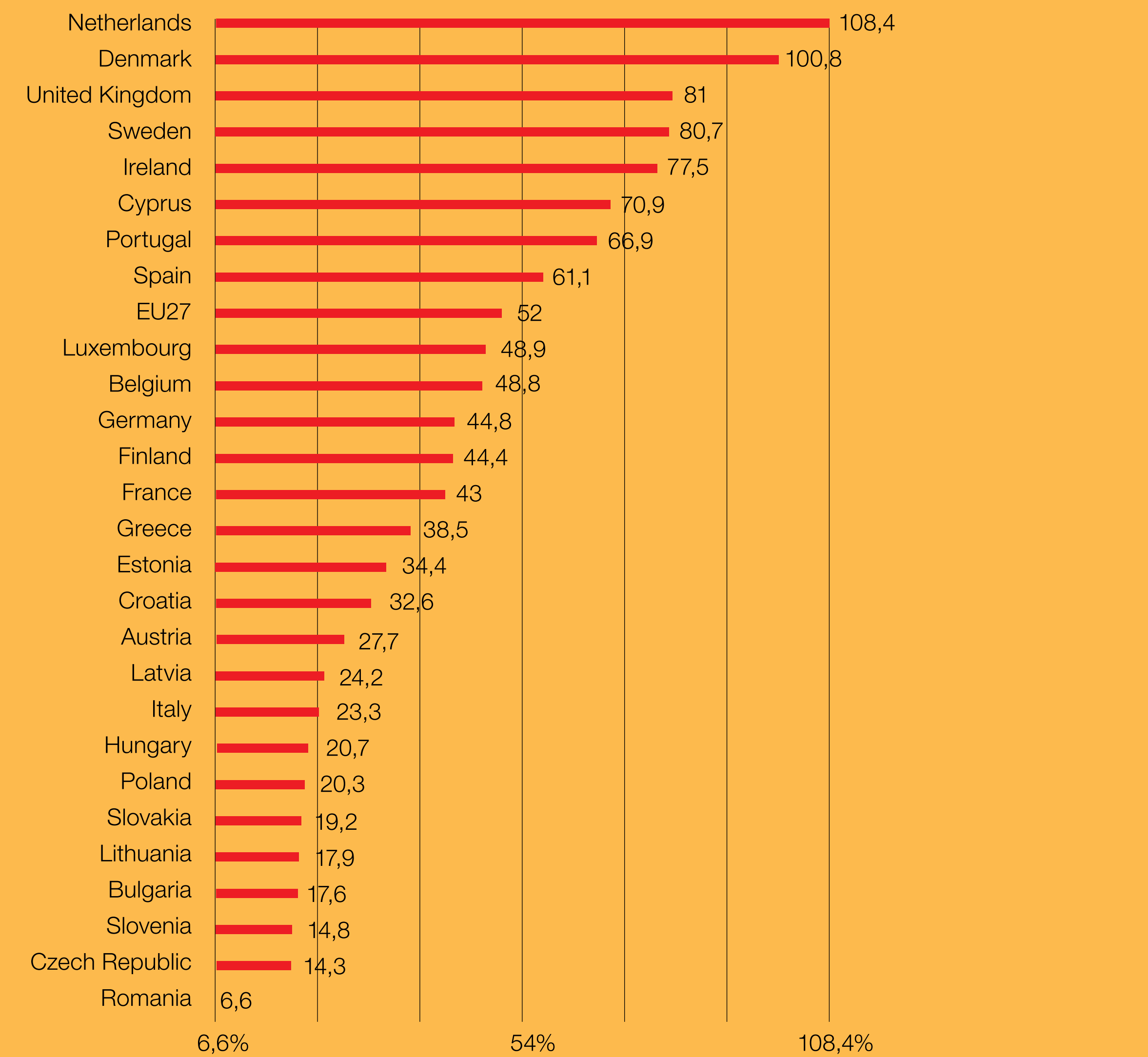
TENURES

Owner occupied dwellings today still represent by far the most widespread form of occupation in the EU. Nevertheless, in many countries **recent dynamics have started to encourage an increase in rental housing compared to the past**. While during most of the 90s and 2000s sustained house price growth coupled with relatively low interest rates and policies favouring homebuyers led to an increase in home ownership, today less people can afford to buy a home and/or would rather rent due to mobility reasons. Data from EU SILC shows that indeed the distribution of population across tenures saw an increase in tenants and a decrease in owner-occupiers since 2007 in the EU 15. On the contrary, overall the share of owner occupiers has continued to increase in the New Member States with a parallel decrease in the share of people renting (see **Chart 3**).

• **Chart 1:** CONSTRUCTION PRICE LEVEL INDEX IN THE EU 28 (EU AVERAGE = 100) (Source: Eurostat, data referring to 2013):



• **Chart 2:** OUTSTANDING RESIDENTIAL LOANS TO GDP RATIO (Source: EMF HYPOSTAT 2013, data referring to 2012):



MAJOR GAPS AND SHORTFALLS IDENTIFIED

AFFORDABILITY

In 2013 housing costs represented on average 22.2% of disposable income for the total population, and about 41% for those at risk of poverty. The relatively highest housing costs are to be found in Greece, Denmark, the Netherlands, Germany, Romania, Czech Republic and Sweden. In Austria the share is below EU average for the total population but higher than EU average for those with an income below 60% of the national median equivalized income (see **Chart 4**).

Eurostat also monitors the share of the population spending over 40% of disposable income on housing costs, those that are considered 'overburdened' by housing costs.
At its meeting on 9 March 2015, the Council of the European Union (EPSCO) endorsed the key messages of the latest Annual report of the Social Protection Committee on the social situation in the European Union. The report identifies increasing **housing cost overburden rate as a 'social trend to watch'**.
• Read the report Social Europe - Aiming for inclusive growth - Annual report of the Social Protection Committee on the social situation in the European Union (2014) at http://goo.gl/0s0NMH

In 2013 the overburden rate for the EU 28 was 11%, and 37.4% among the population with an income below 60% of the national median income. The highest rates of housing overburden are to be found in the same countries that have the highest share of housing costs (see **Chart 5**).
When broken down by tenure, figures show that the **highest share of population in a situation of housing overburden is to be found among tenants in the private sector**: 25.7%, compared to 10.6% among tenants paying a reduced rent, 7.6% of owners with a mortgage, and only 6.8% of outright owners (see **Chart 6**).
As for household types, **the largest share of people overburdened by housing costs are people living alone** (24.7%), followed by single persons with dependent children (19.5%) (see **Chart 7**).

A GENERATIONAL GAP?

Young people in a number of countries are confronted with more difficulties to start their housing path compared to the former generation. This is due to a combination of different elements such as high prices, stricter conditions for mortgage lending, little availability of rental housing, but also increasing youth unemployment, leads many young people to rely more on the family to fulfil their housing needs. This phenomenon is more widespread in Southern Europe and CEE countries, but recently this is also the case in the UK where a recent YouGov opinion poll found out that 77% of people think it is harder to own a home today than it was for their parents' generation (see **Chart 8**).

LACK OF SOCIAL AND AFFORDABLE HOUSING

According to data provided by member organizations of Housing Europe, **new social housing production has decreased in most countries** between 2009 and 2012, including the UK, the Netherlands, Austria, Italy, Denmark, Ireland, Spain. The most significant exception is France, that has produced 116 000 new HLM (social housing) units in 2012 compared to 98 000 in 2009. **The number of households on waiting lists for social housing has increased** from about 140 000 in 2008 to 186 000 in Belgium between 2008 and 2012. In France the number of people registered increased from about 1.2 million in 2010 to about 1.7 million in 2012. In Ireland the number almost doubled between 2008 and 2010 (from 56 000 to 98 000) and decreased to about 90 000 in 2012. In Italy the number of people on waiting lists for public housing has increased from 600 000 in 2008 to currently about 650 000. In the UK in 2012 there were 90 000 people on waiting lists in Wales, 1.6 million in England, 41 000 in Northern Ireland and about 185 000 in Scotland. In Estonia, the number of applications for public assistance with housing expenses that were granted since the start of the crisis rose more than 3 fold: from 26 657 in 2007 to 96 858 in 2011.

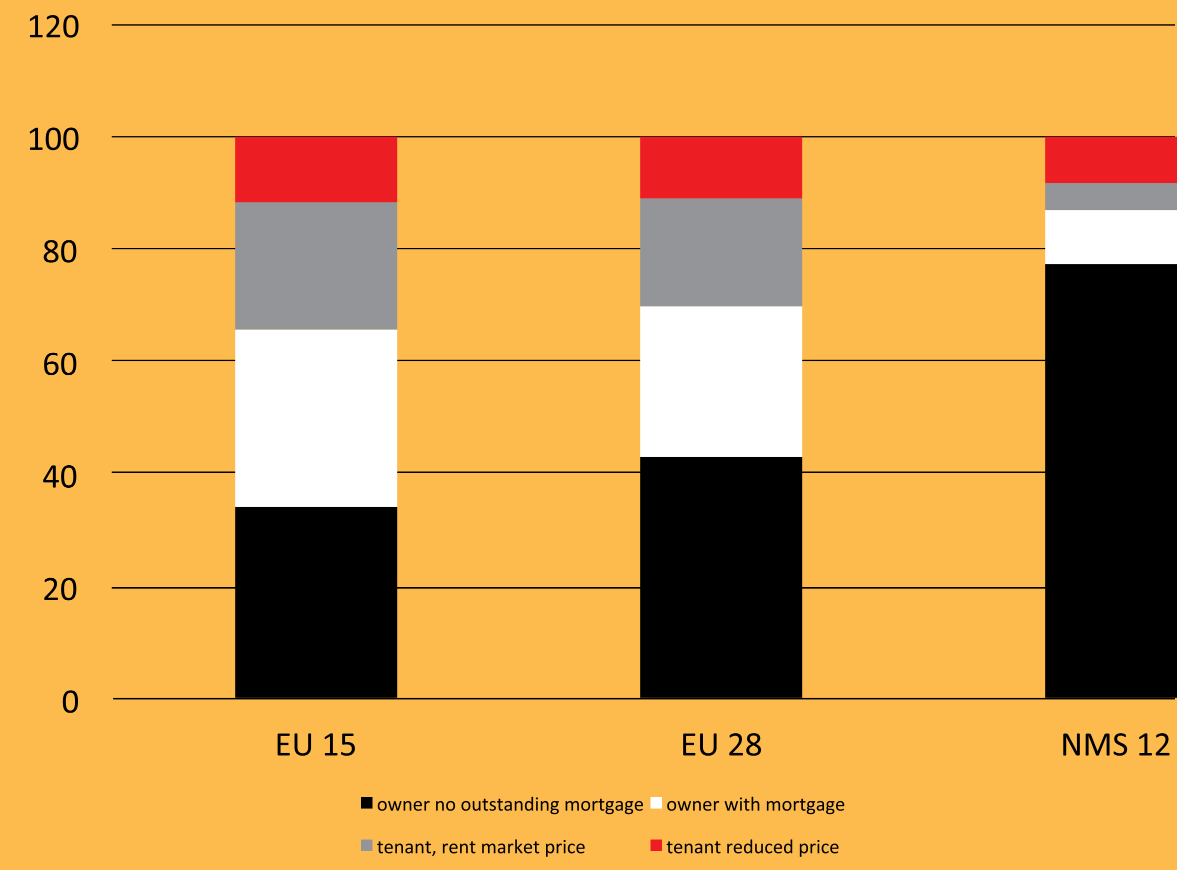
DEBT LINKED TO HOUSING

The high level of debt linked to housing is also a worrying phenomenon, and in particular high level of mortgage indebtedness combined with the impact of the crisis on housing markets resulted into **negative equity and defaulting mortgages** in a number of countries, notably Ireland and Spain but also a number of other EU countries. (Source: IMF, for Spain: Centre for Economics and Business Research for Kelisto)

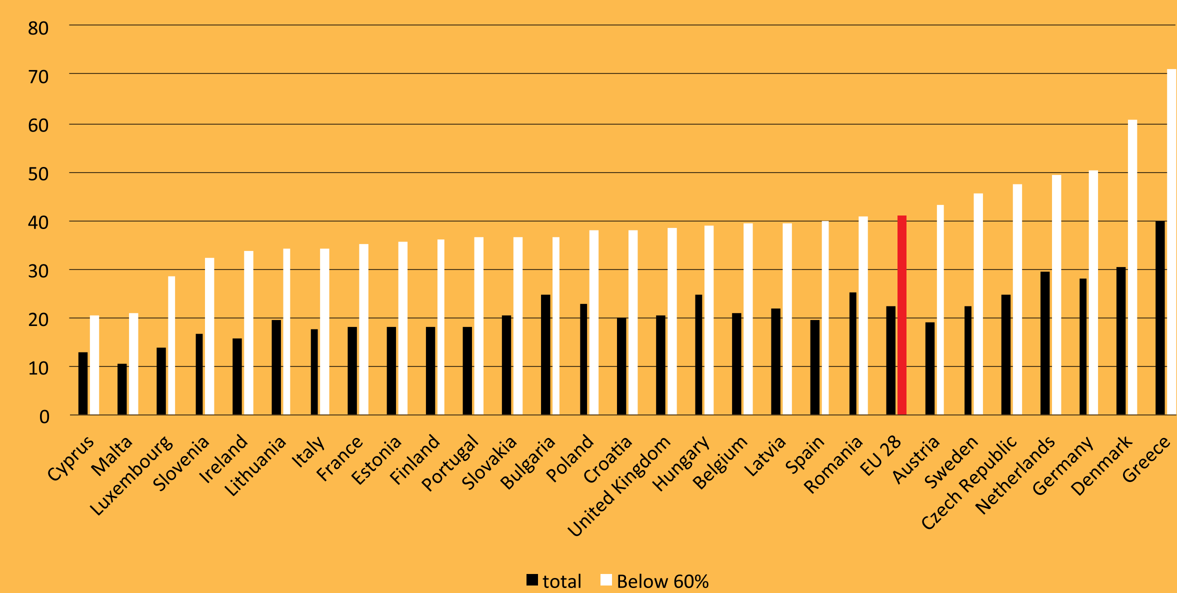
	Mortgage arrears (%) end 2013	Underwater mortgages (%)
Ireland	16,9	52
The Netherlands	1,3	30
Spain	5,2	9,5

While Ireland, Greece and Portugal took legal measures to prevent banks from foreclosing primary residences, the phenomenon of housing repossessions was widespread in Spain and triggered a strong reaction from social movements and the media. **Precise data on housing foreclosures in Spain** since the start of the crisis are not available, but data from the National Statistics Institute (INE) show that 34 680 foreclosures procedures were initiated against people in their main residence in 2014 alone. Interestingly, in March 2013 the European Court of Justice ruled against Spanish mortgage law, judging that 'legislation infringes EU law to the extent that it precludes the court which has jurisdiction to declare unfair a term of a loan agreement relating to immovable property from staying the mortgage enforcement proceedings initiated separately' **(http://goo.gl/pfpTF4)**.
Another phenomenon resulting in increasing mortgage indebtedness is the high number of people in Hungary, Poland, Romania and Croatia who took out mortgages extended in or indexed to foreign currencies, mainly the Swiss franc, before the crisis.
EU SILC provides data on the percentage of the population with **arrears on mortgage/rent**. If we look at data for

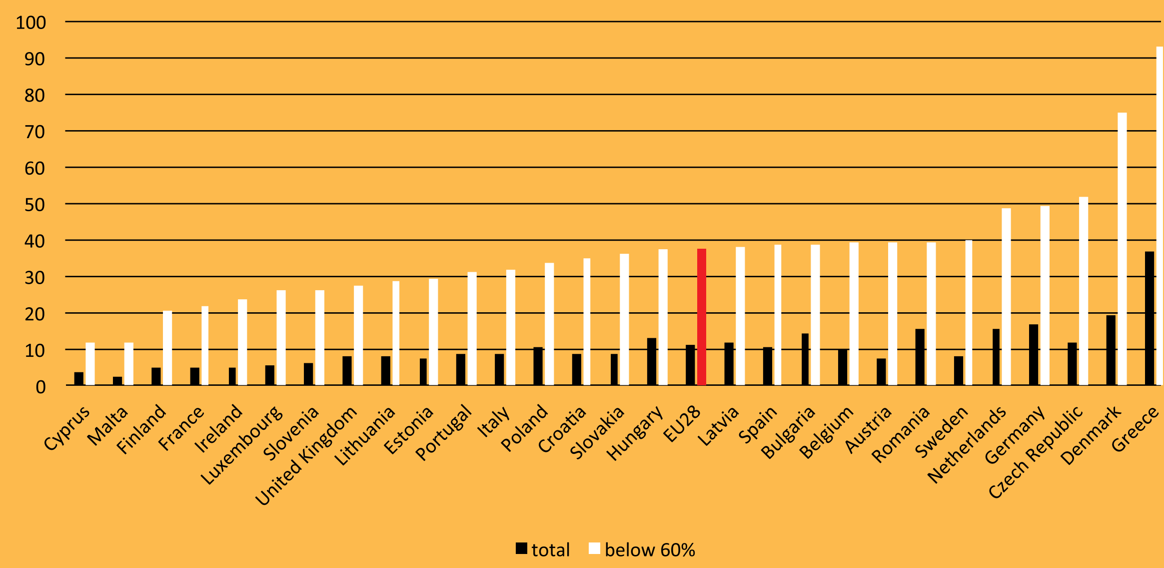
• Chart 3: DISTRIBUTION OF THE POPULATION BY TENURE STATUS, AVERAGE FOR EU 28, EU 15 AND NMS (Source: EU SILC, data referring to 2013):



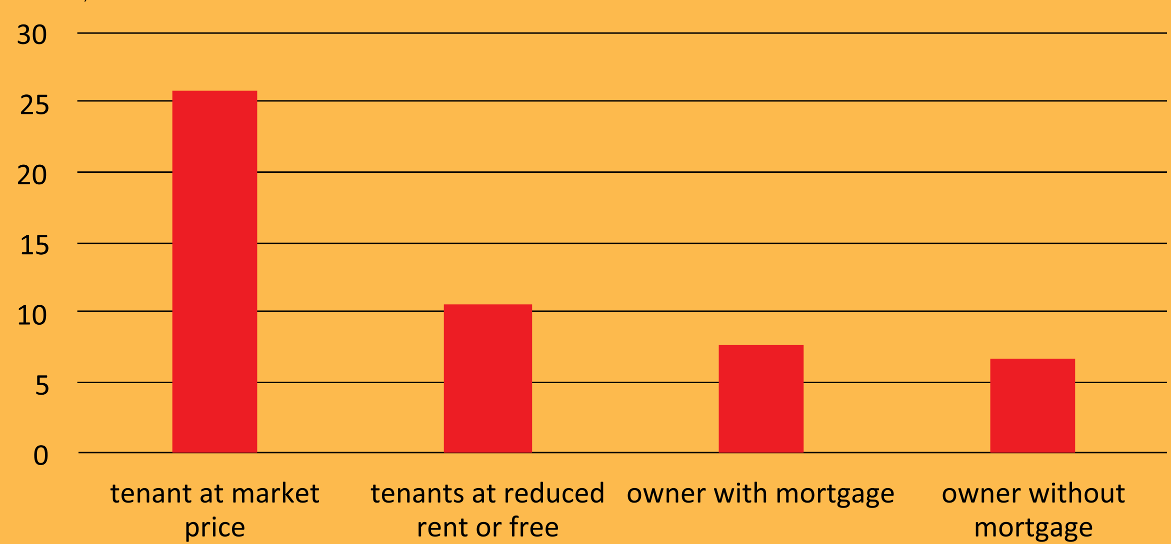
• Chart 4: SHARE OF HOUSING COSTS IN DISPOSABLE HOUSEHOLD INCOME, FOR THE TOTAL POPULATION AND THOSE WITH INCOME BELOW 60% OF MEDIAN EQUIVALIZED INCOME (Source: EU SILC, data referring to 2013):



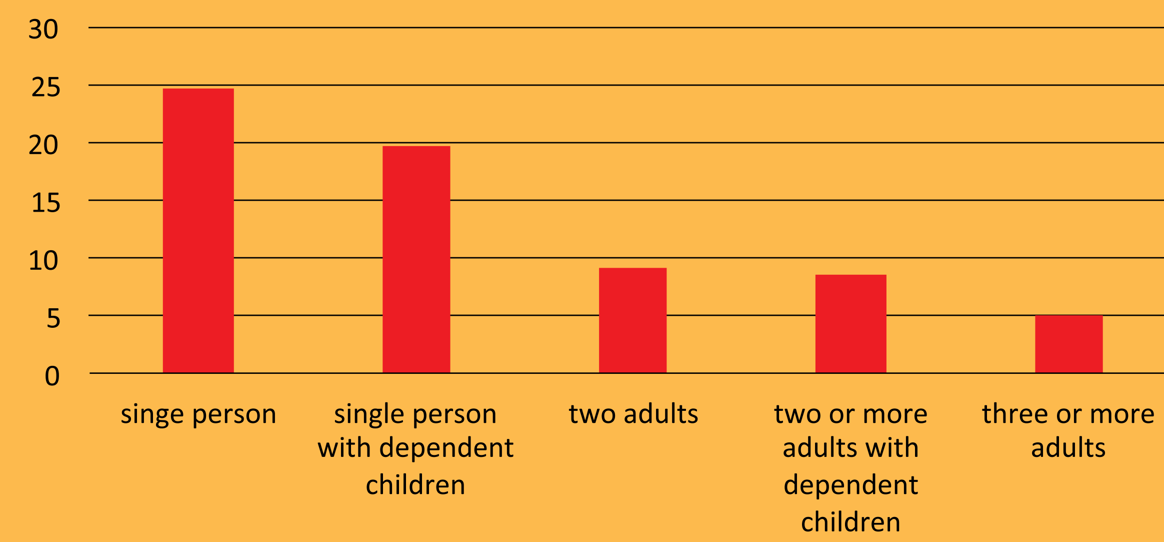
• **Chart 5:** HOUSING COSTS OVERBURDEN RATE AMONG TOTAL POPULATION AND THOSE WITH INCOME BELOW 60% OF MEDIAN EQUIVALIZED INCOME (Source: EU SILC, data referring to 2013)):



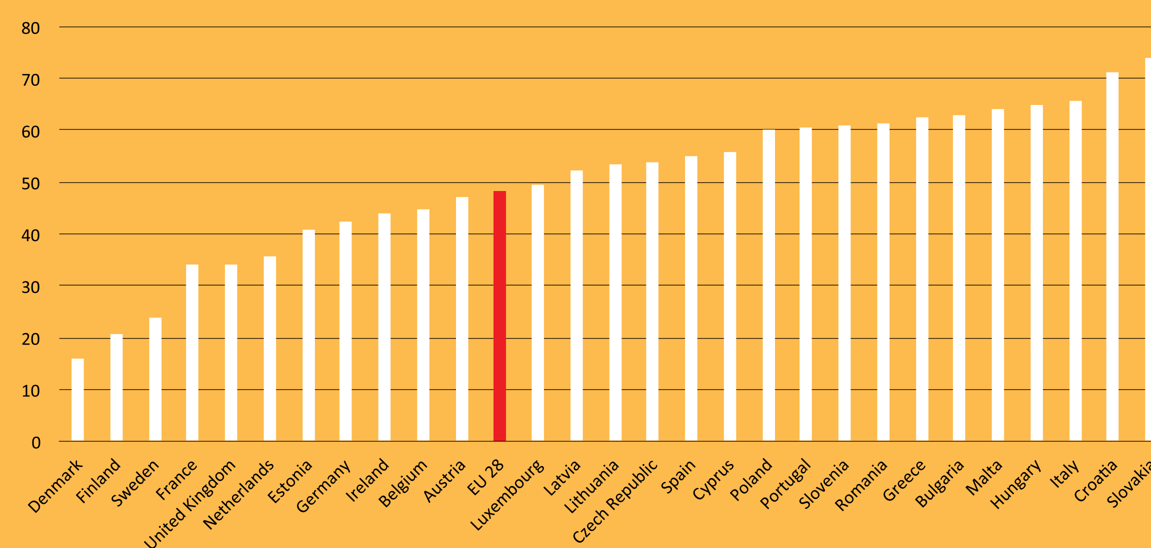
• **Chart 6:** HOUSING COSTS OVERBURDEN RATE BY TENURE, AVERAGE FOR EU 28 (Source: EU SILC, data referring to 2013):



• **Chart 7:** OVERBURDEN RATE BY HOUSEHOLD TYPE, AVERAGE FOR EU 28 (Source: EU SILC, data referring to 2013):



• **Chart 8:** SHARE OF YOUNG ADULTS AGED 18-34 LIVING WITH THEIR PARENTS IN THE EU (2013) (Source: EU SILC, data referring to 2013):



the total population, the highest shares are found in Greece (14.9%) and Ireland (12%), followed by Cyprus, Hungary, Spain. The share of population with arrears on mortgage/rent is much higher among those on low income, and particularly in Greece, Hungary, Bulgaria, Cyprus, Croatia and Romania. In most countries the situation has significantly worsened since 2005, showing the impact of the current crisis (see **Chart 9**).

HOUSING QUALITY

Last but not least, a key issue in some countries remains the poor quality of the housing stock. Although this phenomenon has decreased almost everywhere since 2005, **lack of basic amenities** (such as an indoor flushing toilet for the sole use of their household or lack of a bath/shower) is still high compared to EU average in Romania, Bulgaria, the Baltic States, Hungary and Poland.
A much higher share of the population declares living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames of floor (15.7 on average in the EU, Portugal, Cyprus, Latvia, Slovenia, Hungary, Italy), while on average 6% of the EU population considers his/her home as too dark.

• **OVERCROWDING** is also an essential element of poor housing quality. The EU average rate of overcrowding has improved from 19.5 in 2005 to 17.1 in 2013. Hungary, Romania, Poland, Slovakia, Bulgaria, Latvia, Croatia, Czech Republic, Greece, Italy and Lithuania all have percentage of the population living in overcrowded dwellings higher than the EU average, but in all these countries except for Italy the situation has improved over the period 2005-2013. Although it remains well below the EU average, the UK has seen an increase in overcrowding from 5.7% in 2005 to 8% in 2013.

ENERGY PERFORMANCE OF RESIDENTIAL BUILDINGS AND FUEL POVERTY

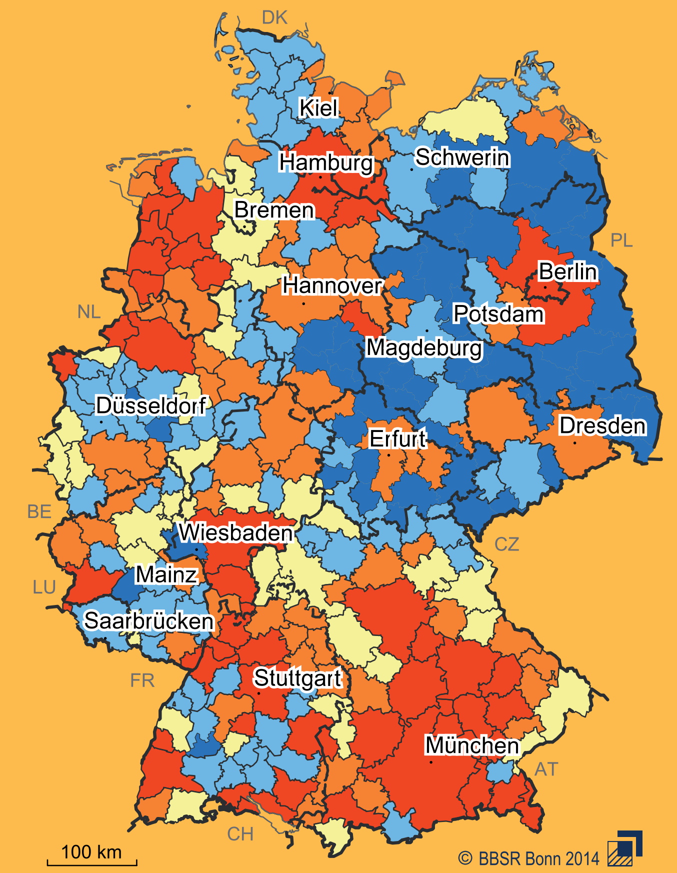
The **residential sector is responsible for a large share of final energy consumption** in Europe. An analysis of the final end use of energy in the EU-27 in 2010 by Eurostat shows households are the second most consuming category in the EU with 26.7% of the total, after transport and before industry. This has negative impact on the environment and climate change, with the residential sector being responsible for about 8.5% of total greenhouse gases in the EU. The need to make new and existing dwellings energy-efficient is clear, especially in Central and Eastern Europe where a large part of the housing stock shows poor energy performance and there's a huge need for renovation - to the point that Estonia, Hungary, Latvia and Lithuania have all received recommendations from the European Commission to take action to improve energy efficiency in the residential sector.
Furthermore, **fuel poverty is a major problem for Europe**, as according to BPIE between 50 and 125 million people are unable to afford a proper indoor thermal comfort. More specifically, in 2012, 10.8% of the total European population were unable to keep their home adequately warm, increasing to 24.4% when referring to low-income people. Despite the fact that there is no common European definition, the importance of the problem as well as the severe health impacts caused by fuel poverty are widely recognised. Fuel poverty is an acute problem in most of Central, Eastern and Mediterranean EU countries, particularly in Bulgaria, Hungary, Greece and Cyprus, while it is less of an issue in northern European countries. The most effective and sustainable way to tackle fuel poverty is through reducing the energy demand of the building **by implementing energy saving measures.**

• To know more about fuel poverty and policy responses across the EU, read BPIE (2014) Alleviating fuel poverty in the EU
http://bpie.eu/uploads/lib/document/attachment/60/BPIE_Fuel_Poverty_May2014.pdf

HOUSING SHORTAGES IN METROPOLITAN AREAS

In some countries housing construction in recent years is not keeping up with demographic trends. This is leading to **significant housing shortages, concentrated around the main urban centres and in the most economically attractive regions.** This is notably the case in the UK where in England alone about 245 000 new dwellings are needed per year while only half of this amount being built. The biggest deficiency is in London, where updated projections suggest 53 000 homes a year are required, but only about 27 000 have been built yearly in 2001-2011.
The Netherlands foresees a shortage of 300,000 dwellings by 2020, concentrated around Utrecht, Amsterdam, and The Hague. There is already a shortage of rental housing of up to 156 000 dwellings in Sweden, especially in Stockholm and in the big university cities such as Göteborg and Malmö.
There is strong demand-side pressure in metropolitan areas of Germany such as Munich and Hamburg, which are leading to an increase in prices and rents.
On the contrary, demographic and migration trends are leading to a decreasing population in other areas, resulting in costly structural vacancy in the housing stock.
In Germany for instance the trend towards shrinking markets, once concentrated in the states of former East Germany, has already reached regions in the former West Germany, primarily the south of Lower Saxony and North Hesse, as well as Upper Franconia, the Bavarian Forest and the Ruhr area quite far in the west. Public intervention was necessary to support large scale demolitions in the framework of urban regeneration programmes.
Furthermore, in areas with depressed housing markets it may still be difficult for the population to find affordable housing options. In some areas in the North of England, house prices are still seven times higher than the average salary. In areas with little economic growth, housing associations increasingly work in partnership with local authorities to invest in revitalizing communities, creating jobs and supporting social enterprise.

REGIONAL DIVERSITIES OF HOUSING MARKETS



Housing Market. Types of Regions 2012.

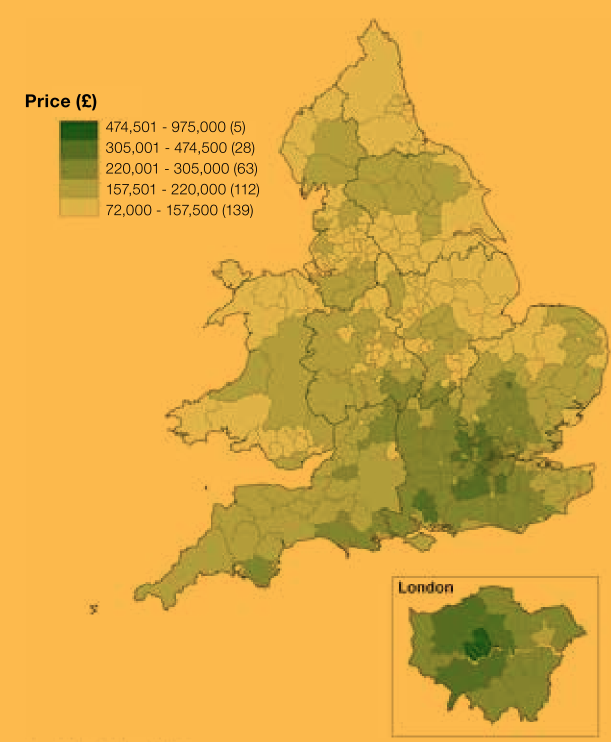
Growing strongly
Growing
Stable
Shrinking
Shrinking strongly

Development Indicators Observed:
- Development of the population 2007-2012
- Average net migration in the time 2008-2012
- Development of the workforce 2007-2012
- Development of the unemployment quota 2006/7-20011/12
- Development of the business tax 2006/7-20011/12

Database:
Current Spatial Monitoring of BBSR
(Federal Institute for Research on Building, Urban Affairs and Spatial Development)

Geometrical basis:
BKG, Regions 31.12.2012/ City-State-Regions (BBSR)

Editing: A. Schürt



Median house price for all dwelling types by local authority district, England and Wales, 2013.

