

# European public policy concerning access to housing

September 2000



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## Introduction

Housing policy remains a major concern of governments in most European countries. Central governments intervene, through a variety of incentive schemes, to increase the supply of social housing (by means of both new construction and renovation), to encourage private home ownership, to increase the supply of private-sector rental accommodation and to reduce social inequality by offering housing allowances to households which would be unable to afford the rents in a sector governed solely by market forces.

All of the countries have set up aid systems, which are incorporated in their current tax legislation. Housing assistance policies are becoming increasingly complex, and they are changing incessantly because fluctuations in the economic cycle and structural reforms are continually disrupting both the policy's objectives and the instruments.

Financial assistance for housing is not the only form of state intervention. Local and national governments are active in several areas: legal (recognition or not of a «right to housing»), regulatory (setting of price and income scales, policy governing rent levels) and organizational (rights and duties of banks, status of social rental agencies).

Housing policy has changed considerably over the past fifty years. Most quantitative shortfalls have now been addressed, and new imperatives have emerged, requiring different forms of state intervention.

The housing policies of the individual EU member states remain very different, and the «European» policy stance on housing is characterized more by disparities than by similarities. This may be attributed to differences of culture, history and tax policy.

France, which currently holds the Presidency of the European Union, is hosting the conference of housing ministers in Paris. On this occasion, it wished to present a working paper reviewing current policies on access to housing, with emphasis on the following aspects: current policy stances and expected trends, the right to housing and how it is put into practice, utilization of vacant housing, the role of the social rental sector and the status of the private rental sector. Policies to encourage home ownership have been deliberately excluded from the analysis.

A questionnaire (reproduced in the appendix) drafted jointly by the DGUHC (Direction Générale de l'Urbanisme, de l'Habitat et de la Construction/French General Directorate for Urban Planning, Housing and Construction) and BIPE was sent to all member states. The responses constitute an extensive mine of information, despite the inevitable differences between countries.

The present document, drafted by Patrick de la Morvonnais and Nazih Chentouf for BIPE, attempts to summarize this information.

## The right to housing

### European citizens still have unequal rights to housing

The table below shows considerable disparities between countries:

	Right enshrined in constitution	Right established by legislation	A «right to housing» policy exists	Guaranteed right to housing
<b>Austria</b>	No	Yes	No	Not at all
<b>Belgium</b>	Yes	No (resources required)	Yes	Not guaranteed (resources required)
<b>Denmark</b>	No	No	Yes	Yes
<b>Finland</b>	Yes	Yes	Yes	Yes for homeless and low-income households
<b>France</b>	No	Yes	Yes	Affirmed but not guaranteed
<b>Germany</b>	No	Yes	Yes, at central government level	Guaranteed in the <i>Länder</i> but not put into practice
<b>Greece</b>	Yes	No (but it serves as a legal basis)	Yes	Not completely
<b>Ireland</b>	No	No	Yes	Not completely
<b>Italy</b>	No	No	No	Not at all
<b>Luxembourg</b>	No	Yes	Yes	Almost completely guaranteed
<b>Netherlands</b>	Yes	No	Yes	Not completely
<b>Portugal</b>	Yes	Yes	Yes	Guaranteed by central government
<b>Spain</b>	Yes	No	Yes	Yes
<b>Sweden</b>	Yes	Yes	Yes	Yes for some CSs
<b>United Kingdom</b>	No	No	Yes	Not completely



The Netherlands, Belgium, Sweden, Finland, Greece, Portugal and Spain (7 countries) have incorporated the right to housing in their constitutions.

Only Portugal, Denmark and Sweden guarantee the right to housing for the most disadvantaged groups.

Portugal has made the right to housing a duty, and undertaken to put it into effect. Sweden guarantees this right to the elderly, political refugees and people suffering from illnesses. In Denmark, town authorities are required to ensure a sufficient supply of housing for the neediest social groups (the elderly, disabled and homeless). This obligation can be met by having a place in a shelter or social reception centre.



In the next group of countries (France, Germany, Greece, the Netherlands, Belgium, Luxembourg, United Kingdom, Ireland, Denmark and Finland), the right to housing is not guaranteed, but a housing policy has been established to guide government initiatives in this area.

In 1989, France recognized the right to housing as a fundamental right, and in 1990 adopted further measures to promote access to housing for the most disadvantaged persons.

In Belgium and the Netherlands, the government is supposed to make every effort to meet the need for housing, but is not required to show results.

Spain has taken measures against eviction, but there is no obligation to house all those in need of housing within a specified period. Tax and economic incentives are provided, however.

Greece, Spain, the Netherlands and Belgium have no specific laws to implement the right to housing, although that right is recognized in the constitution.

Greece has no centralized procedure to assist the homeless or fight against evictions.

Ireland has made real progress on access to housing and quality of housing in recent years, due to a policy of housing subsidies for low-income households.

In the United Kingdom, ensuring that all families have decent housing is a stated goal of the government, although neither the law nor the constitution recognizes the right to housing.

The last group comprises Italy and Austria, where the right to housing is not recognized by the constitution, by legislation or by any co-ordinated policy in this area.

## Responsibility at several levels of government

Responsibility for guaranteeing the right to housing is shared between local authorities and the central government, although the dividing line is not always clear:

	Central government	Level of devolution
<b>Austria</b>	No	Provinces
<b>Belgium</b>	Yes	With the regional authorities
<b>Denmark</b>	No	Municipal authorities
<b>Finland</b>	No	Municipal authorities
<b>France</b>	Yes	-
<b>Germany</b>	Yes <i>de facto</i>	No <i>de facto</i>
<b>Greece</b>	Yes	-
<b>Ireland</b>	Yes	-
<b>Italy</b>	No	No
<b>Luxembourg</b>	No	Municipal authorities
<b>Netherlands</b>	Yes	-
<b>Portugal</b>	Yes	In collaboration with regional authorities and local government
<b>Spain</b>	No	Autonomous communities
<b>Sweden</b>	No	Municipal authorities
<b>United Kingdom</b>	Yes	-

In Germany, the *Länder* are responsible for guaranteeing the right to housing, but in fact they do not do so – it is the central government which assumes this task.

Responsibility may be shared between the central government and towns or districts. Spain and Portugal stand out here because of the extensive collaboration between the central government and the autonomous communities.

Eight countries stated that the central government is responsible for access to housing.

## **Strong concern for the homeless and the disadvantaged**

Almost all of the European countries have adopted an arsenal of measures to protect tenants and procedures to help the disadvantaged gain access to housing.

Some countries guarantee access to housing for certain social categories, such as the disadvantaged, the homeless, the elderly, university students, political refugees, people with low incomes and households in urgent need of a dwelling after eviction. These countries are Portugal (through its «Porte Amie» programme), the Netherlands (which guarantees an adequate supply but says nothing about quality), Denmark, Ireland, the United Kingdom (where, at the minimum, municipal authorities are obliged to provide assistance and advice to non-priority groups), Sweden and Finland. This is in some sense a right to housing which applies only to certain «priority» social categories.

In addition, some countries have taken special measures against **evictions** in order to avoid emergencies: France (since 1998), Germany, Greece, Spain, Luxembourg and Belgium (with extra protection for tenants with nine-year leases).

Austria remains a case apart: in theory, there are aid systems to ensure security of tenure and prevent evictions, but there is no legislation – and therefore no policy – relating to the homeless. Austria has not yet given much consideration to this problem.

In Portugal, the homeless are a matter of great concern: special programmes that take local conditions into account have been set up.

The Swedish government is currently working on a bill which will require local authorities to provide housing to all those living in the town or district.

## Means of recourse

When the right to housing is not protected, several avenues of recourse are available:

- accommodation centres;
- emergency reception centres;
- hotels or shelters run by social agencies;
- initiatives by not-for-profit associations.

European governments have preferred to take actions of broader scope:

- In **Belgium** and **Luxembourg**, an emergency programme to increase social solidarity, consisting of the payment of a minimum income (called MINIMEX in Belgium) to homeless people, along with social assistance (provision of guarantee, payment of rental deposit) and a moving-in premium.
- In **Denmark**, municipal authorities are obliged to assist tenants who default on payment.
- In **Finland**, a foundation has been formed (comprising the Church, the Red Cross, not-for-profit associations and the confederation representing the building industry) to provide housing for the homeless and for refugees. It has succeeded in housing 2,500 households in 10 years.
- In **Ireland**, municipal authorities have generously subsidized social housing for low-income groups in recent years.
- In **Luxembourg**, a not-for-profit association helps disadvantaged persons to find employment (by agreement with the ministry for family affairs).
- The **Netherlands** has a policy to facilitate the housing of the homeless, and the government is working on specific legislation in this area.
- **Portugal** has the «Porte Amie» programme for the purpose of housing the homeless; the central government is obliged to help disadvantaged persons gain access to housing.
- In **Spain**, the government and the autonomous communities have established a co-ordinated set of minimum services.
- In **Sweden**, local authorities have a kind of moral – but not a legal – obligation to house the homeless. If a homeless person is not accepted in a social housing unit, the town must find a solution. In addition, the government is drafting a bill which will formally oblige municipal authorities to provide housing for the people living in the town or district and to set up a housing agency there.
- In **the United Kingdom**, town authorities must provide advice and assistance to those social categories not designated as having priority (i.e. excluding the elderly, the disabled, households with children, the severely maimed).



Once again, Austria stands out from the rest: it has no programme whatsoever in this field. A policy group has been formed to draft a law to assist the homeless. The adoption of such legislation, aimed at combating social exclusion, could help to reduce the number of homeless people in Austria.

