



**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.

References:

(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>

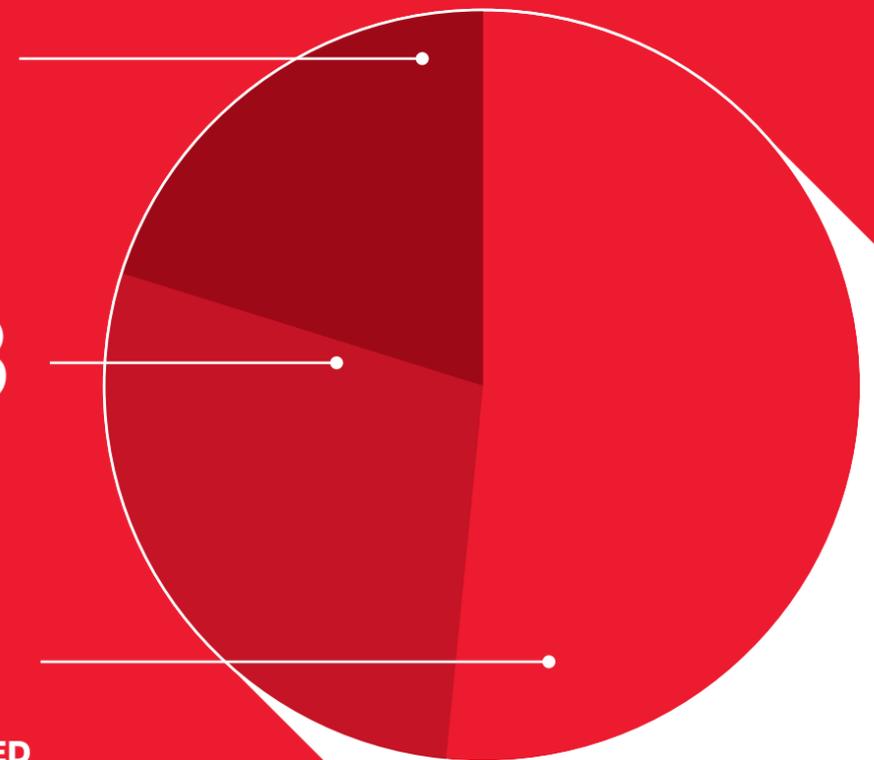
(2) All data from Statistics Austria, http://www.statistik.at/web_en/statistics/housing/index.html

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

20,1
SOCIAL RENT

28,3
PRIVATE RENT

51,6
OWNER OCCUPIED



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 disproportionately 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'épargne collective solidaire.

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- (5) CEHD, CHIFFRES-CLES DU LOGEMENT EN WALLONIE - 2012 <http://www.cehd.be/projet/chiffres-cles>
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1,2

OTHER

6,5

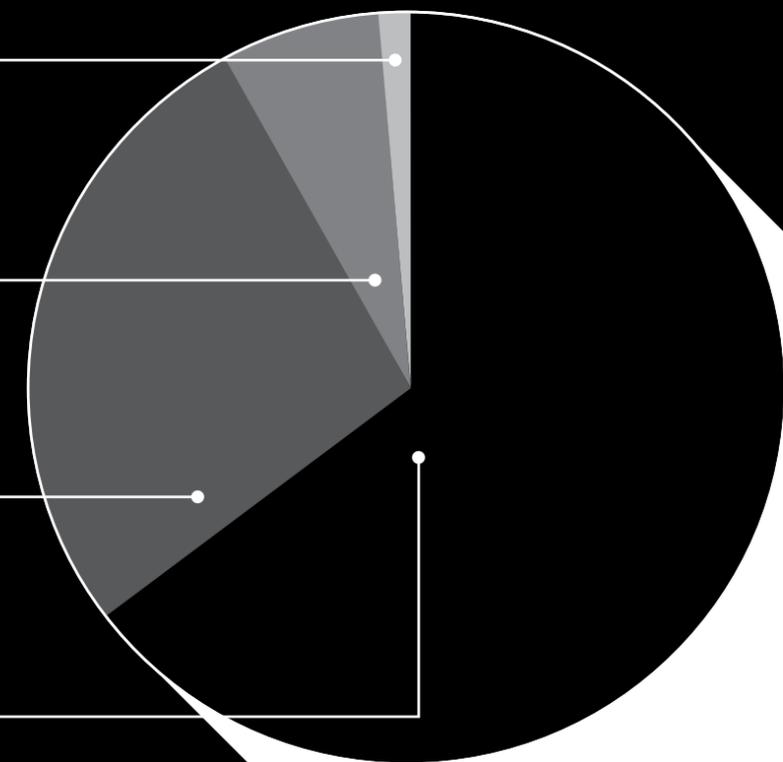
SOCIAL RENT

27,5

PRIVATE RENT

64,8

OWNER OCCUPIED



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>

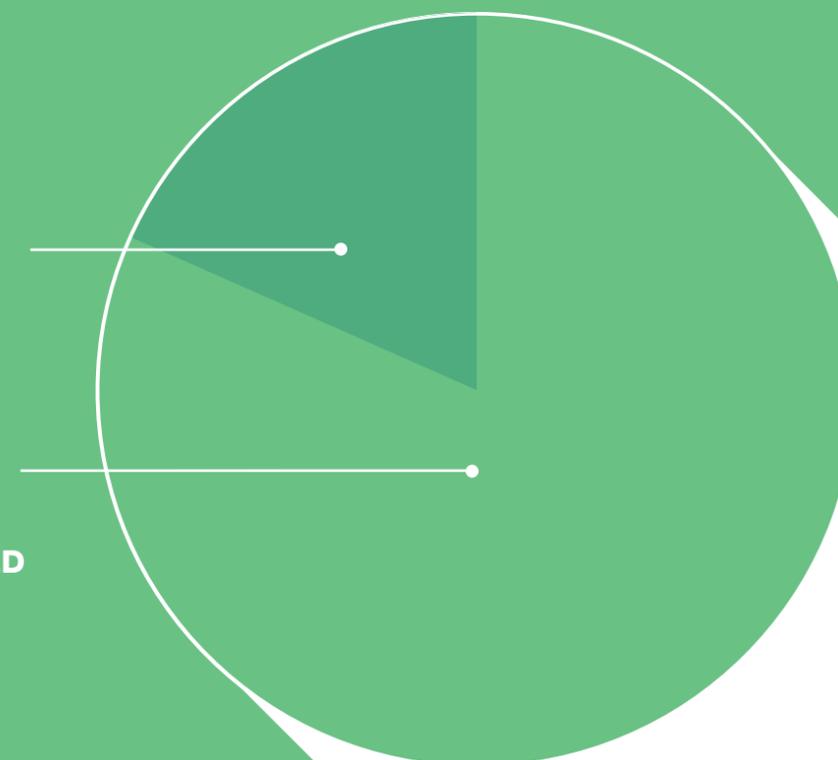
...the highest share of people who are not able to keep their home adequately warm in Europe