Source: Office for National Statistics

Contains Ordnance Survey Data
© Crown copyright and database right 2015

Data produced by Land Registry
© Crown copyright

This data covers the transactions received at Land Registry in the period [01/01/2013] to [31/12/2013]
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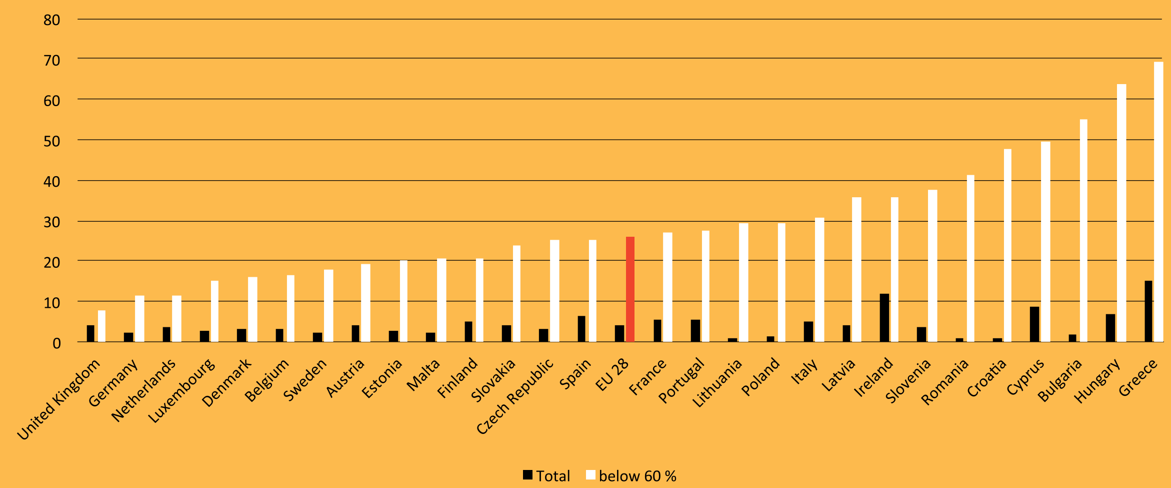
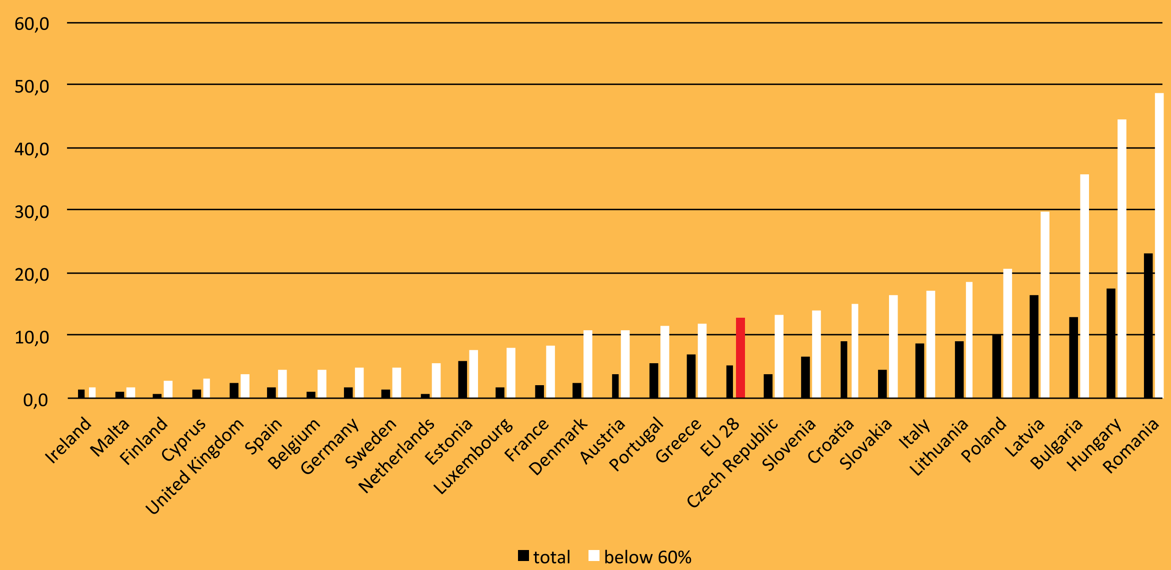
• Chart 9: SHARE OF THE POPULATION WITH ARREARS ON MORTGAGE OR RENT FOR TOTAL POPULATION AND THOSE WITH AN INCOME BELOW 60% OF MEDIAN EQUIVALIZED INCOME (2013):



• Chart 10: SEVERE HOUSING DEPRIVATION RATE AMONG TOTAL POPULATION AND THOSE WITH INCOME BELOW 60% OF MEDIAN EQUIVALIZED INCOME (2013) (Source: EU SILC, data referring to 2013):



HOUSING POLICIES ACROSS THE EU: LATEST DEVELOPMENTS

In 2011, the EU Network of Independent Experts on Social Inclusion warned that **'housing and related services emerge as one area which has been particularly adversely affected by the economic and financial crisis'.** Data from Eurostat on governments' expenditure on 'housing and communities amenities' confirm that on average public support for housing in the EU 27 has decreased, from 1.1% of GDP in 2003 to 0.8% in 2012.
Nevertheless, the fact that the formation of real estate bubbles have proved to be dangerous for the overall stability of the economy, and that the social and economic impact of the crisis is making access to good quality and affordable housing harder for a large share of the population, seems to have put housing back on the political agenda both at the European level and in many member states.
Looking at recent developments in EU countries, over the past 3 – 4 years, we have identified some key policy issues which at least two or more countries have in common.

TACKLING OVER-INDEBTEDNESS

Some member states were faced with a huge problem of defaulting mortgages that affected on the one hand over-indebted households who risked losing their homes or simply could not cope with repaying their debt and on the other had the potential to further disrupt the stability of the banking system. This led to different measures: for instance Italy and Spain set up **programmes to support vulnerable defaulting households** through solidarity funds, and Hungary and Ireland established '**mortgage to let**' schemes. There were also temporary **moratoria on repossessions as well as legal protection** for households in debt at risk of losing their primary residence (Ireland, Portugal, Greece, later Spain). The Netherlands and Denmark encouraged **re-negotiation of mortgage debt.**

TACKLING TAXATION BIAS TOWARDS HOME OWNERSHIP

At the same time, many countries took the decision to modify tax subsidies incentivising high mortgage indebtedness that had for decades supported sustained growth of home ownership and pushed up house prices. For instance **reduction of mortgage interest deductibility** was implemented in the Baltic countries, as well as in the Netherlands and Belgium although in the two latter cases the phasing out of such incentives will take some time. On the contrary, no changes to the taxation supporting home owners were implemented in Sweden. This kind of measures, complemented by **banks' more restrictive lending policies**, are leading to less demand for home ownership.

FOSTERING THE RENTAL MARKET

Interestingly, Spain and Portugal, two countries characterized by a high rate of home ownership and small rental sector, very recently introduced **reforms to their tenancy law**. In both cases the reform followed recommendations in this sense from the European Commission (through the 2011CSRs in the case of Spain, and through the Economic Adjustment Programme in the case of Portugal), and reforms go in the direction of giving more flexibility to landlords for instance to increase rents and speeding up the eviction process, although with reference to protection of the most vulnerable tenants. At the same time in the Netherlands a complex process **of reform of the rent setting system** is on-going, aimed at splitting the rental sector into a regulated social sector and a non-regulated rental sector which is supposed to attract investment by private actors. In Germany, the rent setting system is also being reviewed but in the opposite direction, with the introduction of further caps to rent increases in high demand areas from 2015.

REFORMING SOCIAL HOUSING

In recent years, **a number of countries characterized by a small social housing sector have started developing new social housing programmes**. This is true for a number of **CEE countries**: for instance Bulgaria recently started a pilot project for social housing for vulnerable and minority groups. A new social housing concept is under discussion in Czech Republic, including temporary housing for emergency situations, as well as provision by the municipality both of social housing and affordable housing; the first one being more socially targeted while affordable housing would be allocated to people below the established income ceiling, with possibility to raise the rent if the income increases. Lithuania has announced a programme for the development of subsidised housing. Slovakia is finalizing a new concept of state housing policy which includes strengthening and developing the public rental sector. Also countries in Southern Europe have adopted plans to support new social housing provision: Portugal introduced the new programme 'Social Rental Market'; the new housing plan in Italy includes funding for the renovation of public social housing as well as funding to the regions to increase social housing supply; and the new Spanish State Housing Plan 2013-2016 subsidises the creation of public social rental housing as well as support to tenants on low income (after cuts to subsidies in 2011 had almost completely stopped social housing construction). Ireland has announced a 6 year strategy to supply 35 000 social housing units, and a thorough reform of social housing delivery and management. This new programmes comes two years after radical cuts in public funding to the sector. Luxemburg has introduced financial measures to foster construction of affordable housing and also started

supporting provision of new rental housing through planning obligations. Meanwhile, measures adopted in the Netherlands such as the establishment of an income ceiling for social housing and the introduction of a new levy on housing corporations are leading to a decrease in production of new social dwellings. In England, overall provision of affordable housing ,including social rent, affordable rent, intermediate rent and affordable home ownership, peaked at 60 480 units in 2010-11 but decreased afterwards to 42 870 units in 2013-14.
In Belgium, Spain and Italy there is an on-going process of restructuring the social housing sector and in particular through mergers of social housing providers.
in Greece, he only body providing housing support in the form of housing allowances and guaranteed on housing loans, OEK, was abolished in 2012 as part of austerity measures. There have been no comprehensive attempts as of today to re-establish some form of social housing.

MOBILIZING EXISTING HOUSING STOCK AS PRIVATE PROPERTY FOR SOCIAL USE

For instance Belgium and Luxemburg have established social rental agencies that act as an intermediary between private landlords and low-income households. Most recently there have been attempts to implement similar models in Italy, Spain and Hungary. Italy also provides tax incentives to landlords who are willing to charge moderate rents, agreed with the municipality, and has recently increased the related tax benefits. Malta has recently launched a programme to mobilize privately owned vacant homes for social housing, by guaranteeing rent benefits to the occupants. Ireland and Spain have implemented programmes to use empty homes owned by banks as social housing, and a similar scheme was recently launched in Portugal.
Taxation of empty homes is also being applied, in some cases at local level (Brussels, some Spanish municipalities), in other cases at national level (Portugal).
Another very interesting development is that some countries are trying to **tackle speculation on land price**, for instance through leasing instead of selling public plots in Luxemburg, or through Community Land Trusts (CLT) in Belgium.

INTRODUCTION / INCREASE OF HOUSING ALLOWANCES

Lithuania has recently introduced rent allowances, and Latvia and Bulgaria have increased the amount of housing benefits, although it remains limited. Luxemburg introduced rent subsidies, which in 2011 constituted the largest category of aid by the local social offices. Most recently, the Greek parliament adopted a 'humanitarian crisis' bill which includes the temporary introduction of housing allowances as well as a minimum quota of free electricity for the poorest households.

PROGRAMMES TO FACILITATE ACCESS TO HOME OWNERSHIP

Italy, Slovakia and Poland have launched programmes aimed at helping young people / young couples to buy their first home. Romania and Slovenia also provide state guarantees on mortgage loans for first time buyers. England continues to support the Help to Buy scheme which provides equity loans or mortgage guarantees, and similar programmes exist also in Scotland, Wales and Northern Ireland. In England there is also a possibility for tenants of housing associations and councils to buy their home through Right to Buy/Right to acquire schemes while Scotland terminated its right to buy programme and the scheme is under discussion in Wales.

INTRODUCTION OF HOMELESSNESS STRATEGY

In early 2014 the European Parliament adopted a Resolution on an EU homelessness strategy. The report urges among other measures the Member States to 'develop social and affordable housing adapted for the most vulnerable individuals in order to prevent social exclusion and homelessness'. Among the EU Member States, Czech Republic, England, Ireland, Luxemburg, Northern Ireland all launched a new homelessness strategy recently.
• **For information on national and regional homelessness strategies in Europe see the webpage National Homelessness Strategies at**
http://goo.gl/NG0y6w
Read the Resolution by the European Parliament at
http://goo.gl/ETmWKP

...develop social and affordable housing adapted for the most vulnerable individuals in order to prevent social exclusion and homelessness...

TENANCY LAW AND HOUSING POLICY IN EUROPE: THE TENLAW PROJECT

Considering that 1/3 of European citizens rent a home, the continuing reticence of a deliberate European approach to residential tenancy regulation is untenable. Tenancy Law and Housing Policy in Multi-level Europe, the Tenlaw project, has set out to provide the most extensive comparative research to date in the field and thereby stimulate the dialogue toward ending non-action at the European level.

The Tenlaw project's **national reports for 31 countries** (EU-28 plus Scotland, Serbia and Switzerland) take an interdisciplinary view, observing residential tenancy regulation in its political, social, and economic contexts. A comparison of these national reports first at the regional level inquires into the commonalities and divergences among the housing situations, housing policies and housing regulation of small groups of similar welfare states. A final consortium-wide report will consolidate the great volume of information generated in the national and regional reports, so that a perspective emerges for a recommendation on a **proper European role which abstains from intrusive harmonization measures but deals with national divergences constructively.**

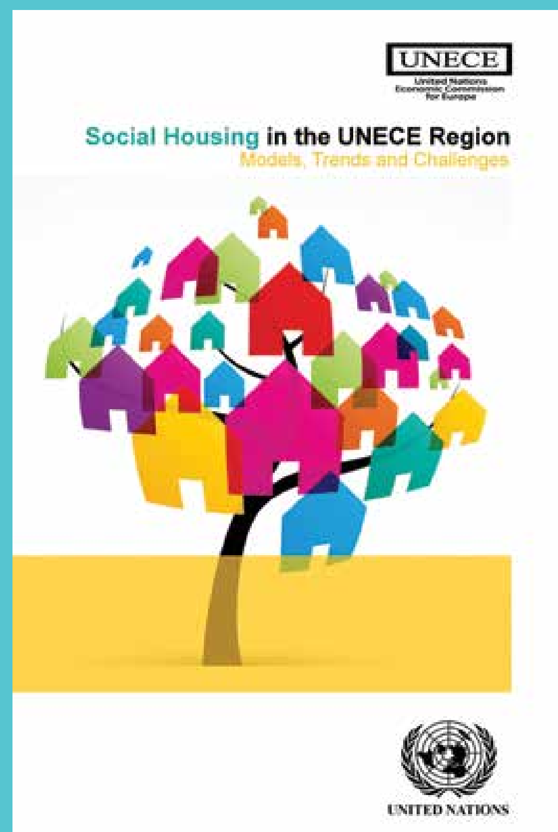
Work is still in progress, but preliminary findings have already emerged. Generally, across much of Europe a significant preference for home ownership is reported, and renting suffers from an image as an inferior, temporary form of tenure. This dynamic perpetuates a housing policy bias in favour of owner occupied housing and against rented housing. To the extent that this inevitably impacts subsidization and taxation systems, a goal of tenure neutrality from the perspective of the consumer will be hardly achievable under the existing overriding tenure bias. Additionally, the good functioning of tenancy markets depends on renting remaining attractive for landlords and investors.

This requires that burdens of social regulation imposed on landlords must not be too onerous and therefore prevent them from making adequate gains and returns. Single fields of private tenancy regulation, such as rent control and security of tenure in particular, are thus being evaluated based on their potential to achieve an effective socio-economic balance between providing tenants with affordable and stable housing and imposing only acceptable burdens on landlords and investors, so as not to act as disincentives.

The final report, and thus completion of the Tenlaw project, is anticipated in October 2015. More information and the draft national reports can be found on the project website **www.tenlaw.uni-bremen.de**

• The Tenlaw project has received funding from the European Union Seventh Framework Programme under grant agreement number 290694.

SOCIAL HOUSING IN THE UNECE REGION: MODELS, TRENDS AND CHALLENGES



Decent affordable housing is the bedrock upon which to build healthy lives, strong and resilient cities, and thriving national economies. Housing sector in the global north is still trying to bounce back from the financial crisis of 2008. The new study brought by the United Nations Economic Commission for Europe highlights that at least 100 million low - and middle-income people in the UNECE region are housing cost overburdened; they spend more than 40 per cent of their disposable income on housing. High housing costs for low-income households leave limited resources for other basic needs, such as food, health, clothing and transportation. Even in the countries with substantial funds for social housing the waiting lists are marking historical records. Lack of access to decent affordable housing corrodes neighbourhoods, the economy and the future. Ambitions for sustainable development are likely to be thwarted by its absence.

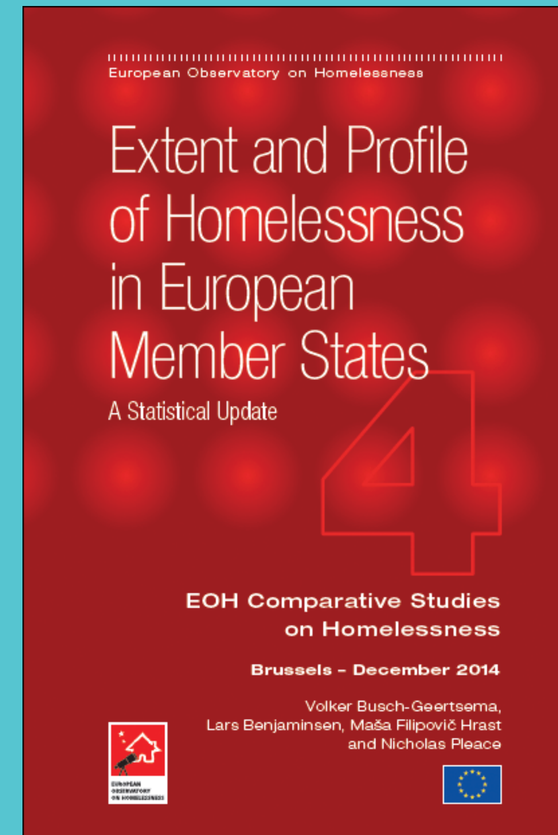
The UNECE study 'Social Housing in the UNECE Region: Models, Trends and Challenges (2015)' has an important role in bringing social housing to the forefront of the housing agenda in the 56 countries of the UNECE region. It is a part of integrated efforts to support sustainable urban development in the region and economic development. In its nine chapters the study provides a comprehensive overview of current trends in housing provision (including, housing supply, choice and quality), social housing finance in the regions, it addresses the uniqueness of national housing systems through analysis of 'social housing' definitions and examines challenges related to decentralisation and governance. Significantly, the UNECE social housing provides guidance for policymakers whose actions can have an effect on where and how people live with the goal to increase the accessibility to affordable housing for all.

• To download the study please follow the link: http://www.unece.org/leginstr/hlm.html

HOMELESSNESS IN THE EU

The European Observatory on Homelessness has looked in detail at the available recent data on homelessness from the majority of EU Member States. **The number of people experiencing homelessness has increased in all countries under review except for Finland.** France had seen an increase in homelessness, estimated as up to 50% between 2001 and 2011. Denmark reported a 16% increase between 2009 and 2013, and Germany a 21% increase. The Netherlands also saw a 17% increase between 2010 and 2012, and Sweden a 29% increase in people living rough, using homelessness services and living in institutions with no home to go to. In any case one should keep in mind the definition of homelessness was broadened in Sweden. In the UK, the numbers of homeless households requesting and being accepted for assistance under homelessness laws were reported as rising by 6% and 8% respectively between 2009 and 2010 and between 2012 and 2013. In the Czech Republic, the city of Brno saw a 44% increase in homelessness between 2010 and 2014, although fewer data on trends were generally available from Eastern EU Member States. In terms of demographic features of the homeless population, **the increase in youth homelessness** is probably the most striking.

• For updated data and trends on homelessness in the EU: European Observatory on Homelessness (2014) Extent and Profile of Homelessness in European Member States: A Statistical Update http://goo.gl/kcvM3R



COUNTRY PROFILES

AUSTRIA

TRENDS IN HOUSING MARKETS

The Austrian system of housing has provided relatively stable and affordable housing conditions and has not experienced a major boom or significant rise in home ownership. Therefore, the impact of the crisis on the housing market was less significant in Austria compared to most other EU countries (1).
Nearly 51 000 dwellings were built in the country in 2013, that is an increase of approximately 16 % compared to 2012 and almost 30 % compared to 2011.
Housing quality is high in Austria, and the average living space for households has been constantly increasing. Today the average dwelling measures slightly over 100 square meters, with an average 4.1 rooms per dwelling.
The average share of housing costs on disposable income increased between 2005 and 2013, when it reached 19,2%. Private household living in rented dwellings spend on average one quarter of their available household income on housing. Rents including running costs increased by 13 % between 2009 and 2013, with a higher increase in rents in the private market. Average rent including housing costs amounted to 452 EUR per month in 2013 (2).
Today due to high immigration there is high demand for affordable housing. While the total construction output in terms of quantity seems to be sufficient, there is lack of rental housing with low to medium rent level.

POLICY DEVELOPMENTS

The main objective of Austrian housing policy is to provide affordable and high quality housing to its citizens. Austria has pursued a supply-oriented housing strategy, which contrasts with the drift towards more demand-side strategies reliant on rent allowances to achieve housing goals in other European countries. Limited profit and municipal housing play an important role in Austria, as they accounts for altogether for about 20% of the total housing stock, and 51% of the rental sector.
At present there is discussion on additional public incentives to increase the production in the rental sector, to respond to increasing demand for affordable rental housing.

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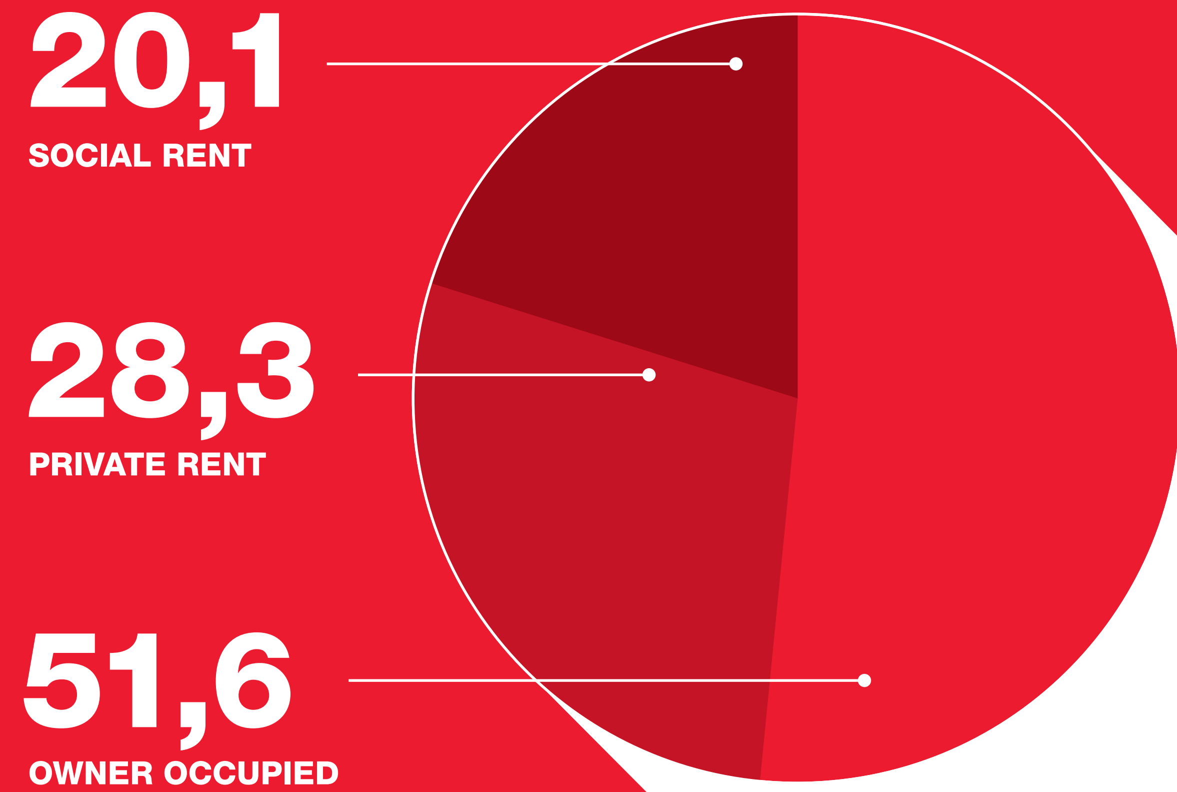
(1) Edwin Deutsch, Julie Lawson (2013) International measures to channel investment towards affordable rental housing: Austrian case study, Australian Housing and Urban Research Institute, http://apo.org.au/node/34172
(2) All data from Statistics Austria, http://www.statistik.at/web_en/statistics/housing/index.html

Limited profit and municipal housing have an important role in Austria, as it accounts for altogether about 20% of the total housing stock, and 51% of the rental sector



Key Data:
Total number of dwellings (thousands): **4 441**
Number of dwellings per 1000 inhabitants: **555**
Total housing completions in 2012/13: **52 000**

Social housing in Austria:
Total number of social rental dwellings: **891 000**
Yearly social housing completion in 2012/13: **15 000**
Providers: **municipalities, Limited-Profit sector (including cooperatives and companies), also limited provision by for-profit providers**
(Sources: 2011 Census, GBV, Statistics Austria)

- High quality of dwellings, large living space
- Low share of people with arrears on mortgage/rent payment, and relatively low level of outstanding mortgage debt compared to GDP as well as to household income
- Low share of population with arrears on utilities or unable to keep home warm
- Stable housing market little impacted by the global financial crisis

- Both in terms of rent affordability, share of housing costs out of disposable income, as well as housing overburden rate, Austria scores better in terms of share of housing costs than EU average, but slightly worse if we look at low income population

BELGIUM

TRENDS IN HOUSING MARKETS

In Belgium over 2 out of 3 dwellings are occupied by their owner. There's a strong preference for home ownership in such extent that **Belgians are said to be 'born with a brick in the belly'**. Looking more in detail 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 in-between the former two (1).

According to the OECD "Better Life Index", housing conditions in Belgium are in general good, as dwellings are of high quality and large, while housing costs are average. However, according to experts the large increase in house prices of the past decade, fuelled by generous tax conditions, has led to **overpricing which requires close monitoring**. Nevertheless the fact that demand for housing is expected to continue to increase as the number of households is expected to grow by 11% between 2013 and 2030 led the OECD to conclude that risk of a significant fall in house prices does not appear immediate (2). 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, low average amount of mortgage debt per capita and relatively low loan to value ratios (3).

Although the share of home owners experiencing affordability problems is small and falling, increase in house prices puts market **access for first-time buyers under pressure**. The rental market is small, with **long waiting lists for social housing** and tenants in the **private market spending an increasing share of their income on housing**. In particular in Brussels, one out of five households face high housing costs due to more expensive accommodation and a larger share of the population at risk of poverty than in the other Regions. If in 2004 the population with an income up to the 6th income decile could access 44% of the private rental market in Brussels, today this share is much lower with only about 10% of private rental dwellings affordable enough for them (4). Problems related to housing quality are also more widespread in Brussels, indicating that **good and affordable housing at the bottom-end of the market is in short supply** (2). Rents in social renting are significantly lower than in private renting in all three regions, on average about half the amount (5). At the same time the social rental sector is relatively small and insufficient to meet the overall demand. Regions have ambitious plans for the construction of social housing, but it will take many years before these will lead to a significant shrinking of the waiting lists (2).

POLICY DEVELOPMENTS

In Belgium the **Regions are today fully responsible for housing policies**. Income tax and rent regulation of the private rental sector used to be in the hands of the federal government, but under the Sixth State Reform competences for housing taxation and private rental legislation were transferred to the Regions in July 2014 (2).

Since the first Belgian Housing Act of 1889, the main objective of central government has been to **encourage owner-occupation**, regardless of the political party in power (3). This has been done mainly through a favorable fiscal regime supporting home-buyers. When taking into account both federal and regional subsidies, the average homeowner in Flanders receives 4.3 times more housing benefits than the average tenant (6). Moreover, the tax deductibility of interest and capital repayments on mortgage loans disproportionally benefits the better-off. As housing taxation has now become a regional competence, Flanders has implemented initial **reforms to limit the tax deductibility** and Wallonia has decided to slightly reduce the rate of deductibility for new mortgages, while Brussels has decided to keep the current 'bonus logement' unchanged until at least 2017.

The three regions have different priorities linked with the local conditions. For instance, **the Brussels Region is confronted with high and increasing demand for affordable housing**, as population is expected to reach 1 200 000 inhabitants by 2020, an increase "by" 15 000 inhabitants per year on average. Therefore, the Brussels Region uses a vacancy fee to prevent empty homes, a measure has been strengthened in 2010. Furthermore, **modifications in 2013 to the Brussels Housing Code** brought about some changes to the social housing sector in the Region: first of all, households living in social dwellings with more than one 'spare' room will have to move to a home more adapted to the household size. Furthermore, social housing companies can now provide homes also for households with modest/intermediate revenues to support social mix (maximum 20% of each development, and max 10% of the housing stock of a SISP). Finally a number of other innovative measures are promoted by the Code such as intergenerational housing, co-housing, community land trust, groupes d'epargne collective solidaire.

References:
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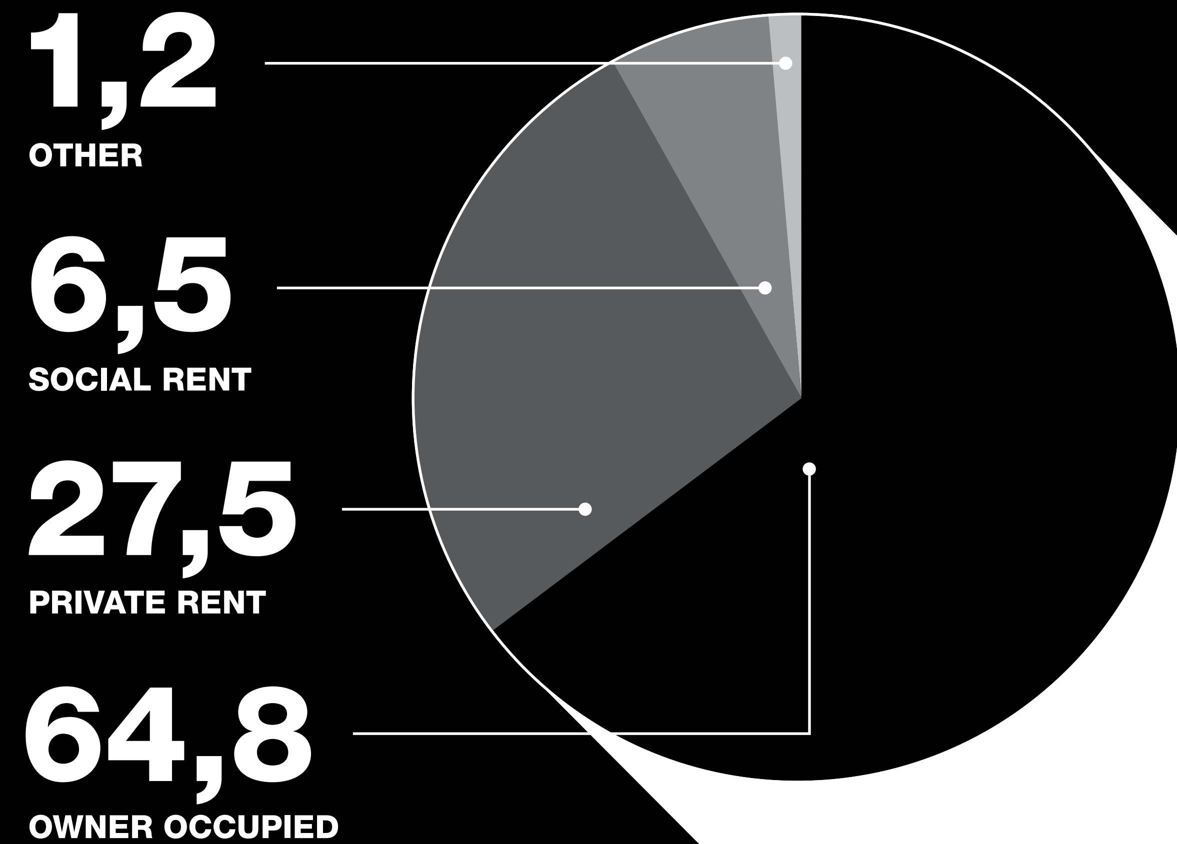
(2) OECD (2015) OECD Economic Surveys: Belgium – Executive summary http://www.oecd.org/eco/surveys/
(3) National report on Belgium, TENLAW http://www.tenlaw.uni-bremen.de/
(4) Observatoire régional de l'habitat, Observatoire des Loyers 2013 http://www.slrb.irisnet.be/publications/observatoire-regional-du-logement/observatoire-des-loyers-2013/view
(5) CEHD, CHIFFRES-CLES DU LOGEMENT EN WALLONIE - 2012 http://www.cehd.be/projet/chiffres-cles
(6) Heylen, K., Winters, S., 2012. De verdeling van de subsidies op vlak van wonen in Vlaanderen. Steunpunt Ruimte en Wonen



Key Data:
Total number of dwellings (thousands): **5 203,4**
Number of dwellings per 1000 inhabitants: **473**
Total housing completions: **nav**

Social housing in Belgium:
Total number of social rental dwellings: **292 000**
Yearly social housing completion in 2012: **3 076**
(Source: Census 2011, Housing Europe General Survey 2014)

➕
- Generally good housing conditions
- Affordability in line with EU average
- Relatively low mortgage indebtedness despite high share of home ownership

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

THE RENTAL MARKET IS SMALL, WITH LONG WAITING LISTS FOR SOCIAL HOUSING

BULGARIA

TRENDS IN HOUSING MARKETS

Housing stock in Bulgaria consists **mainly of owner-occupied dwellings**. According to the 2011 Census, 81.7% of dwellings are owner-occupied and 18.3% are rented. The share of tenants in cities amounts to 21,8 % and only 9,3 % in villages (1). Social housing in Bulgaria consists of municipally owned dwellings let to particularly needy people. Although the precise size of the sector compared to other tenures is not known, only 2.6% of the total occupied housing stock belongs to the state or municipalities (1).

Bulgaria has a **very high share of outright owners**, with only 2.4% of the population being owners with a mortgage (2). Indeed outstanding mortgage debt represents only 17.6% of GDP in Bulgaria, compared to an average 52% for the EU 27 (3). Despite the fact that mortgages are not particularly widespread, thousands of households who took on mortgages during the construction boom period 2005 – 2008, are currently facing difficulties in repaying their loans, as a consequence of higher unemployment and lower wages (1).

New housing construction in Bulgaria has been constantly decreasing over the past 5 years. While in 2009 new construction peaked with 22 058 dwellings, in 2013 only 9 250 new dwellings were completed. As housing construction in recent years has been decreasing, reaching much lower levels than in the 1960s, one of the biggest challenges of housing policy in Bulgaria in the near future will be represented by the large share of the housing stock getting old and needing renovation (1).

A combination of widespread poverty (Bulgaria has the highest share of population at risk of poverty in Europe) and poor housing quality result in a number of problems relating to housing conditions of the Bulgarian population. Bulgaria has **the highest share of people who are not able to keep their home adequately warm in Europe** (44.9% of the population) and the second highest share of people who have arrears on the payment of utilities bills (34%) (2).