## Not-for-profit associations are scarce and the extent of their influence varies with the country

The number and influence of not-for-profit associations vary widely from country to country: some countries have a number of influential associations, while others have no associations at all.

	Is there such an association?	Comments
<b>Austria</b>	Yes (policy group)	Forwarding the establishment of a social policy for housing
<b>Belgium</b>	Several associations	Some have grouped together to form the very active «Rally for the right to housing»
<b>Denmark</b>	n.a.	
<b>Finland</b>	n.a.	
<b>France</b>	Yes (DAL). Very active.	Media campaigns Occupation of vacant housing
<b>Germany</b>	Yes	Establishment of a formal right to housing
<b>Greece</b>	Several associations	Not a political issue (given availability of help from family and friends, flexibility of housing market)
<b>Ireland</b>	No	
<b>Italy</b>	No	
<b>Luxembourg</b>	Several, including the ASBL	The ABSL is responsible for issuing regular reminders of difficulties encountered
<b>Netherlands</b>	Tenants Union, in partnership with the housing ministry	Very influential because the movement represents the tenants
<b>Portugal</b>	n.a.	Strong concern over the homeless
<b>Spain</b>	n.a.	
<b>Sweden</b>	Yes (VVA). Lobbying.	Helps people to reach the right departments in local governments
<b>United Kingdom</b>	Several. Lobbying.	Works with the government to draft reform packages

Some countries, such as Portugal, Denmark and Spain, more or less guarantee the right to housing, and as such may have no need for such associations.

In the case of Finland, the responses to the questionnaire did not allow us to identify the reasons for the lack of associations.

## Vacant housing

A portion of the housing stock stands unoccupied in all of the European Union countries, though the size of this share varies with the country. The vacancy rate is not easy to measure, owing to three difficulties: the definition of the notion of vacant housing, the scope of observation and the statistical methods used.

### An ambiguous definition

- Many countries do not have a clear definition of vacant housing (Austria, Spain, Greece, Ireland, Italy, Luxembourg, Portugal). Generally, the only available data are those from censuses (often conducted every ten years); in this case, the definition used (housing units which are not occupied at the time of the survey) explains the systematic confusion between units that are really vacant and second homes.
- In France, vacant housing units are defined as dwellings which are not occupied at the time of the survey because they are available for sale or lease, have been assigned but are not yet occupied, or are off the market entirely. In theory, they are clearly distinguished from second homes and casual housing, but confusion still exists between these two categories, since the person conducting the survey is not always able to determine which is which.
- In the United Kingdom, a housing unit is considered vacant if it is between occupants, being renovated, waiting for demolition or completed but not yet occupied. Here again there is the possibility of confusion with second homes, although it is true that there are fewer of these.
- In Belgium, each of the three regions uses its own concept; however, a federal law dating from 1993 defines an abandoned building as one which has «clearly» been unoccupied for at least six months and is not used for any activity whatsoever. The fuzziness of this definition may be judged from the adverb used. Census data are considered unreliable and probably tend to underestimate the vacancy rate.
- In three countries, statistics on vacant housing are concerned exclusively with the rental sector: Germany, where housing surveys are conducted every four years; Sweden, which counts housing units which are not covered by a lease, excluding those which are being renovated or pending demolition; the Netherlands, which confines its statistics to the social rental sector (which by itself accounts for 36% of the total stock). Only the Dutch definition of vacancy breaks it down according to the length of time a housing unit remains unoccupied: short-term vacancy (3 to 12 months) versus structural vacancy (over 12 months).



- Two countries use cross-referencing of statistical files (population and housing). In Finland, which has annual data, the confusion between vacant housing and second homes persists because a dwelling which is unoccupied at the time of the survey is deemed to have no permanent resident. In Denmark, a vacant housing unit is defined as a unit which is not inhabited by the person listed at that address by the population file at the time of the survey, but here again it is not easy to draw a clear distinction with respect to the principal residence.

As can be seen, this area is shrouded in great uncertainty. Considerable disparities between countries persist in terms of definitions, methods and scope of observation. The statistical methods used are essentially static (based on population censuses or housing surveys). Some countries conduct an annual, half-yearly or quarterly survey of vacancy in the social housing sector alone, because of the requirements to which social rental agencies are subject. In all European member states, the distinction between vacant housing and second homes is made poorly or not at all.

## Vacancy is not sufficiently quantified

For all the above reasons, housing vacancy rates in the European Union are relatively poorly understood.

- In Ireland, no quantitative data are compiled. This is also more or less true for Greece, where the only information available is for greater Athens.
- In Spain, Italy, Luxembourg and Portugal, the only available data are those of the 1991 census; the figures in the table below are therefore estimates extrapolated from the earlier trend. In Portugal, 60% of the unoccupied dwellings were single-family homes in rural areas, 19% were up for sale, 12% up for rental and 9% undergoing demolition. In Spain, 40% of vacant housing units are classified as uninhabitable; 65% of the stock of vacant housing is concentrated in urban areas, while the vacancy rate in rural areas is 15%.
- In France, according to the 1999 census, there are nearly 2 million unoccupied housing units. One-third of these are located in rural areas (the resulting vacancy rate is 9%). Not enough data are available to evaluate which of them could be inhabited.
- Germany has 2.8 million vacant housing units, but we have no data that shed further light on this situation. The only certainty is that the vacancy rate is very high in the eastern *Länder*.
- In Belgium, *ad hoc* surveys are conducted in all three regions, but not all districts are covered; the best estimates are 15,000 vacant units for the Brussels region, 30,000 to 35,000 in the Walloon region and 70,000 to 80,000 in the Flanders region. In all three cases, vacant housing is largely confined to urban areas.
- In the Netherlands, as of 31 December 1998, a little over 17,000 housing units were vacant in the social sector alone, or 0.70% of the social housing stock. This vacancy rate can be broken down into two components: 0.42% for short-term vacancy (3 to 12 months) and 0.28% for long-term vacancy (over 12 months).
- In the United Kingdom, the number of unoccupied units is estimated at 920,000, but the lack of data prevents us from obtaining a more precise picture.
- In Sweden, statistics for the social rental sector are collected twice a year, and once annually for the private rental sector; in 1999, the resulting figures were 40,000 vacant units in the public sector and 16,000 in the private. No information is available concerning home ownership or co-operatives.





- In Denmark, there were 106,000 temporary housing units as of 1 January 2000; as most of these are second homes, it is estimated that 10,000 to 15,000 units are actually vacant. The vacancy rate in the social rental sector is very low (0.05%).
- In Finland, there were 181,000 vacant units at year-end 1998. The average vacancy rate of 7.4% can be broken down as follows: 6.3% in urban areas, 8.1% in semi-urban areas, 9.9% in rural areas.
- In Austria, the proportion of vacant units is estimated at 10%. Vacancy in the stock of new housing has risen sharply in recent years, which shows that the supply has reached saturation point in many population centres.

The table below provides a condensed view of the available information; where the questionnaire responses were insufficient, BIPE carried out its own estimates.

The total housing stock of the entire European Union may currently be estimated at 171 million units. Approximately 12 million of these are unoccupied, representing 7% of the total stock. This figure can be no more than approximate because of the statistical uncertainty which persists in several member states (Austria, Spain, Greece, Italy, Ireland).

Vacancy rates vary widely from one country to another: those of Portugal, Austria, Greece and especially Spain are very high; those of Belgium, Sweden, the Netherlands and Denmark are very low. Between these extremes, Germany, France and Italy have roughly the same vacancy rates, and all three are about twice as high as that of the United Kingdom.

In general, the information available is grossly inadequate to enable us to assess this phenomenon. Although the situation of the social rental sector is more or less clear, the statistics do not allow us to perform any useful segmentation of the privately owned housing stock. A distinction needs to be made between housing units which are uninhabitable (due to their condition or location) and those which could be brought back onto the market (with or without public action).

### The housing stock within the European Union

	Number of vacant housing units (thousands)	Vacant units as a % of the total stock	Total stock (thousands)
Austria	370	10.0	3,720
Belgium	115-130	3.3	3,560
Denmark	10-15	0.5	2,475
Finland	181	7.4	2,480
France	1,969	6.9	28,696
Germany	2,800	7.5	37,435
Greece	n.a.	n.a.	5,000
Ireland	n.a.	n.a.	1,260
Italy	1,860	7.0	26,650
Luxembourg	7	6.0	120
Netherlands	17	0.3	6,522
Portugal	525	11.0	4,750
Spain	2,700	13.8	19,565
Sweden	56	1.3	4,280
United Kingdom	920	3.7	24,850
<b>European Union</b>	<b>12,000</b>	<b>7.0</b>	<b>171,400</b>

*n.a.: not available*



## Measures to return vacant housing to the market have been generally ineffective

The idea of making use of part of the vacant housing stock to increase supply and meet pressing social needs is an obvious one. However, this strategy faces a number of difficulties. Many unoccupied dwellings are in fact uninhabitable, either because of their physical condition or because of their location. Measures taken have relied more on coercion than on incentives.