18,3

RENT

81,7

OWNER OCCUPIED



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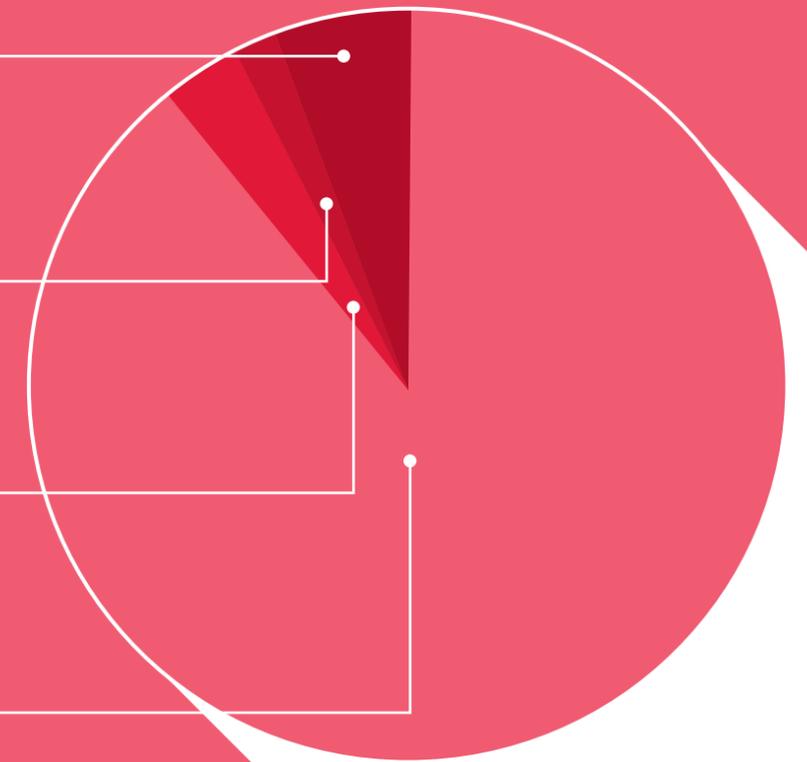
“Housing care program for Homeland War victims” includes construction, purchase and adaptation of apartments and buildings specially adapted for war disabled veterans

5,8
OTHER

1,8
SOCIAL RENT

3
PRIVATE RENT

89,4
OWNER OCCUPIED



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).

References:

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- (2) European Mortgage Federation, Hypostat 2013 <http://www.hypo.org>
- (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%