In 2011 the country had 1.22 million vacant units, out of a total housing stock of 3.9 million housing units (1). Despite the fact that there is no overall housing shortage in Bulgaria, the estimated overcrowding rate is 44.2%, compared to an average 17.3% at EU level, and the rate of severe housing deprivation is also very high, with 13% compared to the EU average of 5.2 (2).

POLICY DEVELOPMENTS

The National Housing Strategy of Bulgaria focuses on two main strategic goals: **tackle the deterioration process of the existing housing stock, and creating a working mechanism for provision of new affordable housing** (1).

In 2011 Bulgaria launched a pilot project "Support for Provision of Modern Social Housing for Vulnerable, Minority and Socially Weak Groups and Other disadvantaged Groups". Furthermore, as a reaction to the crisis, the Bulgarian government decided to introduce new criteria for eligibility to social assistance related to housing. Thanks to these changes extended the number of people eligible for targeted assistance to pay for rental municipal housing. The allowances for housing in 2011 amount to approximately 4.6 million EUR, which represents an increase of 30 % in comparison with the previous year, of 2010 (1).

References

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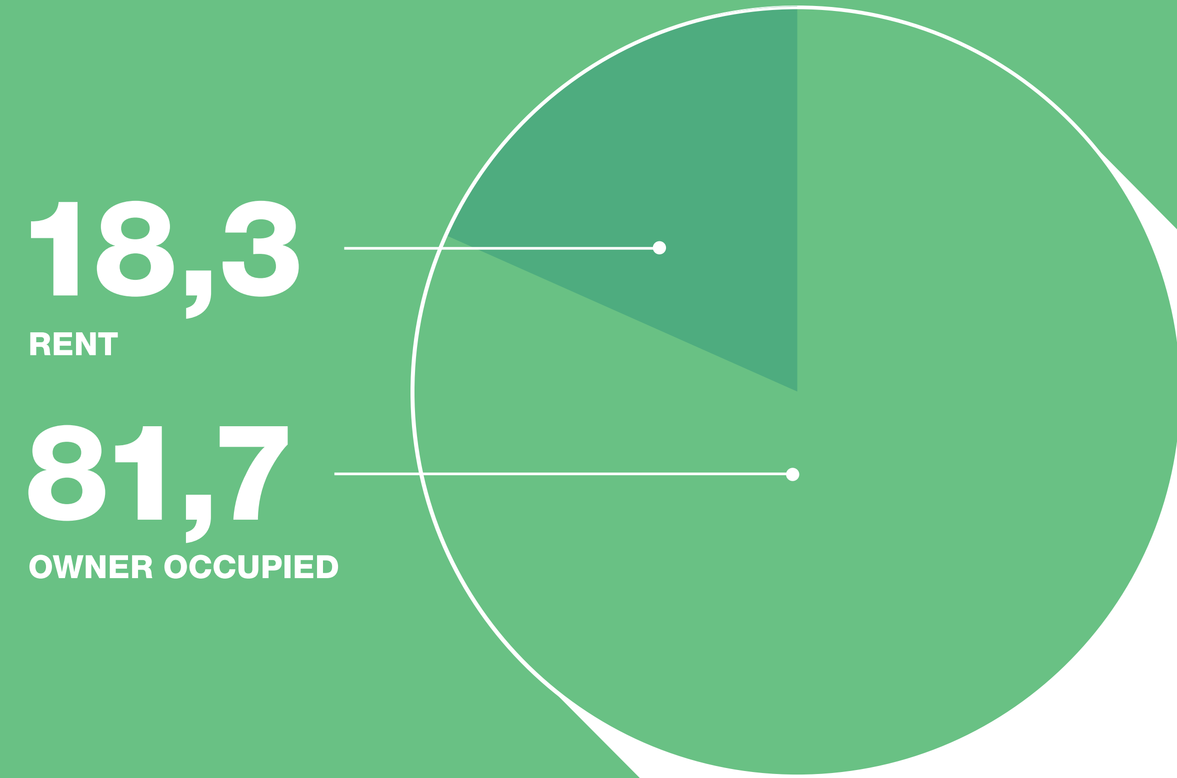
(2) EU-SILC, data referring to 2013 http://ec.europa.eu/eurostat/c/portal/layout?p_l_id=203680&p_v_l_s_g_id=0

(3) EMF, Key Figures 2012 http://www.hypo.org/Content/default.asp?PageID=414

...the highest share of people who are not able to keep their home adequately warm in Europe



Key Data:

Total number of dwellings (thousands): **3 918,2**

Number of dwellings per 1000 inhabitants: **467**

Total housing completions in 2013: **9 250**

➕

- Recently introduced pilot social housing project

➖

- Highest share of people not able to keep their homes adequately warm in the EU
- Poor housing quality and high overcrowding rate compared to EU average

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 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.
As a result of the Global Financial Crisis, **rent levels have decreased** with the exception of cities in Dalmatia. **House prices have also been falling** constantly over the last six years.
The areas with highest demand of housing for sale, especially by foreign buyers, are along the coast. In 2009 the Law on Ownership was amended, aiming to ease the buying process and attract more foreign property buyers to the country. 55 % of approved permits for foreign acquisitions were granted to Germans; 16 % to Austrians followed by other nations.
On the other hand, **in non-touristic regions housing supply is falling**. Current levels of completions and permits issued are close to the beginning of 1990's. In 2012, 11 792 flats were completed – compared to a yearly average of 24 366 units in 2006 – 2008.
Mortgage market in Croatia expanded from 4.7 % of GDP in 2000 to 19.1 % in 2012.

POLICY DEVELOPMENTS

Currently there are three national programs in Croatia dealing with housing: "Housing care program for Homeland War victims", "Socially-supported housing construction program – POS" and "ApolitikA".
"Housing care program for Homeland War victims" includes construction, purchase and adaptation of apartments and buildings specially adapted for war disabled veterans. Over the period of 1997 - 2012 this programme built 6 161 apartments and 184 family houses across the country.
"Socially-supported housing construction programme-POS" provides funding from the state for identifying housing needs in a particular area, preparation of documentation and construction of apartments. Local self-government units provide plots and cover the costs of equipping the plots with municipal infrastructure and the state ensures funds for construction costs in the amount of 25 % of standard construction cost per square metre of usable space in the apartment. Standard cost is determined once a year by the ministry. The Agency for Transactions and Mediation in Immovable Properties as well as local non-profit organisations established by municipalities are responsible for the performance of investment works related to construction and sale of apartments.
"ApolitikA" is a document on Croatian architectural policies for 2013 – 2020. It defines different measures concerning, among others, housing, construction, quality, and social issues.

References

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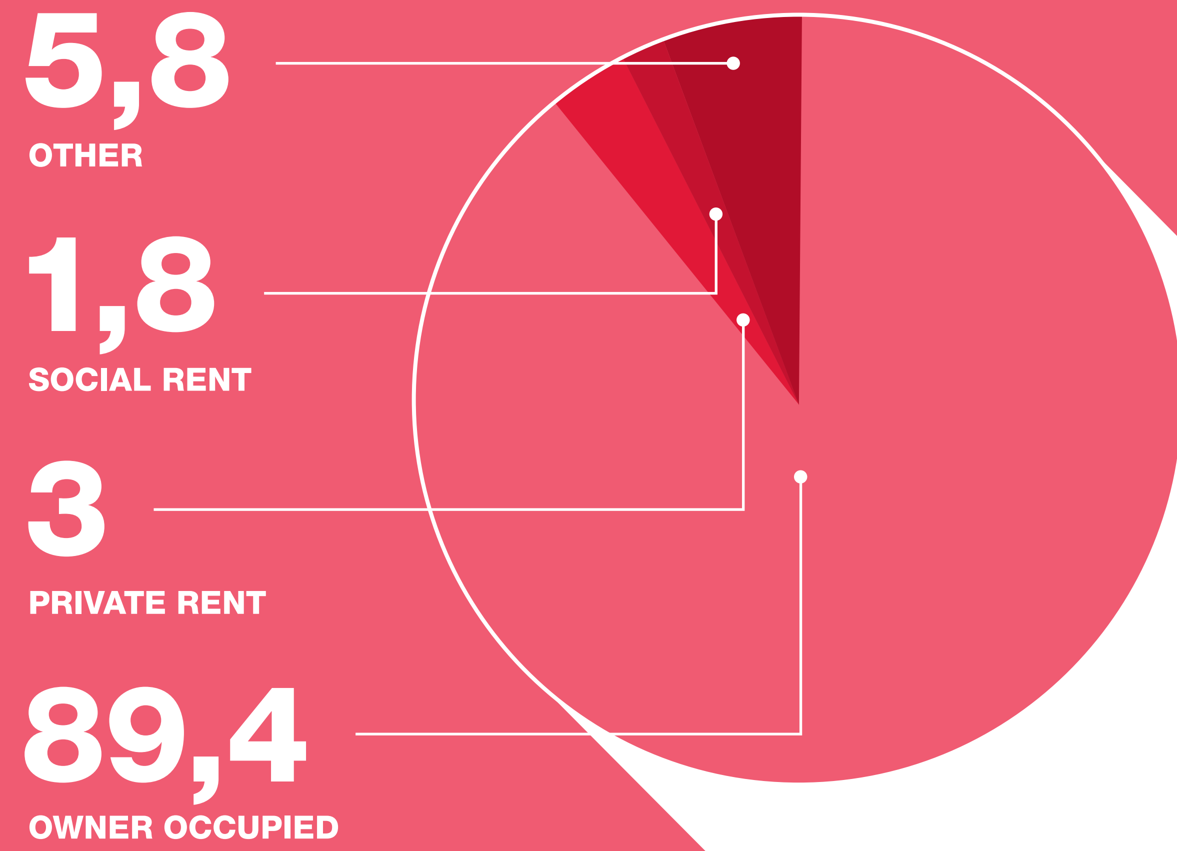
"Housing care program for Homeland War victims" includes construction, purchase and adaptation of apartments and buildings specially adapted for war disabled veterans



Key Data:
Total number of dwellings (thousands): **2 246,9**
Number of dwellings per 1000 inhabitants: **524**

+
- Relatively small number of households overburdened by housing costs

−
- Housing supply in non-touristic regions is falling
- 71% of Croats between 18 and 34 years old still living with their parents

CYPRUS

TRENDS IN HOUSING MARKETS

In 2011 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' (1).
The impact of the financial and economic crisis led to a decrease in house prices. Nominal housing prices recorded a decline of -5.4% in 2012, up from -4.1% in 2011, -1.4% in 2010 and -4.6% in 2009, and stood at 85.4% of their 2008 level (2). According to data from the Central Bank of Cyprus, the residential property price index at the end of 2014 had returned to the average price levels of 2006, the year in which the over-borrowing in housing loans started, leading eventually to the overheating of the sector (3).
The decrease in house prices also had a significant impact on construction: the overall amount of completed new dwellings decreased from 18 195 new dwellings completed in 2008, to 6 565 in 2012.
Overall, the recession has led to a decrease in the demand for housing and for mortgage loans. The deleveraging in the real estate sector continues, and the total amount of outstanding housing loans in Cyprus decreased on an annual basis by 2,8% in December 2014, compared to an annual decrease of 4,8% in December 2013 (3). Nevertheless, Cyprus still has a high share of outstanding residential loans to GDP ratio: 70.9% in 2012 compared to an average 52% for the EU 27 (2).
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

Over 17 000 households in Cyprus benefit from housing support, provided by different schemes. A number of schemes are in place without any income limit, 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. There are also a number of programmes targeting expats with permanent residence in Cyprus, 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 (1).

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(3) Central Bank of Cyprus, Residential Property Price Index 2014 Q4
(4) EU SILC, 2013

Cyprus still has a high share of outstanding residential loans to GDP ratio: 70.9% in 2012 compared to an EU-27 average of 52%

Key Data:
Total number of dwellings (thousands): **433,21**
Number of dwellings per 1000 inhabitants: **392**
Housing completions in 2011: **9 091**

+
- Housing costs compared to disposable income as well as the housing overburden rate are the second lowest in the EU after Malta

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- High level of mortgage arrears, particularly among low-income population
- Second highest share of population unable to keep their home adequately warm in the EU

CZECH REPUBLIC

TRENDS IN HOUSING MARKETS

According to Census data, in 2011 there were 4 104 635 inhabited dwellings in Czech Republic, out of which 43,7 % were located in family houses and 55 % in multi-dwelling buildings. Out of the total occupied dwellings, 55.9% were owner occupied, 22.4% occupied by tenants, 9.4% cooperative ownership, 3.4% occupied rent-free.
The overall downturn in housing construction has continued over the last six years with the biggest falls observed in the category of family houses. 2013 saw the smallest amount of new dwellings constructed since 1998, a 7.3% reduction from the previous year.
According to the estimation of the Ministry of Regional Development, there is no general housing deficit in the Czech Republic. However, it can be very roughly estimated that in 2013 there were 100 000 – 120 000 households in housing need, out of which: 50 000 – 55 000 were living in rented dwellings with the costs of living exceeding 65 % of their income, and 30 000 were homeless people, among others.
In 2012 the share of household income spent on housing was: 25,1 % in rented dwellings, 17,9 % in cooperative dwellings, 17,3 % in personal ownership dwellings and 14,7 % in own house.

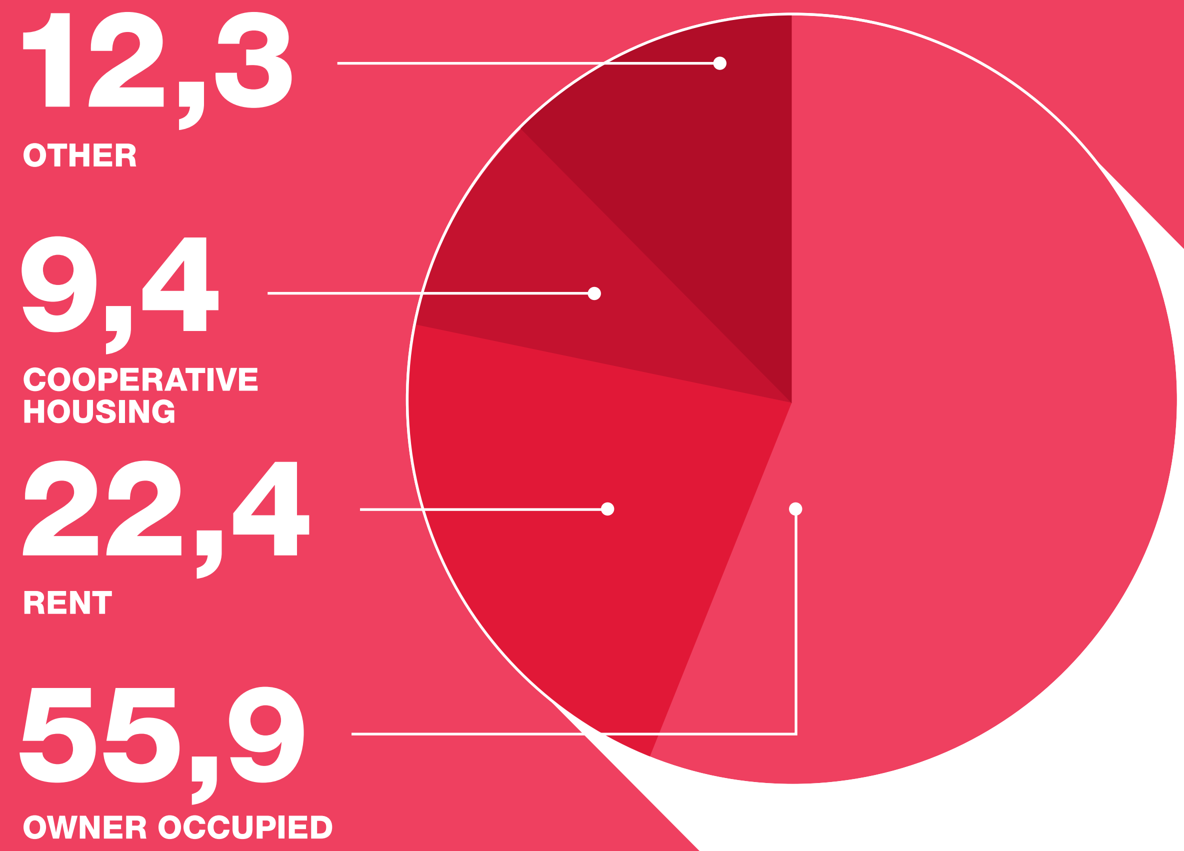
POLICY DEVELOPMENTS

State support for housing has been decreasing since 2005 with the share of 0,13 % of GDP in 2013. According to HPI, the prices of real estate in 2013 dropped by 1,5 % compared to 2010.
The "Housing Policy Concept for the Czech Republic till 2020" was approved by the government in 2011. This new housing concept continues to rely on the State Housing Development Fund as a very important tool of the state housing policy. The Concept reacts to projections of demographic development indicating that the number of lone senior citizens will be growing. Senior citizens sometimes spend more than 60 % of their income on housing. Current priorities for housing policy in Czech Republic are:
• A better-balanced rate of support of own housing and rental housing and support for groups of people threatened by social exclusion
• Extending the offer of dwellings corresponding to the needs of the handicapped
• Reducing energy demands of housing
• State aid for victims of natural disasters in terms of housing
• Improved use of EU funds in 2014-2020
• Earnings from the sale of emission credits used to support housing
• Reducing the investment debt through programs supporting re-development and modernization of multi-dwelling buildings
• Improving the quality of external environment of residential areas by starting up programs to support the regeneration of residential areas, including the support of crime prevention.

Since 1998, a total of 20 000 dwellings were built with the help of state subsidies for various groups of vulnerable or disadvantaged people. Until 2010 there had been funds intended exclusively for municipalities but since 2011 other bodies can apply for state funding for housing construction, for example legal entities, businesses, non-profit organizations, etc.
There is a new social housing legislative framework for the Czech Republic that has recently been approved. This regulation defines and divides social housing into three tiers. The first tier or: "housing in crisis/asylum housing" will be a new type of social service for people who are in acute need of housing and they will be able to use this service for a maximum duration of six months. The second tier or "social flat" will be provided by the municipality. This dwelling will represent a lower standard housing and tenants will be under the supervision of a social worker. The third tier or "affordable flat" will be provided by the municipality and will represent a standard quality dwelling. The municipality will sign a contract with tenants for two years. The living standard of tenants will be reviewed annually by the municipality and in case that it rises above set limits, the rent could also be raised by up to 15 %. This project will be co-financed by the EU Structural Funds (ESIF).

References
(1) Data from Ministry of Regional Development, based on 2011 Census

In 2013 there were 100 000 - 120 000 households in housing need



Key Data:
Total number of dwellings (thousands): **4 756,57**
Number of dwellings per 1000 inhabitants: **469**
Housing completions in 2012: **25 246**

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• No general housing deficit
• Housing Policy Concept for Czech Republic may act preventively towards demographic developments in the country
• A legislative regulatory framework for social housing is currently being established

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• Many households in housing need
• State support to housing has been decreasing since 2005

In 2014, the Czech Republic received recommendations from the European Comission on reforming its housing market: Shift taxation to areas less detrimental to growth, such as recurrent taxes on housing.

DENMARK

TRENDS IN HOUSING MARKETS

According to the Statistical Office of Denmark, in 2013 there were 2 762 444 dwellings in the country, out of which 2 597 968 were occupied dwellings. According to the Statistical Yearbook 2014, approximately 51 % are owner-occupied dwellings and 49 % are rented (1).

In the years before the financial crisis property prices in Demark 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).

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 (5). 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, etc. (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 are 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).

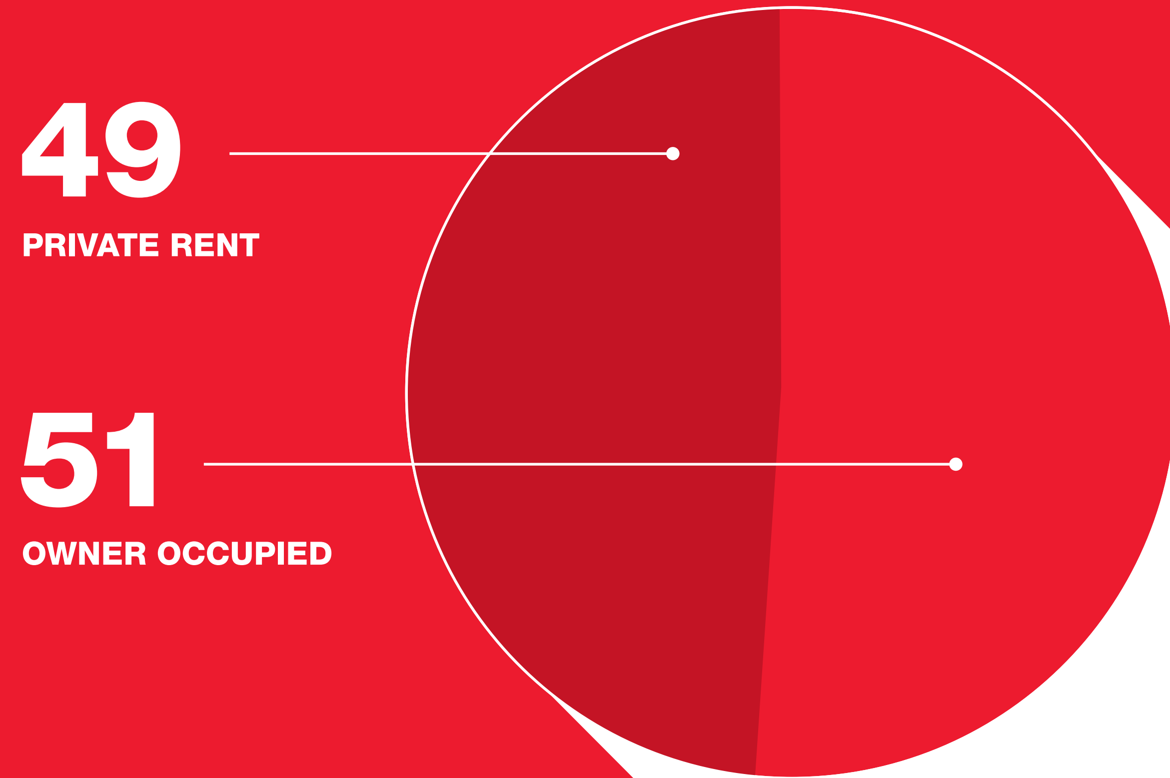
Recently there has been in general a strong policy shifts towards the environmental and energy efficiency of housing. In early 2014 an energy renovation program was launched under the name of "Better Housing – Better Savings". The main goal of this program is to make it easier for homeowners to get qualified 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.

References:

(1) Statistics Denmark, Statistical Yearbook 2014
(2) EMF Hypostat 2013, www.hypo.org
(3) IMF Multi-country Report Housing Recoveries: cluster report on Denmark, Ireland, kingdom of the Netherlands - the Netherlands, and Spain. https://www.imf.org/external/pubs/cat/longres.aspx?sk=42577.0
(4) European Commission, Alert Mechanism Report 2015 http://ec.europa.eu/europe2020/pdf/2015/amr2015_en.pdf
(5) author's estimates, based on data on dwellings, from Statistics Denmark http://www.dst.dk/en/Statistik/emner/boligforhold/boliger.aspx
(6) H. Vestergaard, K. Scanlon (2014) Social Housing in Denmark, in Scanlnon, Whitehead and Fernandez Arrigoitia, Social Housing in Europe. Available at http://eu.wiley.com/WileyCDA/WileyTitle/productCd-1118412346.html

...the expectations are that the energy renovation strategy will lead to a 35% reduction in the energy consumption by 2050



Key Data:
Total number of dwellings (thousands): **2 762**
Number of dwellings per 1000 inhabitants: **491**
Total housing completions in 2012: **13 851**

Social housing in Denmark:
Total 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)

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- Low share of people with arrears on mortgage/rent payment, and relatively low level of outstanding mortgage debt compared to GDP as well as to household income
- Low share of population with arrears on mortgage/rent or utility bills
- 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

In 2014, Denmark received recommendations from the European Commission 'to increase efforts to remove barriers to entry and reduce regulatory burden with a view to increasing competition in the domestic services sector, in particular in retail and construction'.

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 remainder 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). In multi-family buildings, currently one building is forming an **apartment owners association**, which is in charge of administering the building. It is estimated that about 60% of the population in the country is part of 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.
There is no formal shortage of housing as the total share of dwellings (on the contrary, 14% of the housing stock is officially unoccupied). However, **oversupply of dwellings is concentrated in rural areas**, while 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 (2), 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. Some 70% of Estonian dwellings are located in **low-energy-efficiency apartment blocks** constructed between 1960s and 1980s, with problems in terms of too high energy consumption and low quality. Average energy consumption per square meter is higher in the residential buildings of Estonia than in other EU member states (1). The fact that there's a growing problem with affordability of housing costs (including cost of utilities) is reflected in the number of applications for public assistance with housing expenses that were granted since the start of the crisis rose more than 3 fold: from 26 657 in 2007 to 96 858 in 2011 (1).

POLICY DEVELOPMENTS

Current housing policy **supports mainly home ownership**, with limited interference with the rental market only to target social housing for low-income people. 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).
The Estonian government tightened energy efficiency requirements for public buildings in January 2013, bringing legislation into line with the EU Energy Efficiency Directive, and extended the **support scheme for renovations of apartments** in August 2013. Energy efficiency in buildings is being addressed via financing from EU Structural Funds and KredEx fund (3).

References:
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http://www.tenlaw.uni-bremen.de/
(2) European Commission (2014)
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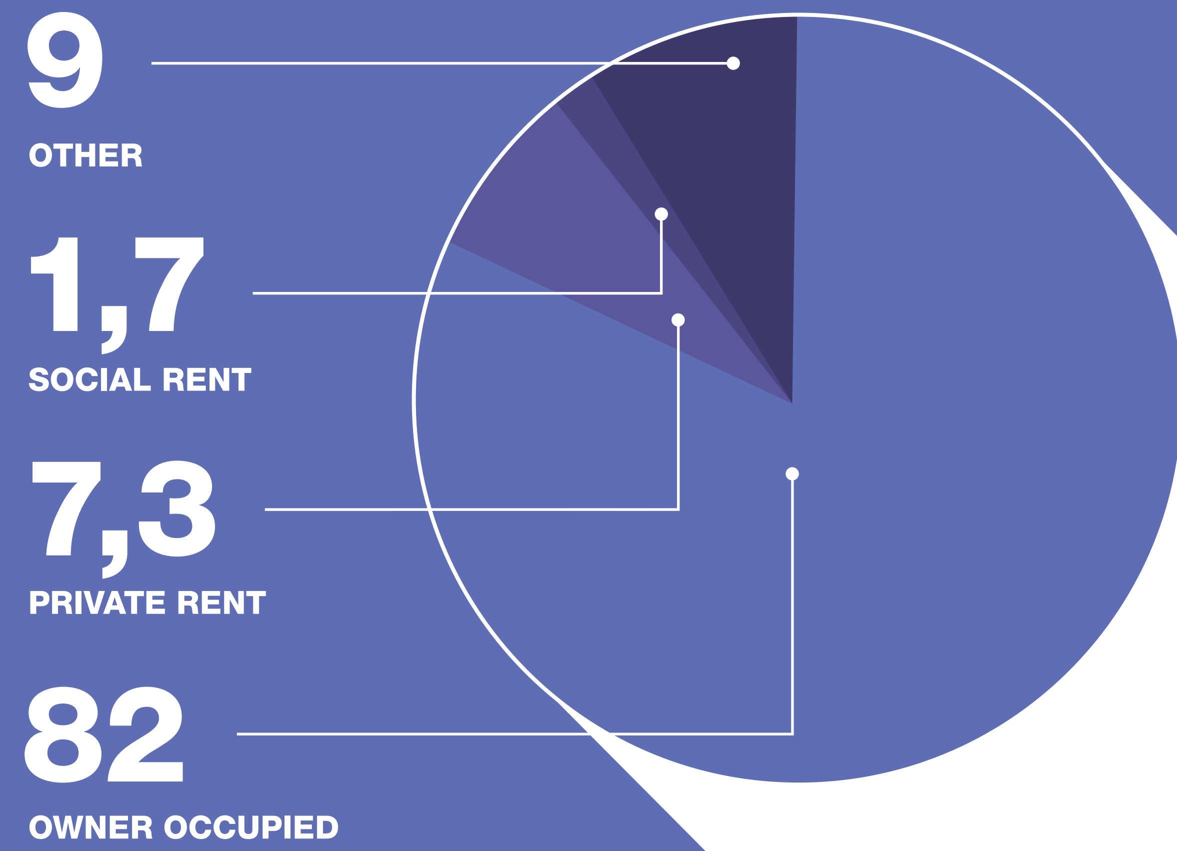
http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/2014/index_en.htm
(3) http://www.kredex.ee/en/
(4) EU SILC http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database

Some 70% of Estonian dwellings are located in low-energy efficiency apartment blocks



Key Data:
Total number of dwellings (thousands): **649,7**
Number of dwellings per 1000 inhabitants: **1 082**
Total housing completions in 2011: **1 918**

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- Widespread apartment owners associations in multi-family blocks, which helps better manage buildings and renovation

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- Very high energy consumption in residential buildings
- Percentage of the population with arrears on utility payments higher than EU average with 10.9 (4)
- Quality of dwellings lower than EU average in terms of basic amenities: 9.2% have neither a bath nor a shower, 8.1% no indoor flushing toilet (4)
- Very limited provision of social housing

FINLAND

TRENDS IN HOUSING MARKETS

According to Statistics Finland, at the end of 2013, there were 2 906 000 dwellings in the country of Finland, of which 306 000 were without permanent occupation. At the same time 44 % of all dwellings were in block of flats. About 67% of occupied dwellings are owner-occupied, and 30% rented (about half private rental and half state-subsidized social housing). Other types of tenures include 1.4% 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 2013, a total of 32 000 dwellings were completed, out of which 43% 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 2008-9. This has led to decreasing affordability and rising price-to-rental ratios. Furthermore, increasing property prices were reflected on 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 relatively low compared to 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 has made it more difficult for young people and immigrants to find access to permanent housing there (6). 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 on 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 municipalities and municipal housing companies. Limited-profit housing organizations and housing trusts also play a role in social housing provision. The sector is relatively large and is characterized by a high level of social mix (7).

Housing allowances are also available helping beneficiaries to pay for rent, maintenance, heating and water supply. In 2012 they amounted to 8.5% of the total of social transfers for the year; and benefitted 160,000 households.

Furthermore, Finland has introduced a series of reforms within the framework of the national strategy to end long-term homelessness which havs proven to be particularly successful. Based on the 'housing first' model, places in shelters and hostels were reduced and, with substantial investment, new apartments with rental contracts and social support for the formerly homeless clients were built. The number of long-term and recurrently homeless people with high support needs fell very significantly between 2009 and 2013. However, the number of homeless people sharing with friends and relatives, particularly younger people, has actually increased. (6)

Currently, Finland is dealing with two major demographic trends– ageing of the population and a 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 well-being 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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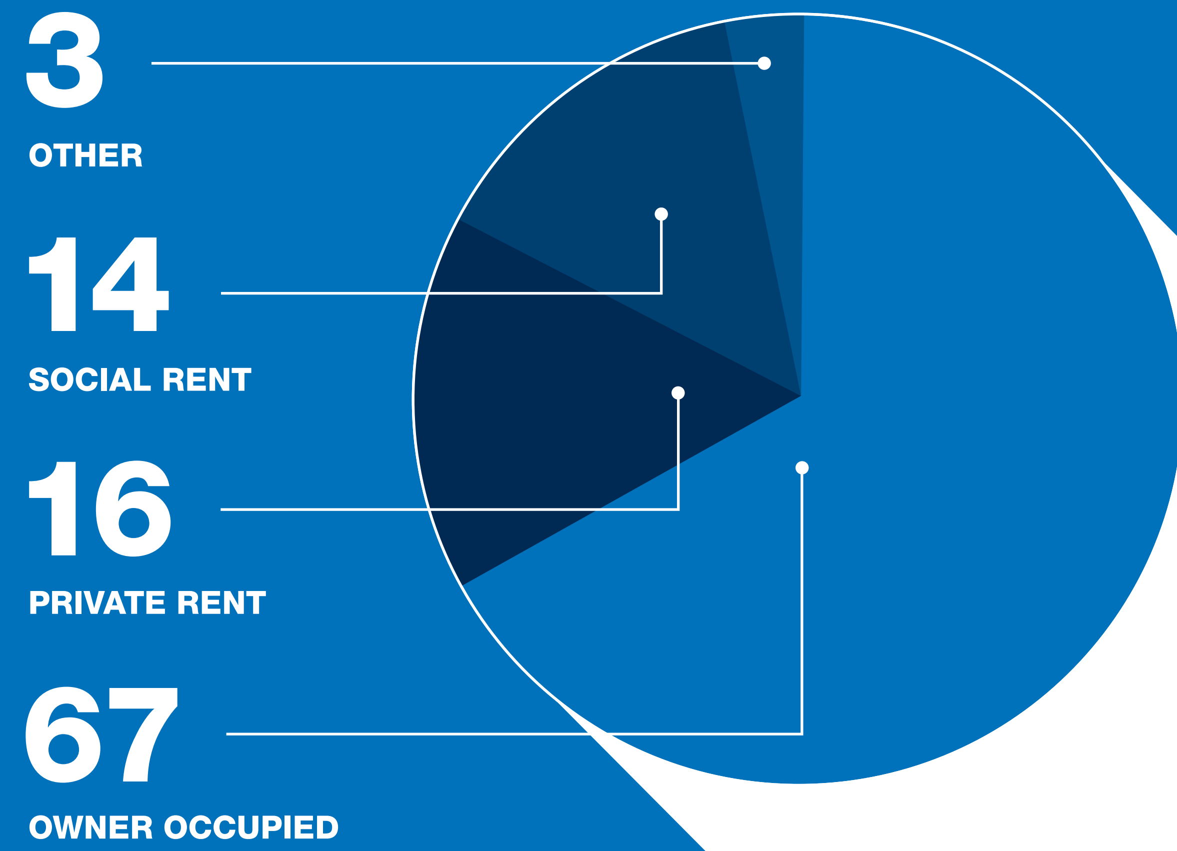

Key Data:
Total number of dwellings (thousands): **2 906**
Number of dwellings per 1000 inhabitants: **534**
Housing completions in 2013: **32 000**

Social housing in Finland:
Total number of social rental dwellings: **11 780**
Yearly social housing completion: **nav**
Providers: **municipalities, municipal housign companies, to a lesser extent Limited-profit housing organizations and housing trusts**
(Source: Statistics Finland)

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- Lowest rate of severe housing deprivation in the EU
- Relatively low share of population overburdened by housing costs
- Decrease in long-term homelessness

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- 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

The housing situation in France is serious. The needs are considerable, while a political consensus to build more homes still exists (objective of 500,000 homes a year), while production of housing contributes significantly to employment, growth and tax revenues, not enough homes are built to satisfy social needs and to respond to the increasing numbers of households. Year after year, the indicators deteriorate with a decline of 133 000 homes between 2007 and 2014, the symbol of a decline in the housing production.
The housing crisis is the result of this shortage of supply, a shortage that keeps prices high for households, while housing exclusion and homelessness are growing. But there is also 0.4 point less growth in 2014, more than 100,000 jobs lost since 2007, and billions of euros missing out the fiscal revenue for the central government and for local authorities.