- No such measure has been taken in Austria, Greece, Portugal or Finland. The reason given for Finland is that vacancy results not from the abandonment of poor-quality housing but from excess supply in depressed areas.
- Other member states confine their actions to the social rental sector. In the Netherlands, housing associations work to reduce the vacancy rate in this sector in two ways: more speedy demolition of the substandard stock and sale of the most expensive units to the private sector. In Denmark, where some residential complexes have high vacancy rates (prohibitively high prices for the quality offered, chronic social problems), a sweeping rehabilitation campaign was undertaken from 1994 to 1996 to make this stock attractive again (new lending systems, targeted subsidies); in the spring of 2000, a further programme of this type was initiated. In the United Kingdom, the government allocates funding to the Empty Home Agency, which distributes it to local authorities.
- In France, a tax was imposed on 1 January 1999 on the owners of dwellings which had been unoccupied for more than two years in eight major population centres (Paris, Lille, Bordeaux, Toulouse, Lyons, Montpellier, Nice and Cannes-Grasse-Antibes). In addition, the ANAH (Agence Nationale pour l'Amélioration de l'Habitat/National Housing Improvement Agency) offers a lump-sum premium of FF 20,000 (in addition to the usual subsidies) for putting unoccupied dwellings back on the market. The impact of this measure for 1998 is estimated at 35,000 units.
- Germany has enacted a law on the «misappropriation» of inhabitable space. The law regards the demolition of dwellings and the failure to rent out available housing as misdemeanours punishable by fine (DM 100,000) in areas which the *Länder* consider to have tight property markets. No other measures (coercive or incentive) have been taken to reclaim vacant housing.
- Italy seems to have some measures (taxes or tax incentives), but the survey responses were very vague.
- In Luxembourg, the college of burgomasters and municipal councillors has the legal right to oblige the owners of vacant dwellings to declare them to the district authorities; in districts where housing is clearly scarce, this body can requisition these dwellings or expropriate them after three years (on its own behalf or on that of a property developer). These prerogatives have never been exercised to date.

- In Belgium, a federal law enacted in 1993 provides for the requisitioning of vacant housing. This is an exceptional procedure, not much used because it is cumbersome, lengthy and subject to a number of prior conditions which are incompatible with the pressing social need which this procedure is supposed to meet. There are also regional taxes, but the implementing orders have not yet been issued in the Walloon region; measures to bring unoccupied buildings under temporary public management have not yet been applied either. Lastly, in Flanders the regional authority has the right to put such buildings under social management.

Our lack of information about vacancy rates forms a prohibitive barrier to any action intended to make use of vacant housing. Coercive measures (taxation, requisitioning) have little or no effect because in general it is not known who owns the dwelling in question. In all cases, the procedures laid down are onerous and time-consuming. Where the social housing stock is concerned, incentives seem more effective because they encourage the rehabilitation of substandard housing or the sale of such dwellings to the private sector.

Where property markets are tight, it would therefore seem that seeking to increase supply by reusing a part of the vacant housing stock is a strategy which has its limits.



## The social housing stock

The data supplied by the various countries are quite heterogeneous and of uneven quality.

### In Europe, one dwelling in ten is a social rental unit

The total housing stock in the EU-15 is currently estimated at 171.4 million units.

More than 18.5 million units, or 11% of the total stock, are in the social sector.

<i>Thousands</i>	<b>Number of social housing units</b>	<b>% of total housing stock</b>
Austria	756	20%
Belgium	266	7%
Denmark	500	20%
Finland	350	14%
France	HLM: 3,700 / SEM: 434*	14%
Germany	2,460	6%
Greece	0	0%
Ireland	100	8%
Italy	900	3%
Luxembourg	4	4%
Netherlands	2,370	36%
Portugal	122	3%
Spain	120	1%
Sweden	930	22%
United Kingdom	5,513	22%
<b>European Union</b>	<b>18,525</b>	<b>11%</b>

\* HLM = *habitation à loyer modéré/low-rent housing*;

SEM = *société d'économie mixte/semi-public company*

The proportion of social housing in the total housing stock varies widely from country to country:

- Greece has no social rental sector.
- Italy, Spain, Luxembourg and Portugal have very small stocks of social rental housing.
- In the countries of northern Europe, the social sector plays a vital role: more than one-third in the Netherlands, nearly one-fourth in the United Kingdom and Sweden, one-fifth in Austria and Denmark, one-sixth in Finland and France.

In all of the countries, the institutions that own social housing also manage this housing stock.

Several types of owners can be found in Europe:

- local authorities, which account for the absolute majority of the public housing stock in some countries (United Kingdom, Finland, Portugal, Ireland);
- not-for-profit associations or private companies whose purpose is to construct social housing units. They are of two types: housing associations or housing companies in the United Kingdom and the Netherlands; and not-for-profit institutions known as non-profit housing associations in Germany, Sweden, Finland and Austria;
- some countries co-opt individual private owners to manage public housing: in Germany, where they hold 20% of the social rental stock, and in Spain (through so-called protected dwellings);
- lastly, the central government may have set up institutes to build and manage public housing: this is the case in Portugal with the IGAPHEs (Institutes for the Management and Disposal of the Public Housing Stock) and in Italy with the IACPs (Autonomous Institutes for Low-income Housing).

In all of the countries, the bulk of public rental units are still held by local authorities, particularly in the Netherlands, the United Kingdom, Sweden and Finland.

Some countries have initiated programmes to sell off the local authorities' stock of rental dwellings: the United Kingdom (sale to tenants via the «right to buy» and, since the early 1990s, to housing associations), Sweden, Ireland, Denmark and the Netherlands (sale of housing stock to housing associations).



## Nearly universal use of the individual housing allowance

All of the countries have a generalized system of individual housing allowances, with three exceptions:

- the lack of such an allowance in Portugal is offset by reduction of rent in accordance with the tenant's income, the cost being borne by the owner (and hence by the central government through the IGAPHEs);
- in Spain, the lack of an individual housing allowance is offset by a reduction in income tax, which is capped at 5% of the annual rent;
- in Belgium, the amount of the rent is tied directly to income, so the different income levels of tenants are factored in at the source.

In the social rental sector, 8.4 million tenants receive an individual housing benefit (after adjustment for missing figures), or 44% of all public tenants.

<i>Thousands</i>	<b>Number of social housing units</b>	<b>Number of tenants receiving assistance</b>	<b>%</b>
Austria	756	100	13%
Belgium	266	n.s.	n.s.
Denmark	500	300	60%
Finland	350	105	30%
France	4,134	2,067	50%
Germany	2,460	575	25%
Greece	0	0	0%
Ireland	100	n.s.	n.s.
Italy	900	n.s.	n.s.
Luxembourg	4	2	50%
Netherlands	2,370	763	32%
Portugal	122	122	100%
Spain	120	0	0%
Sweden	930	344	37%
United Kingdom	5,513	3,859	70%
<b>European Union</b>	<b>18,525</b>	<b>8,237</b>	<b>44%</b>

*n.s.: not supplied*

This ratio varies greatly from one country to another: whereas half of lessees receive such an allowance in the United Kingdom, France and Luxembourg, this figure is about 30% in Sweden, Finland, the Netherlands and Germany. In Austria and Ireland, fewer than 10% of public tenants receive a housing allowance.

Few of the countries have reliable statistics for measuring the rent-to-income ratios of social tenants before and after their allowances. Moreover, the rent-income ratio is defined differently depending on the country: some consider that net disposable income should be used; others feel that gross income should be used. As a result, comparisons are practically impossible.

	Rent-income ratio before housing benefit %	Rent-income ratio after housing benefit %	Income figure used
Austria		18	
Belgium	n.d.	Maximum 20% (arbitrary)	n.d.
Denmark	28	14	n.d.
Finland	52	25	Gross income
France	26	21	Net taxable income
Germany	38	29	Rent excluding service charges
Greece			
Ireland	n.d.	n.d.	n.d.
Italy	n.d.	n.d.	n.d.
Luxembourg	n.d.	8% to 11%	Net disposable income
Netherlands	30	22	Net disposable income
Portugal	n.d.	n.d.	n.d.
Spain	n.d.	n.d.	n.d.
Sweden	43	27	Net taxable income before tax
United Kingdom	n.d.	10	n.d.

*n.d.: not determined.*

Rent-income ratios vary widely across countries: from under 10% in Luxembourg to nearly 30% in Germany.

However, the responses to the questionnaire do not allow us to measure the comparative effectiveness of these individual benefit policies in terms of tenants' solvency.





## **Access to public housing is restricted (candidates must meet social and financial conditions)**

A majority of countries restrict access to public housing to households with incomes below a certain ceiling: France, Germany, Finland, the Netherlands, Austria, Spain, Italy and Luxembourg.

Others allow all households access to this type of housing, setting rents according to the resources of the tenant: this is the case in Sweden, Portugal, Denmark, Ireland, Belgium and the United Kingdom.

In addition to these provisions, some countries (Luxembourg, Italy, Germany, the Netherlands, Austria, Portugal and Denmark) have set up a priority system, which assigns «priority points» according to the situation and characteristics of the potential tenant: the homeless, unhealthy housing, single-parent family, young people, the elderly, the disabled, health problems, unusual circumstances.

## **The application process for social rentals is mostly decentralized**

In all of the countries, the application is submitted in the town or district of residence. Some countries have a special system: candidates must submit their applications directly to social organizations in France, Belgium and Luxembourg. In Spain, social housing is managed either by private owners or by autonomous communities. In Denmark, Austria and Sweden, responsibility for allocating social rental units is divided between social organizations and local authorities.

## **The allocation procedure is also mostly decentralized**

In Luxembourg, Italy, Sweden, the Netherlands, Finland and Portugal, this procedure is handled by local authorities. Belgium, Spain, Ireland, Germany and the United Kingdom have an allocation procedure administered by social organizations. Lastly, France, Austria and Denmark have a hybrid allocation system involving both social organizations and local authorities.

In Belgium, each of the regions has a project to centralize the procedure. In Denmark, young people are handled in a centralized file.

## **The waiting period depends on the size of the town**

Average waiting times are not easily measured and vary greatly between countries, between regions, and even between districts and neighbourhoods. They are always measured in years, however. Waiting time depends heavily on location (major population centres). Belgium alone has undertaken to respond to applications within 30 days.