12,6

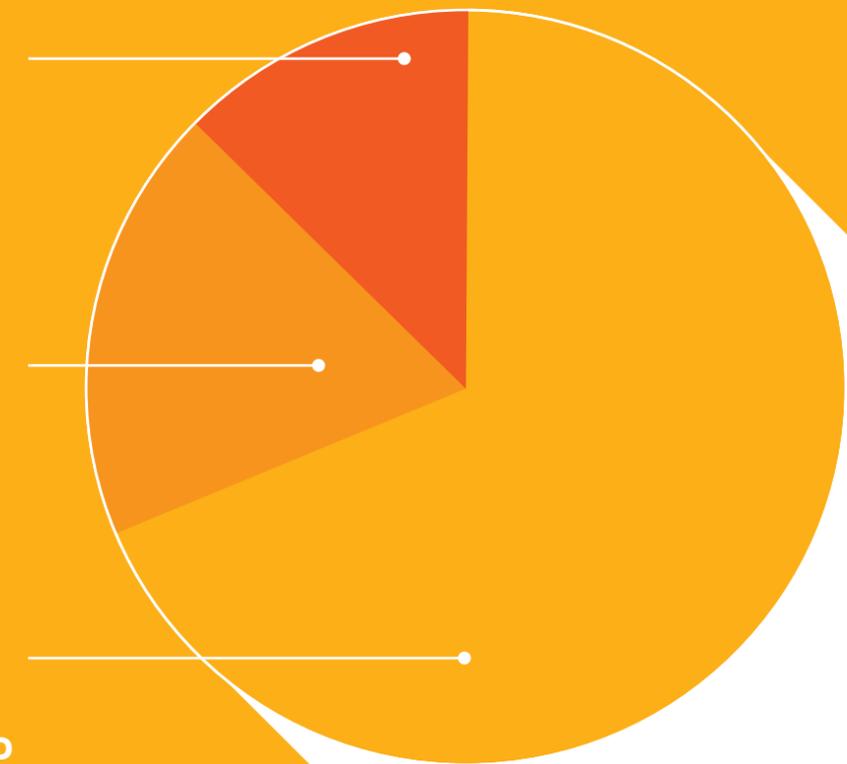
OTHER

18,8

PRIVATE RENT

68,6

OWNER OCCUPIED



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



• 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

12,3

OTHER

9,4

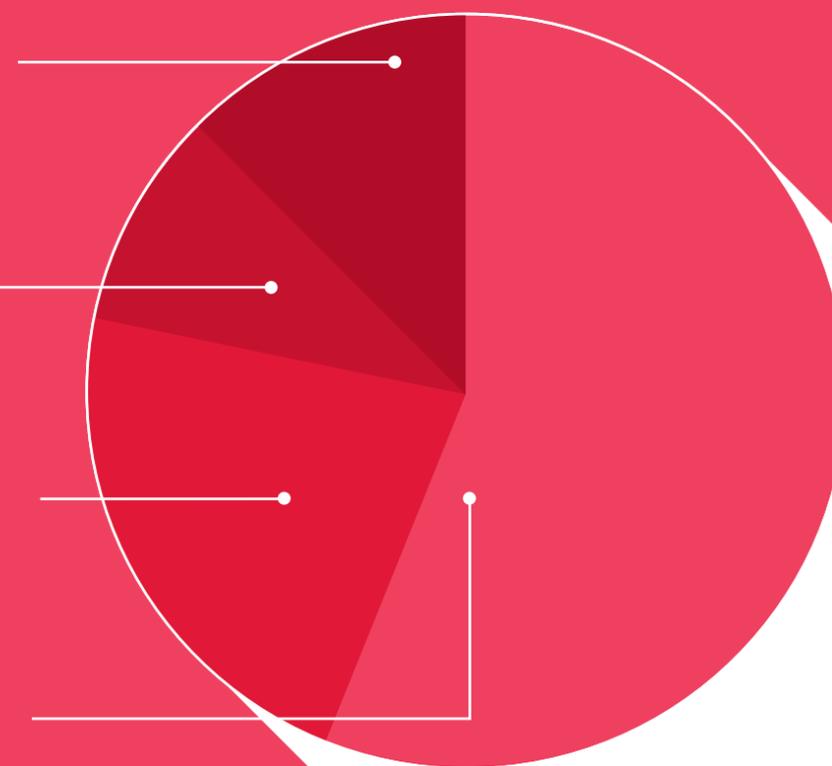
COOPERATIVE HOUSING

22,4

RENT

55,9

OWNER OCCUPIED



Key Data:

Total number of dwellings (thousands): **4 756,57**

Number of dwellings per 1000 inhabitants: **469**

Housing completions in 2012: **25 246**



- 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



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

In 2014, the Czech Republic received recommendations from the European Commission 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 Denmark registered large increases until 2008, followed by a downturn. Nominal house prices registered the strongest year on year decrease in 2009 (-12.9%), slightly increased in 2010 and then fell again in 2011 and 2012 by 2.8% and 3.2% respectively (2). The price decrease concerned mainly single family houses and holiday cottages. **Most recently house prices have stabilized and are beginning to rise** (3). Transaction activity increased slightly in 2012, but remains low in a historic context, and so does construction activity (2). **Construction costs in Denmark are the second highest in the EU** after Sweden.

Denmark has the second highest level of mortgage debt in the EU after the Netherlands (with the outstanding residential Loans to GDP ratio at 100.8%, and outstanding residential debt to disposable income of households ratio at 205.7%) (2). Nevertheless, household debt is matched by a high level of assets, such as real estate and very high pension savings, and arrears on mortgage payments are relatively low (4).

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:

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

49

PRIVATE RENT

51

OWNER OCCUPIED

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)



- 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).

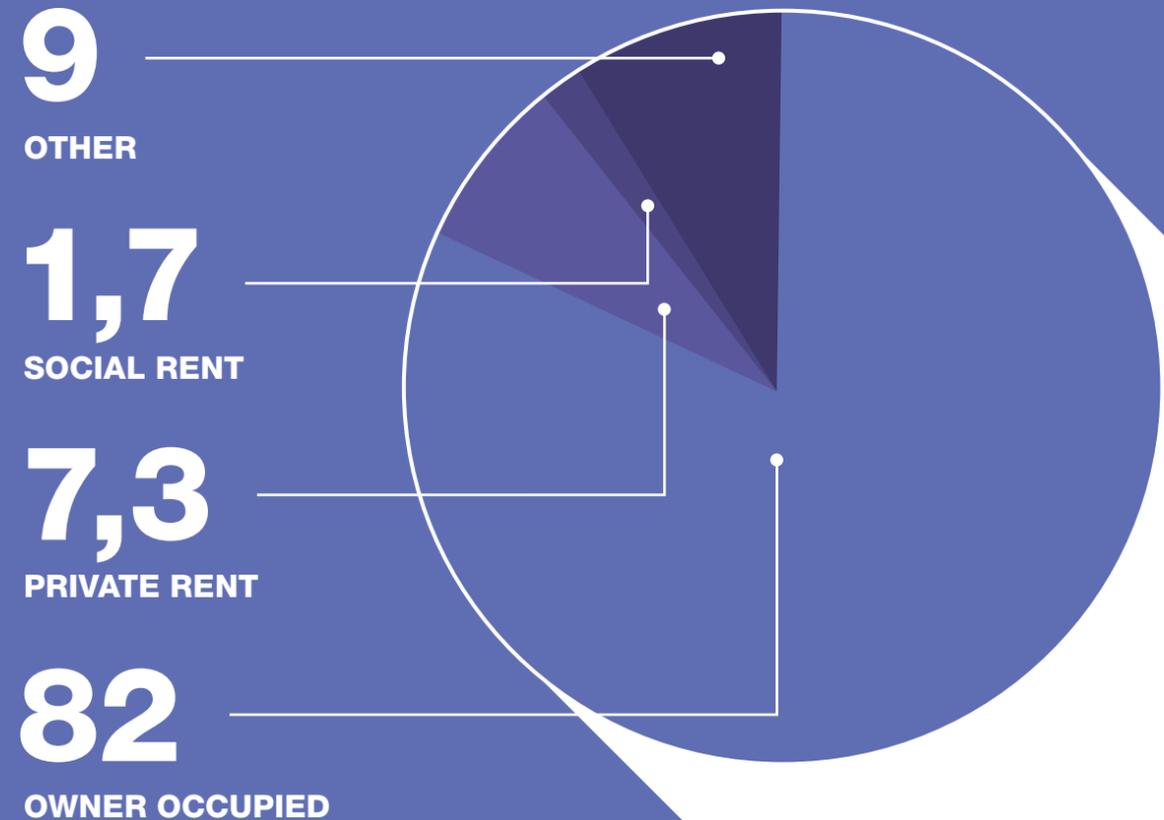
The Estonian government tightened energy efficiency

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).

