80th session of the Committee on Urban Development, Housing and Land Management:
“Ensuring access to decent, adequate, affordable and healthy housing for all”

UNECE/ Housing Europe Study
Improving Housing Affordability in the UNECE Region
Housing 2030

With Financial support from Finnish Housing Fund & Irish Housing Agency
Increasing attention at international and EU level
Biennial compass of Europe's housing sector

• Third edition
• Source: national experts, existing databases and literature
• Bringing together trends/figures and policy
• 22 countries (20 EU + 2)
• Recent developments in policy & governance
• Recent changes at city level
• Future perspectives
Addressing a structural problem with patchwork

Europe’s housing crisis, already identified in the 2015 and 2017 editions is still a reality many countries are confronted with.

What we have seen, in the meantime, is that although this is clearly a structural problem, it continues to be addressed by decision makers with a patchwork of, often costly, policy solutions.
Housing affordability keeps hitting Europeans

- 10.2% of households in the EU spent over 40% of their disposable income on housing costs in 2017, but this share increases to **37.8%** when considering households at risk of poverty.

- When housing costs are taken into account, **156 million people** are at risk of poverty, vs 85 million before housing costs.

- Where perceived burden is lower we find relatively higher shares of SH, gov spending on housing, employment rates.
HIGHLIGHT: housing and the growing social divide

• While overall housing costs are particularly draining for households with lower income, more and more people are affected by the lack of affordable housing, particularly in big cities (middle class, key workers)

• Rising house prices also hinder labour mobility towards the most dynamic urban areas and, more generally, upwards social mobility (youth, newcomers)

• In all but two of the 28 EU capitals, most people disagree with the statement that finding good housing at reasonable prices is easy
New global trends reflected in EU cities

• House prices in the cities no longer only reflect the local factors such as supply constraints, regulations and zoning, but also global trends
• Growing role of global capital/investors
• Spreading of short-term lettings through online platforms
Housing a key issue for the ‘squeezed middle class’ – a view from OECD

• While middle incomes have ‘barely grown’, the cost of ‘essential parts of middle-class lifestyle has increased faster than incomes’, notably housing, health and higher education.

• ‘Rising house prices also hinder labour mobility towards the most dynamic urban areas and [...] upwards social mobility’.

Housing at the ‘heart of growing economic divide’ – a view from the World Bank

• ‘Availability and affordability of decent housing has become an important economic and social concern in the EU. This has accelerated in recent years, as housing price increases in metropolitan regions have often outpaced wage increases. [...] Young people and newcomers to cities are especially affected

• ‘Land and housing assets are a source of wealth inequality, have an important impact on spatial inequality, and could potentially determine the degree of intergenerational mobility within a society.

(Source: The World Bank (2018), Living and Leaving: Housing, Mobility and Welfare in the European Union)
Housing The Future Means Getting this Right:

A base of Evidence & Evaluation
Recent city-led policy initiatives in the field of housing on Land Supply

Brussels/lille: Community Land Trusts

Vienna: Land Zoning for Social Housing

Munich: Social Welfare land use

But many barriers persist
Finance of Typical Projects

- 20–60% conditional subsidies with limits to keep construction and financing costs down
- 5–15% equity of developer
- 0–15% equity of future tenants
- 50–70% commercial loans raised via Bonds and developer/tenant equity

E.g. a three level security structure to allow access to private finance
Central Fund of Social Housing
Guaranteee Fund for Social Housing
State and Local authorities intervention

76.5% from Tax Free loan with regulated interest rates
10% equity capital
8% local authorities’ subsidies
3% state subsidies
2.5% employers’ grants
Effectively combining EU funding instruments

Eg (2014-2020)
- Loan Fund for renovation of multi-apartment buildings (2009)
- National banks, CEB, ERDF
- From 2014: scheme is combined with PDA + performance based grants.
- Beneficiaries: Housing associations

Eg (2014-2020)
- €268 million
- Modernization of 37 000 multi-apartment buildings
- Beneficiaries: Housing associations handling the buildings
- 3 new funds: Jessica II (€150 m), Multi-Apartment Building Modernis. Fund (MBMF-€30 m) & the Energy Efficiency Fund (ENEF-€79 m).
  - MBMF and Jessica II: attract large private investments.
  - ENEF: new instrument to give loans for modernisation.