Some procedures have been instituted to hasten the process, in the following cases:

- health problems,
- elderly or disabled persons,
- single-parent families,
- state of the candidate's current housing (unhealthy conditions, overcrowding),
- situation of the person requesting a dwelling (homeless, being evicted).

Candidates are assigned points on the basis of these criteria, and these points determine which candidates are given priority.

In almost all the countries, the application is valid for one year, with mandatory renewal during the first half of the year (or even during the first month) to allow the authority concerned to update tenants' resources and in some cases to change their rent levels. This renewal process is no longer obligatory in Italy, the Netherlands, Portugal and Spain (since the application is linked to a specific operation).

Denmark is noteworthy because candidates must pay to apply for such housing.



## **Rents calculated according to construction cost or to tenants' incomes**

The principle applied for calculating rent varies greatly between countries, some using the notion of break-even rent and some that of «social» rent.

Other countries use a combination of these two methods, while still others allow rents to be set freely.

France, Sweden, Finland, the Netherlands, Spain (where protected housing is concerned) and Denmark use the principle of break-even rent based on the cost of construction. The personal housing allocation reduces the effective rent *a posteriori*.

So-called social rent is determined according to tenants' incomes in Germany and in public housing developments in Spain.

Belgium, Luxembourg and Portugal begin by calculating the rent according to construction cost, then make an adjustment based on the income of the household.

Italy and Austria set rent levels at the central or regional government level, based on market conditions. In the United Kingdom and Ireland, rents are set at the discretion of local authorities and housing associations. In the UK, however, the state's appropriation for housing assistance will be reduced even though the increases are greater than the central government budget forecasts.

## **Control of rent increases**

Rent increases are set annually by the central government in France, Italy, Portugal and Spain. In Belgium and Luxembourg, they are based on the change in household resources and on cost price. In the other countries (Finland, Austria, Germany, the United Kingdom, Ireland, Sweden, the Netherlands, Denmark), rent hikes are set at the local government level.

In the last case, rent increases are subject to oversight by the central and local authorities. Finland and Denmark have tenants' associations which give their views and participate in setting rent levels.

## **Maintaining a social mix is very rarely a declared objective**

A rent supplement in the name of social solidarity is assessed in France, Germany, Italy and Belgium.

The desire to maintain a mix of social groups is a clear policy objective only in Belgium (although the solidarity rent supplement has other declared objectives: increasing the financial resources of the social housing corporation and freeing up dwellings for the poorest people), Luxembourg (in programmes involving the sale of housing units) and marginally in the Netherlands.

## Tenants in European social housing enjoy good legal protection

Security of tenure in social housing can be seen in France, Germany, the United Kingdom, Ireland, Denmark, Austria, Portugal, Sweden, the Netherlands, Finland, Italy, Belgium, Luxembourg and Spain.

Denmark, Belgium and Luxembourg provide for termination of leases (even an open-ended lease) in case of noise, violence, threats or breach of the rules and regulations.

In Italy, security of tenure in social housing is a right which can be passed on to one's children and spouse.

In Portugal, the tenant enjoys a guarantee that he or she will remain in the same area of the town.

Sweden's policy is very clear: the right to security of tenure is absolute.

Quantitative data on turnover are heterogeneous and scarce:

	<b>Annual turnover</b>
<b>Austria</b>	3 to 5% (recent estimate)
<b>Belgium</b>	8% to 11%, depending on the region
<b>Denmark</b>	10% of housing units change hands
<b>Finland</b>	n.a.
<b>France</b>	12% (460,000 units) change hands
<b>Germany</b>	10% turnover
<b>Greece</b>	n.a.
<b>Ireland</b>	n.a.
<b>Italy</b>	n.a.
<b>Luxembourg</b>	1 to 2% annually
<b>Netherlands</b>	10% (housing units becoming available)
<b>Portugal</b>	1% annually
<b>Spain</b>	n.a.
<b>Sweden</b>	22% (average 1993-98)
<b>United Kingdom</b>	n.a.

*n.a.: not available*

There are two categories of countries: those where the annual turnover rate is low (under 5%) and those where it is high (over 10%).

A low rate of turnover may be due to the size of the social housing stock: the countries with a low turnover rate have a small stock of such housing and the others a large one. In Austria, moreover, private rental housing is in a state of surplus supply and thus is effectively competing with the social rental sector (problem of high rents for social housing in major urban areas).



The age of the social housing stock can also explain this difference: low turnover rates are observed in countries where this stock is of relatively recent construction. For example, the public housing stocks of Luxembourg and Portugal are quite recent, whereas those of Belgium, France, Germany and Denmark are older.

## **The state still plays a predominant role in the social housing sector**

State intervention can take many forms:

- VAT reduction;
- subsidies;
- borrowing on capital markets, with or without central government guarantees;
- special budget programmes;
- residents' deposits;
- changes in interest rates: reduced rates, *ex post* payment of interest, zero-interest loans.

Each country adopts a different mix of these policy tools:

- Spain adopted a policy which includes low-interest loans, interest subsidies (payment of both interest and capital on some instalments) and the budget lines of autonomous communities.
- France prefers low-interest loans, a lower VAT rate and subsidies.
- Finland uses budget appropriations and state-guaranteed borrowing on capital markets.
- Italy provides complete financing for construction.

The state is very active in France, Italy, Germany, the United Kingdom, Luxembourg, Belgium, Portugal, Austria, Ireland, the Netherlands, Sweden, Denmark and Finland.

In Sweden, the Netherlands and Denmark, social housing organizations seek financing on the capital markets, backed by a guarantee from the state or from a guarantee fund provisioned by the state.

## **The imbalance between supply and demand is mainly a local problem**

The supply of social rental housing is considered insufficient in all the countries except Austria, where the high price of the housing supply stifles demand.

This statement needs to be qualified: in Sweden, the Netherlands, Germany and the United Kingdom, the supply is considered sufficient at the national level but is unbalanced, and hence some towns do not have sufficient housing.

Some countries pointed out that their need for social rental housing will grow in the coming years.

Social organizations encounter more or less the same difficulties from country to country:

- reluctance to accept social housing in urban areas which already have a high proportion of such housing (France);
- difficulties in finding areas for construction and allotting them to social housing (Italy), scarcity of land at prices which are compatible with the cost structure of social housing (Portugal);
- tension between social and financial requirements (Belgium, Spain);
- budgetary restrictions;
- lack of well located, reasonably priced social housing in some regions (Sweden, Finland, the Netherlands, Austria).

Various solutions have been adopted: construction of small units (to the detriment of large complexes), joining forces with private housing programmes, the transfer of housing units from local authorities to housing associations, and the purchase and improvement of private buildings, thus converting the private housing stock into social housing.



## The private rental sector

### The size of the private rental sector varies greatly in Europe

Our current estimate of the number of private rental units in the European Union is nearly 38 million, or 22% of the total housing stock. Of these, 80% are concentrated in three countries: Germany (53%), Italy (13%) and France (13%).

Germany is the only country where over half of the total housing stock is private-sector rental housing. In Belgium and Luxembourg, this sector accounts for over one-fourth of the total stock.

The private rental sector in the United Kingdom is very small, representing less than 2% of the housing stock (high rate of ownership, rent control).

<i>Thousands</i>	<b>Number of privately owned rental units</b>	<b>% of total housing stock</b>
Austria	570	15.3%
Belgium	1,070	30%
Denmark	450	18.2%
Finland	380	15.3%
France	4,800	16.7%
Germany	20,100	53.7%
Greece	750	15%
Ireland	132	10.4%
Italy	5,000	18.8%
Luxembourg	31	26.2%
Netherlands	839	12.9%
Portugal	826	17.4%
Spain	1,564	8%
Sweden	710	16.6%
United Kingdom	400	1.6%
<b>European Union</b>	<b>37,622</b>	<b>22.0%</b>

The figures supplied by the fifteen countries of the European Union are of uneven quality, since they are derived either from population censuses (conducted from 1991 to 1999) or from estimates (notably in Greece).

In some countries, the private rental sector has expanded: in Ireland, for example, it has grown by 60% since 1991. In others, its share has fallen: in Spain this sector represented more than half of the housing stock in 1951, against only 10% today, and in Portugal the private housing stock has fallen by one-third since 1981.

## Most of the private housing stock is owned by natural persons

Belgium, Luxembourg, Portugal, the United Kingdom, Ireland and Finland provided no information on this subject.

The bulk of the private housing stock is owned by natural persons in Greece (few companies own housing), France (91% of private rental units are owned by individuals), Austria (88%), Spain (87%), Sweden (60%), Italy (64%), Germany (57%) and Denmark (40%).

Other than natural persons, there are several types of owners in Europe:

- insurance companies (Italy);
- private companies (Denmark, Italy);
- not-for-profit associations (Denmark), not-for-profit real estate co-operatives (Portugal);
- social welfare institutions (Italy) or pension funds (institutional investors in the Netherlands);
- the central government through town authorities or public companies (Spain, Italy, Denmark).

In France, 1.8 million landlords are natural persons. They may be broken down as follows:

- 63% of landlords own only one rental unit each, accounting for 33% of the housing stock;
- 19% own two rental units, accounting for 19% of the stock;
- 13% own three to five units, accounting for 25% of the stock;
- 5% own more than five units, accounting for 23% of the stock.

In Denmark, natural persons own 40% of the stock, private companies 25%, government institutions 15% and local authorities 10%.

The Netherlands' response to the questionnaire was not perfectly clear: the private rental stock is made up of 839,000 units, of which only 45,000 are owned by natural persons and 200,000 by institutional investors (pension funds). The great majority of landlords who are natural persons (85%) own only one rental unit. Of the remaining 794,000 units, half are owned by landlords having more than ten units, and half by landlords having fewer than ten units.