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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**



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



- 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 has 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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3

OTHER

14

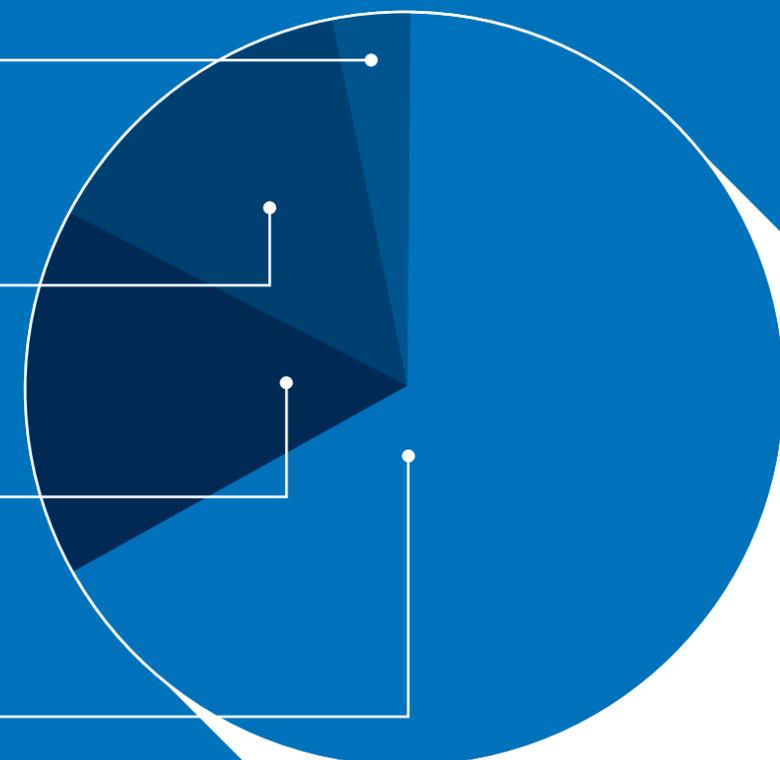
SOCIAL RENT

16

PRIVATE RENT

67

OWNER OCCUPIED



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 housing companies, to a lesser extent limited-profit housing organizations and housing trusts**

(Source: Statistics Finland)



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



- Among the countries with highest construction prices in the EU
- Lack of affordable housing supply in the Helsinki metropolitan area

FRANCE

TRENDS IN HOUSING MARKETS

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" which 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.

3

OTHER

17,4

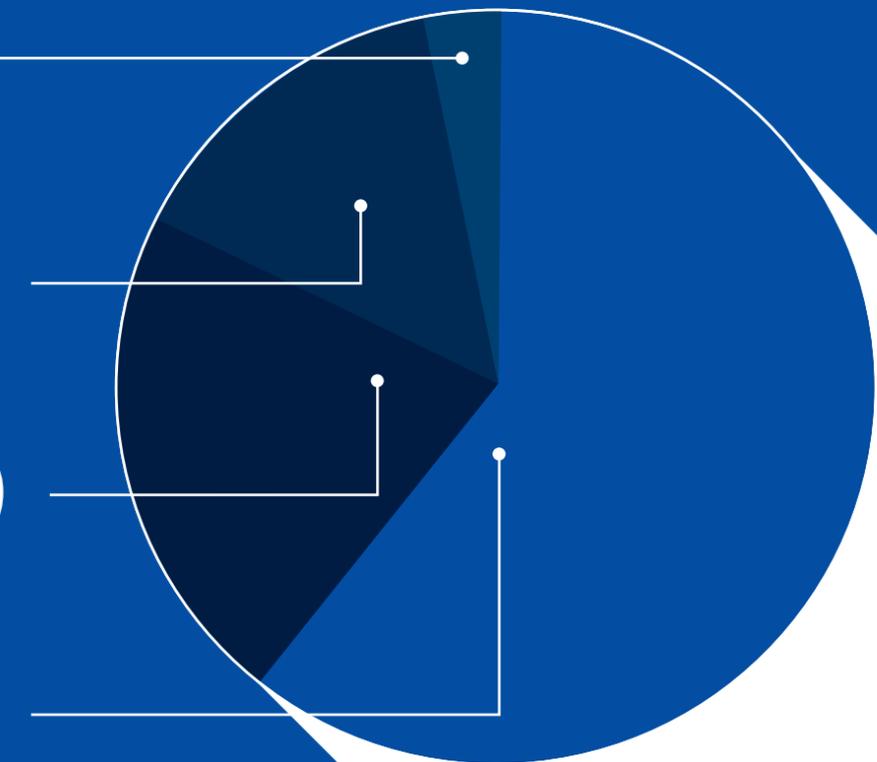
PUBLIC RENT

21,9

PRIVATE RENT

57,7

OWNER OCCUPIED



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



- 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-estimated 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 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.

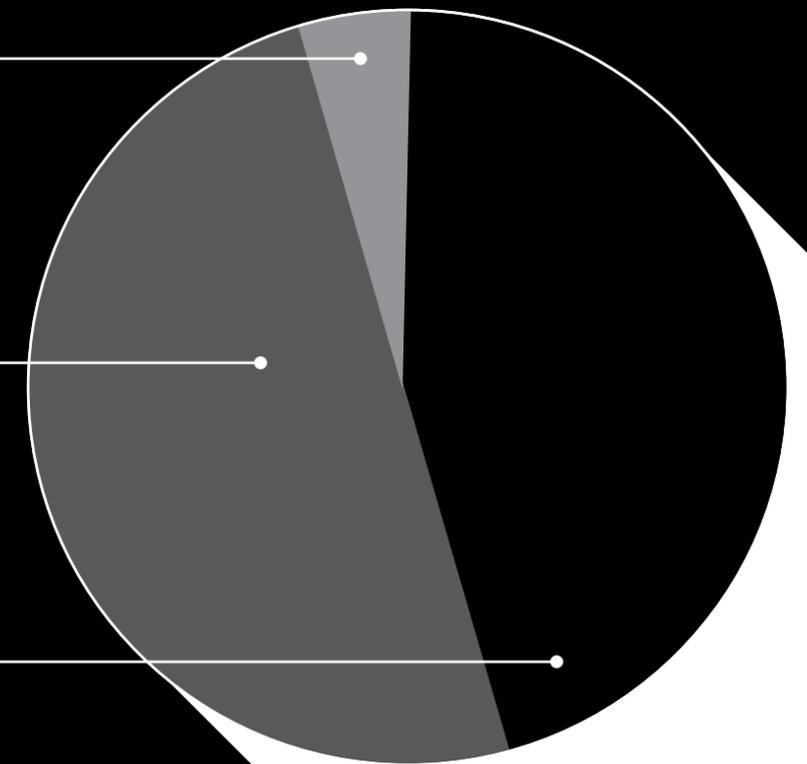
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4,2
SOCIAL RENT

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)