A WIDE INVOLVEMENT OF HOUSING MARKET PLAYERS

All stakeholders are still convinced that the only way out of this crisis is through massive construction of affordable housing, where the needs are. But complex local governance of housing policies, a lack of available and affordable lands and a centralised national housing policy failed to achieve this common goal, despite the involvement of social landlords to build 100.000 social homes a year.
Housing needs are more and more local-based and diversified, and call for more flexibility of regulation and housing subsidies. Even Employers´ representatives are engaged in this process by adopting recently a white paper on housing policy.

POLICY DEVELOPMENTS

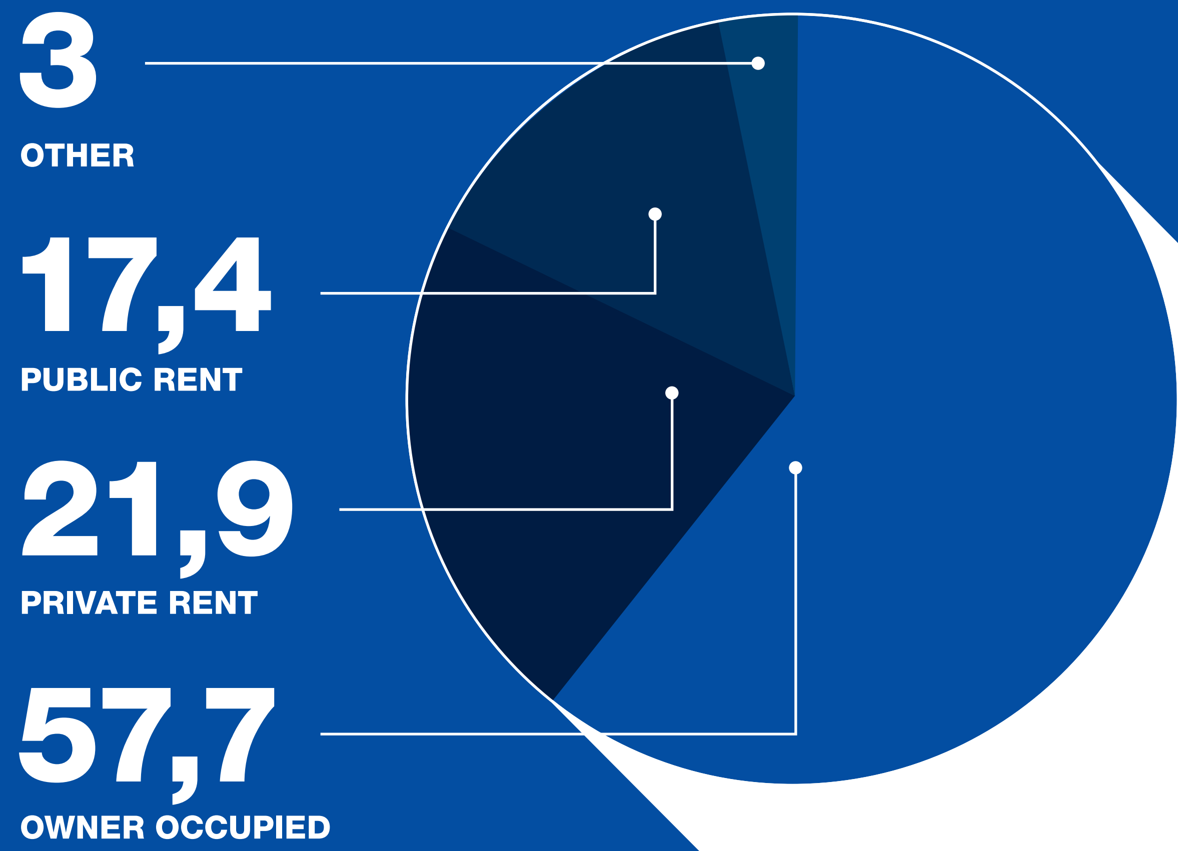
This situation of local-based shortage of affordable housing and this inability to achieve quantitative goals both in private and social housing sectors, leads governments to adopt reforms with the aim to regulate the private rented market, to promote private investments in housing, to make available public lands for social landlords, to promote mixed buildings in the social and private sectors and by setting yearly quantitative objectives of buildings for social Landlords. To meet this challenge, the current Government is implementing a recovery plan to create the conditions for trust and to carry out this "construction battle".
Housing is part of the expenditure priorities in the French budget. Over the years, its value has become excessive and sometimes unbearable for many of the French citizens.
The government's plan includes significant measures. It also calls for mobilizing all public and private actors. It revolves around five priorities:
• encourage home ownership
• simplify the rules for construction and develop innovation
• increase the supply of new housing, social and intermediaries
• strengthen the mobilization of land,
• renovate housing.

SOCIAL HOUSING POLICY DEVELOPMENTS

The state has given strong signals and showed that the production of social housing was a priority :
• 5.5% reduction in VAT for the construction and renovation of social housing. A point of VAT under a saving of € 1,200 per dwelling. The goal is to build 22,500 additional social homes per year.
• Raising the ceiling of the saving account "Livret A" wich finance social housing (+ 50% in 2012), which aims to meet social housing construction projects financing needs: funds Livret A partially centralized by Caisse des Dépôts et Consignations which distributes form subsidized loans to social Landlords. Deposits that remain in the balance sheets of banks must finance SMEs and home renovation. This increase in resources has enabled the Caisse des Dépôts et Consignations to increase its loans to the social housing sector by 10% in 2013.
In 2013, 117 000 social housing units were funded, an increase of 14% compared to 2012. 72% of these homes were dedicated to households whose income is the lowest form of social housing. On top of this is the creation of more than 7,600 places in suitable housing for people in serious financial and social difficulties.
This effort must be amplified to address social emergency applicants (1.7 million of our fellow citizens are waiting for social housing, including nearly 500,000 only in the region of Ile-de-France). It will be accomplished in a context where many new municipal teams are sometimes reluctant to continue or even block, social housing programs of the previous majority.

CREATE A NEW OFFER OF SOCIAL HOUSING

For some households, social housing is too expensive. So it responds to a demand for more and more of low income housing.
Support by the state of adapted housing production program (social residences, boarding houses) to the poorest households. The pact signed on the Social Union for Housing (USH) and the State July 8, 2013, is aimed at the establishment of 10,000 social housing in three years. A call for proposals was launched to this effect on March 30, 2014 in the public housing sector, the first projects will be selected during the summer 2015. In addition to this, 1,000 new boarding places, to people with low level of resources, in isolation or heavy exclusion and whose social and psychological, psychiatric or makes it impossible in the foreseeable future their access to ordinary housing, should be created in 2014.
Financing of 15,000 homes for very low rents (20% lower than the rents in social housing) for households with very low incomes by pooling the resources of social housing for 100 million euros a year for 3 years is crucial.
As it is also promoting access to ordinary household housing with special difficulties by 10,000 supported housing program funded by the state.



Key Data:
Total number of dwellings (thousands): **28 077**
Number of dwellings per 1000 inhabitants: **423**
Housing completions in 2014: **266 500**

+

- Resilience of Housing policy to the crisis based on a wide diversity of actors and contributions to housing subsidies (State, Regions, Départements, Cities, employers contributions…)
- A strong Social Housing sector highly regulated by the State and directly financed by a public bank and savings of households with the capacity to build 100.000 new social houses a year

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- Complex governance of local housing and land policies to be reformed
- Lack of adaptability of the national housing policy and regulation to the increasing diversity of local-based housing needs
- Increasing of Homelessness and housing exclusions though an existing right to housing
- Lack of adequate supply of social and affordable housing in attractive Regions
- Negative impact of housing market failures on jobs and mobility of workers

GERMANY

TRENDS IN HOUSING MARKETS

Germany has a long tradition of a well-developed rental housing sector, and it is the **only country in the EU with a rental sector larger than the owner-occupied**. The importance of the rental housing market in Germany has historical reasons: after the Second World War, the lack of dwellings was one of the most pressing problems confronting Germany with a shortage of some 4.5 million homes, which led to the creation of social housing as a response to this problem. Furthermore, the rental housing market and home ownership have developed side by side on an equal footing.

A significant exception compared to the rest of Europe, **house prices in Germany have not registered a drop following the financial crisis**. Overall house prices were relatively stable in Germany over the last 25 years, and new housing output and household growth were in equilibrium up to the early 2000s. Since 2010 housing prices in Germany turned to a clear upward trend. According to expert calculations, housing prices in German cities rose by an average of 5.25 % in 2014, after having increased by 7.25 % in 2013 (1). This was particularly true for apartments in urban real estate markets. The German Bundesbank considers there is no overall over-valuation of residential property, but in major cities prices for apartments are over-valuated by 10-20% (1).

Current housing market trends show considerable regional disparities. In some areas the markets are quite tense, while in others a significant share of the housing stock is vacant. More specifically, there is **strong demand-side pressure in metropolitan areas**, and on the contrary **population is decreasing in other areas** resulting in costly structural vacancy in the housing stock (2). Once concentrated in the states of former East Germany **the demographic shift towards shrinking markets** has already reached regions in the former West Germany. On the contrary, large towns and cities and metropolitan areas over the last five years showed a relatively strong increase in numbers of inhabitants and households, due to net immigration as well as inner migration of the younger population. For a few years **rents in new contracts** in big cities like Berlin, Hamburg, Munich, Cologne, Frankfurt, Stuttgart and Düsseldorf are rising disproportionately. The same trend also occurred in university towns and smaller cities like Münster, Regensburg, Göttingen and Trier as well as in Jena.

In the last decade **housing construction has not kept up with population development** in in metropolitan areas and in university cities. In 2013 around 215 000 new dwellings were built, an increase of 56 000 units compared to 2010, yet it still falls short compared to the estimated need for 250 000 new dwellings per year. A big challenge for building new affordable housing units in Germany is linked with **the increase of construction prices**, due mainly to higher standards and technical developments in the German fields of energy efficiency, fire safety and soundproofing. The federation, GdW estimates that average construction costs for new dwellings have raised by 47 % between 2004/2005 and 2012/2013.

Another key issue for the housing sector today is **the ageing population**. It is estimated that currently there are only about 600 000 dwellings in Germany which are adapted to the needs of the elderly, while demand for adapted dwellings is expected to grow to 3 million dwellings by 2020 (2).

POLICY DEVELOPMENTS

The federal government is promoting energy renovation measures in existing buildings as well as energy standards regarding newly constructed buildings (3). Nevertheless, **responsibility for social housing policies lies at the level of the federal states**, and strategies implemented at the regional and local level differ significantly across Germany (4). Overall the social housing stock is decreasing, from 2 570 600 in 2002 to 1 538 700 in 2012 (2). In recent years there has been a policy shift towards supporting people directly through housing benefits, with the availability of **housing allowances and payment for housing and heating cost** for social benefits recipients (5). In 2013 the government provided housing allowances or the housing and heating costs payment to 4.8 million households, spending € 17 billion for housing costs. About 12 % of households in the country are recipients of housing assistance.

The German rental sector is characterized by regulation of rent increases, coupled with high security of tenure (6). Due to recent steep rent increases in big cities and metropolitan areas, rent increase has become a major political topic which led to **a further reinforcement of rent regulation**. Since 2013 in case of rent increase in existing contracts the federal states have the possibility to specify municipalities and regions of high demand for rented dwellings where the three-year rent increase cap of 20 % is lowered to 15 %. By the end of 2014 nine out of 16 federal states have passed regulations which specify regional areas for the lowered rent cap. Furthermore, from mid-2015 based on recent legislation some **cities and regions in Germany will probably start to use a so called 'rental price brake' for new contracts**, i.e. 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. There are general exceptions for new built dwellings and dwellings which were fundamentally modernized to improve their energy efficiency.

An **'Alliance for affordable housing'** bringing together a wide range of stakeholders was recently set up by the minister for environment to discuss ways to encourage investment in the construction of new affordable housing.

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(4) For further information on the German social housing model, see our report 'Housing Europe Review 2012' at http://www.housingeurope.eu/resource-105/the-housing-europe-review-2012

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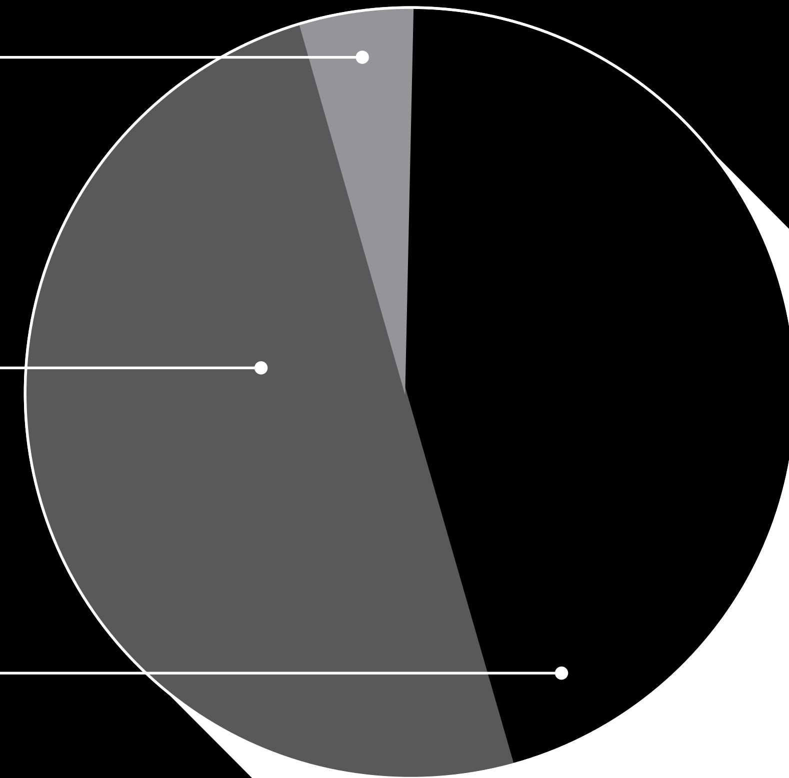
4,2
SOCIAL RENT

50,4
RENT AT MARKET PRICE

45,4
OWNER OCCUPIED



Key Data:
Total number of dwellings (thousands): **40 545.3**
Number of dwellings per 1000 inhabitants: **506**
Housing completions in 2013: **215 000**

Social housing in Germany:
Total number of social rental dwellings in 2012: **1 539 000**
Yearly social rental housing completion in 2012: **22 634**
Providers: **all market player - municipal or private housing companies, cooperatives or private investors - can access credit/subsidies to provide social housing**
(Sources: 2011 Population and Housing Census, Destatis, Fachkommission Wohnungsbauförderung/SuBVE Bremen, Bundesbaublatt 6-2014)

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- Large rental housing sector
- Stable housing market, little impacted by the global financial crisis
- Low level of mortgage indebtedness and no major problem with arrears on mortgage/rents
- High quality

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- High share of housing costs out of disposable income, as well as housing overburden rate
- Mismatch between demand and supply at the local level
- Rapid increase in rents and prices in some cities and metropolitan areas

GREECE

TRENDS IN HOUSING MARKETS

According to the results of the 2011 Population and Housing Census, the total number of dwellings in Greece was 6.384.353. Out of these, 35.5% are vacant - a very high rate but one that includes many secondary and holiday homes. Out of total occupied dwellings, 73.2% are owner - occupied, 21.7% are rented, and 5.1% are under other types of ownership, including cooperative ownership (1).
The Greek housing market has been in recession since the end of 2008, as medium-term expectations remain negative. It continues to be characterized by overall excessive supply and very low demand (2). The number of residential property transactions has been falling significantly, by -33.8% in 2014. There has also been a significant decrease in house prices since 2008, and the price index is still falling by -7.5 in 2014 compared to the previous year. The price rent index has also been negative for the third consecutive year (3).
Despite these trends, **there is a clear and increasing problem with housing affordability** in the country. Housing costs as a share of disposable income are on average very high compared to other European countries (37% in 2012) and particularly for the poor: on average households at risk of poverty spend 65% of their disposable income on housing, the highest rate in the EU. According to EU SILC data in 2012 Greece had also the highest share of people overburden by housing costs (33.1%), as well as the highest rate of arrears both on the payment of their utilities bills (31.8%), as well as on rent or mortgage payments (12.9%) (4). The percentage of non-performing loans has increased dramatically since the start of the crisis, from 3.6 in 2007 to 28.1 in 2014 (3). A ministerial decision in 2011 prohibited banks from auctioning main residences worth less than € 200,000 until 2013. In 2014 additional criteria were introduced, forbidding foreclosures for households with an income below €35,000. Therefore despite the high share of non-performing loans there is little evidence of housing foreclosures (5).
Services providers estimate that the **homeless population in Greece rose by 25% between 2009 and 2011** to reach 20,000. Growing unemployment and falling income levels have increased vulnerability to homelessness as more people are unable to meet housing costs, and at the same time austerity measures have had a major impact on service capacity at a time of growing demand (6). Furthermore, although this doesn't show in homelessness figures, it has become quite common for younger family members whose income has decreased dramatically as a result of the economic crisis to **move back with their parents** (5).

POLICY DEVELOPMENTS

Regarding housing subsidization policies in Greece, the only competent body in this field was O.E.K. Its activities, regulated by law, consisted mainly of rent subsidization of low-income families, and providing interest rate subsidies on housing loans. However, in 2012 the **O.E.K.'s activity was terminated by Law as part of the austerity measures imposed on Greece** (7).

At present, **Public or social housing schemes are completely absent from the Greek legal framework**, and there are no subsidization measures available in the rental sector.
Nevertheless, in March 2015 the Greek Parliament voted in favor of a bill which includes, among others, the following measures: first, all households previously cut off from electricity use will be **reconnected** for free (only for primary/ first homes), and **power up to 300 khw is also provided for free** to households in need (families with young children, long-term unemployed and households who face the threat of eviction/ overburden by housing costs) until the end of the year. Secondly, **rent subsidies** will be provided to up to 30.000 households until the end of 2015 with a provisional extension in 2016. This allowance ranges from 70 to 220 Euros/month and it may be used to compensate debts towards the Greek tax authorities or the social insurance providers.

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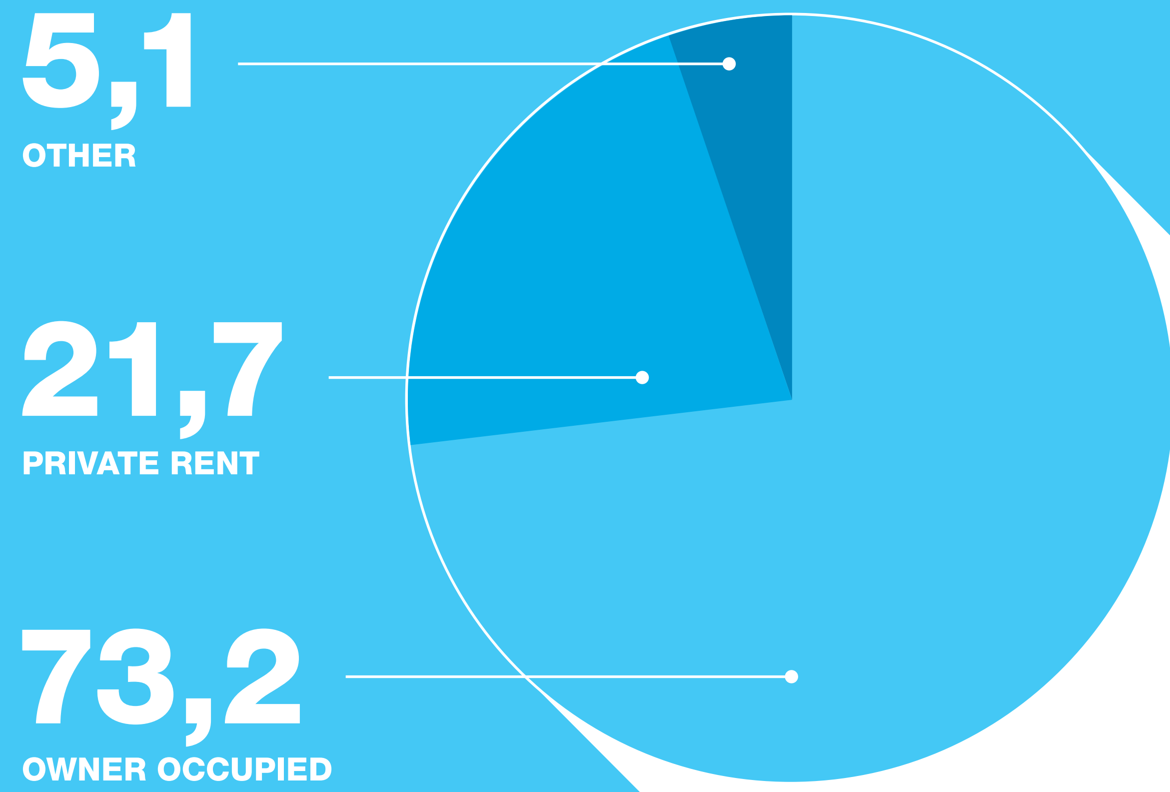
(5) National report on Greece, TEN LAW
(6) European Observatory on Homelessness (2014) Extent and Profile of Homelessness in European Member States

Homeless population in Greece rose by 25% between 2009 and 2011



Key Data:
Total number of dwellings (thousands): **6 384**
Number of dwellings per 1000 inhabitants: **590**
Housing completions in 2011: **48 812**

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- No overall housing shortage
- Housing quality relatively high in terms of basic amenities and living space

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- No social housing exists in Greece
- Homelessness is increasing
- 33.1% of the population is 'overburdened' by housing costs, the highest share in the EU
- Highest share of people with arrears on rent / mortgage payments (12.9% as well as on payment of utilities bills (31.8%) in the EU

HUNGARY

TRENDS IN HOUSING MARKETS

According to the 2011 Census, 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 corporate housing stock. However, according to expert estimates the share of the private rental sector indicated in the Census might be smaller than the actual one because of un-reporting due to the tax avoidance, and the real size of the private rental sector might be around 8% of total stock. The majority (69 %) of the rental housing stock is concentrated in Budapest and in cities with over 50 000 inhabitants.

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. The remaining publicly owned stock is mainly concentrated in the cities, while only 1% of the overall public housing is located in villages. It is estimated that today **about 300 thousand households are in need of affordable housing.** New construction in Hungary slowed down after the Global Financial Crisis, and in 2013 it hit the record low of 7 293 dwellings built, compared to 36 075 in 2007. Parallel to this, house prices also decreased, with real house prices 25 % lower in 2011 than in 2008, as well as transactions. The outstanding mortgage according to EMF is 20.7% of GDP, a much lower level than the EU average of 52%. Nevertheless many households has taken out **loans extended in / indexed to foreign currencies (FX loans represented 70% of the mortgage portfolio)** and were faced with huge financial hardship because of the worsening exchange rate, and the increase of the interest rate. EU SILC estimates that 63.9% of people with an income below 60% of the median national income have arrears on the payment of rents or mortgages.

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, 17.2% of the population compared to an EU average of 5.2. Furthermore, the European Commission stressed in its 2014 recommendations that **households' energy intensity in Hungary is among the highest in the Union** and energy efficiency could be improved in the residential sector.

POLICY DEVELOPMENTS

Housing policy in Hungary tends to favor home ownership. Some recent measures are **weakening the protection of low income households:** for instance after 2008, as a consequence of the Global Financial Crisis, the government introduced an austerity program as a part of IMF loan agreement, which included the suspension of housing subsidies. The share of housing subsidies within the central budget overall fell from 0,9 % to 0,4 % of GDP between 2007 and 2012. At the same time there is a lack of social rental housing.

Recently, in 2013 and 2014 the government implemented significant retail **electricity and gas price cuts**, but the European Commission in its 2015 country paper for Hungary points out that these measures do not appear to have substantially improved the affordability of housing for poor households.

From 2010, housing policy focused mainly on the mortgage loan crisis. In 2011 the government launched the Home Protection Programme, introducing **measures to "rescue" the FX borrowers**. The early FX loan repayment scheme ran from September 2011 until the end of February 2012, and allowed borrowers who took on CHF loans before 2008 (when CHF traded at around HUF 150-180) to repay their FX mortgages in full at only HUF 180 to the Swiss franc, although the franc in 2011-12 was trading at HUF 235-250. A similar scheme was applied to EUR and YEN based mortgage loans. Then the FX loan rate cap scheme was introduced in 2012, putting an exchange rate cap on repayments. The exchange rate differential of borrowers is accumulated on a separate account. The preferential rate period will last until June 2017 at the latest, but there is some uncertainty about what will happen with the accumulated debts on the special accounts at the end of the programme. Finally, a rent-to-own scheme was introduced in 2012, managed by the newly established **National Asset Management Company (NAMC)**. NAMC purchases a limited number pledged housing properties with non-performing loans, and offers a renting option to the former debtor; it is planned to purchase 25,000 units by the end of 2014. The NAMC pays 55-35% of the properties' market value based on the original mortgage contract between the banks and the borrowers.

However, parallel to the government programmes, civil movements initiated court cases against the mortgagee banks. In June 2014, Hungary's Supreme Court ruled that the practice of exchange rate spreads (using different rate for buying and selling FX currencies) was unfair, and the banks should have used the HNB official central rate. The Curia also issued a statement on the valid terms and conditions of FX lending. Based on this statement, the government quickly passed a new act, according to which banks have to retrospectively recalculate the originally used exchange rate spreads and all the unfair interest rate increases that occurred since the original disbursement of the loan. Banks will be obliged to fully compensate the borrowers by either refunding the difference, or recalculating the remaining loans and decreasing future monthly instalments accordingly. According to preliminary calculations, the whole programme – once accomplished – would cost the banks around HUF 1000 billion (equivalent to 25-30% of the outstanding FX loan portfolio).

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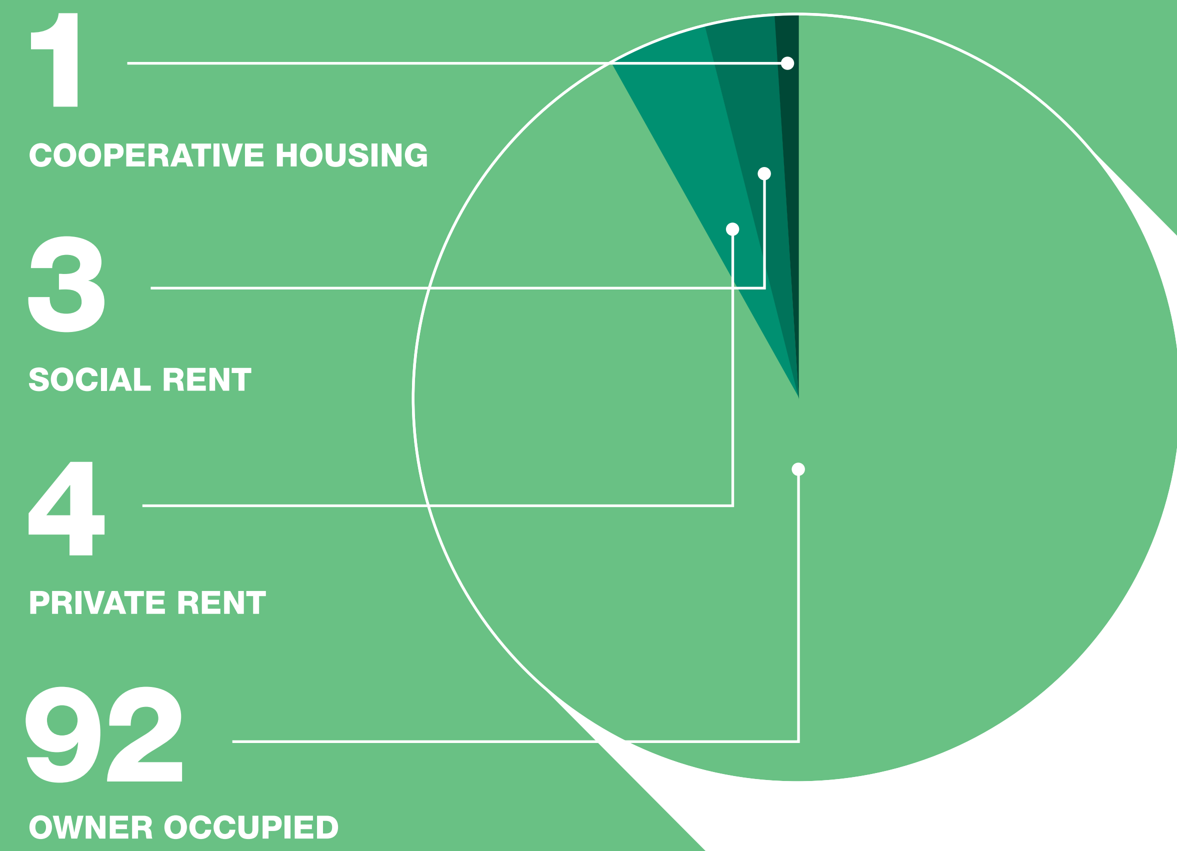
The record low of 7 293 dwellings built in 2013, compared to 36 075 in 2007



Key Data:

Total number of dwellings (thousands): **4 400**

Number of dwellings per 1000 inhabitants: **445**

Housing completions in 2011: **48 812**

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- Low levels of outstanding mortgage compared to EU average

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- 12% of dwellings are vacant
- Lack of social rental housing
- On average low levels of housing quality and comfort

In 2014, the European Commission recommended Hungary should 'Take measures to increase energy efficiency in particular in the residential sector'.

IRELAND

TRENDS IN HOUSING MARKETS

The Irish housing boom was particularly dynamic: house price inflation – both real and nominal – was the highest among OECD countries between the mid-1990s and 2006, registering a 300% increase in real house prices (340% in nominal terms). At the same time, the stock of housing grew by 150%: economic momentum was increasingly sustained by a buoyant construction sector, which came to represent 10% of GDP in 2006 compared to just 5% a decade earlier (1). **The economic crisis has had a profound impact** on the Irish housing system. One of the most readily identifiable effects has been the **rapid deflation of the property market**. Since 2007 the Irish economy has declined sharply and nationally property prices fell by 49% from 2007 to 2012. However, today the housing market has bottomed out and **prices are now rising again** (2), especially in Dublin, as well as rents. Having risen by more than 30% since 2011, rents in Dublin are now just 6% off their 2007 peak levels (3).

Another consequence of the recession has been a dramatic **increase in mortgage arrears**. The groups most likely to be in greatest debt are first time buyers who bought at the top of the market (2005-2007) and particularly first time buyers living in Dublin. Today 52% of mortgages are still 'underwater', and 16.9% of mortgages are in arrears (4).

The supply of new dwellings has slowed down dramatically since the peak, falling from 80,000 units a year in 2006 to just over 10,000 units in 2012 (5). In 2012 a total of 1391 new social dwellings were provided (by local authorities and housing associations), out of which 215 in Dublin (6). Many commentators have started pointing at a growing shortage of new dwellings, particularly of social and affordable housing, which is contributing to increasing prices and worsening affordability. A recent study (7) estimates that 80,000 residential units would be required between 2014 and 2018, or 16,000 per year; almost half of which is required in Dublin and surrounding areas.

Furthermore, **social housing waiting lists have been increasing** to about 90,000 households, almost doubling since the offset of the crisis, and a number of reports point to an alarming **increase in homelessness, particularly in the capital** (8). **A Tenancy Protection Service (TPS)** since mid-June 2014 has responded to 2,910 calls with 1,303 families being identified as being at imminent risk of homelessness. A protocol with the Department of Social Protection (DSP) enables TPS staff to refer the cases of families at risk, to be considered for a rent supplement increase. To date, 277 families have been approved under the protocol.

POLICY DEVELOPMENTS

The main provider of social housing are local authorities, and there are also around 300 Approved Housing Bodies (mainly housing associations and cooperatives) in operation in Ireland (6). Since the start of the crisis Ireland has seen successive **years of retrenchment in the social housing budget**, with funding falling from over €1.7bn in 2008 to some €597m in 2014 (9). This has led to greater reliance by local authorities on private rented housing to meet social-housing needs, with an increase in the number of people in private rental receiving rent supplement. Furthermore, grants up to 100% previously available to approved housing bodies were almost entirely replaced with a model based on private borrowing.

To re-launch the much needed provision of social housing, in November 2014 the government announced the **new 'Social Housing Strategy 2020: Support, Supply and Reform'.** The 6-year strategy commits to supplying 35,000 additional social housing units at a cost of €3.8 billion over the next 6 years; meeting the housing needs of some 75,000 households through local authority provision via the private rented sector - using Housing Assistance Payment and Rental Accommodation Scheme; reforming social housing delivery and management in Ireland, establishing the Dublin Social Housing Delivery Taskforce, to respond to the current supply difficulties and focus on the delivery of social housing in the Dublin area (10).

Part of a series of initiatives aimed to address the Irish banking crisis, as well as dealing with the problem of 'ghost estates', the **National Asset Management Agency** was created in 2009. The 'bad bank' acquired 12,000 loans from 5 financial institutions, with 60,000 properties as security transferred to the agency. As part of its 'social initiatives' portfolio NAMA mobilizes properties for social housing (through lease or purchase by local authorities and approved housing bodies). By the end of 2014, 1 068 had been delivered for social housing use (11).