Portugal provided only the breakdown between owners and individuals on the one hand and «other institutions» on the other, as the breakdown between owners and individuals was not available.

In the United Kingdom, the proportion of landlords owning a number of properties was very low; such landlords owned between five and six units on average. In Greece, most landlords who are natural persons own only one rental unit.



In Italy, 64% of the housing stock is owned by natural persons, 12% by social welfare institutions, 11% by insurance companies, 5% by private companies, 5% by the public company which manages the social rental stock and 3% by the state.

### **The oldest segment of the private rental stock is effectively social housing**

Greece, Italy, Luxembourg, the United Kingdom, Ireland and Finland did not respond to this part of the questionnaire.

Sweden and Germany stated that there is no difference between the social and the private housing stocks: the quality of private housing is as good as that of social housing.

The seven remaining countries mentioned a link between the old private stock and the social housing stock:

- In Austria, 370,000 housing units were built before 1945, and 219,000 of these may be considered as social housing: 15,000 have very low rents; 55,000 have rents equal to those of social housing; 64,000 have rents calculated on the basis of their quality; and 85,000 have sub-standard appointments.
- In Belgium, the part of the stock built before 1919 is *de facto* social housing, particularly in major cities; these 140,000 units (13% of the private rental stock) are to be rehabilitated by the regional authorities.
- In Denmark, the average rent of housing units built before 1970 is slightly below the overall average. Of these 450,000 «privately owned» units, 150,000 are in fact owned by associations, local authorities and other semi-public bodies.
- In Spain, it is the housing owned by public bodies (8% of the stock, 125,000 units) which may be likened to social housing.
- In France, this *de facto* social housing stock is estimated, on the basis of the 1996 Housing Survey, at 12% of the private rental stock, or 550,000 units.
- In the Netherlands, 90% of the private rental stock owned by natural persons (i.e. 40,000 units) may be considered as *de facto* social housing (in terms of rent levels).
- In Portugal, lastly, the *de facto* social housing stock is owned by real estate co-operatives or not-for-profit associations, and it amounts to 3% of the private rental stock (26,500 units).

In these seven countries, nearly **1.2 million housing units** are regarded as *de facto* social housing; this amounts to 12% of the private rental housing stock in these countries, which is a far from negligible proportion.

### Not all tenants in the private rental sector are covered by a generalized system of assistance to individuals

<i>Thousands</i>	% of tenants of privately owned rentals receiving housing assistance	Rent-income ratio before assistance	Rent-income ratio after assistance
Austria	Low (based on concept of rent-income ratio)	n.s.	n.s.
Belgium	Assistance not generalized (rent allowance system, 1 to 2%)	n.s.	n.s.
Denmark	33%	n.s.	n.s.
Finland	46%	60%	28%
France	36%	excl. Act of 48 27.9% Act of 48 21.9%	24.9% 19.5%
Germany	Western: 10% Eastern: 15%	41% 36%	31% 23%
Greece	No (tax deduction)		20%
Ireland	35%		35%
Italy	4%	n.s.	n.s.
Luxembourg	Assistance not generalized		8-11%
Netherlands	Lower than the share in social housing		22% (same as in social housing)
Portugal	Assistance not generalized	51.6% of aid to young people	15.4%
Spain	No	n.s.	n.s.
Sweden	29%	42%	28%
United Kingdom	29% in England 61% in Northern Ireland	n.s.	n.s.

*n.s.: not supplied*



Belgium, Greece, Luxembourg and Portugal have no generalized system of assistance to tenants in the private rental sector: in Greece, such tenants are allowed to take a tax deduction; in Luxembourg, there is a housing benefit which is paid in the framework of the «guaranteed minimum income» scheme; Belgium also has a rent allowance, but few tenants receive it (under 2%).

In Austria, an individual housing benefit is not available in all provinces, while in Spain no such benefit exists.

A clear dichotomy can be seen in Europe:

- on the one hand, the **northern countries** (France, Denmark, Ireland, Finland, the United Kingdom and Sweden), in which at least 30% of tenants receive assistance. In Germany, the proportion is lower (10% to 15% depending on the *Land*), but assistance is still given to over 2 million households;
- on the other hand, the **southern countries** (Spain, Italy and Portugal) which pay little or nothing in the way of individual housing allowances.

As was the case for social housing, we were not able to draw conclusions about rent-to-income ratios, owing to the different notions of income used and to the lack of response to the questionnaire.

**Great diversity of financial and fiscal aid systems**

<i>Thousands</i>	<b>Financial assistance</b>	<b>Tax relief</b>
Austria	n.s.	Until December 1999, deduction of at most 25% of renovation costs allowed (with a ceiling of AS 10,000 per person)
Belgium	n.s.	For the purchase of real property or for works (financed through a loan of over 21,070 euros)
Denmark	No special measures, but both the private and the social rental sectors may receive subsidies for urban renewal (using 40% of the total investment)	n.s.
Finland	No incentives for new construction (assistance goes to the social sector)	Reform of the taxes on capital in 1993
France	ANAH; subsidies for the improvement of housing	Status of the private landlord: Périissol depreciation scheme, then Besson scheme Ordinary rental: common law tax deduction of 14% of taxable rental income (no conditions whatever)
Germany	Loans for dwellings with reduced CO <sub>2</sub> emissions (favourable terms) Loans & subsidies in the new <i>Länder</i> for residential construction in city centres or rehabilitation of existing stock	For new housing, depreciation of 55% over the first 14 years (5% each of the first 8 years, 2.5% from the 9 <sup>th</sup> to the 14 <sup>th</sup> years) and 1.25% in each of the last 35 years
Greece	The law favours investors and owners in order to increase supply	20% tax break for maintenance costs
Ireland	n.s.	n.s.
Italy	n.s.	n.s.
Luxembourg	No	Increase in depreciation rate
Netherlands	Subsidies for urban restructuring in post-war neighbourhoods. Little used.	Deduction of maintenance costs from taxes until December 2000
Portugal	Programme of social solidarity and assistance for rehabilitation of existing stock (1998)	Reduction of VAT rate from 17% to 5% Low-interest loans for renovation
Spain	No financial assistance.	No, apart from the lower VAT rate, which applies to all dwellings
Sweden	No state intervention in the private rental sector.	
United Kingdom	Central government pays housing grants to local authorities, which distribute them to private lessors	Tax incentives under the government's rental programme

*n.s.: not supplied*

In Spain, Finland and Sweden, the state does not intervene at all in the private sector, as priority is given to the social rental sector.

In Denmark, the government takes no action specific to the private rental sector, which is covered by the same assistance schemes as the social sector.

The other EU countries have adopted a variety of measures to encourage private investment in rental housing:

### **1- Financial assistance**

- in the form of subsidies for housing improvement in France and the United Kingdom, or for «restructuring of urban neighbourhoods» in the Netherlands, also known as the «programme of social solidarity and assistance for rehabilitation of existing stock» in Portugal, and «subsidies for urban renewal» in Denmark;
- there are also loans and subsidies for new housing construction in city centres, or for rehabilitation (in the new German *Länder*);
- low-interest loans are available in Portugal, and loans for dwellings with reduced CO<sub>2</sub> emissions in Germany.

### **2- Tax relief**

- France, Germany and Luxembourg allow favourable depreciation schedules for new housing construction; the last of these raised its depreciation rate in 1991, and is studying further measures to increase private investment in rental housing (shorter depreciation periods);
- a tax abatement on rental income (14% in France, 20% in Greece);
- VAT reduction in Spain and Portugal (from 17% to 5% in the latter);
- in the Netherlands, those who carry out improvements can deduct these costs from their income taxes (through December 2000); in Austria, similarly, until December 1999 households could deduct at most 25% of renovation costs, up to a ceiling of AS 10,000 per person;
- in Belgium, households that purchase a property or make improvements are allowed tax deductions if they have borrowed more than 21,070 euros.

Denmark, Finland, Spain, Ireland, Italy and Sweden have adopted no tax measures to encourage private investment in rental housing.

**Well-established regulations in Europe**

	<b>Housing regulations</b>
Austria	No time limitations on leases. And rents are lowered 25% on leases that run for 3 years. Rent increases are tied to the consumer price index.
Belgium	1997 royal decree establishing the minimum rental terms and conditions (safety, sanitation, habitability) a building must meet before it can be rented out as a primary residence. Leases with terms of 9 years.
Denmark	«Rent Act» and «Housing Regulation Act»: regulate agreements between property owners and tenants, rent limitations and increases, mandatory improvements owners are required to make.
Finland	Policy is very free-market oriented, low level of capital taxation.
France	National regulations against poor sanitation. 1989 act: 3-year leases for private individuals and 6-year leases for legal entities. Rents are set freely. Increases are limited by the consumer price index.
Germany	Rental act (a compromise between the interests of owners and tenants), which promotes private investment in rental housing. Annual hikes (limited to 30% over three years).
Greece	Protection of tenants in cases of eviction. No regulation of rent amounts. Minimum leases of three years.
Ireland	Regulations (minimum comfort). Rents are set freely (except for former rent-controlled units).
Italy	Since 1998 the government has stipulated lease durations but not rent amounts.
Luxembourg	1987 act amending the act of 1955: the government controls both rent levels and increases (5% return on capital invested, plus a capital discount for housing over 20 years old).
Netherlands	Rental contracts are written for unlimited terms unless otherwise specified. They may be revoked only in certain cases. Landlords are free to make annual adjustments, subject to a ceiling, and must justify any increase of more than 2.2%.
Portugal	Rent amounts were frozen until 1985. Today the government is interested in spurring new construction and creating a more dynamic rental market (by rehabilitating the housing stock).
Spain	Freedom to set rent amounts, lease lengths and rent increases. However, the minimum period is 5 years, and if the lease is written for one year, it can be renewed 5 times. Rent increases are tied to the consumer price index.
Sweden	«Rent-setting System»: the goal and effect of this regulation is to equalize rents in the private sector and public housing rental markets.
United Kingdom	Rents are set freely. Landlords are encouraged to rent out their housing, the interests of both parties are protected, and housing security for tenants is guaranteed.