- 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



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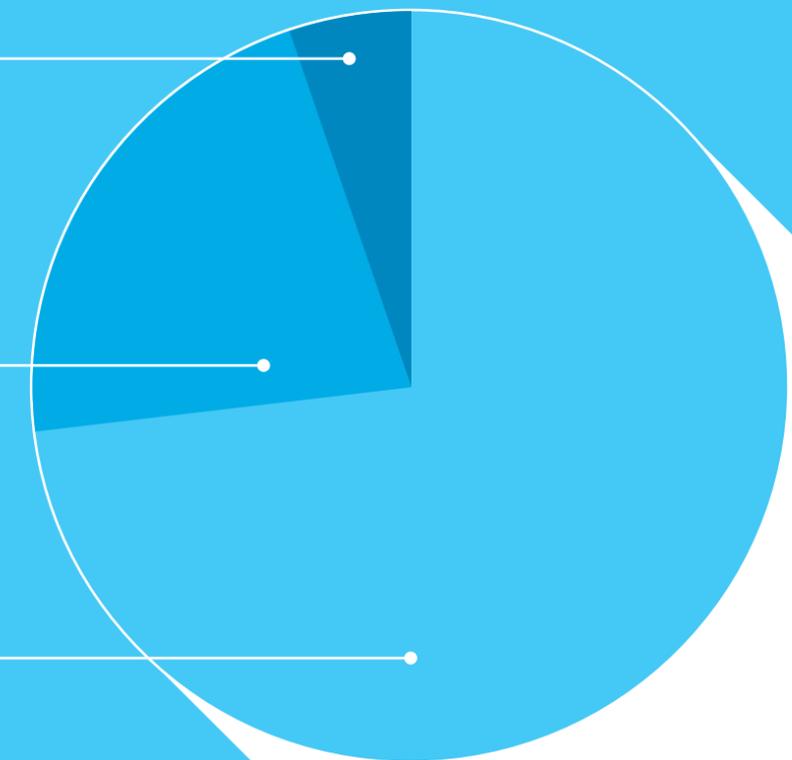
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Homeless population in Greece rose by 25% between 2009 and 2011

5,1
OTHER

21,7
PRIVATE RENT

73,2
OWNER OCCUPIED



Key Data:

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



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



- 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**



• Low levels of outstanding mortgage compared to EU average



- 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 onset 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.

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1,5

OTHER

10,3

SOCIAL RENT

18,5

PRIVATE RENT

69,7

OWNER OCCUPIED

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)



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



- 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% underwater 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 arrears**, 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

11

OTHER

5,5

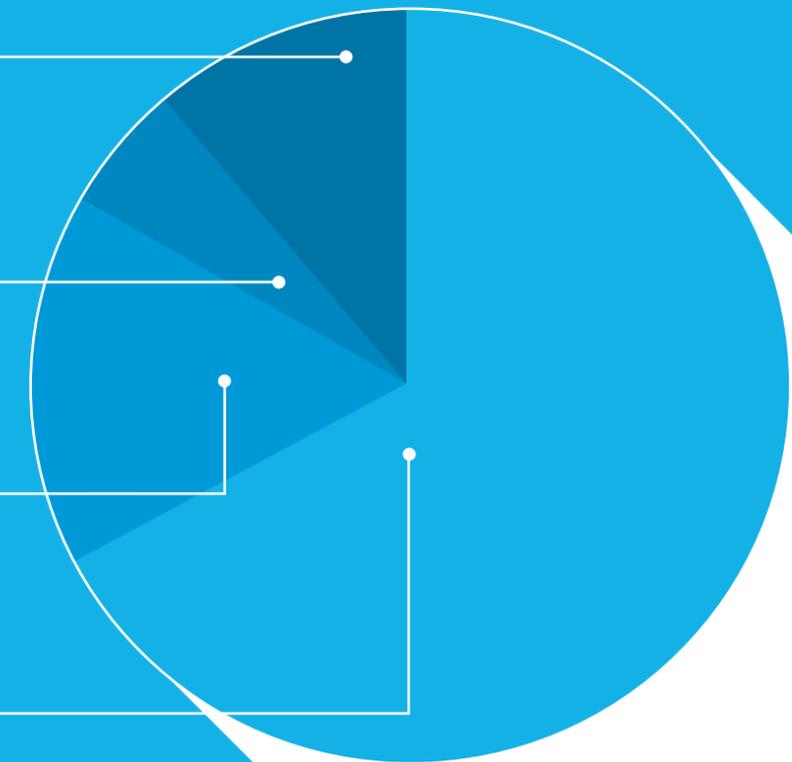
SOCIAL RENT

16,3

PRIVATE RENT

67,2

OWNER OCCUPIED



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...

28,6

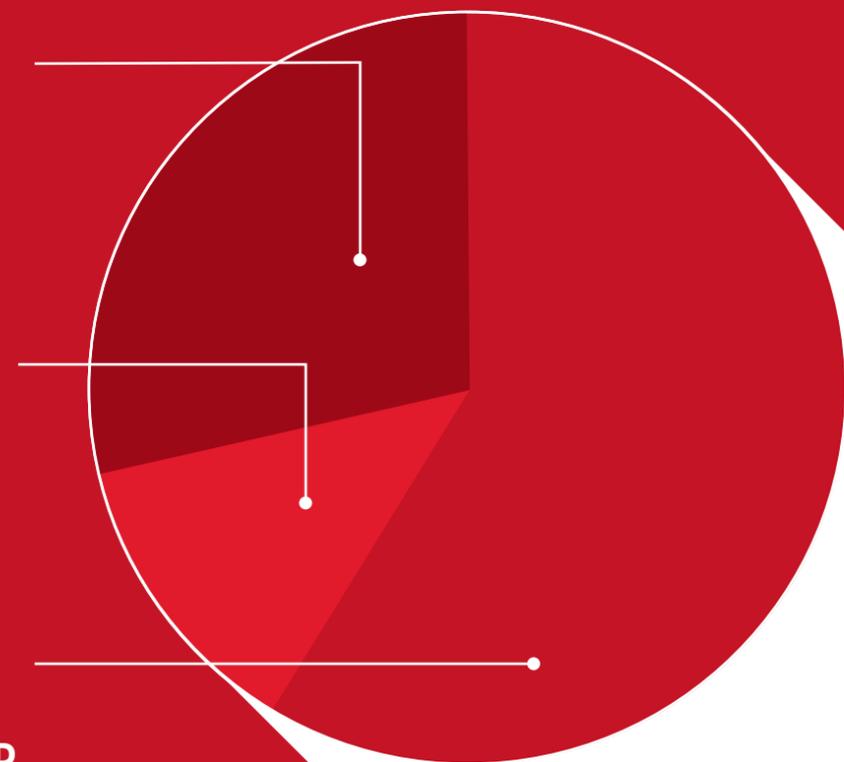
OTHER

12,6

PRIVATE RENT

58,8

OWNER OCCUPIED



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

11,4
PRIVATE RENT

88,6
OWNER OCCUPIED



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

2,7
TENANT RENT-FREE

28,3
TENANT

69
OWNER OCCUPIED

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).