Eg (2010-2015)
- Refurbishing its most energy voracious districts with €25 m
- Building insulation, improved connections to district heating.
- ERDF covers 75% of the refurbishment costs- home owners 25%.
- Residents have access to low-interest loans & bank guarantees
Insufficient investment in affordable housing

• Missing: at least €57 bln per year

• Public investment that could boost supply keeps falling in the EU - from €48 bln in 2009 to just over €26 bln in 2017

• Over the same time period, expenditure on housing welfare payments has increased by a third
Government spending on housing - Total combined spending by member states by type of support

Source: Eurostat (COFOG) [gov_10a_exp]
The cost of inadequate housing – a view from Eurofound

• Inadequate housing costs EU economies nearly €194 billion per year – in direct costs associated with healthcare and related medical and social services, and indirect costs such as lost productivity and reduced opportunities.

• The investment needed to bring the standard of housing up to an acceptable level which would be repaid within 18 months by savings in healthcare and better social outcomes.

(Source: Eurofound (2016), Inadequate housing in Europe: Costs and consequences, Publications Office of the European Union, Luxembourg)
Regulation: Measures to increase the availability of social housing in the city

Instruments to reach the goal:

• a first purchasing right by the municipality on properties for sale

• an obligation at least 30% of dwellings to social housing in all projects by private developers covering over 800 m2

• Financing new construction by Social Housing providers or give them access to land

• One third of the city’s investment budget is dedicated to housing
Regulation: Limited Profit Housing Associations (LPHA)

• Limited-profit housing associations are enterprises whose activities are directly geared towards the fulfilment of the common good in the field of housing and residential matters.

• They provide social and affordable housing with rents covering costs (below market rents)

• As they are only allowed limited profit, public funding is needed to provide investment capital and to make it affordable to people.

• Control by state authorities and independent monitoring organisation
Housing supply
Housing delivery is evolving to the changing funding context, and to respond to changing socio-demographic context, new needs from different population groups, technological development, environmental challenge.

It must be adapted in line with Sustainable Development Goals.
From empty office to social housing units

• Social housing organisations devise creative solutions in order to give unoccupied office buildings a new future as homes.

• There are tens of thousands of unoccupied buildings such as offices, residential and care complexes throughout the country.

• For instance a former office building with 12 floors was renovated into homes for 285 students.

The Hub has a built-in kitchen, shower, and toilet, along with heat, a sound system, and Internet.

Photo: https://www.fastcompany.com/3057889/this-pre-fab-apartment-turns-empty-offices-into-affordable-housing
Improving Procurement, to reduce construction costs

• Improved coordination between the municipal public housing companies in the public procurement of housing construction

• Development of ready-to-occupy apartment blocks for better competition

• As well as stimulating industrialised house building
Senior citizens real estate agent

- The agent helps seniors people with decreased mobility to find a more suitable home in the private sector
- The social housing organisation can offer the available dwellings to families on the waiting list
- Rent support available for those with limited income

Photo: Kirsi Tuura
Intergenerational Housing and Community Services

- provision of 244 affordable, intergenerational housing units in 3 publicly owned sites in central urban area. The apartments are 40 m² on average and can be single or double occupancy (for couples). These are rented as social dwellings, at very affordable rents of, on average, €160 per month.

- One young person agrees to ‘take care’ of 4 older people in the building. Supportive, family-like environment and sense of belonging among residents

- A range of services is also open to the wider community and (health care centre, a public car park and a day centre).
Social Rental Agencies in Luxemburg

Social Rental Agencies SRAs are publicly funded institutions which enable lower-income households to access vacant private rental dwellings at a lower cost.

- Homeowners are invited to contact directly the SRA
- Landlords are particularly encouraged to enrol within an agreement with the SRAs
- SRAs as a guarantor in case the tenant is in arrears and guarantee payment in case of vacancy.

Social rental agencies very clearly reach their target group, being low to middle income and vulnerable households. They also ask affordable rents when compared to market rents.