Several European countries introduced regulations during the 1990s to protect tenants, both in terms of tenant security and housing sanitation. Examples include Belgium, France, Denmark, the United Kingdom, Ireland and Greece.

In Belgium, each region specified its own rules:

- Brussels region: «Ordinance on Furnished Apartments» in 1993;
- Flanders region: «Certificate of Compliance» in 1998;
- Walloon region: «Specification of Sanitation Standards» in 1999.

Some countries regulate the minimum term of leases and tenancy agreements:

- Belgium requires leases of nine years to guarantee stability for tenants. In practice, leases of less than three years are becoming more common. In addition, tenants must provide three months' notice and owners six months' notice, subject to certain conditions: i.e., owners with no grounds for issuing their notices to vacate must provide compensation of up to nine months' rent.
- Leases in Spain must be written for at least five years.
- In France, leases contracted with private individuals must run for at least three years.
- The minimum lease length in Greece is three years.
- In Luxembourg, the 1987 act amends the 1955 act on leases. It caps returns at 5% of capital invested, in order to prevent significant rent hikes during a period of soaring land prices, and provides for annual adjustments to offset monetary erosion. Finally, if the housing unit is more than 20 years old, its value is discounted 10% unless major renovations have been made. In that case, a 10% discount is applied every ten years.

## **Taxation of low occupancy rates is a marginal measure**

The countries with the largest number of vacant housing units are Germany, Spain, France and Italy. Germany and Italy did not respond. Only France has established a system for taxing low occupancy rates.

Of the 11 countries responding, only two, Belgium and France, have implemented a vacant housing policy. Indeed, in 1993 Belgium enacted the right to requisition buildings abandoned for more than 6 months. France introduced a tax on vacant housing in 1998, as part of its «*Anti-exclusion Act*».

### **Little government involvement in housing allocation**

Housing in Spain, Luxembourg and France is allocated freely, based on market supply and demand. However, some private housing units in France have contracts with the government, making their tenants subject to income ceilings.

Municipalities take a more interventionist approach in the Netherlands (establishment of income ceilings for tenants), Denmark (allocation of vacant housing units and some of the housing renovated under the urban renewal programme) and Spain (sheltered housing is subject to specific requirements).

### **Moderate government involvement in housing policies**

The government does not become involved in setting rents in:

- Greece (since 1995-96);
- Portugal (since 1985);
- Italy;
- Belgium;
- Ireland (no restrictions on rents, except in the case of former rent-controlled units);
- the United Kingdom (although there are «rent officers» who set the rents covered by the 1988 act in a given neighbourhood and the rents of tenants receiving personal housing assistance);
- and Spain (for housing units under 300 sq.m in area).





Owners in Germany may increase their rents after one year, but hikes are limited to 30% over a three-year period. Property owners can justify the need for an increase by citing other rents in the neighbourhood. Renters have the right to check the validity of rent increases, and in the event of a disagreement, owners may bring the case before a court of competent jurisdiction.

In Belgium, rent amounts are set at the time the lease is signed; increases are possible, and can be negotiated either out of court or through legal proceedings. Leases run for nine years; notice periods are 3 months for tenants and 6 months for owners, subject to certain conditions. Owners who terminate contracts without grounds must pay an indemnity of up to 6 to 9 months' rent. Leases expire at the end of nine years provided formal notice is given; if not, they are extended under the same terms and conditions for another three years. Leases for terms of less than three years are now becoming more common, which undermines tenant stability.

Landlords in the Netherlands are free to raise rents, which are subject to a ceiling, once a year, and must justify hikes of over 2.2%.

In contrast, government involvement is greater in the following countries:

In Austria and Spain rent increases are pegged to the consumer price index.

In Denmark, owners are responsible for rent amounts and adjustments, subject to compliance with current laws («Rent Act» and «Housing Regulation Act»). These laws control not only the setting of rents (neighbourhood rents system), but also increases in their amounts.

Leases in France have a term of three years for private individuals and six years for legal entities. Rents may be set freely as long they meet comfort requirements. If the rent amount asked for is greater than the rent charged the previous tenant, the tenant may request that the amount be established based on other rents in the same neighbourhood. If too low a rent is assessed on a renewed lease, a rent increase may be proposed six months before expiration of the lease. For current and renewed leases, annual rent increases are limited to the rise in the building cost index.

Finally, rents for housing units constructed before 1944 in Luxembourg are set based on the number of rooms, level of comfort and geographical location. For all other housing categories, the 1987 act restricts the annual rental earnings of landlords to no more than 5% of the capital invested in the building, in order to prevent significant rent increases during a period of soaring land prices. If the housing unit is over 20 years old, its value is discounted 20% (except in cases of major renovation), and 10% every ten years. The government provides for annual rent increases to offset monetary erosion.

In Sweden, rents are set in the public housing rental market, then applied to the private rental sector after factoring in geographical location.

## **A widespread practice in Europe of converting non-residential buildings into housing, but affecting only a small proportion of the stock**

National reports cite programmes to convert all kinds of buildings:

- hangars and warehouses (Netherlands, Germany);
- old industrial buildings (Germany, Belgium, Finland);
- barracks (Belgium) and military compounds (Germany);
- offices (Netherlands, France);
- social or health-care institutions (Finland);
- churches (Netherlands).

Austria, Luxembourg, Greece and Italy are unaffected by the phenomenon: in Italy and Luxembourg, it is housing that has been converted into offices since the early 1980s. In Greece the housing stock is still new and there are no government economic measures promoting conversion.

Conversion is difficult to quantify in any country, although all the reports stress that it affects only a marginal share of total housing production: Sweden reported 2,000 conversions for this year, most of them in its three major population centres.

Some countries encourage the practice. Finland, for instance, provides aid for the conversion of social or health-care institutions into housing for groups that need services (notably disabled persons).

Germany's urban development and reconstruction programme has been a conduit for the conversion of old industrial buildings, hangars and military compounds into housing. The government also began selling military reserves in the 1990s, to free up land for the construction of social housing (50% discount). However, few housing units have been built (900).

In Belgium a few isolated initiatives have been reported (conversion of barracks or old buildings into housing). All three regions offer assistance for the restructuring and conversion to housing units of non-residential buildings.

Denmark promotes this kind of conversion, since its rent regulations do not apply to housing constructed or improved after 1991.



Spain's system for converting non-residential buildings into housing covers sheltered housing, which is eligible for loans and subsidies, and housing units for sale, loans for which can cover up to 80% of the price of the unit. However, it has not been successful.

France has a policy for converting mostly public buildings. A policy to promote the conversion of offices into housing during the office space crisis in Paris has produced roughly 1,000 housing units annually since 1993. Outside the Paris region, little data is available on the topic.

Wales encourages conversion and has set up a system of grants.

Ireland promotes conversion as part of its urban renewal programme, but stresses that the impact is limited.

Portugal's experiment is still too recent and its conversion initiatives are associated with rehabilitation projects under the PMPH programme. The latter, introduced in 1998, aims to revitalize the preservation and maintenance of buildings and spur the rental market.

### A wide variety of measures to stimulate investment in private-sector rental housing

	<b>Policies to promote investment in private-sector rental housing</b>
Austria	Policies expired in late 1999. No new initiatives to encourage investment in private-sector rental housing.
Belgium	The number of private-sector housing units is dropping as a result of continued policies to promote ownership and the divestment of the private sector.
Denmark	No rent control on housing built or improved after 1991 (rents are set by the market).
Finland	The social housing sector is encouraged. Capital is taxed at low levels.
France	Tax policy since 1987. Private-sector landlord status made permanent under the Besson scheme, which applies to both new and old units (depreciation schedule and obligation to rent property for a minimum term).
Germany	55% depreciation of investments in new rental housing in the private sector, spread over a 14-year period. Subsidies in the new <i>Länder</i> for the construction of housing in city centres and for rehabilitation.
Greece	The tax environment does not encourage investment in private-sector rental housing.
Ireland	Tax incentives to boost supply and improve the economics of construction. Construction and renovation costs can be deducted from the income of owners who lease their housing units for 10 years.
Italy	Tax measures spur the supply of private-sector rental housing.
Luxembourg	The depreciation rate was increased in 1991. Reimbursement for the housing VAT was introduced. Initiatives under study: shorter depreciation periods, partial tax exemptions for income earned from the rental of housing for a fixed period of time.
Netherlands	There is no way yet to gauge the impact of the decision to abolish the tax deductibility of maintenance costs, but it may make renting less attractive.
Portugal	PMPH Programme (1998): pact to modernize the housing stock Households prefer to own.
Spain	Tax incentives for land and real property investment companies, not for households.
Sweden	No specific aid for the private-sector rental housing market, which, like public housing, is subsidized. Both sectors obtain their financing, backed by government guarantees, in the financial market.
United Kingdom	Tax incentives, freedom from rent control, financial aid for housing renovation, the ability of lending institutions to loan money to private individuals interested in renting out the apartments they purchase, widespread housing assistance.

The reports from Luxembourg and Belgium emphasize a strong preference for financial investments on the part of investors. As a result, their governments have introduced public policies to encourage investment in the private-sector rental housing market (a higher depreciation rate in Luxembourg and proposals to make rentals more profitable).