Furthermore, a number of measures were introduced in recent years to **deal with the issue of mortgage arrears** including the mortgage to rent scheme in 2011, and the Personal Insolvency Act 2012 (5). The Central Bank has also announced changes to lending rules (12) and there is a concern that this may impact on the private rented market by increasing demand and therefore rents.

Finally, the Irish Government announced in December 2014 a €25 million **plan to tackle homelessness**. Measures also include the immediate provision of 260 additional emergency beds for people sleeping rough in Dublin as a response to the ever increasing homelessness, and direction to the four Dublin housing authorities to allocate 50% of all housing allocations to homeless households and other vulnerable groups for the next 6 months.

References:

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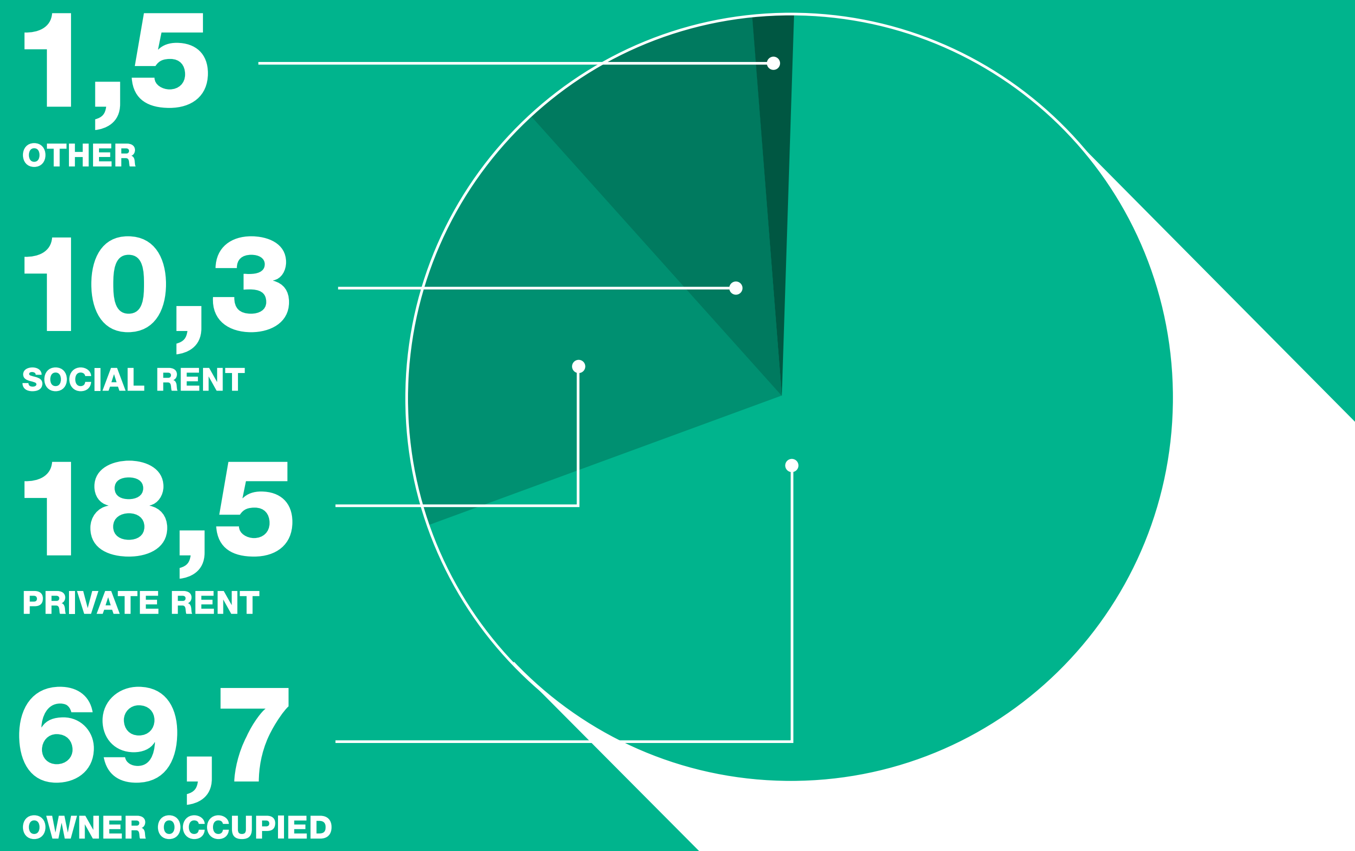

Key Data:
Total number of dwellings (thousands): **2 019**
Number of dwellings per 1000 inhabitants: **440**
Total housing completions in 2012: **8 301**
Social housing in Ireland:
Total number of social rental dwellings: **144 000**
Social housing production in 2012: **1 391**
Providers: **Local authorities, voluntary bodies**
(Sources: DECLG, CSO Census 2011)

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- Working on new strategy for social housing and to tackle homelessness

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- Strongest house price boom among OECD countries until 2006, followed by sharp decline
- Phenomenon of 'Ghost estates'
- Shortage of new affordable housing, and increasing homelessness particularly in Dublin
- High percentage of the population with arrears on rent/mortgage payment (9.5%) and on utilities payments (17.6%)
- High outstanding residential debt to GDP (77.5%), and 52% underwate mortgages

In 2014, the European Commission recommended Ireland should: 'Monitor banks' performance against the mortgage arrears restructuring targets. Announce ambitious targets for the third and fourth quarters of 2014 for the principal mortgage banks to propose and conclude restructuring solutions for mortgage loans in arrears of more than 90 days, with a view to substantially resolving mortgage arrears by the end of 2014'.

A NUMBER OF REPORTS POINT TO AN ALARMING INCREASE IN HOMELESSNESS, PARTICULARLY IN THE CAPITAL

ITALY

TRENDS IN HOUSING MARKETS

In Italy home ownership represents 67,2% of the total housing stock, private rental accounts for 16.3%, and social rental 5.5% the majority of which are dwellings owned by local entities and managed by public companies usually referred to as 'ex-IACP'. Since 2010 home ownership has been slightly decreasing, while there has been a small increase in renting over the same period.
From 2008 up to now the **economic crisis has caused a collapse in the housing market and impacted the income of a large percentage of population**, while at the same time banks have tightened their lending practices. Consequently, the number of housing sale transactions has decreased (-30%), and rents and sale prices have also fallen (-15%). However, till the present day they have remained above pre-crisis levels and still remain too high for several thousands of families.
Housing cooperatives historically play an important role in a number of Italian regions mainly in the provision of access to home ownership at cost price. Despite being more affordable than market prices- on average 10 to 30%- this sector has also been severely hit by the crisis.
The increasing problem with housing affordability in Italy can be seen in the number of evictions (a 14.7% increase between 2008 and 2011). Furthermore, the number of housing repossessions due to mortgage default increased, despite the fact that such solutions are not regarded favorably by banks and financial institutions and tend to be used as a last resort.
The situation today sees an increase in **housing demand from medium and low-income households unable to find affordable dwellings**, with an estimate 2.5 million households who - for different reasons - are considered in housing need. About 650 000 families have applied for public housing but have not received it mainly because there are not enough homes available: the average production of new social housing since 2000 has been held steady at 6 000 dwellings per year, and the neighborhoods and the buildings managed are old and lack repair works. Italy is also one of the countries in the EU with the highest share of young people living at home with their parents, almost 66% of the population between 18 and 34 years old.
Nevertheless, one should keep in mind the **huge differences at the regional and local level**: the most problematic areas are the biggest cities and their surroundings, where about 35% of the Italian population is concentrated.

POLICY DEVELOPMENTS

Since the beginning of the crisis, public effort initially focused on **helping households with difficulties paying their mortgage and those with rent arears**, with the creation of specific solidarity funds, and establishing a guarantee fund for first-time buyers, including a specific focus on young couples.
A new Housing Plan was put into force in May 2014, with a budget of 1 billion 740 million Euros, that includes also measures to support social and public housing. The plan includes 568 million Euros of funding to rehabilitate publicly owned dwellings owned by ex IACP and municipalities, as well as 100 million for regions to increase the offer of social housing. The plan also establishes right to buy in the public social housing sector, that is a right for sitting tenants to buy the dwelling where they live after 7 years of tenancy. Revenue from the sale of these dwellings can be used for new construction and rehabilitation of social housing.
Among the measures promoted by the Plan are the following: an increase in budget from 100 to 200 million for the national fund providing support to tenants in various forms like rent support, creation of rental guarantee funds etc., plus 226 million Euros available over 6 years, until 2020, in a fund dedicated to helping the most vulnerable tenants who cannot cope with rent payment. To encourage landlords to provide rents at moderate rents, the plan also includes a further reduction in the reduced tax rate, from 15 to 10%, for those applying moderate rents in municipalities with very high housing demand and those hit by natural disasters.

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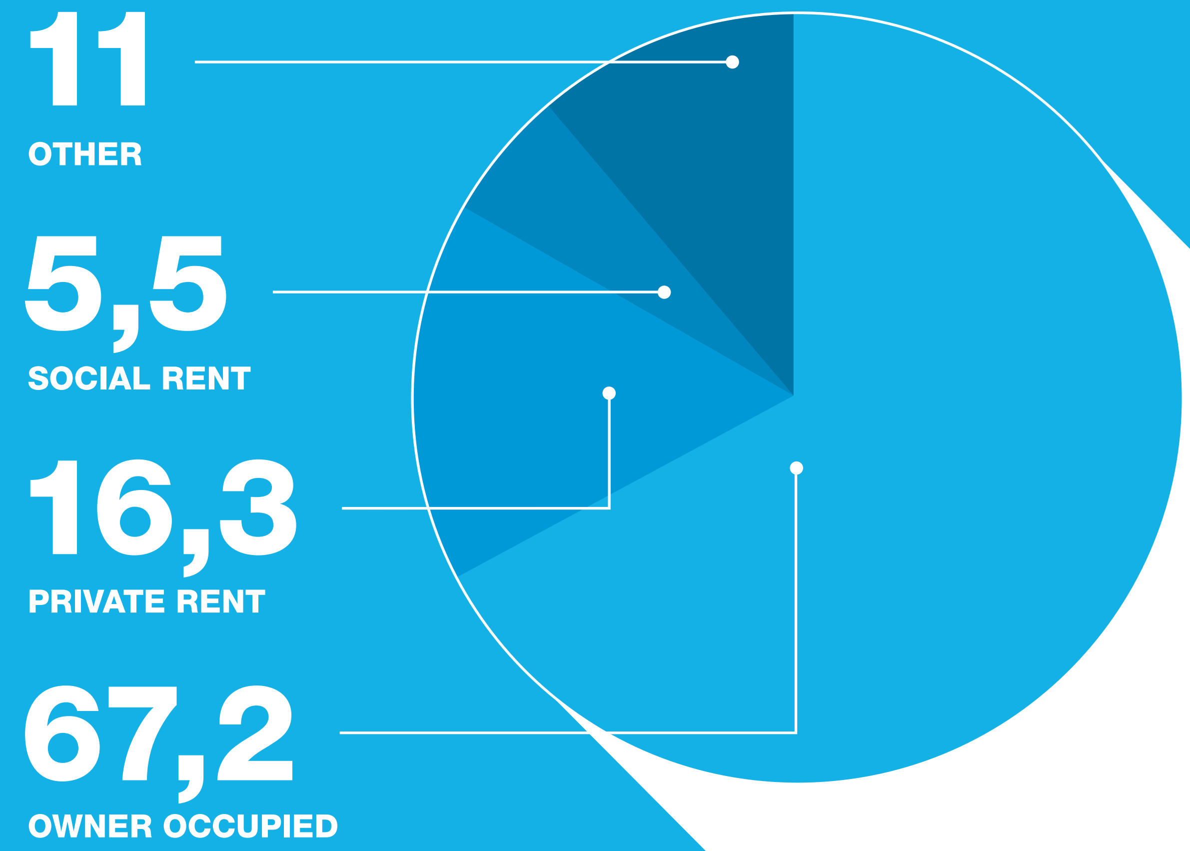
66% of the population between 18 and 34 years old living with parents



Key Data:
Total number of dwellings (thousands): **28 863**
Number of dwellings per 1000 inhabitants: **485**
Total number of public rental dwellings: **963 000**

Social housing in Italy:
Total number of public rental dwellings: **963 000**
Yearly social housing completion in 2012: **4 600**
Providers: **the main providers of social housing are public housing companies and municipalities. Data above refer to the public stock only. Housing cooperatives and most recently foundations are also involved in social/intermediate rental housing provision** (Sources: ISTAT, Federcasa)

+
- New Housing Plan (2014) that supports public and social housing

−
- Increasing problem with housing affordability
- 2.5 million households in housing need for several reasons
- 66% of the population between 18 and 34 years old living with parents
- Big cities and their surroundings particularly problematic

LATVIA

TRENDS IN HOUSING MARKETS

In terms of housing tenures in Latvia, data from the last Population and housing Census (2011) show 58.8% of dwellings are owner-occupied, 12.6% are rented, and 27.5% are under ‘other types of ownership’. No distinction is made in the Census between private and social rental housing, but according to 2012 data **social housing amounts to only about 0.4%** of the total housing stock (1) in the country, and it is provided by municipalities to people on low income. Priority is given for instance to persons who have reached retirement age or who are disabled; those who have dependent children; people who have been evicted; orphans and people leaving institutionalized care; victims of natural disasters.

Like the other Baltic countries, Latvia experienced **a strong increase of house prices up to 2007 with a correction starting thereafter**. Yet, it appears that the adjustment is now fading out. House prices increases have started to exceed growth rates of house rents and disposable income (2).

Approximately **19% of all households today are estimated to be ‘in need’**, whereby it’s meant they are in circumstances denying households’ access to adequate housing (3). Other issues include a **relatively high rate of housing deprivation and poor housing quality** compared to other EU countries (1) as well as poor **energy performance** of buildings, where only around 2% of the residential multi-apartment buildings have been heat-insulated (4).

POLICY DEVELOPMENTS

Besides **municipal housing** mentioned above, public support to housing also includes: **allowances covering rent payment and payment for utilities**; allocation of a **one-time subsidy for renovation** of a residential dwelling; and **assistance with the purchase, renovation and restoration of residential housing for certain categories** of the population (tenants of denationalized houses, families with children and inhabitants of multi-apartment buildings).

In 2011 a new bill on Rental Apartments was discussed, with an aim to promote access to housing, balancing the tenant and the lessor's rights and obligations in determining rents levels, specifying where the lease agreement may be terminated, and to facilitate resolution of disputes. An issue which has not been solved yet is that of **tenants in restituted or de-nationalized dwellings**, who unlike tenants of formerly state-owned dwellings were not able to buy properties at a low price. In this segment of the rental sector a rent ceiling applies.

In July 2014 the Parliament adopted legislative **changes regarding housing benefits** which can now also cover property management fees. Furthermore, the conditions related to access to housing for orphans' or children without parental care were improved. Finally, in order to protect the households from the increased costs of energy after liberalization of the energy market, the government has foreseen the introduction of electricity benefit (5 EUR per month) for large families on low incomes.

The government has phased out mortgage-interest deductibility, and it’s currently working on proposals to protect the consumers who have taken mortgage loans for **their only home.**

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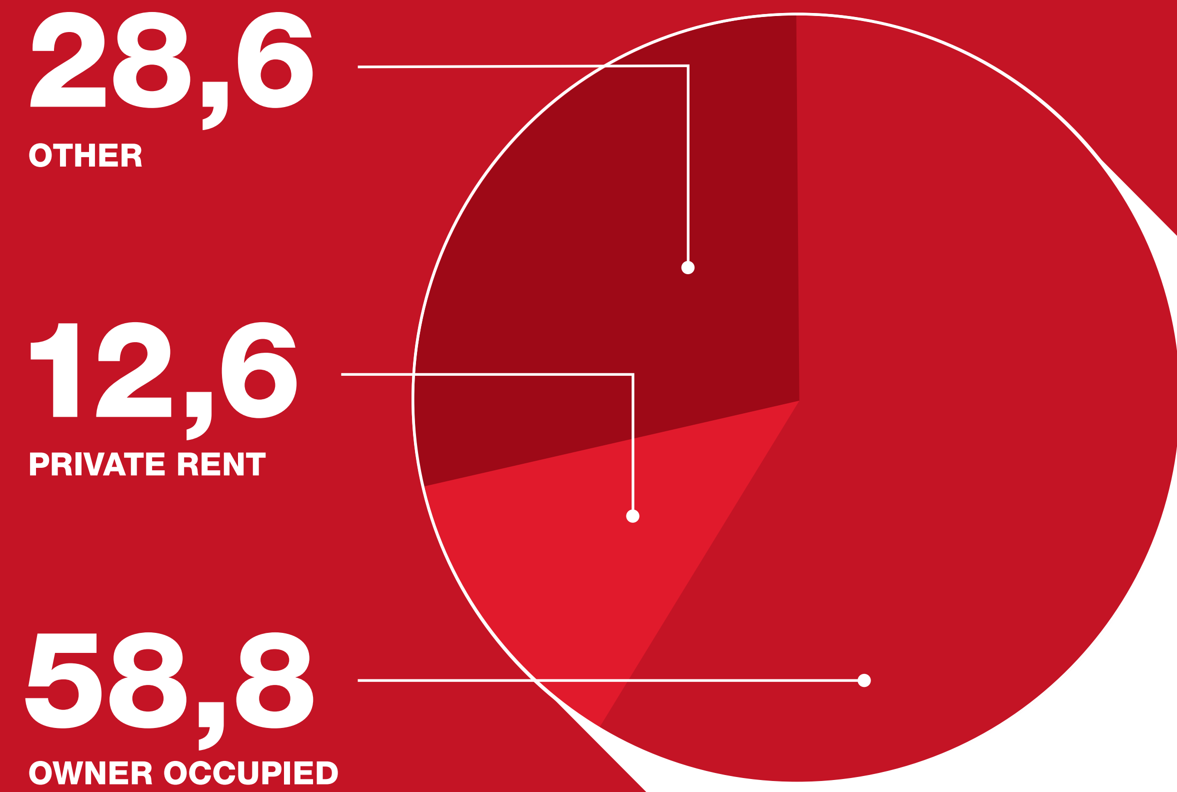
...a relatively high rate of housing deprivation and poor housing quality...



Key Data:
Total number of dwellings (thousands): **1 018**
Number of dwellings per 1000 inhabitants: **499**
Housing completions in 2012: **2 087**
(Sources: 2011 Census; TEN LAW)

- Shortage of social housing
- Poor housing quality and high level of housing deprivation compared to EU average

In 2014, Latvia received recommendations from the European Commission to ‘Pursue efforts to further increase energy efficiency in transport, buildings and heating systems’.

LITHUANIA

TRENDS IN HOUSING MARKETS

According to the most recent data available, the housing market in Lithuania includes 88.6% home ownership (a very high level compared to other EU countries), and 11.4% 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. Rental housing is concentrated in the biggest cities of Lithuania (Vilnius, Kaunas, Klaipeda) (1). 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 (2), that is about 1.6% of the total stock of permanently occupied dwellings, but the recent report on Lithuania from the Ten LAW project estimates the size of the sector at about 3% of the total (1). In recent years the development of social housing has been slowing down as a result of reduced public and municipal investments. At the same time, demand for social housing increased by about 3.6 times from 2004 to 2011, with 30 484 people in need in 2011 (concentrated in 14 municipalities defined as 'problematic' in terms of housing demand). According to the Housing Strategy of Lithuania, it is expected that the social housing sector will increase by 4-5 percent by the year 2020, requiring an extra 25-30 thousand new apartments (3).
After the economic crisis at the end of 2007 the real property market started showing signs of stagnation: the housing price growth subsided and the number of real property transactions decreased. In 2011 housing market regained stability, and **real house prices seem to have stabilised** (4). Nevertheless, unlike in the other two Baltic States, **growth rates of credit for housing have not recovered**, partly due to **the introduction of supervisory restrictions** including a cap on the loan to value and debt to income ratio in 2011 (5), as well as declining incomes (1).

POLICY DEVELOPMENTS

While requirements to access mortgage credit were made stricter in 2011, in 2012 the state began to **subsidize lower-income people's first home purchase** through state-sponsored housing credits (1).
At the same time measures were prepared to **support low income tenants**: the government recently drafted the Law on Support for the Acquisition or Rental of Housing, which foresees that families and individuals entitled to social housing and renting housing from natural or legal persons under market conditions become entitled to a compensation of part of rental or lease payments. Furthermore, in 2013 LTL 18.7 million (LTL 5.4 million more than in 2012) were invested from the state budget of the Republic of Lithuania in the development of social housing stock. These funds were used to provide 257 additional units. Finally, the Ministry of Social Security and Labour has been drafting a Programme for the Development of Subsidised Housing Stock 2014–2020, including funding from the European Regional Development Fund. Measures include the acquisition and equipment of 1150 units of social housing, starting in 2016 (6).
Lithuania has also made some progress on the **energy efficiency of buildings, with the introduction of a new financing scheme in 2013**. Nevertheless, the challenge of improved energy efficiency in buildings still remains, given that according to the European Commission 96% of multifamily buildings in Lithuania were built before 1993 and most of them still have a very poor level of energy efficiency (7).

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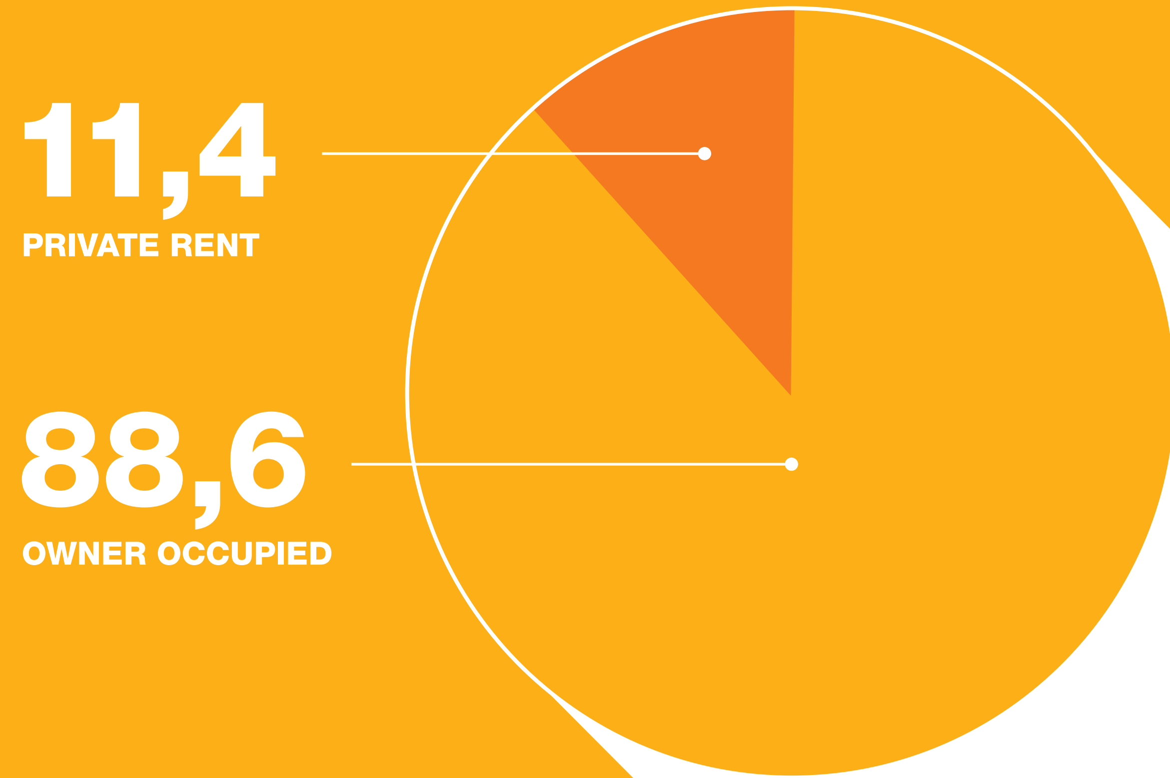
In 2012, the state began to subsidize lower-income people's first home purchase



Key Data:
Total number of dwellings (thousands): **1 389**
Number of dwellings per 1000 inhabitants: **456**
Total housing completions in 2011: **5 066**

Social housing in Lithuania:
Total number of social rental dwellings: **nav**
Yearly social housing completion in 2013: **257**
Providers: **municipalities**
(Sources: 2011 Census, Official Statistics Portal; EMF Hypostat; SPC)

+
- Measures adopted to avoid mortgage over-indebtedness
- New measures to support energy efficiency, increasing rate of renovation

−
- Shortage of affordable rental housing and little social housing availability
- Still poor energy performance of a large share of the housing stock
- High share of the population unable to keep home adequately warm (29.2 in 2013 compared to 10.8 EU average)
- High share of homes lacking basic amenities, 9.1% of the populaiton in severe housing deprivation (compared to 5.2 EU average)

In 2014, the European Commission in its Country Specific Recommendations encouraged Lithuania to: Step up measures to improve the energy efficiency of buildings, through a rapid implementation of the holding fund.

LUXEMBOURG

TRENDS IN HOUSING MARKETS

In Luxembourg 69% of households are home owners, and 28.3% are tenants, and 2.7% are occupying a dwelling rent-free (1). Compared to other EU countries, the share of single family homes is very high in Luxembourg, especially in the owner-occupied stock. The **rental market registered a significant increase** following the crisis, and it is concentrated in the capital. Although Luxembourg's rental market is said to be 'strongly pro-tenant' (2), investors consider investment in rental real estate in Luxembourg a very attractive option (3).

Luxembourg-Ville and its surroundings are by far the most expensive municipalities: on average, 30 minutes by car away from Luxembourg-Ville prices are 22% lower than in the capital (4). Nevertheless, 7 700 people working in Luxembourg have left the country to settle down in a bordering region with lower house prices (5).

From 2007 to 2014 **house prices in Luxembourg have increased by 25%**, while on average in the Eurozone prices in 2014 were lower than at the beginning of 2007 (4). The prices of land for property development are the main reason for the fast evolution of the housing prices (2). Experts consider that the dynamism of house prices represents a source of concern. Even if the risk of a sharp price correction appears low, there are supply side concerns and investment in residential construction is falling (6).

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 (7). The rate of population growth in Luxembourg is the second highest in Europe, and according to projections by the national statistics institute, an additional 129 000 housing units are needed by 2030 to accommodate for increasing demand, which means about 6 500 units per year (8) - against an average housing construction of about 2 800 units per year in 2002-2010.

According to the Fonds du Logement (9), 1 149 households were registered as applicants for subsidised rental housing at the end of 2013, compared to 930 in the previous year.

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. Moreover, **recently public policy has also been directed at the promotion of tenancy** (2). For instance, a new Law Project introduced a **rent subsidy** to help tenants who pay rents which surpass one third of their available incomes. In 2011, the 30 Social Offices spent a total of 2.53 million in financial aid, out of which 27.69% (the largest category of aid) went to subsidize housing costs (10). Furthermore, the Housing Ministry has been working towards the development of **public rental through social agencies** (Agence Immobilière Sociale - 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 of 10% social housing in new developments (2).

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 trying 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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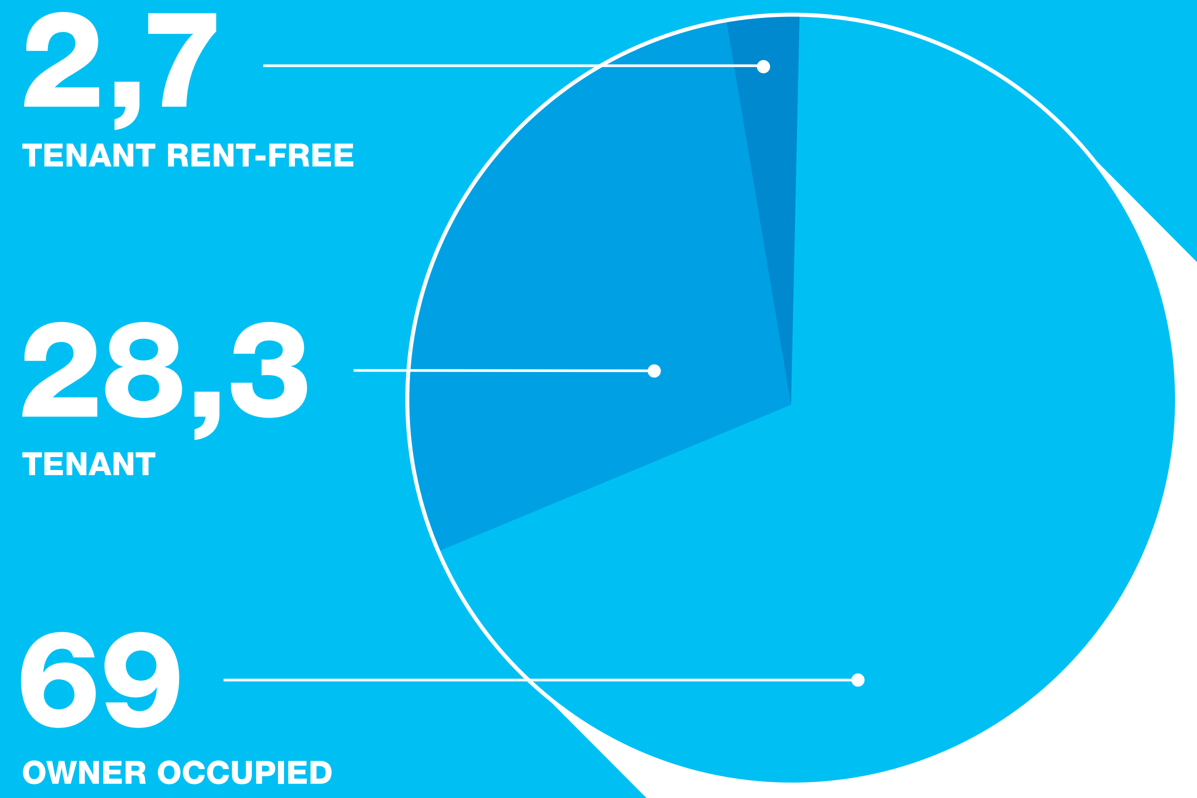
(10) National Reform Programme of the Grand Duchy of Luxembourg under the European Semester 2014
http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_luxembourg_en.pdf

Housing supply has not kept up with growing demand associated with population growth



Key Data:
Total number of dwellings (thousands): **208**
Number of dwellings per 1000 inhabitants: **406**
Total housing completions in 2012: **2 075**

Social housing in Luxembourg:
Total number of social rental dwellings: **1 935**
Providers: **public promoters : Fonds pour le développement du logement et de l'habitat (Fonds du Logement), Société Nationale des Habitations à Bon Marché (SNHBM)**
(Sources: STATEC: Census 2011, Construction statistics; Fonds du Logement, SNHBM)

\+
- Despite price increases, the total share of housing costs in disposable household income and housing overburden rate are among the lowest in Europe
- Low share of the population with arrears on rent/mortgage and relatively low level of mortgage indebtedness compared to GDP and to household income

−
- 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 %). Therefore **the share of vacant homes is high,** and it is estimated that 50% of the unoccupied dwellings stock is in good state of repair (1).
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 2.75% are held by emphyteusis or used free-of-charge (both included as ‘other’ in the chart above) (2).
Most of the dwellings, approximately one third, was constructed between the years of 1971 and 1990. Since the 1990´s the level of construction has been decreasing, and between 2001 and 2011 19 423 new dwellings were built.
The Maltese property market was growing during the pre-crisis period of 2000-2007, with the overall house price index growing by 78,9 % over that period. Even though **the house price index dropped with the global financial crisis, the decline was not very significant** and represented an average annual decrease of 2 %. The most significant drop of property prices was during 2007-2009, when the apartment prices fell by 21,1 percent points. More recently, according to the Global Property Guide (3), Maltese property **prices have been rising for the last 6 quarters.** The rising property prices are partially attributed to the Individual Investor Programme that was introduced in 2013, which allows for the granting of citizenship by a certificate of naturalisation to affluent individuals and their families based on their contribution to the Maltese economy, including a requirement to make an investment in property of at least €350,000 or enter a property rental contract for at least €16,000 per year. Furthermore, first-time buyers are exempted from stamp duty on the first 150 000 EUR of their new property´s value, until the end of June 2015.
Despite increasing house prices, EU SILC data seem to point to an **overall high level of affordability** of housing costs compared to other EU countries and **good housing conditions** (4).

POLICY DEVELOPMENTS

The government provides **social housing**, but the precise size of the social housing sector is not known. The 2011 Census reports that 14 770 rented dwellings are owned by the Government and 1 454 by the Church. There are also a number of low-income families renting privately owned dwellings who receive **housing allowances.**
The Maltese Housing Authority is overall trying **to reduce the amount of vacant dwellings, support their renovation and return into housing market as available for social purposes,** and recently the Rent Scheme was recently adopted. This scheme incentivises property owners to free up their vacant property for those eligible to social housing, who would in turn have their rent subsidised by the Housing Authority. The programme therefore aims at meeting the demand for social housing, which in 2012 accounted for 2 656 applicant households registered on waiting lists, and at the same time guarantees property owners will have generated incomes from their otherwise vacant properties (4).