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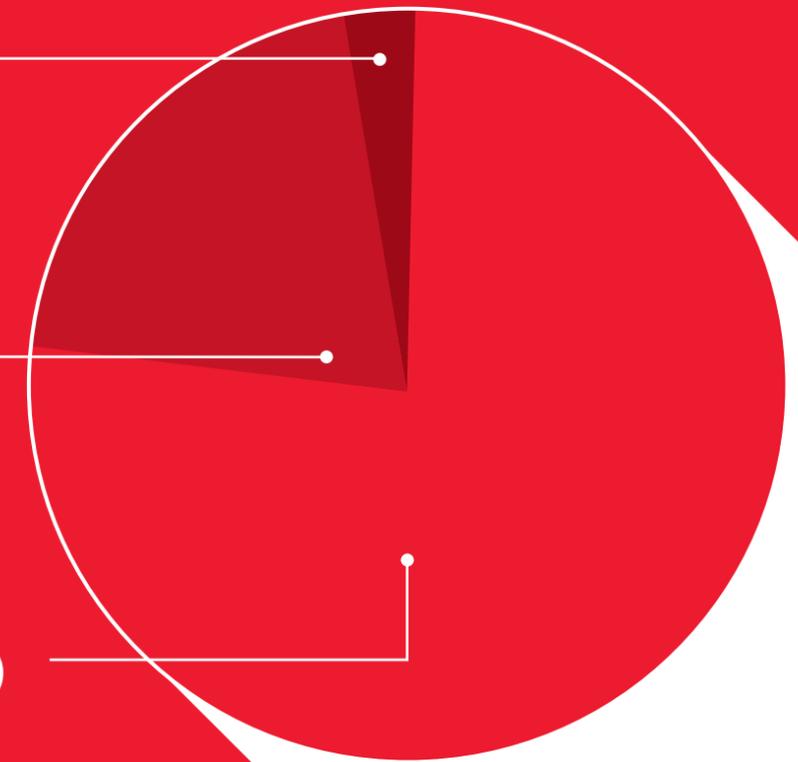
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...an overall high level of affordability of housing costs compared to other EU countries and good housing conditions

2,75
OTHER

19,8
RENT

76,45
OWNER OCCUPIED



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 Zeeland, 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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33
SOCIAL RENT

7
PRIVATE RENT

60
OWNER OCCUPIED



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 (known as TBS) and the rest (0,2 %) by the State Treasury.

The stock in cooperative ownership along with housing owned by social building associations is being systematically reduced by transfer to private individual ownership (2). Nevertheless, in spite of the official state policy promoting primarily private individual ownership, the vast possibilities of conversion of cooperative rights into proper ownership have not 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 prudent 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 młodych") 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...

16,2

COOPERATIVE HOUSING

0,8

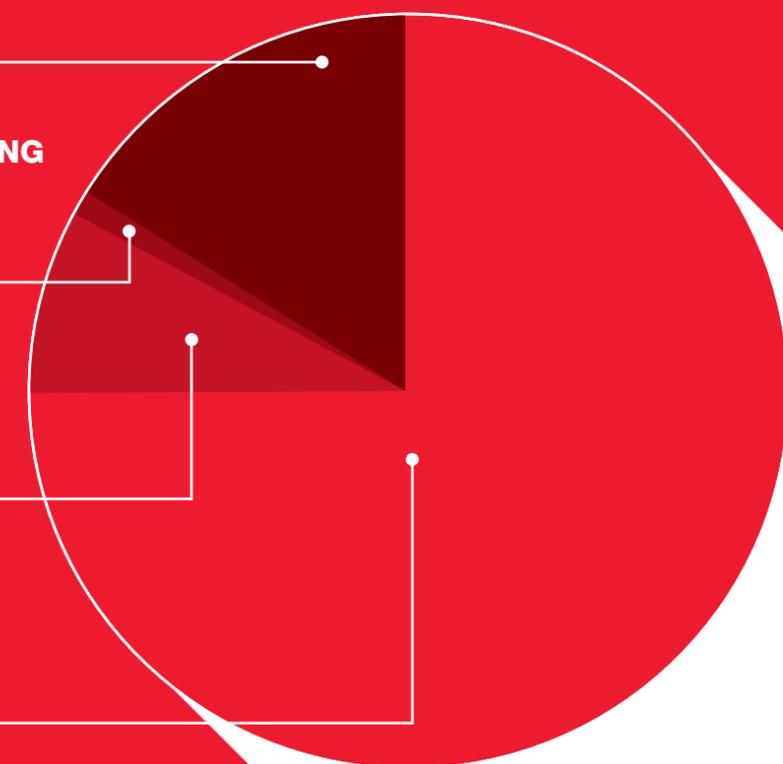
PRIVATE RENT

7,6

SOCIAL RENT

75,4

OWNER OCCUPIED



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.