In France, there was a surge in investment in private-sector rental housing in response to the Périssol scheme, followed by a drop when those temporary measures were revoked. The current Besson system should give private-sector landlords permanent status and provide a more regular stimulus for supply.

The environment in Greece acts as a disincentive for rental housing: income from rents is taxed at a marginal rate of 45%, and a tax credit of 20% is granted for housing maintenance and depreciation costs. The government has not taken any specific measures. In addition, the Greek people prefer private property. Finally, since housing starts are weak, new owners turned to old housing units, thereby diminishing the stock of private-sector housing.

Austria and the Netherlands discontinued their partial deductions for renovation costs, at the end of 1999 and 2000 respectively.

## **A relative withdrawal of private-sector landlords from the rental market is occurring in some countries**

There are several reasons for the decline in rental housing:

- small owners are withdrawing from the market;
- legal entities are divesting when major renovation work is called for;
- rental housing is being sold to current tenants or social housing landlords.

Several factors contribute to the trend in Belgium:

- complex tenant protection regulations;
- higher rental risks (nine-year leases);
- tax increases;
- a more favourable financial investment context (better returns);
- high registration taxes, inheritance taxes and the construction VAT.

Italy is experiencing the same phenomenon. Likewise, private-sector landlords in the Netherlands do not presently see investment in the construction of new housing units as a desirable option. Finally, according to a survey of individual landlords conducted in 1996 in France, 30% of property owners did not plan to hold on to their private-sector rental properties. In Luxembourg, the same trend (in favour of financial investment) exists, but cannot be quantified.

On the other hand, nothing of the kind is happening in the United Kingdom, Sweden or Denmark.

Two other factors contribute to the decision of private owners to withdraw from the market, namely:

- the sale of private-sector housing stock to the public housing sector;
- the sale of the stock held by corporations.

Indeed, several reports indicate that corporate owners put their properties up for sale as soon as they have fulfilled the commitment they made in order to secure initial financing. This was stressed in France, the Netherlands, Belgium, Luxembourg and Spain (where rents were frozen between 1921-1964 and 1975-1981).



Finally, only a few countries are experiencing a sell-off of a portion of their private-sector stock to the social housing sector.

- In Denmark not-for-profit associations are buying approximately 300 private-sector housing units a year.
- In France the phenomenon is still marginal.
- In Greece the stock of private-sector rental housing is shrinking because households prefer to own, and the low rate of new construction forces them to draw on private-sector rental housing.
- In the Netherlands, private-sector landlords sell 30,000 housing units a year, only 1,000 of them to social housing landlords.

Belgium is a special case. The authorities in the Walloon region act through social housing agencies (SHA) or social housing rental offices (SHRO). Their job is to convert a portion of the private-sector rental housing stock to public housing. Their goal is to take over the management of buildings whose owners do wish to handle the details themselves: owners are then guaranteed that they will receive rent payments and that property damage will be repaired. Land associations introduced this initiative, which makes it possible to take over private-sector housing units, and government authorities co-opted and codified it.

<i>Region</i>	Number of SHAs or SHROs	Number of housing units allocated
Brussels (SHA)	11	452
Walloon region (SHRO)	62	1,642
Flanders region (SHA)	18	1,150
<b>BELGIUM</b>	<b>91</b>	<b>3,244</b>

Only households whose income does not exceed social housing admission limits are eligible to lease these units. However, the impact of this policy remains marginal.

## A growing trend toward rehabilitation

The countries surveyed reported many measures designed to promote the rehabilitation of housing stock.

- Over the last several years the Belgian government has made rehabilitation a priority, a fact that is evident in the management contracts of social rental housing companies. Each region has its own plan, which clearly demonstrates the importance placed on renovation:
  - In Brussels the 1999-2001 programme allocates 75% of its budget to the rehabilitation of 1,700 housing units a year, and creates priority renovation areas. The remaining 25% is earmarked for the construction of 75 housing units a year;
  - The region of Flanders planned to renovate 10,000 units (and build 1,500) in 1999: 45% of its budget is slated for renovation work;
  - The Walloon region plans to rehabilitate 15,000 housing units a year between 1998-2002, to build another 600 annually, and to introduce a subsidy for the purchase and upgrading of substandard housing.
- The government is financing the rehabilitation of the housing stock in France: the ANAH (Agence Nationale pour l'Amélioration de l'Habitat/National Housing Improvement Agency) subsidizes the rehabilitation of the private-sector housing stock. PALULOS subsidies help landlords bring their properties up to speed.
- In Spain, housing rehabilitation in both the social and private-sector rental markets is taken care of under the 1998-2001 plan to remodel decaying urban areas.
- The Finnish government provides aid in the form of loans and subsidies.
- Italy has implemented a plan for ordinary and special maintenance work, as well as programmes to salvage the most dilapidated housing units.
- Ireland's «Remedial Works Scheme» aims to renovate the stock of the Housing Association. In addition, certain large population centres (Dublin, for example) have implemented local programmes.





- Portugal has put into effect several government initiatives to rehabilitate private-sector rental housing since the freeze on rents was lifted in 1985. In 1998, the housing stock modernization pact (called PMPH) sought to revitalize the preservation and maintenance of buildings and get the rental market moving again through tax (VAT reduction, low-interest loans) and financial (subsidies) measures.
- The United Kingdom has initiated a government «*Major repair and improvements*» programme. The government increased its investments for England to five billion pounds.
- The Swedish government is neutral: it does not specifically encourage renovation and takes an equal interest in the social housing and private housing sectors.

Three countries have no specific measures: social housing agencies must use their own funds, either by passing on the costs of work to tenants (Germany, Netherlands), or by drawing on savings invested in a special fund (Denmark).

The housing stock in Luxembourg is fairly new and does not require a specific rehabilitation plan.

Austria has no legislation concerning housing rehabilitation. On the other hand, laws on thermal renovation were passed for all housing, both social and private.

## The major changes expected

Given the wide disparity in national situations, we have opted to review in detail the main orientations reported by the fifteen member states.

### Austria

The housing assistance system is currently the topic of widespread debate in Austria. The need to lower the public deficit is sure to have a negative effect on total funding for housing aid. Sharp reductions are expected in 2000 and 2001. Negotiations are currently under way to redistribute public funds to the provinces.

Austria's new objectives will require better targeting of assistance, to make sure that it goes to the households most in need of it.

Measures to improve the existing housing stock, make it more environmentally friendly and save on energy consumed by housing will be favoured.

Austria currently has too much social housing and new construction prices that are too high for low-income households to afford. Solving this problem will require new measurement methods and new concepts for designing an action plan to deal with it.

### Belgium

The last few years have seen a resurgence in housing policy measures: examples include budget consolidation and better programmes to aid specific populations. However, a small fraction of Belgian households are becoming increasingly impoverished, and a shortage of affordable housing remains a fact of life for the least affluent. To expand supply despite limited public resources, Belgium is attempting to convert a portion of the private-sector stock into social housing.

Yet support for housing supply on the whole (through new construction and rehabilitation) is needed, as the shortage has less to do with the quantity than the quality of housing. The proportion of barely acceptable housing (comfort, equipment, environmental considerations) remains high, especially for the rental sector, but also for the owner-occupants group. Unless some effort is made to support the housing sector, the market could tighten considerably.

Belgium wants to improve the co-ordination of three types of actions: social policy, housing policy and land-use management policy. The goal is to achieve sustainable development, prevent more space-wasteful urban sprawl and stem the flight of residents from some city centres. However, many current regulations apply only to selected areas. New regional policies will have to target their investments both socially and spatially. Belgium continues to encourage home ownership, however.

With the increasing use of contracts to govern relations among Belgian regions, districts will become the rule, as will goal-setting and performance obligations.

These reforms have reached various stages in the three regions.

Several still-emerging concerns will ultimately affect housing policy:



- a new balance between rental and ownership, to promote mobility; the shortage of private-sector rental housing is a factor in the tight market;
- control of land, which is very inadequate;
- better knowledge of specific needs (young people, single-parent families, the elderly, the disabled);
- more personal assistance (ADIL);
- an adjustment in real property taxes to attract investment in private-sector rental housing (registration taxes, which are too high in Belgium, need to be lowered; progressive-rate real property accounts could be revamped);
- encouragement of government housing contracts via tax mechanisms.

## Denmark

During the 1990s Denmark totally revamped its approach to exclusion and social segregation. Instead of dealing with specific problems nationally, it zeroed in on well-defined urban areas.

The key words in housing policy now include **interactivity** (in contrast to defensive action); **sustainable development** (rather than temporary measures); **dual perspective** (looking at both the problems and opportunities of urban areas); and **urban partnership**.

More private-sector funds are therefore expected to be invested in urban renovation.

Denmark's housing policy features two priorities: improving housing quality and promoting freedom of choice.

## Finland

Finland's housing policy, which the government just approved in June 2000, features four strategy objectives: market balance, social cohesion, a smoothly functioning system of assistance and a long-term outlook.

Market balance is vital, as the problems in Helsinki and other population centres show. When major price increases sharply drove up rents, the solvency of first-time homeowners and young households declined, market options shrank and the problem of homelessness worsened. Price hikes make it tougher to build social housing, notably accommodations for the elderly, at a reasonable cost.

An action plan signed between the government and the municipality of Helsinki calls for six series of measures:

- an increase in the supply of land for social housing;
- the location and distribution of social sector housing within total stock;
- an increase in small multifamily units;
- investment in transports;
- joint responsibility for regional housing policy;
- a reduction in the number of the homeless.

The goal for declining neighbourhoods is to adapt housing and services to demographic growth; the chief question here is how to maintain and reuse the housing stock and how to plan for its decrease.