References:
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http://www.globalpropertyguide.com/Europe/Malta
(3) EU SILC, 2013
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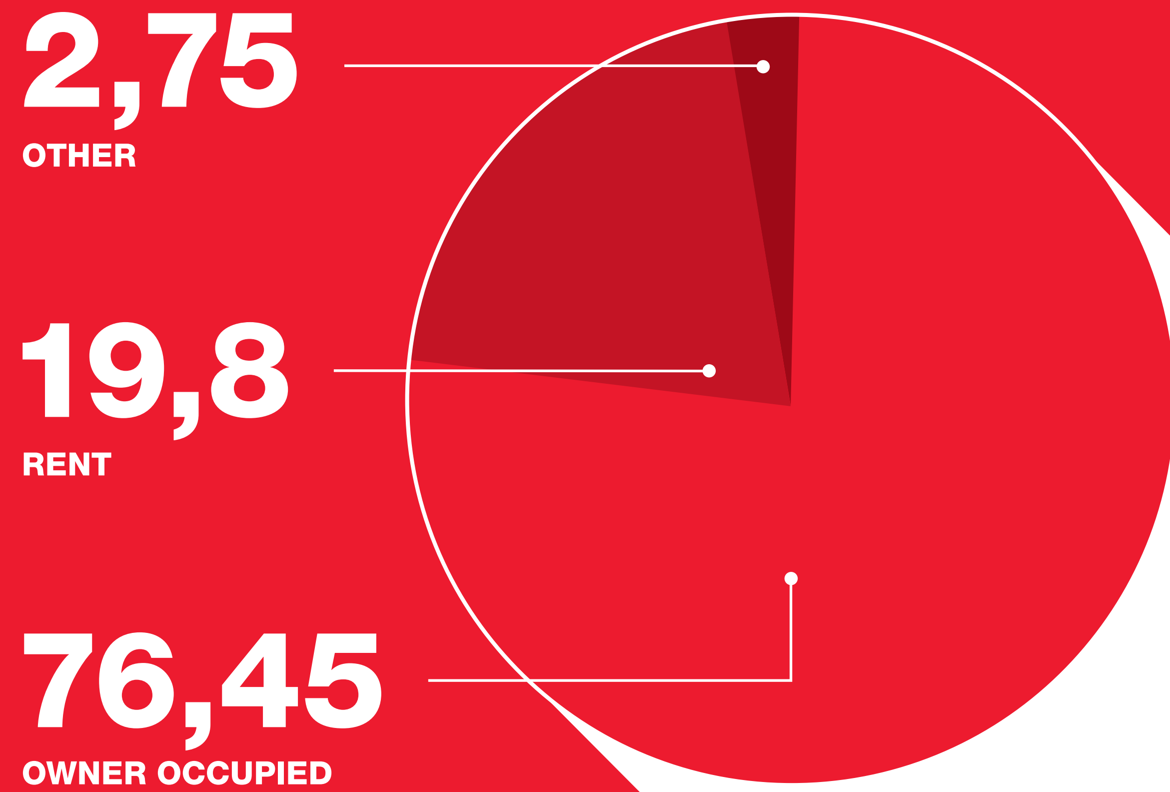
...an overall high level of affordability of housing costs compared to other EU countries and good housing conditions



Key Data:
Total number of dwellings (thousands): **223,9**
Number of dwellings per 1000 inhabitants: **529**
Total housing completions in 2011: **19 423**
(Sources: Census of population and housing 2011, TENLAW)

\+
- Lowest rate of housing cost overburden (2.6%), and lowest share of housing costs in disposable income (10.5%) in the EU
- Good housing quality and low share of the population in housing deprivation

−
- Share of the population with arrears on utility bills, and percentage of people unable to keep their home adequately warm above the EU average
- Significant share of vacant dwellings

THE NETHERLANDS

TRENDS IN HOUSING MARKETS

In the Netherlands the housing stock is divided as follows, in terms of tenures: 60% owner-occupation, 33% social renting which is the highest share in the EU and 7% private renting. Some 80% of the **2.9 million rental homes in the country are owned by not-for-profit housing corporations** and are mostly regulated rental homes. The average rent of social dwellings from social landlords is 495 euro per month. Half of all Dutch young people living independently rent from housing corporations. Also a third of their tenants are seniors aged above 65 years for whom adapted dwellings are available.

When looking at overcrowding and building features the **Dutch rental sector has the highest quality in Europe**. Following recent reform of the social housing sector and a 2015 EU Decision, social dwellings offered by housing corporations have to be rented out to households with a gross income below € 34,229 per annum. These rules apply to those social dwellings which have a basic monthly rent up to € 710,68. Up to 10% of their yearly rentals is allowed for people with urgent needs or earning more than the income ceiling.

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 consumption levels, construction activities and the overall economy. Today, the housing market appears to be recovering with house prices picking up and the number of transactions and building permits increasing. At the same time rents have increased by an average 4.7% in 2013, particularly for new occupants and are expected to continue doing so due to more market related rent levels in the regulated sector and increasing demand in the rental sector. Although still small, the liberalized rental segment has been more than doubled to 335.000 dwellings of which 62% commercial and 38% housing corporations since 1998.

Construction is currently not in line with the increasing number of households and more demand for rental dwellings. ABF Research estimates that the **housing shortage** has increased by about 50,000 dwellings in the past three years and expects that the shortage will double and reach about 300,000 dwellings in 2020- a shortage of about 4%-, especially in areas around Utrecht, Amsterdam, and The Hague. Shortages will appear above all in the rental sector. At the same time, some areas in the periphery of the Netherlands like in parts of Zealand, Groningen or Limburg have to deal with shrinking population. Until 2040 a third of all Dutch municipalities will see a decrease of their population.

Not only does the Netherlands have the highest share of social housing but the country also has the **highest share of outstanding residential mortgage debt compared to GDP** in the EU, with over 108%. The high level of mortgage indebtedness has been encouraged by favorable tax treatment such as deductibility of the mortgage interests and the rise of the securitization industry in the '90s. The share of underwater mortgages is 30%. The number of mortgage arrears increased from 62.000 in 2013 to 77.000 in 2014.

The net rent-cost-to-income-ratio is 26,5 % in the rental sector, against 17,7% for the costs of home-owners. Some 9% of all renting households have a housing cost ratio above 40%. These figures increased compared to 2009. Despite early stage preventive actions, social housing corporations proceeded with the eviction of 6.980 households in 2013 (8% more than in 2012) due mainly to rent arrears.

Social housing corporations invested 5.6 billion in new construction in 2012. Even if their delivery of dwellings has dropped by 25% between 2009 and 2012, they still account for 60% of all new home construction in the Netherlands. However, plans continue to be reviewed downwards: investments in new dwellings will go from 150.000 to 100.000 in the coming five years.

POLICY DEVELOPMENTS

The social housing sector has been going through major changes over the past few years, partly as a response to direct involvement of the EU with the so called 'Dutch case' on state aid to social housing (Commission Decision of 15 December 2009 and related court cases C-133/12 and C-132/12), and Country Specific Recommendations targeted at reforming the Dutch social rent sector.

The government introduced yearly income based **rent increases** of up to 3 and 5% for middle incomes (between 34.229 and 43.786 €). The intention is to bring rent levels in the social sector more in line with income levels, incentivize tenants with higher incomes to move and levy part of this windfall gain. Supposedly these measures should in due time open up space for commercial investors and create a bigger non-regulated, liberalized, rental market. Another linked development impacting affordability is a new **social housing levy** since 2013. The levy applies to landlords owning more than ten social dwellings and is based on the value of the dwelling. The government wants the sector to pay 1.7 billion euro per year by 2017 – on top of the regular corporate tax. It goes hand in hand with the annual rent increase. In light of these changes, households with middle incomes are reportedly finding it more difficult to find affordable homes, because the private market simply does not offer enough affordable housing and new investments are lagging behind.

The Dutch government has also been very active in **dealing with high mortgage indebtedness**. On the one hand, the authorities adopted a code of good practices for mortgage providers on how to deal with cases of financial distress. On the other hand, mortgage interest deductibility on new loans is being gradually reduced. The National Mortgage Guarantee system (NHG) for home-owners is also gradually lowering the maximum value of dwellings it may cover.

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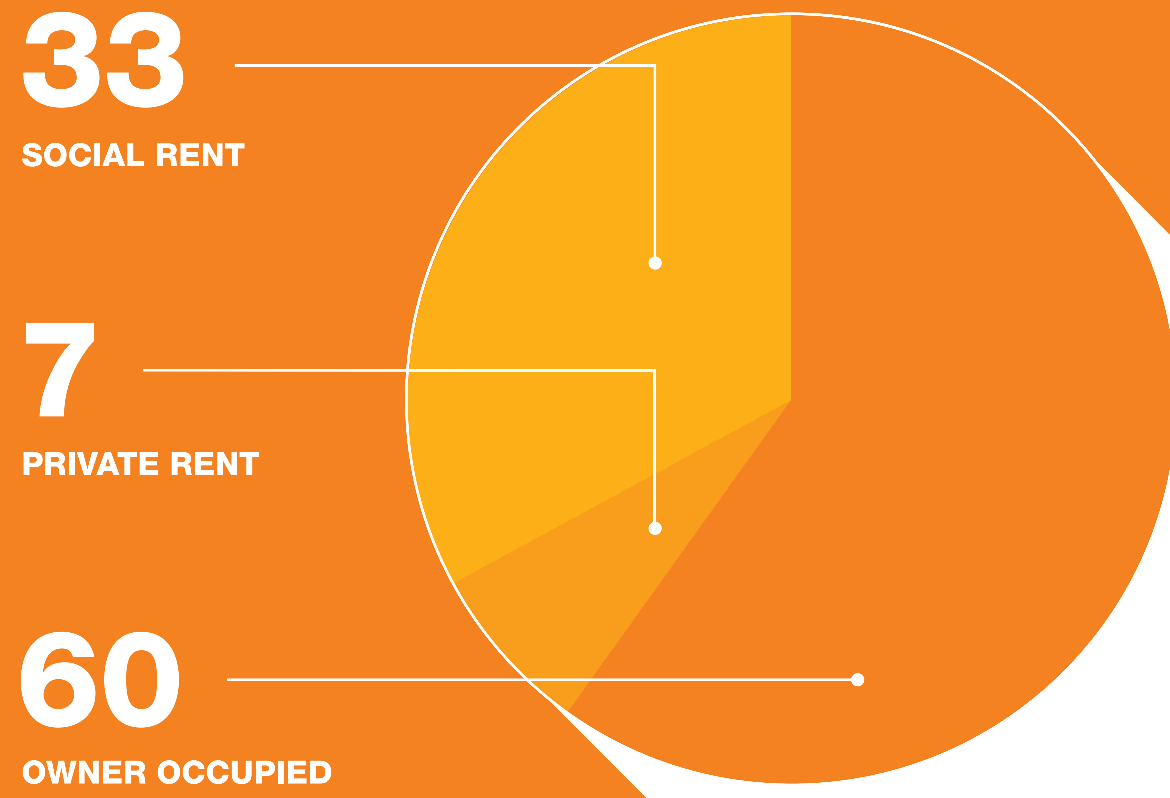

Key Data:
Total number of dwellings (thousands): **7 200**
Number of dwellings per 1000 inhabitants: **429**
Housing Completions in 2012: **57 703**

Social housing in the Netherlands:
Total number of social rental dwellings: **2 555 000**
Yearly social housing completion in 2012: **31 100**
Providers: **housing corporations**
(Sources: Eurostat, Ministry BZK, AEDES)

- Steadily the highest social renting share in the EU
- Satisfying levels of independent living both for the young and for the elderly
- The Dutch rental sector has the highest quality in Europe

- Construction not in line with the increasing number of households and with the demand for rental dwellings
- Share of mortgage arrears is growing
- Middle incomes face more difficulties to find affordable homes

POLAND

TRENDS IN HOUSING MARKETS

According to the Central Statistical Office of Poland, the number of dwellings in 2013 was 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 the 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 ans 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 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.

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. Under the current legislation, the public Bank Gospodarstwa Krajowego is to award preferential credits to Social Building Associations and cooperatives, but the lack of implementing secondary legislation has brought social housing construction to a deadlock, although in 2008 alone demand in this respect was estimated at over 90 thousand housing units.

A new "Housing for Young People" programme ("Mieszkanie dla mlodych") is being implemented over the period 2014-2018. Beneficiaries can 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 is **financial support for the emergency housing programme** (housing for the poorest and those in special needs), introduced in 2007 and still in force. 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. Also the investments of social housing associations may be supported within the programme. The state subsidies vary 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).

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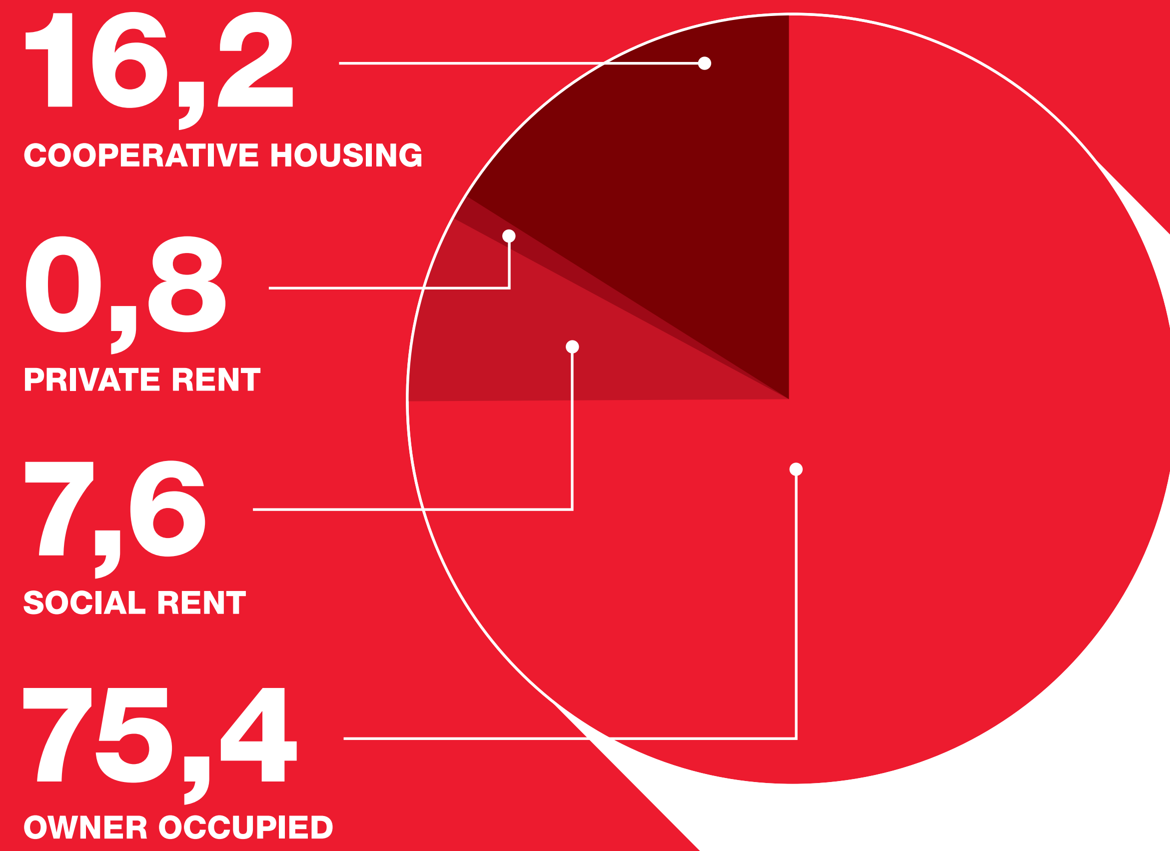
"Housing for the poorest and those in special needs" - introduced in 2007 and still in force...



Key Data:
Total number of dwellings (thousands): **13 853**
Number of dwellings per 1000 inhabitants: **360**
Total 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

−
- Severe housing deprivation rate is high at 10.1 compared to 5.2 EU average
- Housing shortage
- Risk of default for housing loans, particularly those contracted in foreign currency

PORTUGAL

TRENDS IN HOUSING MARKETS

According to the latest Housing Census, 73% of dwellings in Portugal are owner occupied, 20% rented of which 18% on the private market and 2% through social leases/ supported leases, while there is also 7% of other tenures, such as free housing concession, usufruct, or those whose accommodation is provided by the employer.
There is a very **high number of secondary residences** (over a million in 2011, about 19% of the national housing stock), and **vacant dwellings** are 12.5% of the total housing stock despite the fact that owners of vacant dwellings pay higher taxes. It is estimated that in Portugal there are twice as many vacant dwellings as are needed to fulfill the housing needs.
Those who are in housing **need include poor households, and people whose income does not allow them to access home ownership but is too high to qualify for social housing**. This situation concerns particularly **young people**: about 58% of Portuguese aged between 18 and 34 still live with their parents, mostly due to unemployment or temporary contracts of employment that contribute to a later departure from the parental home.
In terms of recent market dynamics, first of all it's important to point out that Portugal along with Germany are the only Eurozone countries where the **real estate prices have not experienced a boom** since the '80s. Therefore, although the housing market is stagnating, Portugal is escaping a significant slump in house prices following the global financial crisis in 2007. Today, **the impact of the financial crisis is mainly on the demand side**, where the high level of unemployment, decline in consumer confidence, the deteriorating outlook for the housing market, the evolution of non-housing related consumption expenditure are lowering demand for homebuyers. Despite the absence of a real estate bubble, policy support for home ownership has led to relatively high **households' indebtedness**. In the end of 2013, about 8% of mortgages were in arrears. Interestingly though, banks cannot confiscate real estate in Portugal, even in the case of debtor default. Due to low interest credit regime, for decades it was basically more convenient to buy a home than to rent, even for low income households. This regime was terminated in 2002 and from 2007 onwards the banks started to implement more stringent criteria for the approval of private home loans.

POLICY DEVELOPMENTS

Housing policy in Portugal has consisted for many decades in allowing households to buy a home by conferring access to credit facilities.
However, since the early 2000s, there has been increasing attention to rental tenures. The tenancy market in Portugal was characterized for decades by a rent freeze applying to old leases. Despite two reforms (Urban Tenancy Regime in 1990, and New Urban Tenancy Regime in 2006) in old leases the landlord still couldn´t give notice and it was still very hard to increase the rents. **The latest reform to tenancy law occurred in 2012**, as a response to the obligation that Portugal assumed to fostering the rental market as part of the Economic Adjustment Programme agreed with the European Commission, the European Central Bank and the IMF. The reform **gives the landlords more flexibility** by providing with easier conditions to renegotiate open-ended residential leases, a framework to improve access to housing by phasing out rent control mechanisms, prioritising the socially vulnerable, reduction of prior notice for termination of lease, and an extrajudicial eviction procedure for breach of contract, aiming at the shortening of the eviction time to three months.
Furthermore, the authorities announced their intention of stepping up efforts to **combat tax evasion in the rental market**, and have been requested by the European Commission to implement monitoring of the housing market and to carry out a study on the shadow economy in the Portuguese rental market.
There are several state programmes that provide financing for the construction of social rental dwellings (PER, Porta 65 Jovem, renda apoiada, renda social) but social housing policies have always been restricted to households with severe needs and the sector is small. Additionally, the **new programme Social Rental Market** (Mercado Social de Arrendamento) was established in 2012 as one of the several measures of the Social Emergency Plan. The programme allows using real estate seized by banks at a 30% lower level than the regular market. It is aimed at people who can't access social housing, but don't have enough income to buy their own house.

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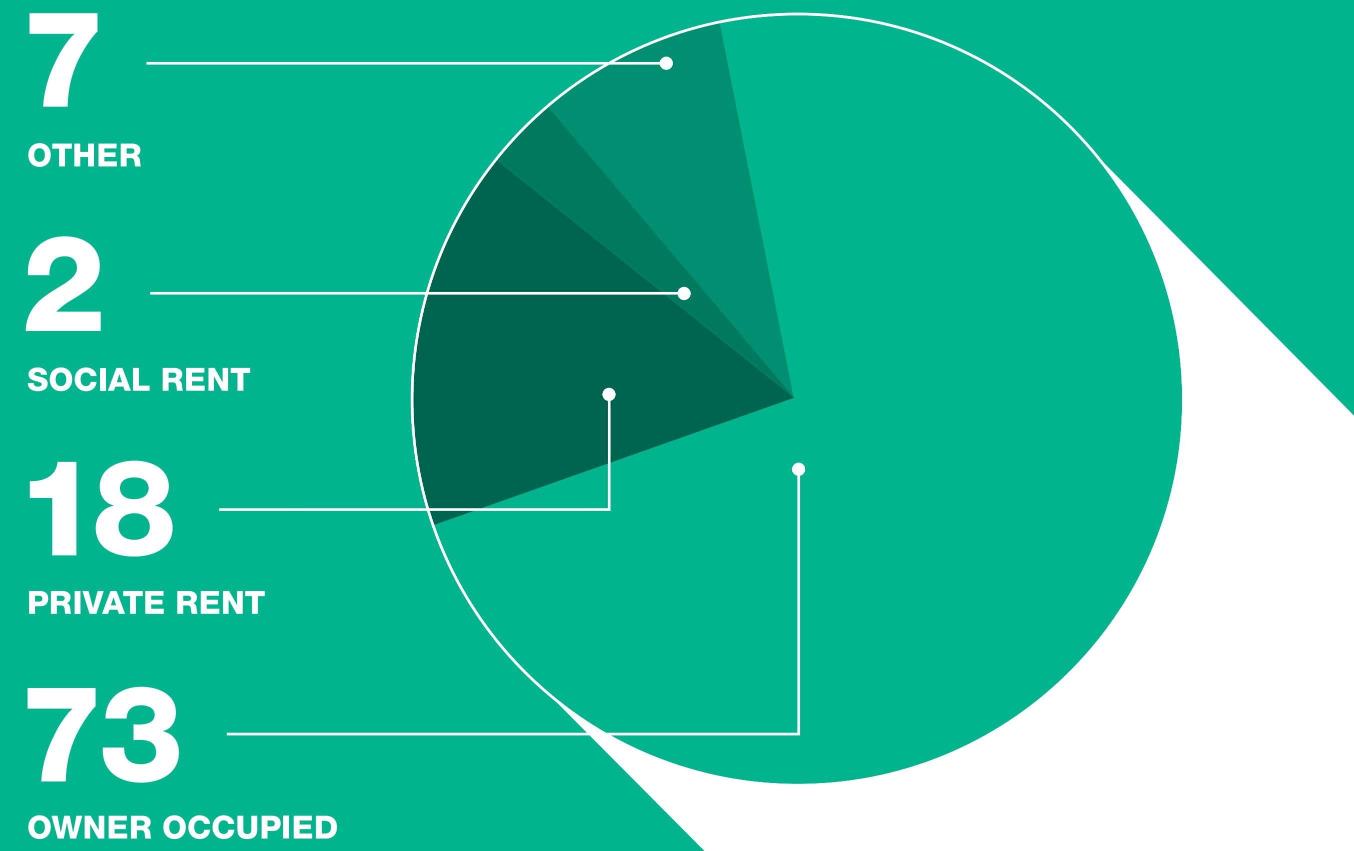
About 58% of Portuguese aged between 18 and 34 still live with their parents



Key Data:
Total number of dwellings (thousands): **5 878,7**
Number of dwellings per 1000 inhabitants: **556**
Housing Completions in 2012: **22 996**

➕
- Social Rental Market Programme guarantees that more people have access to decent, affordable housing
- On average good quality of the housing stock

➖
- Vacant dwellings represent 12,5% of the total housing stock
- 58% of Portuguese between 18 and 34 years old still live with their parents
- Relatively high household indebtedness

In 2014, Portugal received the following recommendation from the European Commission: Further improve the evaluation of the housing market, including by setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the shadow economy in that market.

ROMANIA

TRENDS IN HOUSING MARKETS

According to 2012 data from the National Institute of Statistics, 98,2 % of Romanian conventional dwelling stock is owner occupied, the largest share of home ownership in the EU. 1,5 % is owned and rented out by the state, and 0,3 % is made up of other forms of ownership (1). According to official statistics **the private rental sector is virtually non-existing.** The share of private rental sector is unanimously considered underestimated and the main reason for this is tax avoidance. The private rental housing has significantly increased since 1990, resulting from privatization and restitution combined with rent control elimination, and experts estimate the actual size of the private rental sector may be about 11-12%of the total housing stock (1).
Romania's **housing market is still in recession after several years of severe house price declines,** despite its slowly reviving economy. From 2002 to early 2007, property prices and demand rose in anticipation of EU accession. Following the beginning of Global Financial Crisis, house prices compared to the previous year plunged by 20.62 % in 2009, by 4.07 % in 2011, and by 1.31% in 2012, and by 3% in 2013. The construction sector remains depressed as well. The total number of residential building permits dropped by 7,6 % in 2013 in comparison to the previous year (2). In 2014 42 589 dwellings were completed, 2,3 % fewer than in 2013.
The amount of completed dwellings built with public funds in the same year decreased by 1 117 units compared to 2013, for a total of 923 new subsidized dwellings (3).
Although the situation has shown improvement since 2007, **lack of basic amenities** in the dwellings is still a widespread phenomenon in Romania, especially in rural areas. Data on housing deprivation are the worse in the EU. One third of homes in Romania have no indoor toilet, and the same share has no bath or shower (3). Preliminary results of the 2011 census show that only 66.7% of houses benefit from running water, 65.1% benefit from sewage system, 96.6% have electricity and 44.4% of houses have central heating (1).

POLICY DEVELOPMENTS

Public housing is, essentially, financed from the local budgets, and rents are very low. The constant reduction of public housing has resulted in very long waiting lists (1).
The National Housing Agency (Agentia Nationala pentru Locuinte) has been established as a self-financing institution, and its main objectives are to promote housing markets, stimulate new housing construction and rehabilitate the existing housing stock. Its programmes focus on **mortgage-financed housing construction for private ownership, provision of rental housing for young people and a pilot-program for Roma families** (1).
The **'First home' programme** (Prima Casa) was launched in 2009 as a measure to tackle the crisis and sustain the construction sector. This programme was meant to provide state guarantees to loans for first time buyers given by participating banks. Unfortunately, the outcomes of the program have fallen short of expectations, as it was nearly only used for sale of existing dwellings and barely 5 % of total lending contributed to new construction. Parallel to this, a **VAT exemption** was introduced for new housing construction of apartments below 120 m^2, and with total costs of up to 90 000 EUR (1).

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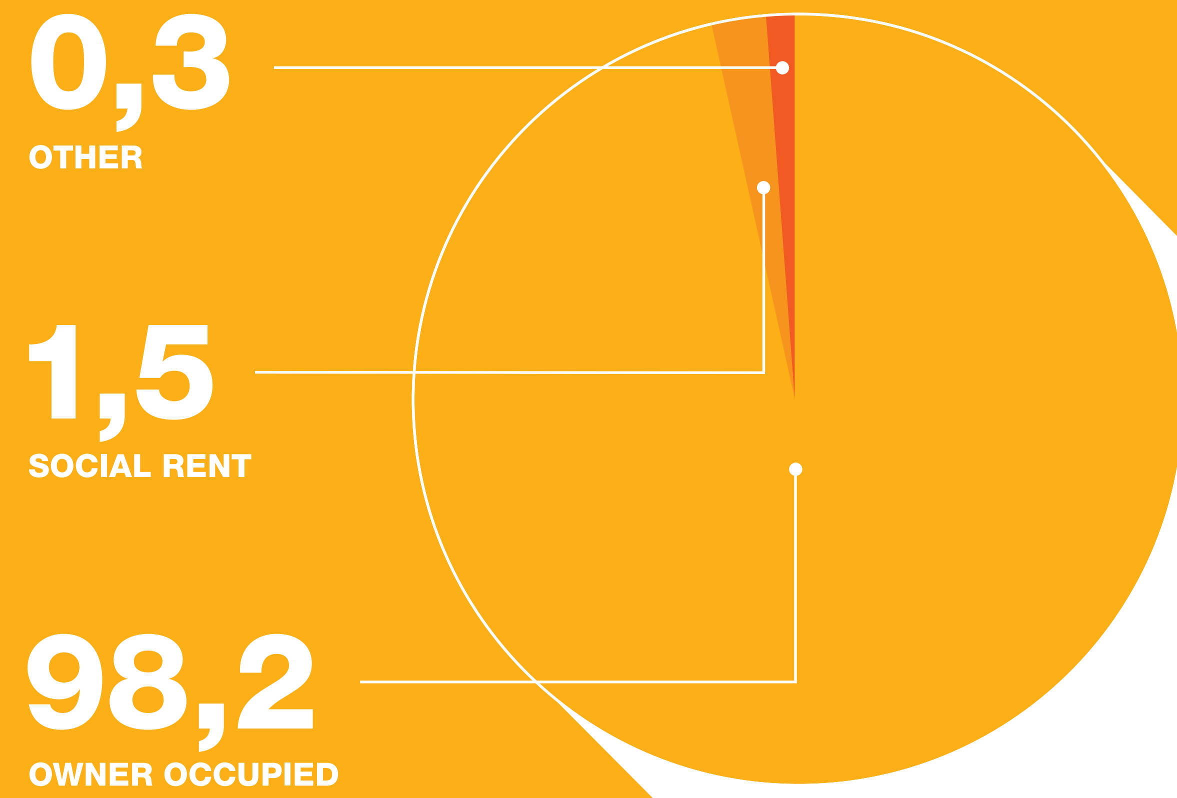
...only 66.7% of houses benefit from running water...



Key Data:
Total number of dwellings (thousands): **8 329**
Number of dwellings per 1000 inhabitants: **425**
Total housing completions in 2014: **42 589**
(Sources: National Institute of Statistics)

+
- Recently adopted programmes to support young people and Roma families

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- Highest rate of home ownership in the EU and very residual rental sector
- Highest rate of severe housing deprivation in the EU (23% compared to 5.2%)
- Very high share of the population with arrears on utility bills

SLOVAK REPUBLIC

TRENDS IN HOUSING MARKETS

According to the 2011 Census, the overall housing stock in Slovakia accounted for 1 994 897 housing units out of which 205 729 units were vacant. Presently, there are 370 dwellings per 1 000 inhabitants, the second lowest share in the EU after Poland. Nevertheless, it is important to add that according to expert estimates, the results and numbers stated in the Census might be 10 % lower than in reality. 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 state funding. Together, they manage a housing stock of approximately 127 000 dwellings throughout the country.

The housing construction in Slovakia is slowly recovering after the significant decrease caused by the global economic crisis in 2008. From 2009 until 2013 private housing construction decreased almost by one half, to 14 758 flats in 2013. Housing construction provided by municipalities for social purposes accounted for 2 007 social dwellings in 2014 and is slowly growing in comparison to previous period, but there is still a strong shortage of affordable social housing. **Approximately 74 % of Slovak inhabitants aged between 18 – 34 years are living with their parents, the highest share** in the EU according to EU SILC data .

House prices in Slovakia rose significantly between 2002 when the average price was 592 EUR/m2, and 2008 when they peaked at 1 511 EUR/m2 . They have been slowly decreasing since then, until 1 226 EUR/m2 in 2013. It´s expected a mild increase of property prices over the next years, as a consequence of low mortgage interest rates and higher demand for housing financing services.

Even though Slovakia is a small country in comparison to other European countries, there are **huge differences in property prices between Slovak regions**, with Bratislava being in long-term the most expensive location with average property price of 1 660 EUR/m2 in 2013.

POLICY DEVELOPMENTS

Current housing policy is focusing on both, demand and supply side. Supply side is subsidized since 1998 through the **State Fund for Housing Development**. Demand side is subsidized by several **financial tools primarily focused on mortgage loans and young families**. The state financial support for housing development was divided in 2014 as follows – 61 % from the State Fund for Housing Development; 14 % as state bonus to construction savings; 13 % as subsidies from the Ministry of Transport, Construction and Regional Development and 12 % as state bonus to mortgage loans. The State Fund for Housing Development is primarily supporting the financing of new social housing construction. The share of public spending on housing from state budget on total GDP was declining since 2009 from 0.54 % to 0.36 % in 2013.

In January 2015 the **Concept of State Housing Policy until 2020** was adopted by the Government. This concept represents a document that summarizes the results achieved in housing policy during the last period, outlines the priorities for the future period and defines tasks, which have to be fulfilled by each ministry to meet all goals. Global aim of the new Concept of State Housing Policy for 2015 – 2020 is sustainable housing development with two priorities. First priority is **strengthening and development of public rental sector** and second priority is complex and thorough **renewal of existing housing stock**. The Concept has defined also specific objectives, which are the creation of new housing development financial tools; increasing the housing affordability; motives to develop the private rental housing sector; to increase or at least retain the same share of public spending for housing; to introduce new housing allowance and to develop the non-profit sector.

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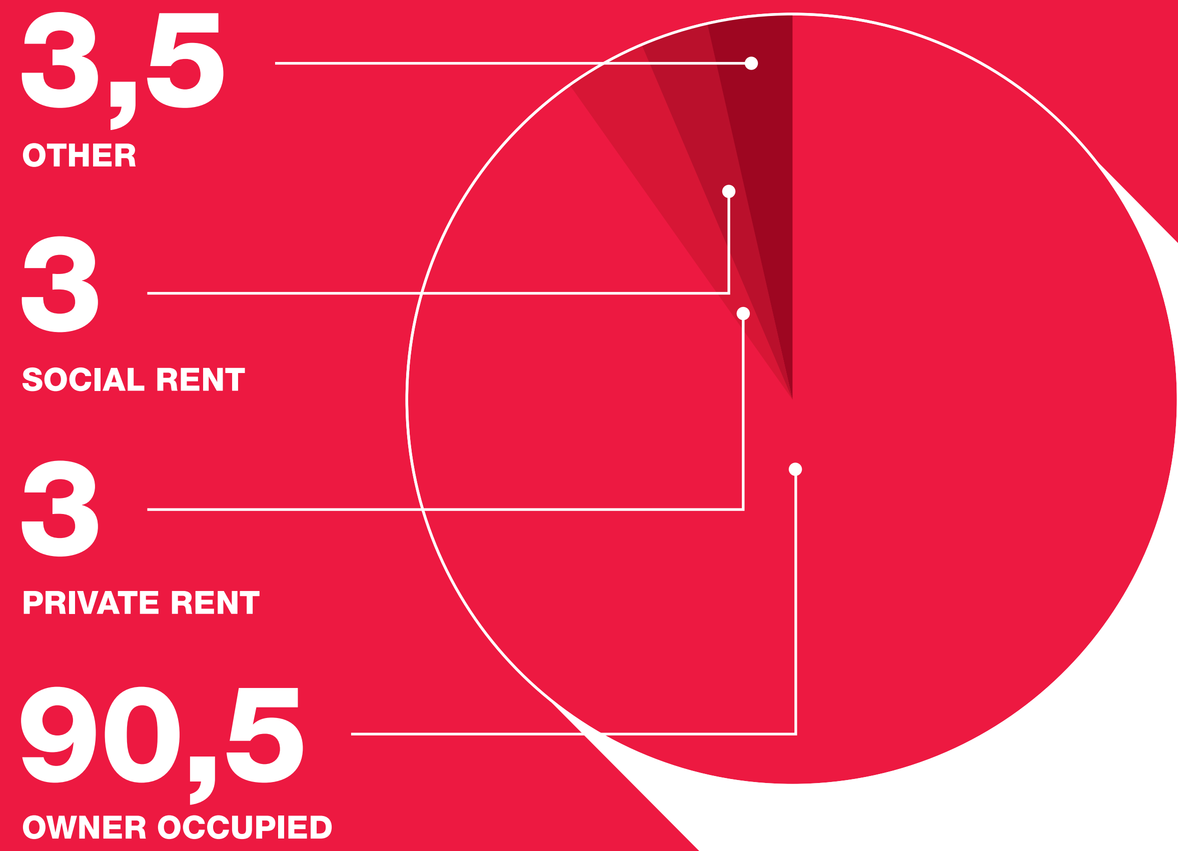
Approximately 74% of Slovak inhabitants aged between 18 - 34 years are living with their parents, the highest share in the EU



Key Data:
Total number of dwellings (thousands): **1 994,9**
Number of dwellings per 1000 inhabitants: **370**
Housing completions in 2011: **14 608**

Social housing in Slovakia
Total number of social rental dwellings: **127 000**
Yearly social housing completion in 2014: **2 007**
Providers: **municipalities**

+
- Increasing social housing construction
- Policy orientation on strengthening and developing of public rental sector and renewal of existing housing stock

−
- Second lowest share of dwellings per 1 000 inhabitants in the EU
- Highest share of young people living with their parents in the EU
- Decreasing share of public spending on housing

In 2014, the European Commission recommended Slovakia should ‘reform property taxation and link it to the market value of property, considering the fact, that revenues from this tax remain low and unchanged in relative terms since 2000’.