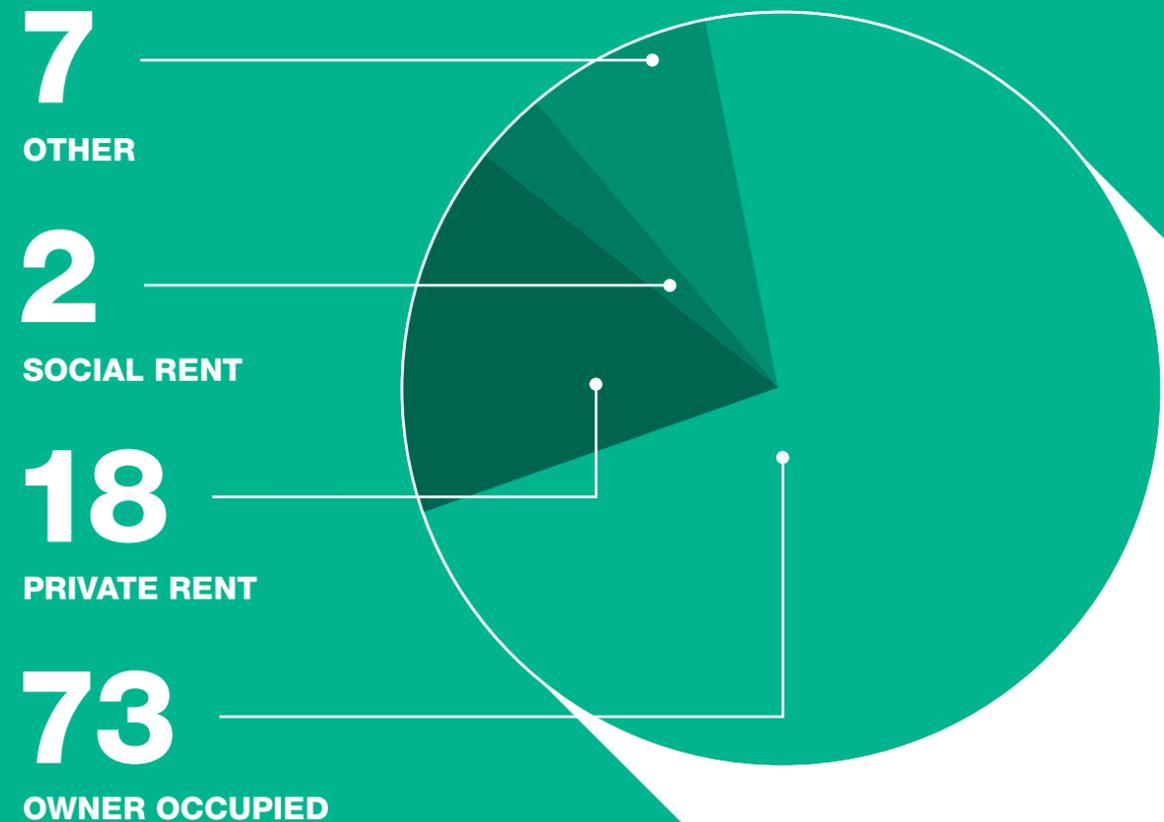
Furthermore, the authorities announced their intention of stepping up efforts to **combat tax evasion in the rental market**, and have been requested by the European Commission to implement monitoring of the housing market and to carry out a study on the shadow economy in the Portuguese rental market.

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 m², and with total costs of up to 90 000 EUR (1).

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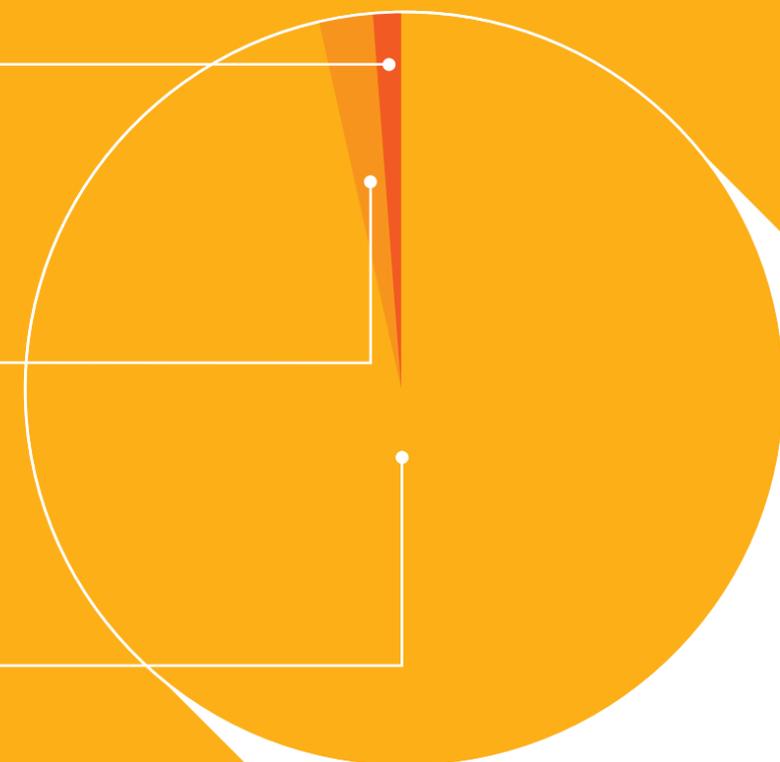
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...only 66.7% of houses benefit from running water...