SLOVENIA

TRENDS IN HOUSING MARKETS

Property market in Slovenia was at the beginning of March 2015 still sluggish, even though the house price-decline was slowing. The crisis was concentrated mainly in the capital city of Ljubljana and the southern Adriatic coastal region of Slovenia, with prices plunged by 12 % during 2013. In the rest of Slovenia, the situation was not that dramatic, with prices for existing flats rising by 3,3 %. **After booming in 2000, Slovenia´s house prices peaked in 2008 and started to decline in 2009** due to the global economic crisis. House Price Index fell by 17,5 % in 2009 in comparison with previous year followed by a slight increase in 2010 and 2011. The decrease in property prices continued during the last two years with a 4,4 % decrease both in 2013 and in 2014.

The number of construction permits for buildings was increasing in 2013 in comparison with previous year and reached 3 443 permits - increase of 7,5 % - following a long-term decrease since 2007, when the amount of permits reached 5 858.

According to the Housing Fund of the Republic of Slovenia and the Statistical Office of the Republic of Slovenia, there were 857 007 dwellings in the country in 2013 with a decreasing tendency since 2008. According to the 2011 Census there are 813 531 households with an average of 2,48 people per dwelling and 412 dwellings per 1 000 residents.

Housing stock in Slovenia is divided into 77 % of owner-occupied dwellings, 9 % are rented ones, 6 % are rented in public sector owned by municipalities and other non-profit housing organizations and 3 % are rented by other legal entities- and 14 % of the dwellings fall under other forms of tenure. The overall share of rental tenures according to their share in the housing stock was in 2012 as follows:

- 70 % were non-profit rental tenures
- 20 % market or profit rental tenures
- 7 % rented for company purposes and
- 3 % dedicatedly rented to older people

As much as 96 % of elderly are homeowners. There were approximately 175 000 empty dwellings including the secondary homes in 2011. As a reaction on the Global Financial Crisis have the rent prices of dwellings have decreased by roughly 30 %. In 2012 the average rental price for two-room dwellings in Ljubljana was 180 EUR per month.

POLICY DEVELOPMENTS

As a reaction to the impact of the crisis on the Slovenian housing market and on the national economy as a whole the **Act on the Natural Persons Guarantee Scheme** (Zakon o Jamstveni Shemi RS za Fizične Osebe) has been adopted. This act has enabled more lenient conditions of lending for those individuals, who were unable to obtain a loan before and it facilitated new bridging loans or reprogramming of old loans to those that were affected by the crisis and could not repay their obligations from the already obtained loans. Loans are ranging from 5 000 EUR to 100 000 EUR for a maximum repayment period of 25 years. As stated in the National Report for Slovenia, after the previous National Housing Policy for the period of 2000 – 2009 was terminated, Slovenia has had no other documents concerning the housing policy. The National Program of Social Security for 2011 – 2020 is dealing partially with the housing policy and tenancy law as well, providing principles, objectives and strategies for the housing sector.

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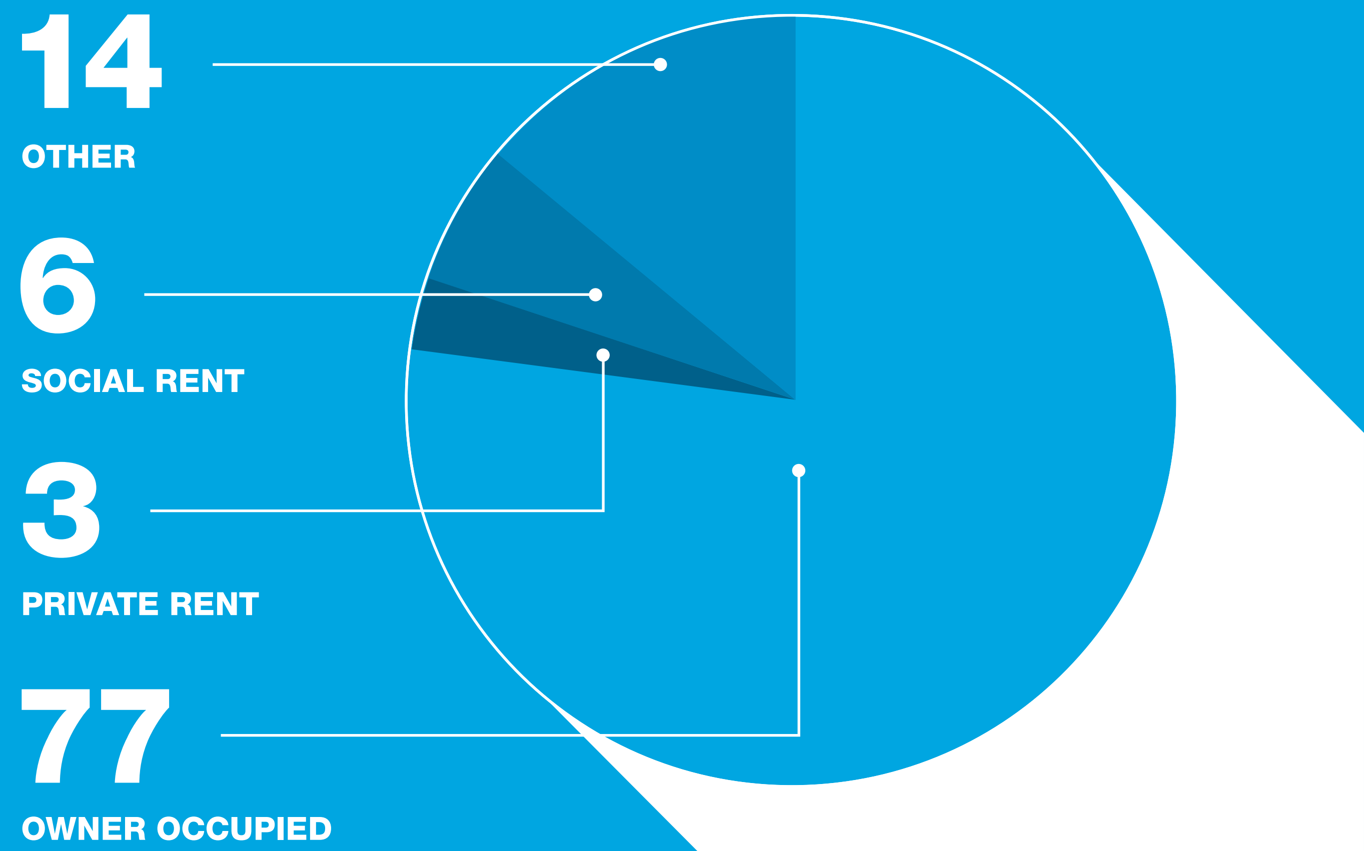
As much as 96% of elderly are homeowners



Key Data:
Total number of dwellings (thousands): **857**
Number of dwellings per 1000 inhabitants: **412**
Housing Completions in 2012: **4 307**

+
- Not significant overall housing shortage
- Act on the Natural Persons Guarantee Scheme

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- Imbalanced tenure split

SPAIN

TRENDS IN HOUSING MARKETS

The Spanish housing market experienced one of the **strongest and longest periods of boom, up until the financial crisis**. Between 1997 and 2007, housing prices rose by 232%. The financial crisis had the immediate effect of **bursting the Spanish real estate bubble**. Construction almost stopped: while 727 893 building permits were granted in the peak year 2006, in 2011 the number was barely 77 725 according to data by the Ministry of Development. House prices declined by over 20% between 2007 and 2012. As of today, there is a great number of **empty/unsold homes the majority of which are owned by banks (687,523 dwellings in 2011)**.
In terms of tenure distribution, Spain is historically characterized by a **'home ownership culture'**, driven by both market dynamics and state policies. According to data by the INE, 82.2% of Spanish households are owners, while 12.1% are tenants (almost entirely privately provided). Despite this clear home ownership prevalence, from 2007 onwards market access for new acquirers was hindered by the high unemployment rates, the tightening of mortgage conditions and the impossibility of selling one's own dwelling. This went in parallel with an **increase in the demand for rental housing**, particularly from groups of the population who cannot afford to pay high rents, such as the youth. 55% of young people between 18 and 35 live with their parents, a higher share than the EU average (48.2%). This situation of mismatch in the market is aggravated by the **marginal volume of public rental housing**. The traditional model of public housing provision – the *Vivienda de Proteccion Oficial* or VPO ('protected' housing) - is basically a form of low-cost access to home ownership, where the dwellings cannot be sold on the market for a given period of time. The VPO sector has dramatically decreased its activity over the past 4 years while there are also some dwellings left unsold. The rising prices of residential housing until 2006 and the trend towards home ownership have caused a sharp increase in households' debt over the past two decades. From 2007 until the third quarter of 2012, 416,975 **foreclosures** were undertaken and the issue of foreclosures in Spain has attracted the attention of national and international public opinion, especially as the European Court of Justice in 2013 ruled against property repossession laws in Spain for violating European Union laws on consumer protection. The law has been changed since.

POLICY DEVELOPMENTS

In recent years efforts from the Spanish government in the field of housing have concentrated mainly on **fostering the rental sector**, as well as **supporting highly indebted households** and vulnerable groups. In 2012, the Spanish authorities introduced a temporary moratorium on evictions for households that meet vulnerability criteria, including large families, single-parent families with children under three, without unemployment benefits or with disabled members.
Furthermore, in May 2013, the Spanish Parliament adopted Law 1/2013 on 'strengthening protection for mortgage debtors, on debt restructuring and on social housing fund'. The law has tightened conditions for launching foreclosures, and establishes emergency provisions providing relief to over-indebted insolvent households. Vulnerable families who were evicted after January 1rst, 2008 may apply for the so-called **'social housing fund'**. The latter is based on an agreement with banks where they transfer a proportion of their housing stock into the social rental sector. The fund has started off with 5891 dwellings, and take-up rates have been relatively low, possibly due to restrictive eligibility criteria. At the same time the **elimination of tax-deductible mortgage payment** from the beginning of 2013, is expected to reduce the bias towards home-ownership.
As for the rental sector, Law 4/2013 on the promotion of the rental housing market brings about significant changes, mainly by providing **better conditions for landlords** in terms of greater flexibility in ending rental agreements, reducing compulsory minimum time extension, giving the landlord more freedom to increase rents, and faster legal procedures for evictions.
Since July 2012 the production of social housing has been paralyzed and there has been no new social housing construction due to lack of public funding, and difficulties accessing financing from credit institutions. Two main initiatives address this issue: first, the new State Housing Plan 2013-2016 **subsidises the creation of public social rental housing** as well as support to tenants on low incomes. And it also subsidises rehabilitation, regeneration and renovation of buildings. Second, some local authorities have started establishing agreements with banks holding a large number of empty/unsold homes to use part of this stock as social rental housing, but this measure is not yet widespread.

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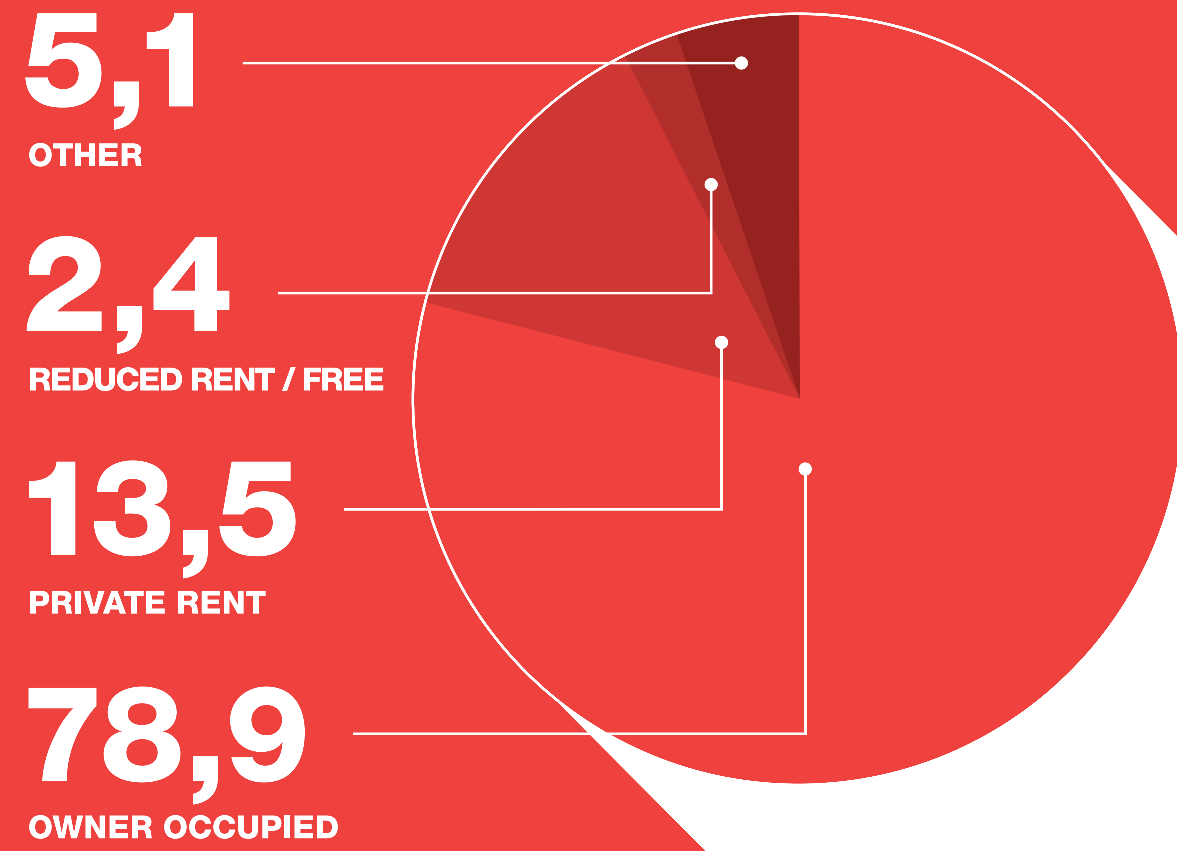

Key Data:
Total number of dwellings (thousands): **25 208**
Number of dwellings per 1000 inhabitants: **538**

- Social Housing Fund- banks transfer a proportion of their housing stock into the social rental sector
- New State Housing Plan 2013-2016 that subsidizes creation of public social rental housing

- Way too many empty homes owned by banks
- 55% of 18-35-year-olds live with their parents (well above EU average)
- Extremely high number of foreclosures undertaken from 2007 to 2012

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 40 %, tenant ownership (in housing cooperatives) 22 %, 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).
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. The level of additional new homes has been very low, while population growth has been high and, according to forecasts, this will continue. Expert calculations based on information from Statistics Sweden, show an acute shortage of housing. Approximately 150,000 dwellings were built in Sweden between 2008 and 2013, falling short of the 276,000 dwellings needed to match the increase in population over the same period. This was partly due to the negative impact of the financial crisis on new housing construction. Besides this construction deficit of about 126 000 units, Sweden also needs to build a further 310,000 dwellings to match the forthcoming increase in population over the next six years. In total, this calls for 436,000 new homes by 2020 (3).
Sweden has one of the lowest housebuilding rates in Europe along with the Netherlands and the UK. Partly responsible for this is the fact that the **Swedish housing construction prices are the highest in the EU,** at around 55% above the EU average (4), and they have increased significantly more that the general price levels over the past two decades. Building a multi-dwelling building currently costs almost two and a half times more than it did in the mid-1990s, while other price trends increased by just over 30 per cent over the same period (3).
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. **Housing segregation** is increasing and some residential areas of Stockholm, Gothenburg, Malmö and other major cities tend to show a high proportion of rented apartments with a high concentration of tenants of non-Swedish origin.

POLICY DEVELOPMENTS

The Swedish tax system strongly encourages house purchase. For owner occupiers, 30% of mortgage interest can be deducted. It is also possible to get a tax rebate on 50% 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 (5). While households living in owner-occupied properties and tenant ownership have retained favorable fiscal conditions, on the contrary support for public housing started to be phased out in the 1990s. One consequence is that **rental housing is disadvantaged compared to other forms of tenure** in Sweden.
In 2011, a new law was introduced defining that the **municipal housing companies receive no specific subsidies** and they have to act in a business-like way and at the same time take social responsibility. This went hand in hand with reform to the rent negotiation system: Until 2011 negotiations between municipal housing companies and their tenants would set the reference also for the private sector, but this system has been reformed and **private landlords were granted equal status in the rent negotiation process.**
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. Furthermore, **housing allowances** are available for low income households, more specifically for elderly people and households with children (1).
To increase supply of housing, the Planning and Building Act was modified in 2014, **simplifying the planning permission process.** Most recently, in March 2015 the new Government **proposed the introduction of an incentive for new building.** This proposal will form part of the Budget Bill for 2016 and is estimated to amount of SEK 3.2 billion per year. With this proposed budget framework, support could be given to about 15,000 apartments per year. A further SEK 3.5 billion will be allocated to support municipalities with increased housing construction, improvements to the efficiency of administrative processing, energy efficiency improvements to homes built under the Millions Homes Programme, city environment agreements and support for the construction of homes for the elderly.
Some measures have been recently taken in terms of mortgage regulation in order to avoid over-indebtedness: from October 2010, a maximum loan-to-value ratio of 85 percent has been applied to all new mortgages. Furthermore, new government regulation on fairer rules for repayment of mortgages entered into force in July 2014, aiming at facilitating the possibility for the consumer to repay one's fixed rate mortgage or to switch banks .

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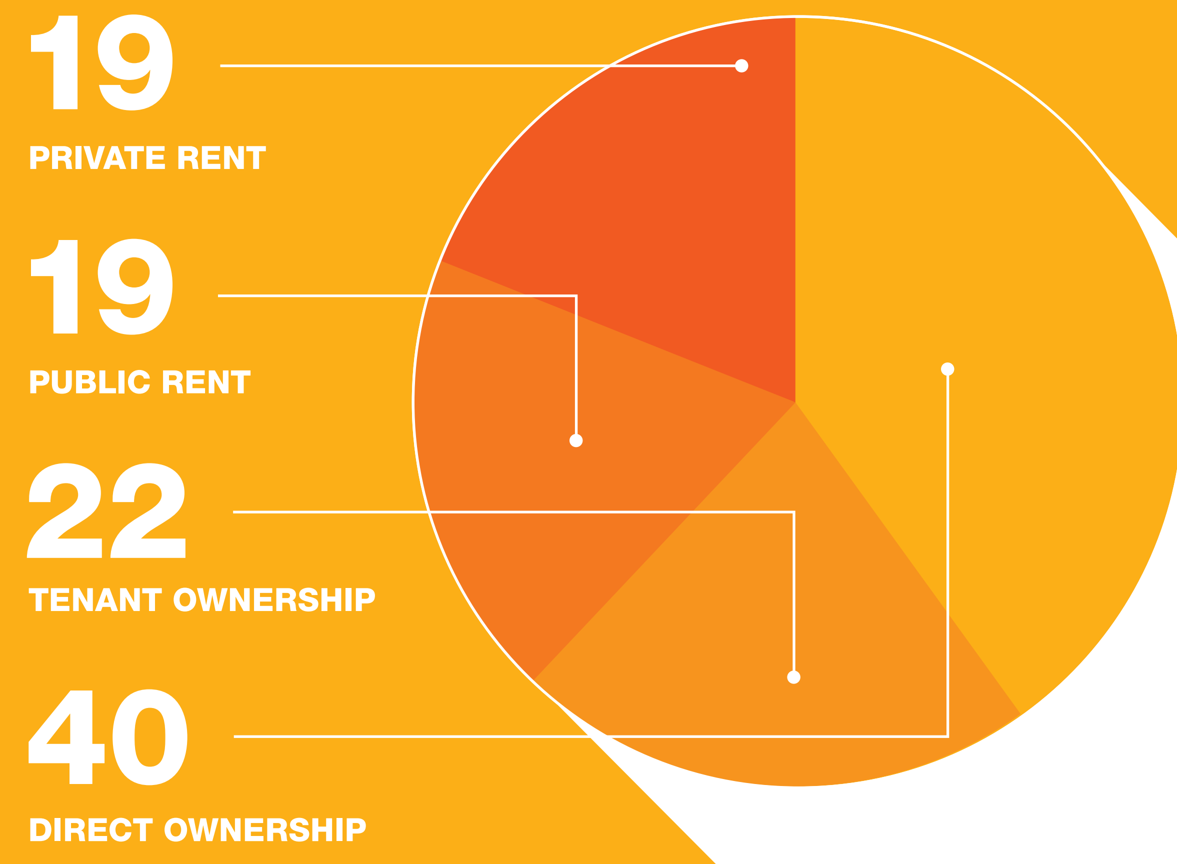

Key Data:
Total number of dwellings (thousands): **4 633 678**
Number of dwellings per 1000 inhabitants: **480**
Total housing completions in 2013: **29 225**
(Source: Statistics Sweden)

+
- Diverse housing market with different options for rent, home ownership and cooperative housing

−
- Severe shortage of housing supply contributing 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). Housing production by local authorities has increased again after the crisis, following a decade of almost inactivity, but remains low (2 330 units completed in 2012/13). **Most new social housing construction is carried out by housing associations** (27 160 completions in 2012/13).
The latest available figures show **a strong increase in private renters and a decline in owner occupation**:

	Owner occupied	Rented privately	Rented from HA	Rented from LA	All	Other public sector
2000	17,437	2,387	1,477	3,917	25,319	101
2007	18,206	3,606	2,303	2,583	26,772	75
2012	17,836	4,920	2,746	2,189	27,767	75

After a peak in 2007-08, overall housing construction has decreased significantly ever since. The UK suffers from a chronicle **shortage of housing supply**, and in particular of affordable homes. In England alone it is estimated that about 245 000 new homes are needed per year to keep up with growing demand, but currently only about half of this is built yearly (1). This has consequences on affordability, with **house prices rising much faster than wages**: across the UK, the average home now costs seven times the average salary, while it was 4.5 times the average salary in the 1960s (1). Housing markets **differ significantly across regions, notably with London being one of the most expensive housing markets in Europe** and prices there further spiraling. Interestingly, the crisis seems to have exacerbated regional differences. Overall, the average UK house price index has increased from 185.5 in January 2008 to 197.4 in April 2014 (where 2002=100). But looking more in details we find that London's house price index has increased by 31.6% since its peak before the financial crisis (2008), and in the South East has also increased by 7.2%. On the contrary in all other areas the index has decreased, the most dramatic decrease being in Northern Ireland (-49.6%).
Housing costs are **increasing also in the rental sector**, with private renters in England spending on average 40% of their income on rents (compared to 30% for social renters) (3).This also has the effect of increasing the housing benefits bill: currently over 4.8 million claiming housing benefit in Great Britain (4), and **the amount the government is spending on housing benefits has been increasing from** 21,400 million Pounds in 2010/11 to 26,800 in 2013/14 (5).
Social consequences of expensive housing are impacting housing conditions and the wider standard of living for an increasing proportion of the population: in England alone there are 1 368 300 households on local authorities **waiting lists** (6). Furthermore, 53 000 households have been accepted as **homeless** and in priority need (7), and about 60,000 households are in temporary accommodation (8).

POLICY DEVELOPMENTS

Current policy responses focus mainly on demand-side stimulus, such as in England the **Help to Buy** scheme, which allows tenants from council and housing associations to buy their home at a discount. Similar schemes are also available in Wales and Northern Ireland. On the contrary, the Housing Act that will enter into force in 2016 will end the Right to Buy in Scotland.
On the contrary, there has been a **drastic reduction in supply-side assistance**. The 2010 Government Spending Review saw capital investment in housing cut by 63% in real terms - the biggest single cut to any capital budget across government, requiring HAs to borrow more from private sources. Under the current 2011-2015 funding programme - the Affordable Homes Programme - HAs are encouraged to apply to the majority of new letting 'affordable rents', i.e. rents set up to 80% of local market rental value.
Parallel to this, housing benefits (which are available to tenants in both the private and social rental sector) are also undergoing reform, as part of the 2012 **Welfare Reform Act**. The Act introduces a new Universal Credit which will replace most existing benefits (including housing benefits) and limits the total amount of benefit a person can claim. The welfare reforms impact the way tenants receive benefit, in many cases, removing the option of having benefit paid direct to landlords. The Act also introduced a new size criteria in the social rented sector: housing benefits are reduced for working-age council or housing association tenants who have 'spare' bedrooms. This housing benefit reduction is called the under-occupancy charge, but is more commonly known as the 'bedroom tax'.

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(4) Housing Benefit caseload statistics (data November 2014) https://www.gov.uk/government/statistics/number-of-housing-benefit-claimants-and-average-weekly-spare-room-subsidy-amount-withdrawal
(5) Benefit expenditure and caseload tables 2014 https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2014
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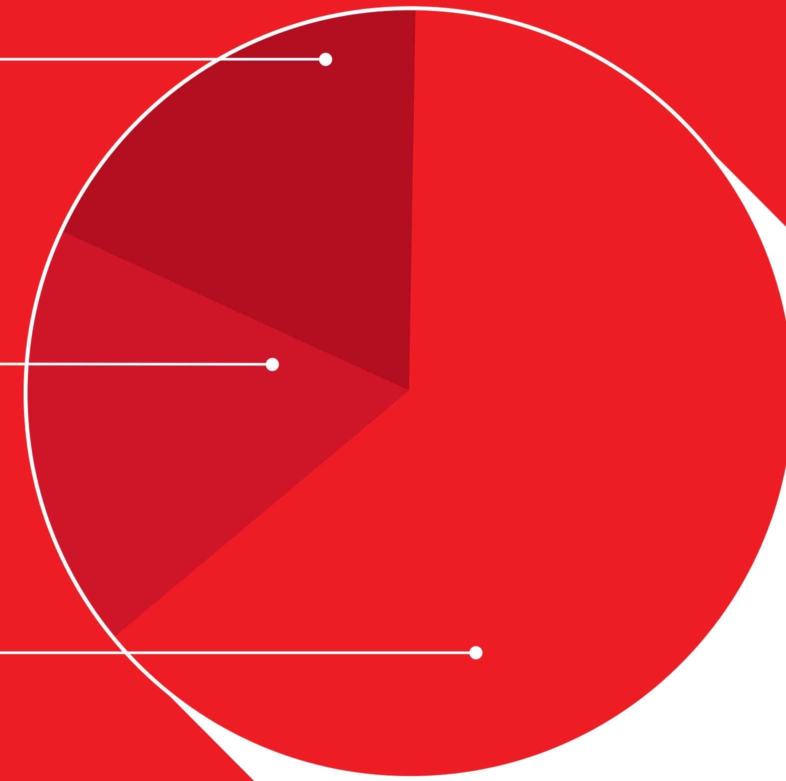
(8) DCLG (2014) Statutory Homelessness: July to September Quarter 2014 England https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385695/201409_Statutory_Homelessness.pdf

18,2
SOCIAL RENT

17,6
PRIVATE RENT

64,2
OWNER OCCUPIED



Key Data:
Total number of dwellings (thousands): **27 767**
Number of dwellings per 1000 inhabitants: **437**
Housing completions in 2012: **135 510**

Social housing in the United Kingdom:
Total number of social rental dwellings: **4 936**
Social housing production in 2012: **29 490**
Providers: **Housing associations, local authorities**
(Sources: DECLG, CSO Census 2011)

- Data on quality of the housing show a good situation compared to EU average. Nevertheless both overcrowding and the rate of under-occupied dwellings have been increasing since 2005, and the percentage of the population declaring they're unable to keep home adequately warm has increased from 5.7% in 2005 to 10.6% in 2013 according to EU SILC

- Severe shortage of housing supply
- Housing becoming more expensive, especially in London
- Increasing spending on housing benefits, decreasing funding for building new social and affordable housing

In 2014, the European Commission issued the following recommendations to the UK:
• Increase the transparency of the use and impact of macro-prudential regulation in respect of the housing sector by the Bank of England's Financial Policy Committee.
• Deploy appropriate measures to respond to the rapid increases in property prices in areas that account for a substantial share of economic growth in the United Kingdom, particularly London, and mitigate risks related to high mortgage indebtedness.
• Monitor the Help to Buy 2 scheme and adjust it if deemed necessary.
• Consider reforms to the taxation of land and property including measures on the revaluation of property to alleviate distortions in the housing market.
• Continue efforts to increase the supply of housing.'

IN ENGLAND ALONE THERE ARE **1 368 300** HOUSEHOLDS ON LOCAL AUTHORITIES' WAITING LISTS

SOCIAL HOUSING IN THE EU: NEW OPPORTUNITIES NEW CHALLENGES

SOCIAL HOUSING IN THE EU: NEW OPPORTUNITIES NEW CHALLENGES

We can conclude from the cross-country analysis as well as from the separate country profiles that while there have been differences in the development of housing markets from one country to another over the last year, housing remains a critical issue for many Europeans (ca. 20% of Europeans dedicate more than 40% of their disposable income to housing) and housing exclusion (measured by housing deprivation and number of homeless) increase in most of the EU member states. Despite the illusion created largely through de-regulation in the financial sector in the 2000-2008 period, no country has fully managed to provide a structural solution to the challenge of meeting affordable housing demand.

In this context the EU tries to avoid the permanent low-growth scenario by providing for new instruments to help SMEs and others to invest in projects with high job creation and growth potential. And once again, after the first EU economic recovery plan of 2008-2009, housing enters in the big picture as one key area to invest in. Housing is therefore on the EU agenda once again, not only because housing has been part of the problem the EU is facing with but also because supporting public, cooperative and social housing is part of the solution. It remains to be seen if these new instruments will in fact help to address housing needs. We can identify 6 other EU policy areas which have an impact or a potential impact on public, cooperative or social housing and require monitoring.

HOUSING AND THE EU INVESTMENT PLAN

The core of the Plan announced by the European Commission at the end of 2014 is the mobilisation of at least EUR 315 bn of additional investment over the next three years. A new European Fund for Strategic Investments (EFSI) will be set up in partnership between the Commission and the EIB. To establish the European Fund for Strategic Investments, a guarantee, of EUR 16 bn, will be created under the EU budget to support the Fund. The EIB will commit EUR 5 bn.

In November 2014, the European Commission / EIB Taskforce for the implementation of the Investment Plan stated in its report: *"… shrinking regional and municipal budgets are having a negative impact on urban social services, including the provision of social housing in several Member States…"*. Social housing energy retrofit is included under the heading energy efficiency/Energy Union under illustrative projects 'Investments supporting retrofitting of social housing to create energy -efficient housing'.
In January 2015, the EIB stated that it *"is confident that the Juncker Plan will be a catalyst for the financing of social housing and associated investment in Community development as a priority investment target provided the relevant eligibility criteria are met."*

At the time of writing it is not clear whether the Fund and the EU guarantee which is attached to it will be adapted to facilitate investment in social housing. Long term loans with low interest rates are what is needed to invest in this sector which is complex in terms of the capital finance it requires but low risk in terms of return on investment. Despite the announcement of President Juncker at the end of 2014, neither the Parliament, nor the Council seems willing to include a specific reference to the use the EFSI to support key economic and social infrastructures like affordable housing in the fund regulations.
Beyond the EU investment plan, in countries where sufficient capital is not forthcoming, the public, cooperative and social housing sector is looking for cooperation with and support from the EU financing instruments, in particular the European Investment Bank (EIB)

HOUSING EUROPE'S VIEW

If the Fund for Strategic Investments does not prove to be useful for addressing Europe's housing needs, this will be a missed opportunity for integration and growth and jobs. In November 2014, the Taskforce of the EU on the Investment Plan stated: *"… shrinking regional and municipal budgets are having a negative impact on urban social services, including the provision of social housing in several Member State"*. Housing Europe shares this view and stresses again the great potential of EU financial and support and capacity building for affordable housing projects in the EU where it is currently not forthcoming. This should cover the construction of new homes, the reconversion of empty private properties to social housing, the refurbishment of the multi-family buildings. The economic and social impact of supporting social housing policies is clear.

• BYPASSING THE FINANCIAL BARRIERS

Responding to the demand for new homes has been a challenge over the last years for the **Scottish Housing Associations.** Their inability to borrow finance to build social rental properties has constrained the delivery of 2000 new dwellings. The main reasons behind this are linked with scale, since many projects are small, with previous loan conditions which impose constrains on future borrowing as well as with unreasonable terms for new borrowing, including short term, high cost and high interest rates.
The trade body of the Scottish Housing Associations and a Housing Europe member organisation, SFHA, taking into consideration the pressing need for investment, has come up with an innovative strategy to bypass the financial barriers by setting up a not-for-profit company owned by the sector.

The company will provide 3 major functions:
• Managing a revolving low or nil cost development fund, which will construct new homes
• Aggregate up this new home provision into packages for financing by the private market
• Providing a way of circumventing loan covenant issues by retaining ownership of the homes within the not for profit company

The revolving development fund will require approximately £ 140 M to function in conjunction with the available subsidy. The long term loan finance to replace this through the EIB, directly lending to the state based sector owned not-for-profit company is £ 140 M.

Regarding the timeline, this new Scottish Fund for Social Housing is expected to deliver 200 homes on site autumn/ spring 2016 and 900 units within the framework of the annual programme in 2016 and in 2017.

HOUSING AND THE EUROPEAN ECONOMIC GOVERNANCE ("THE EUROPEAN SEMESTER")

The European Semester is the first phase of the EU's annual cycle of economic policy guidance and surveillance. Each European Semester, the European Commission analyses the fiscal and structural reform policies of every Member State, provides recommendations, and monitors their implementation. In the second phase of the annual cycle, known as the National Semester, Member States implement the policies they have agreed.
Since the start of the European economic governance process, housing markets and housing policies have come under scrutiny and the European Commission has issued numerous remarks and recommendations regarding housing policies in many member states.
It is worth keeping in mind that housing is an issue coming up more and more frequently in all of the main components of the Semester process.
The European Commission country reports were published in March 2015 (for all EU 28), which include in-depth reviews for 16 countries that were found to be 'experiencing macroeconomic imbalances' (all reports are available here **http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)**
The reports show the EC is deepening its analysis of housing markets and also extending it to some countries that have never received recommendations in this area before (e.g. Belgium).
It is interesting to see the EC is monitoring whether countries have implemented housing-related recommendations, notably in the Netherlands, Sweden and the UK.

EC monitoring of housing-related recommendations, 2014 – 2015:

Netherlands	• Accelerate the reduction in mortgage interest tax deductibility • Providing for a more market-oriented pricing mechanism in the rental market, further relating rents to household income in the social housing sector • Efforts to refocus social housing policies to support households most in need	No progress Limited progress Some progress
Sweden	• Allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract • Decrease the length and complexity of the planning • Encourage municipalities to make their own land available for new housing developments	No progress Limited progress Limited progress
United Kingdom	• Increase the transparency of the use and impact of macro-prudential regulation in respect of the housing sector, mitigate risks related to high mortgage indebtedness • Deploy appropriate measures to respond to the rapid increases in property prices and monitor Help to Buy scheme • Reforms to the taxation of land and property • Continue efforts to increase the supply of housing	Substantial progress Substantial progress Some progress Some progress

Based on the analysis carried out in the country reports and on the National Reform Programmes that Member States are expected to present by mid-April, the European Commission will present a new set of country-specific recommendations in May 2015.

HOUSING EUROPE'S VIEW

CSRs on housing to date have to some extent shown an overly simplistic call for liberalisation of housing markets to solve issues of house prices and affordable housing. For example, Sweden CSR 3: "allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract"
There are several problems with such a CSR. Firstly, it does not recognise the specificity of the Swedish housing system, which is rather different to other countries and has shown itself to work well over different economic cycles. The CSR does not justify its belief that getting rid of the rent setting system will solve any issues with the housing supply or prevent significant additional problems for tenants, including eviction and forms of homelessness.
It is also problematic that the role of the social housing sector is confined to responding to 'market failures' – i.e. taking care of the needs of the most vulnerable only. This is particularly evident also in the case of recommendations directed to the Netherlands. Overall, recommendations on housing show no real understanding of the stabilising and counter-cyclical role of public, cooperative and social housing. Most importantly, they do not adequately consider the long-term positive social impact of a healthy, diverse, accessible, affordable housing market. There is a notable lack of recommendations which call for the implementation of integrated policies favouring social and affordable housing or effective prevention policies addressing the rise in housing exclusion, even for countries where needs are very clear. (an omission also noted noted by the European Parliament – see below)
For further information on the Annual Growth Survey 'package': **http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm**

Housing Europe together with the Semester Alliance led by the European Anti-Poverty Network has been collaborating with Members of the European Parliament to try to ensure a more balanced approach with the resulting EP positions which support our views: EP Report on the European Semester for economic policy coordination: implementation of 2014 priorities. (2014/2059(INI)). Committee on Economic

and Monetary Affairs. Rapporteur: Philippe De Backer
http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2014-0019+0+DOC+XML+V0//EN
[…] Considers it regrettable that very few CSRs tackle the issue of in-work poverty or homelessness; points out that new forms of poverty are emerging which affect the middle and working classes, with difficulties in paying mortgages resulting in an increase in the number of evictions and foreclosures; calls on the Commission, in the 2015 AGS, to explicitly address in-work poverty and poverty among people with limited or no links to the labour market; recommends that the Commission and the Member States implement integrated policies favouring social and affordable housing, effective prevention policies aimed at reducing the number of evictions, and policies tackling energy poverty, which is also on the rise;

• RESPONSIBLE HOUSING

In the Responsible Housing campaign, the focus is on the identification and promotion of socially, environmentally and economically sustainable housing practices and policies. The **European Responsible Housing Initiative** **(www.responsiblehousing.eu/en)** led by Housing Europe, the International Union of Tenants, and DELPHIS (French network of housing providers and project coordinator) recently succeeded in finalizing a twofold voluntary agreement which allow housing stakeholders to make a commitment to implement the CSR principles in housing delivery.
A Code of Conduct for housing providers and a European Declaration were signed by EU stakeholders in the sector. Affordable housing providers agree on clear principles for long term investment in building construction and renovation, neighbourhoods, human resources, and fair relations with stakeholders, notably the tenants and residents.
Through the European Declaration, housing stakeholders call for the development of CSR in public, cooperative and social housing.
In addition, the first edition of the European Responsible Housing Awards with entries from more than 70 organisations from 12 EU countries showcased numerous best practices that have already proven to be effective in many Countries around the EU.

HOUSING AND EU REGIONAL POLICY (EUROPEAN STRUCTURAL AND INVESTMENT FUNDS)

What potential for assuring financial support in the legal texts?
Regulation (EU) No 1301/2013 on the European Regional Development Fund provides for several opportunities for housing. But contrary to the amendment of 2009 which mentions specifically energy refurbishment of housing as a priority for Structural Funds, affordable housing providers will have to compete with sectors, like transport, energy infrastructures, innovation, which are more attractive for investors seeking short term and high rates of return on investment. There are at least 3 areas particularly relevant for social housing providers:

Energy efficiency in housing – Article 5.4.c provides for the support of energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;

Housing as social infrastructure – Article 5.9.a. refers to investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;

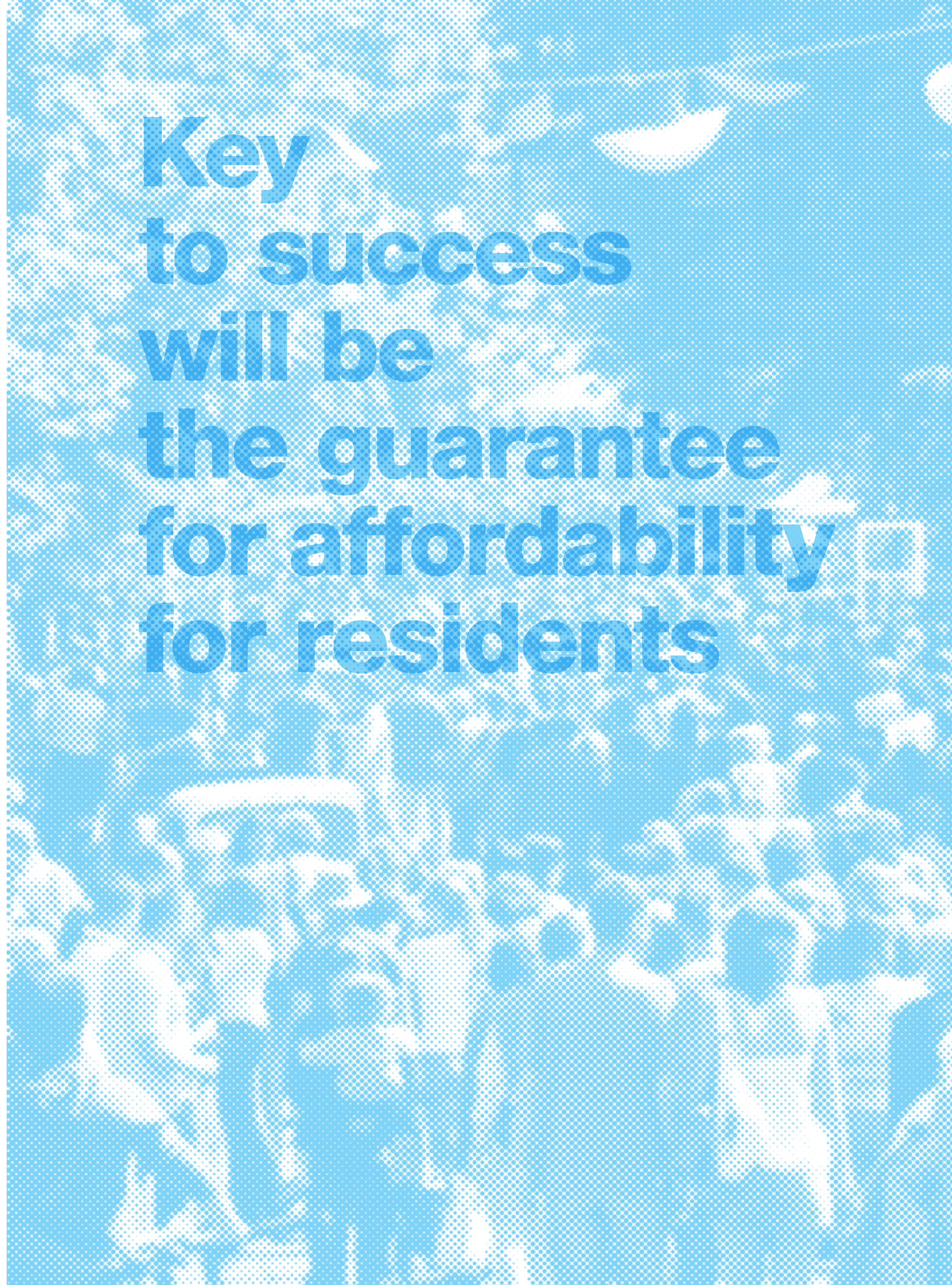
Urban regeneration – Article 5.9.b. refers to support for physical, economic and social regeneration of deprived communities in urban and rural areas;
Regulation (EU) No 1304/2013 on the European Social Fund (ESF) also provides for opportunities for the social housing sector. For instance the ESF can:
• Enhance access to affordable, sustainable and high - quality services, including health care and social services of general interest
• Promote Socio-economic integration of marginalised communities such as Roma

In combination with ERDF, it also can:
• Support the shift towards a low-carbon, climate-resilient, resource-efficient and environmentally sustainable economy, through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy;

Is this potential being turned into real projects on the ground?
In the operational programmes designed by the regions, the first information related to housing expenditure shows an increase of funds dedicated to energy efficiency in housing, in particular in Central and Eastern Europe:
• Energy efficiency in housing (EC expenditure code 14); 6.10 bio € (this figure combines ERDF and cohesion fund for central and eastern European countries)
• Investing in social infrastructures (urban regeneration, etc.) (EC expenditure code 65): for 8 countries of the EU-13: 626 mio €

HOUSING EUROPE'S VIEW

Although it is not possible at this stage of the implementation to have a full and precise view on how Structural and Investment Funds have been allocated to housing related programmes, we can already see a significant improvement from last programming period in terms of planned expenditure (between 2007 and 2013 the total expenditure for housing related projects was around 2 bio€). There is a clear need to continue tracking optimal use and impact in the sector combined with capacity building and exchange of best practice with countries having a successful record of use.



HOUSING AND THE EU ENERGY UNION

Background

The Energy Union is a strategy proposed by the European Commission and endorsed by Member States which aims at making energy policies more coherent in the EU and making them contribute to the fight against climate change. It is based on the three long-established objectives of EU energy policy: security of supply, sustainability and competitiveness. To reach these objectives, the Energy Union focuses on five mutually supportive dimensions: Energy security, solidarity and trust; the internal energy market; energy efficiency as a contribution to the moderation of energy demand; decarbonisation of the economy; and research, innovation and competitiveness.

HOUSING EUROPE'S VIEW

For public, cooperative and social housing, the Energy Union is important since it sets out a strategy to move towards a fair energy transition and could help to address some of the main barriers to successful renovation of housing. A first obstacle is the gap between predicted and actual energy performances and the low renovation quality. To overcome this, we need builders to guarantee energy performance of renovated and newly built homes over extended periods - some practitioners expect a period of 30 years. We also need to explore the possible use of industrialised and pre-fabrication methods to bring down costs and assure consistent quality of refurbishment. Overall, solutions need to integrate renewable energy production, insulation, ventilation and reduction of energy consumption of appliances.

Another set of obstacles relates to the low demand for deep refurbishments due to perceived inconvenience, low value for money of works (including the lack of trust) and preference given to aesthetic improvements or renewed kitchens/bathrooms. Here, we need refurbishments which can be carried out over a shorter time and allow residents to stay at home. Community outreach before and after renovation helps to build trust among residents. Evidence shows that aesthetic finish leads to high interest among neighbourhoods where pilots have been completed.

One last obstacle is the long payback time on investment, reducing interest of private investors or energy service contractors and resulting in a tendency to implement only superficial measures offering short-term returns. What we need is a guarantee that energy savings will cover the up-front costs and energy production made over the lifetime of the project. Key to success will be the guarantee for affordability for residents.

Investing in energy efficient social housing has many proven positive effects on growth, social cohesion and environment quality. Beyond the direct effect on energy performance of dwellings, those measures help to save costs in other policy areas.

For instance in Northern Ireland, the estimated cost of eliminating/renovating the most energy consuming houses would be of nearly 600 million Euros. At the same time the estimated annual savings to Health Service would be 40 million euro per annum, which means that it would take 13 years for the total gains for the health service to equalize the total investment costs. This only reflects the co-benefits on health, but there are many other co-benefits, as pointed out by the International Energy Agency (IEA)
Thus for public, cooperative and social housing providers, some elements of the Energy Union (Communication on Strategic Framework from the European Commission of 25th February 2015) are positive:

NEEDS AND EMPOWERMENT OF CITIZENS

What the European Commission says

"Facilitating the participation of consumers in the energy transition through smart grids, smart home appliances, smart cities, and home automation systems;"

"The Commission will continue to push for standardisation and to support the national roll-out of smart meters and to promote the further development of smart appliances and smart grids, so that flexible energy use is rewarded".
"Further enforcement of public service obligations for the protection of vulnerable energy consumers through energy schemes/tariffs or preferably general welfare systems"

HOUSING EUROPE'S VIEW

The EC has not yet fully acknowledged the role of local communities (cities, neighbourhoods, tenants union, etc.) not only regarding the behavioural change, but also for funding and training purposes.

Housing renovation to reduce energy consumption and bills is an integrated part of effective neighbourhood city or regional-wide energy transition planning. This must be seen in the context of job creation, therefore reducing the social and economic costs related to unemployment, the burden of which is felt by the whole neighbourhood, city, region, and country... Also, this links directly into reducing fuel poverty and its health impacts, the cost of which is transferred to health services, empowering citizens financially by increasing purchasing power and through the increased comfort which is often one of the most important demand-side considerations. This is also very closely linked to the cost of energy saving measures.

There are also limitations to the effect of smart devices on consumption reduction which must be evaluated and taken into account.
The housing organisations are doing a lot to make the energy use effective, but it is also based on the behaviour of the persons living in the buildings. In order to make the energy consumption lower and make the future energy market possible, we need to include the tenants, we need neutral information and training.

HOUSING EUROPE'S PROPOSAL

ESIF (ERDF and ESF) , ERASMUS + and H2020 programmes should be used to support local energy communities and a potential wide range of activities (financing and installation of local energy production capacities linked to social housing providers, training of residents and unemployed tenants to help them contribute to the low-carbon economy).

FINANCING OF ENERGY EFFICIENCY

What the European Commission says

"The Commission will support ways to simplify access to existing financing and offer 'off-the-shelf' financing templates for financial instruments to the European Structural and Investment Funds managing authorities and interested stakeholders, promote new financing schemes based on risk and revenue sharing, develop new financing techniques and support in terms of technical assistance. Financial support needs to be combined with technical support to help aggregate small scale projects into larger programmes which can drive down transaction costs and attract the private sector at scale."

HOUSING EUROPE'S VIEW

While there is huge potential for energy efficiency gains in the buildings, the measures needed are not always cost effective for housing providers –even over the long term. We need to ensure that the renovation of housing will be among the eligible projects to the various EU funding opportunities. Such projects require long term and low-cost capital financing, thus a public support in one form or another. Indeed a clear obstacle is the long payback time on investment, reducing interest of private investors or energy service contractors and resulting in a tendency to implement only superficial measures offering short-term returns. What we need is a subsidy covering the gap between energy efficiency measures that are profitable for the housing company in the long run and the climate goals, a guarantee that energy savings not covered by up-front costs and energy production made over the lifetime of the project is covered by subsidies. Key to success will be the guarantee for affordability for residents.

ENERGY MARKET INTEGRATION

What the European Commission says

"Market integration of renewable electricity generation requires flexible markets, both on the supply and demand side, within and beyond a Member State's borders. Electricity grids must therefore evolve significantly. There is a need to expand the possibilities for distributed generation and demand-side management, including intraday markets, to develop new high-voltage long distance connections (supergrids) and new storage technologies".

HOUSING EUROPE'S VIEW

The market redesign announced by the European Commission needs to take into account the regulatory issues that prevent locally based production of renewable energy (energy cooperatives, community-based projects, micro-grids, etc.) Support is needed to cover the up-front cost of these investments and it should be on equal terms for all tenures, not dis-favouring multifamily buildings. Member states should be encouraged to eliminate barriers for distributed generation in and on buildings and in neighbourhoods.

ENABLING EU LEGISLATION

What the European Commission says

"The EU has set itself the target of reaching at least 27% energy savings by 2030. In 2015 and 2016, the Commission will review all relevant energy efficiency legislation and will propose revisions, where needed, to underpin the 2030 target."

HOUSING EUROPE'S VIEW

There is a widespread consensus in the European Union that to achieve the energy transition and meet the collectively agreed objectives in terms of reduction of GHG emissions, we need to accelerate the average rate of renovation in the residential sector.
However there is strong divergence of views on how to increase the renovation rate.
While some stakeholders call for a new legislation in the field of energy efficiency in buildings, providers of social, cooperative and public housing share the view that the challenge lies in implementing fully and efficiently the current framework (EPBD and EED) in promoting approaches that have proven successful on the ground and in continued support for research and innovation.
We know that many countries are struggling to implement the measures proposed so far and that measures vary in usefulness from country to country. The need for flexibility for member states to meet the goals in different ways while ensuring affordability is vital.

• ENERGY EFFICIENCY AND AFFORDABLE HOUSING

The **Power House nearly Zero Energy Challenge (http://www.powerhouseeurope.eu/home/power_house_nearly_zero_energy_challenge_partners/the_project/)** is a dynamic platform active over the last six years in stimulating the greening of the sector across Europe and boosting the number of "nearly zero energy" homes across the continent by sharing experience and expertise between social housing professionals. To do this it builds confidence by assisting Social Housing Organisations in the identification of avoidable mistakes and wasted time spent on reinventing the wheel to get on track to meet tightening standards such as the nearly-Zero 2015, 2018 and 2020 obligations outlined in national legislation based on the European Energy Performance of Building Directive.
Furthermore, via an on-line consumption monitoring software, progress on refurbishment rates and reduction in energy consumption and CO2 emissions and renewable energy generation is being entered by local housing organisations and made visible. Based on field experience, numerous study visits, close monitoring and extensive exchange with relevant stakeholders across Europe **10 basic lessons (http://www.theguardian.com/housing-network/2014/jun/03/10-lessons-europe-energy-efficiency)** ranging from off-site retrofit techniques to funding matters and training schemes for residents were recently published.

HOUSING AND THE EU COMPETITION AND INTERNAL MARKET FRAMEWORK

STATE AIDS

Over the last decade, there has been much conflict and debate over the European Union (EU) state aid authorities' actions aiming at ensuring a level playing field on a number of national housing markets. Housing Europe members are mainly defined as undertakings entrusted with the operation of services of general economic interest. Housing Europe's members' mission is indeed to provide decent and affordable homes for people who cannot find accommodation on the free market and to make sure that those people can live in neighbourhoods that are economically, socially and environmentally sustainable.

The Commission Decision of 20 December 2011 on the application of Article 106(2) TFEU to State Aid in the form of public service compensation granted to certain undertakings entrusted with the operation of SGEIs allows social housing providers (when considered as a service of general economic interest) to receive state support in whichever form without notification to the European Commission. The Decision states (recital 11) : *"undertakings in charge of social services, including the provision of social housing for disadvantaged citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions, should also benefit from the exemption from notification provided for in this Decision"*. The European Commission therefore gives in this text its interpretation or definition of what should the kind of social housing exempted from state aid notification: *"social housing for disadvantaged citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions"*. This has triggered a series of complaints by private promoters who consider that social housing organise receive undue state support because they do not focus exclusively on this group of the population. The European Court of Justice will probably issue in 2015 a potentially landmark ruling on the extent to which the European Commission can have a competence on the definition and scope of the provision of social housing (T-202/10 RENV - Stichting Woonlinie and Others v Commission)

HOUSING EUROPE'S VIEW

EU state aid guidelines have an everyday impact on how member states design their housing systems. There is a need to evaluate the current framework's capacity to serve its purpose and more importantly whether it is adapted to the new and changing housing realities facing our populations. The review of the legal framework (Almunia Package) may take place in early 2015. There is a clear need for more room for manoeuvre for Member States, local authorities and housing providers to implement housing policies which answer their national, regional and local needs.

PUBLIC PROCUREMENT

After various consultations on the modernization of public procurement directives with the view to allow simplification in the tendering practices, a new directive on public procurement has been published at the end of 2014. It will have to be implemented by member states by April 2016.

The main provisions are:

- Authorization for social housing companies considered as entities governed by public law to cooperate with one another without tendering process.
- Reaffirmation of respect of freedom of Member States to define and organize services of general economic interest
- Sanctioning violations of labour law, social law and environmental law by bidders
- No modification of the concept of contracting authority
- No change in thresholds above which tendering process are obligatory: 5 000 000 for works and EUR 130 000 for services
- Broadening the concept of reserved markets
- Promote the use of lots:
- Selection of participants: sole criterion of the economically most advantageous offer applicable
- Possibility to impose in the tender specification social, environmental criteria but always this should always be in connection with the contract
- Introduction of the concept of life cycle to take into account in the selection criteria

HOUSING EUROPE'S VIEW

The new Directives offer flexibility to housing providers to include environmental and social criteria in their procurement practices however more clarity is needed to reduce doubts and fears of mistakes. There is a need to improve legal skills in the management of these possibilities and a clear call to the European Commission for additional practical guidelines.

HOUSING AND THE EU SOCIAL POLICIES

Despite the persistence of high level of unemployment, poverty, housing overburden and housing deprivation in the EU, the European Commission has no clear strategy on how to meet those challenges from a social policy point of view The main instruments at the moment are funding programmes (the European Social Fund is part of the European Structural Funds) and the Employment and Social Innovation (EaSI) programme is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions.

Those programmes can help housing providers to face the new challenges of housing exclusion and work for people with complex housing needs. Nowadays providers of social housing share the belief that housing should be a place where dignity is protected and where the least well off are not priced out. The challenge is that people living in the social housing sector tend to be at the same time younger and older as well as poorer than the general population. The economic crisis and its social consequences further widen the gap between social housing tenants and the rest of the population in terms of socio-demographic characteristics. Another challenge and objective for social housing organisations is to enable adults and older people with physical and mental health care needs to live at home independently, while providing a focal point for community services and activities. Although the model of provision of services and housing can vary from one region to another. (direct provision of full package of adapted housing and care services by the social housing provider, provision of permanent housing in combination with floating support providing by external care service providers, etc.), there is a growing sense of necessity to involve the users and their families in designing the support (the so called "co-production").

In a broader context, the challenge of independent living in an ageing society urges social housing providers to cooperate with a wide range of stakeholders from various sectors (health, homelessness…) within the community, even more now that communities and neighbourhoods are hit by unemployment and poverty as well as new migration flows. Working together may require a cultural shift for many stakeholders including social housing providers, but it is now recognised as the most cost effective way to provide housing to people with complex needs.

Other issues that the EU programmes can help addressing are migration (both refugees and labour migrants from the EU or third countries) and youth poverty.

HOUSING EUROPE'S VIEW

EU policies have an increasing impacting on housing but often reveal a blind spot to the diverse housing needs and the urgent responses required to what in some cities and regions is a housing and even a humanitarian emergency. There is a need for European policies which recognise and respect this diversity where it exists, fosters it where it does not and thereby contribute to the common goal of meeting housing needs. This requires a coherent constructive informed approach to housing across all economic, social and environmental policy domains. The horizontal nature of housing makes achieving this coherence challenging. As a step in tackling the lack of oversight, Housing Europe has made steps to establishment a Housing Reference Group (January 2014) made up of Members of the European Parliament open to supporting a more coherent approach at EU.

• SOCIAL INNOVATION AGAINST HOUSING EXCLUSION

Another area where Housing Europe is working to foster innovation and gain recognition for the sector in meeting societal challenges is through the piloting of new cooperation systems between different sectors to address and address social problems and to highlight the essential role of housing providers in the delivery of integrated social services. Part of their daily job is to understand customers' needs and provide early support, which could take various forms: from employment and skills training to advice on welfare support and direct care provision.
Social housing providers need to be further trained and supported to work with other sectors in order to promote this successful approach to integration. **A universal training pack (www.elosh.eu)**, as a result of a wide international collaboration between 14 housing associations, providers of social services, academic institutions and NGOs, will soon be available to guide interested organisations through this cross-sectorial cooperation by providing **European Core Learning Outcomes for integration of Support and Housing.** The pack is structured following the values of the concept of **'co-production'** that creates a truly dynamic relationship between service providers and service users.

...the challenge of independent living in an ageing society urges social housing providers to cooperate with a wide range of stakeholders from various sectors within the community, even more now that communities and neighbourhoods are hit by unemployment and poverty...

WHICH DIRECTION FOR HOUSING POLICIES AFTER THE CRISIS?

WHICH FUTURE FOR HOUSING POLICIES AFTER THE CRISIS?

LAURENT GHEKIERE
Chairman of Housing Europe Observatory

The crisis hasn't spared social housing. Economic models combining banking finance from the market and significant public aid have not coped well. Ireland, Italy, Spain and Portugal are experiencing breaks in the continuity of public social housing services. In these countries, the withdrawal of banks from the sector and the suppression of public aid for investment has virtually stopped new social housing construction.
By contrast, economic models based on long term financing mechanisms that are highly regulated, such as dedicated savings accounts or real estate bonds (Denmark, Austria, France) and on diversified public aid have coped with the crisis better. In these countries, social housing plays a countercyclical role in terms of investment and jobs while ensuring continuity in the public service and the availability of an affordable supply of housing.

The EU influence is structural. The Member States' choices on how to organize, finance and define the scope of intervention on the housing market, are strictly framed by Brussels. The principle of subsidiarity, the wide discretionary margins of appreciation in the definition of this public service mission have been challenged by the Commission in the context of its check on state aid for Dutch social housing. Private operators have rushed into this gap, with a big increase in the number of complaints in Sweden, the Netherlands, Belgium, Luxembourg and lately in France. This mobilisation of private actors is proportional to the effectiveness of the social sector to influence the general conditions of access to housing. The bigger and more structured it is, the more it gets attacked. Brussels has become a gateway for private actors to challenge the choices of national parliaments in terms of housing policy on which they have not been able to exert their influence in the context of the national debate. These complaints have led to in-depth reforms of the scope and economic model for social housing in the Netherlands and Sweden. Challenging the principle of universal access by introducing a single ceiling of income of €33,000 per year has deeply shaken the Dutch economic model for social housing and the residential mobility of households. In addition to the administrative burden of checking the income of two million household tenants, a number of them have found themselves, from one day to the next, between two stools: too rich to access or maintain themselves in social housing but not rich enough to access the private sector. More worrying is the fact that a form of blackmail has emerged in the Community dispute. In a striking example in Sweden, private operators withdrew their complaint about state aid to social housing on the same day as the government announced its decision not to define municipal housing as a service of general interest and to end the public service compensation granted to municipal housing companies. They thus obtained via Brussels what the Swedish parliament had refused them up until now in the name of social democracy and the effective implementation of the right to housing for everyone. In addition, instead of the legal security promised, we see a growing dispute and an increase in the number of state aid checks, in particular in the allocation of Structural Funds.

The recent measures adopted in the area of economic governance have amplified the intensity of this influence. The country-specific recommendations defined in the context of the 'European semester' are binding measures that may challenge the political choices of EU member states in terms of rental policy. For example, can the Swedish parliament refuse to abrogate the rent negotiation system, a recommendation proposed by DG Ecfin and approved in the Council of Ministers? What about the EU Member States' right to preserve their so-called 'exclusive' competence in terms of housing policy? This is a subsidiarity subject to a toll of some kind. It is a hot issue in France where such a framing of rents is being debated in the National Assembly and in the Senate as part of the Duflot law inspired by the German model. How can countries thus undo in the Council existing legislative provisions in domestic law or being debated in their own parliament?
As for Greece's recovery plan imposed by the Troika, this has led to the suppression of social housing considered as a good that does not come under the category of primary need. The issue of the legitimacy of these decisions is now being questioned. Besides the issue of the conflict over competence, these decisions directly impact the purchasing power of several million households as housing is not only the main item of their expenditure but one whose cost keeps growing. How can one explain to Europeans that, in terms of state aid or macroeconomic governance, the European Parliament has been quite simply swept aside from the legislative process?

Numerous factors contribute to the maintenance of a high level of demand for housing in the EU. Residential mobility is growing and comes hand in hand with professional mobility and demand is concentrated in the urban areas where jobs and services are to be found but also where the shortcomings of the market are structural in terms of accessibility.
The demographic and sociological evolutions weaken the creditworthiness of demand, in particular for elderly people and single parent families, where the offer is either unsuitable in terms of products or inaccessible in terms of costs.

The social and urban diversity and the accessibility of the offer of housing are the major challenges that European towns will have to face up to with their growing concentration. Social housing, as a public service, must be in a position to respond to these new challenges. The European Union must guarantee and not hamper its accessibility, its flexibility and universality. It must support it through Structural Funds and its Cohesion Policy and give up on the disproportionate bureaucratic burden on a local public service that is deeply anchored in the local realities.

WAITING FOR THE COURT'S RULING

After years of proceedings, the EU General Court will soon be ruling on the substance of the European Commission's recent but established practice of manifest error in the classification of social services of general interest (SGEIs). What is now known as the 'Dutch case' saw the European Commission confront the Dutch the government over the definition and scope of social housing in the domestic housing market.

The Commission's requirement that authorities set an income ceiling for access to social housing and the difficult negotiation of its amount by the Kroes cabinet and the government led the then-prime minister to set a red line on the Lisbon Treaty meaning.
From this struggle a new protocol specific to SGEIs emerged, which establishes member states' full jurisdiction to define and organise SGEIs and lays down the principle of universal access and meeting the needs of local users. But it will take more than that to get the European competition authority to shift its practice in this area.
Taking advantage of this breach, private operators launched numerous proceedings in Sweden, Luxembourg, Belgium and most recently in France. In Sweden, the government even decided not to enter into a battle with the Commission, choosing instead to simply remove social housing from the scope of SGEIs to keep from having to set income ceilings.

The legal certainty announced by the Monti package in 2005 gave way to an unprecedented wave of litigation in this sector. Nearly **7.6 million European households** living in social housing are potentially concerned by these cases and face the risk of being caught in the middle, as in the Netherlands: too rich to obtain or keep access to social housing but too poor to afford housing on the private market. Dutch housing corporations appealed the Commission's decision, backed by their French counterparts and by Housing Europe - the European federation of public, cooperative and social housing.

In the wake of the judgement handed down by the Court of Justice on 27 February 2014 in Case C-132/12 P, which sets aside the General Court ruling of 16 December 2011 in Case T-202/10 (Stichting Woolinie and others versus European Commission), the latter case has been sent back to the General Court for a decision on the merits.
The question that arises is whether the member states can file an application to intervene in the proceedings in the case as referred back to the General Court (Case T-202/10 RENV) and thus to reiterate to the EU court their full jurisdiction for defining SGEIs, including social services of general interest.

"MANIFEST ERROR OF ASSESSMENT OF THE MANIFEST ERROR!" THE BALL IS NOW IN THE MEMBER STATES' COURT.

Analysis of the Court of Justice and General Court judgements confirms member states' capacity to intervene in the case without having to demonstrate any legal interests in bringing proceedings, unlike other stakeholders.

The Court of Justice decision to refer the case back to the General Court is a clear signal by the judges that the merit of the case cannot be left unaddressed. Social housing corporations did the work of member states by appealing the Commission's decision and decision making practice before the Court of Justice. It is now for the states to intervene before the General Court, asserting clearly and expressly their exclusive competence to determine the scope of social public services and more specifically to establish the conditions for the allocation of social housing in terms of local needs and their collective and societal preferences.

Behind this residual conception of social services spelled out by the Commission in its decision on the Netherlands lie societal challenges, such as social diversity and urban diversity, on which no competition authority is competent to rule. The level of member states' participation in the General Court's proceedings will be a clear signal to citizens of their determination to bring this derailment under political control and to put an end to this manifest error of assessment of the manifest error.

HOUSING EUROPE MEMBERS

Find out more about our members on our website
http://www.housingeurope.eu/section-22/our-members

Armenia
ASBA

Austria
GBV

Belgium
Fesocolab
FLW
SLRB
SWL
VMSW

Czech Republic
SCMBD

Denmark
B.L. (Boligselskabernes Landsforening)

Estonia
EKÜL

Finland
Kunta-asunnot Oy

France
ESH
USH
Les Offices Publics de l'Habitat
FNAR HLM
FNCOOP HLM

Germany
GdW

Hungary
LOSZ

Ireland
ICSH
NABCO

Italy
Alleanza delle Cooperative Italiane – Settore Abitazione
FEDERCASA

Luxemburg
SNHBM
FDLH

Netherlands
AEDES

Norway
NBBL

Poland
TBS
ZRSM RP

Portugal
CECODHAS

Spain
AVS
CONCOVI

Sweden
HSB - home of opportunities
SABO
RIKSBYGGEN

Switzerland
SVW / ASH

Turkey
TÜRKKENT

United Kingdom
CHC
BSHF
NHF
NIFHA
NIHE
SFHA

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

Established in 1988, it is a network of 42 national and regional federations which together gather about 41.400 public, social and cooperative housing providers in 22 countries. Altogether they manage over 25 million homes, about 12% 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.

www.housingeurope.eu #housingEU

HOUSING EUROPE

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