0,3
OTHER

1,5
SOCIAL RENT

98,2
OWNER OCCUPIED



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



- 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

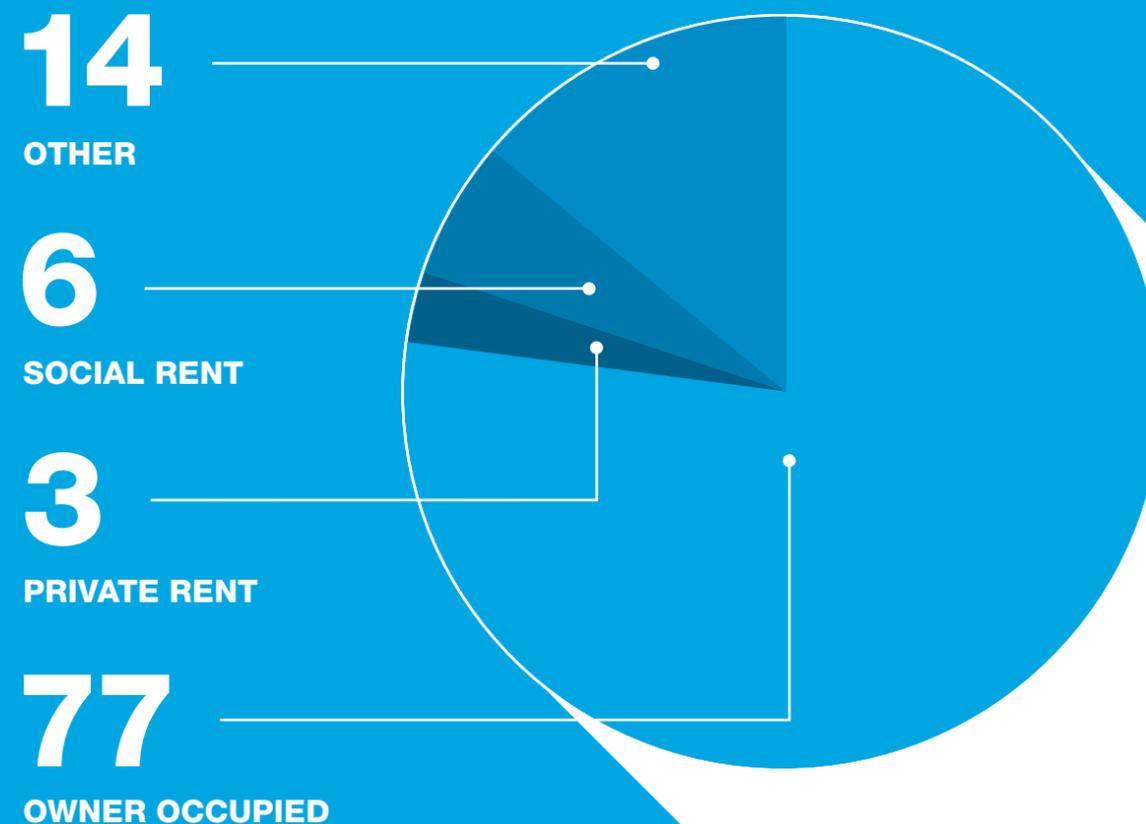
As a reaction to the impact of the crisis on the Slovenian housing market and on the national economy as a whole the **Act on the Natural Persons Guarantee Scheme** (Zakon o Jamstveni Shemi RS za Fizične Osebe) has been adopted. This act has enabled more lenient conditions of lending for those individuals, 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
- 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 Protección 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 1st, 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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5,1

OTHER

2,4

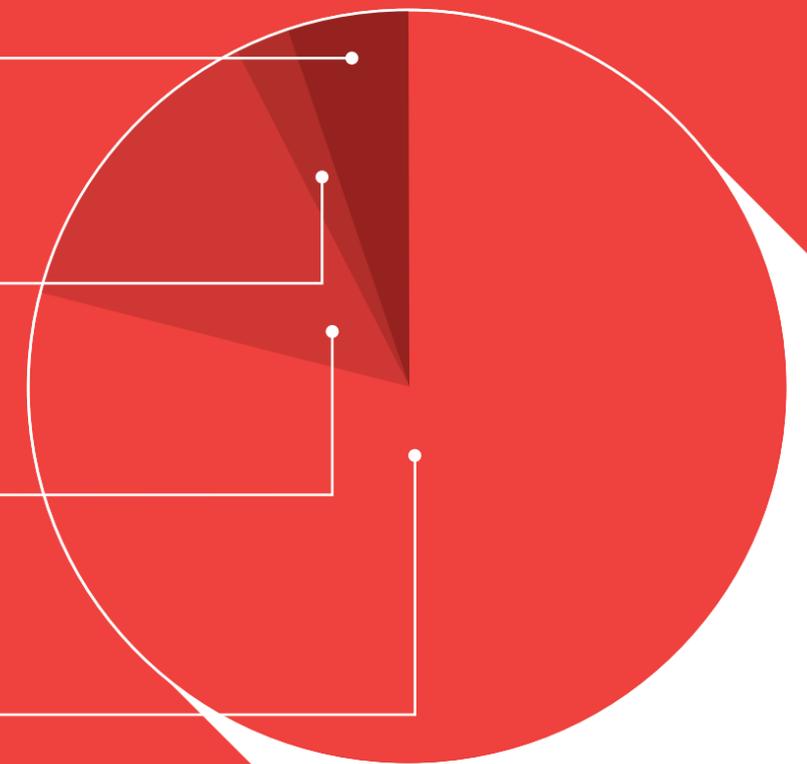
REDUCED RENT / FREE

13,5

PRIVATE RENT

78,9

OWNER OCCUPIED



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 than 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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19

PRIVATE RENT

19

PUBLIC RENT

22

TENANT OWNERSHIP

40

DIRECT OWNERSHIP



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 chronic **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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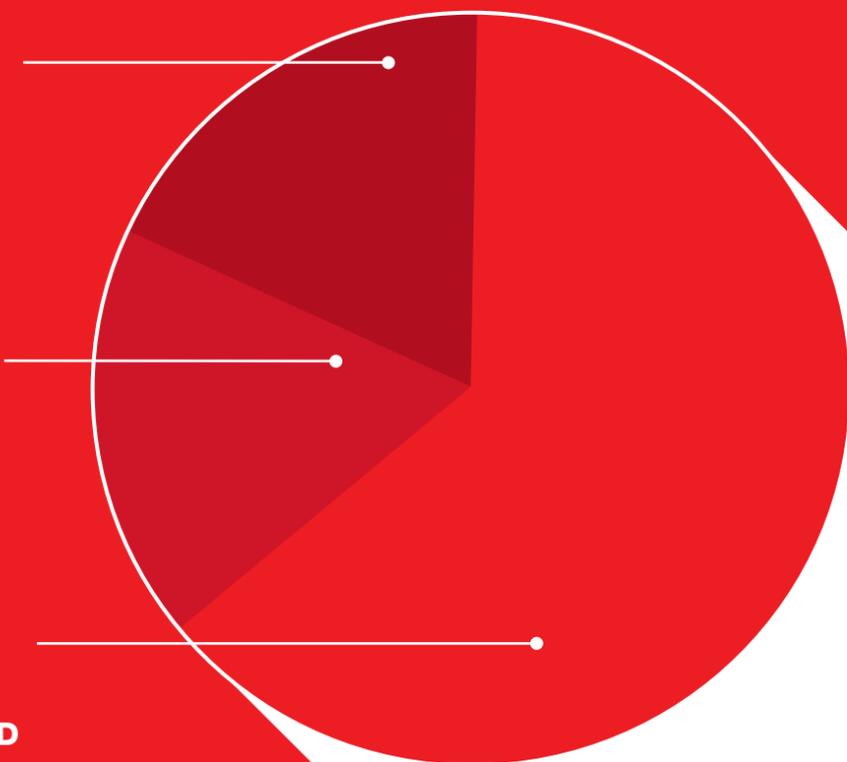
SOCIAL RENT

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.'