Other measures being planned include increased protection for tenants and sustainable development.

Total housing assistance has remained unchanged over the last few years and should stay stable. The share of personal assistance grew to over 50%, while direct aid (investment subsidies) declined (25%). Tax assistance to promote first-time home ownership makes up roughly one quarter of the total.

## France

No major shake-ups are expected in the currently stable funding for housing assistance.

Over the last few years, new construction assistance has declined while personal assistance has grown; tax assistance in the form of VAT reductions has been on the rise for two years. The creation of more and more strong inter-district organizations may eventually change the role of central government.

France pursues a generalist housing policy (aimed at the majority of the population), at the same time that it targets the most disadvantaged households.

A major effort is being made to encourage housing that will promote social integration. But the action required is not solely financial, and that is the whole problem: how to create social housing in areas where supply is inadequate while promoting urban renewal.

## Germany

Germany's housing and urban development plan coincides with a slack market and continuing efforts to consolidate public budgets. Given the current supply situation, it has become easier for low-income households to find housing without the help of the central government or Länder. The latter have cut back public programmes to build new construction, in favour of greater use of the existing stock.

Housing start subsidies have therefore fallen and been replaced by personal assistance (Wohngeld). Likewise, more qualitative measures are improving the effectiveness of public funds through better targeting. Examples include efforts to stabilize deteriorating neighbourhoods from a social and urban standpoint, measures to simply regulations, and incentives to build housing that is cheaper, more environmentally friendly and lower in energy consumption.

Priority is also being given to boosting the ratio of owner-occupants, as Germany lags well behind other EU countries in this regard. Finally, housing policy must solve the problems created by German reunification.

Germans believe that the market must adapt to meet housing needs, with government authorities stepping in only to correct unacceptable situations affecting certain



households. But in order for the housing market to function as it should, the government must act to maintain the capacity and interests of private investors.

## **Greece**

Over the last several years Greece has laboured under severe monetary, budget and tax restrictions, imposed on it so that it could satisfy Maastricht criteria. Its housing policy suffered as a result. Now the new government must refocus on housing and specify its new housing priorities. In particular, it must achieve greater social justice by allocating public resources in a more targeted and efficient fashion. Greece is expected to step up its housing policy measures over the next few years.

## **Ireland**

The top priority of Ireland's National Development Plan (2000-2006) is to promote a larger supply of social housing in order to meet growing needs. This will require augmenting municipal programmes, cranking up «voluntary housing» schemes and continuing to promote «shared ownership». The plan has been allocated funding of £ 6 billion to expand public and affordable housing.

Municipalities will continue to be the main players in social housing; the recent introduction of multi-year programmes should not only boost the volume of supply but also speed up turnaround time. This effort will be rounded out by the «voluntary housing sector», provided that the latter can muster the required financial resources.

Other strengths of the plan are its provisions to improve the housing stock and bring equipment up to standard. Certain vulnerable groups still have substantial needs. The development of private-sector rental housing is also a government priority. The commission appointed to deal with the issue in 1999 submitted its report in July 2000. Its recommendations include tenant security, the creation of an independent institution to settle disputes between tenants and owners, and tax incentives designed to facilitate investment in the private-sector housing market. These proposals should lay the foundation for the vigorous private rental-housing sector Ireland lacks.

The rise in the number of small households creates a need to adjust the supply of housing. The best use of available housing stock is a touchy issue. Many housing units are under-occupied and raise difficult problems of financial maintenance for their owner-occupants. Solutions must be found by developing a supply that guarantees that these elderly persons can be relocated to a geographically acceptable place.

The supply of affordable housing for low-income individuals will remain a major housing policy issue. The «shared ownership» system should help.

## Italy

As in the past, direct assistance is expected to decline. Aid will be targeted even more to very low-income groups.

Moreover, Italy is considering reducing the tax burden for new property owners and for owners willing to rent housing at below-market prices.

A shift in the distribution of authority is expected, giving regions more power. Italy's central government will continue to initiate general policy and take responsibility for experimental programmes.

The Italian government aims to implement a policy that meets the population's demands in terms of housing status and type. It will also need to take into account the problems created by its immigrant population.

## Luxembourg

The government has expressed an interest in conducting an active housing policy in conjunction with the districts and public developers. It will continue efforts to promote property ownership. Luxembourg has already increased the size of subsidized loans.

Three types of measures are being considered: financial and tax to promote property ownership; budgetary to boost the supply of social rental housing; and fiscal to make investment in the private rental market more profitable.

The government will continue to encourage all initiatives by public developers (including the districts) to increase the supply of social rental housing.

Demographic projections suggest an increase in housing demands. The government would like a comprehensive strategy that incorporates housing into the master land-use management programme.

A greater supply of public housing units will require an increase in the subsidy rates granted to public developers.

## Netherlands

Housing financing has radically changed since 1990. New housing start assistance was first decentralized, then subsidies were cut back sharply in 1995.

Housing associations are now independent and financially healthy.

Over the last several years municipalities were granted new subsidies for urban renewal. The quality of housing and of its environment in city centres poses a major challenge if the flight of middle- and upper-class residents is to be prevented.

Total funding for housing assistance is expected to remain stable over the next several years. But housing associations will also likely play a major role, since they own most of the social rental housing stock.

No major changes are expected in the distribution of assistance by type.



Relations between the central government and towns will be increasingly governed by contracts. Local communities are expected to devise long-term plans that cross private-public sector boundaries. Government subsidies will not be granted solely on the basis of actual needs, but also, and most importantly, on the quality of the overall plan and the coherence of proposed developments.

Public authorities will not restrict themselves to a purely institutional role; they will take part in discussions by giving their opinion of the quality of housing and living conditions in cities and regions. But they will not go back to the earlier practice of central government involvement in each local development plan.

The Dutch government wants to stimulate a global approach to housing that incorporates health- and job-related aspects.

## **Portugal**

In Portugal, the period from 1995 to 2000 was marked by an exceptionally high construction level of new housing units. Mainly aimed at the home ownership market, this development led to the building of nearly 400,000 housing units intended to meet the urgent needs of a large housing deficit.

The current period corresponds to a transition phase towards a system in which improving housing units is the top priority. Rehabilitating the housing stock has become vital given the current lack of quality. As a result, housing prices should stabilize and, at the same time, the requirements of end-users will be better taken into account. Consequently, the potential improvement-maintenance market is considerable in the housing sector and could concern between 200 and 300,000 units and represent between 3 and 4.5 billion euros. At the same time, the housing policy will be refocused on the rental market and be accompanied by housing aid measures for the neediest.

The necessary control of state spending in this sector will lead to the rethinking of the social housing system and, above all, new financing methods based on the private sector will need to be defined given the resulting reduction of European subsidies.

## **Spain**

If the macro-economic environment is favourable, total housing assistance is expected to level off; public subsidies will be limited to low-income households and specific populations. Conversely, if interest rates and housing prices climb, the central government will likely increase its assistance.

Direct assistance will probably be restructured to improve its effectiveness.

We should therefore expect to see an increase in very low-income housing. The 1998-2001 plan expanded the quasi-multifamily housing sector. The success of this type of housing seems likely to last, since it meets an expectation of the demand.

The future of tax subsidies is hard to predict, but Spain may extend the super VAT reduction rate to all social housing programmes (new or renovated sheltered housing).

## Sweden

The housing policy is not expected to undergo any radical developments over the next few years, apart from the priority given to four objectives: access to housing in difficult areas; the responsibility of local authorities in terms of the housing supply; the development of the social sector; the cost of housing.

After considerably decreasing, the total amount of housing aid will be increased in the future. The 30% dividend on interest given to the social rental sector and to the co-operatives sector will rise due to the needs in difficult market areas.

The government is preparing new parent legislation intended to oblige local authorities to assume their responsibilities given that they are particularly reluctant to build despite the high level of demand.

In terms of housing policy, the Swedish tradition is both generalized and targeted (families, young households, the elderly).

One of the main goals is to arrive at an aid system that is neutral insofar as the different occupation statuses are concerned. This results in necessary changes to real estate tax legislation and the subsidy policy. A special commission has submitted a report concerning this subject, which is currently under discussion.

The Swedish government wants to have a rental sector in which the majority of the units form part of the non-profit sector in order to provide access to reasonably priced housing for all. But over the past few years, public housing companies have lost their specific advantages and are now in competition with the private sector. As a result, a large number of municipalities want to sell their rental stock. To slow down this trend, the public authorities have created a commission responsible for proposing a new legislative framework for the public sector, and for proposing measures intended to guarantee the role of tenants within housing associations.

## United Kingdom

Over the coming years, attaining the fixed housing policy objectives will demand a continuing increase in the level of overall public aid being provided.



The reduction of aid provided for construction, and the concomitant increasing personal aid (particularly Housing Benefit) is a trend that will probably continue. The policy aiming to reduce subsidies to social housing agencies implies a clearer resort to the private sector. As a result, rents are tending to rise, thus increasing the need for personal aid.

Local authorities ought to retain housing responsibility on a local level. They have been encouraged by the government to transfer their stock to Housing Associations in



order to allow these latter to attract private capital for the rehabilitation of these housing units.

The British government wants to promote a local approach to housing. Geographical targeting will become more marked to concentrate efforts on the neediest areas. Consequently there is a need to better co-ordinate the measures taken by the various ministries to provide a real level of integration: housing, urban renovation, health, social measures, conveniently located services.

The main housing policy objective in the United Kingdom is to allow each individual the possibility of decent housing. This shows that the government implicitly recognizes that there is insufficient social rental housing and is envisaging increasing aid to favour this development.

## In conclusion

The European Union currently has 171 million housing units, of which 146 million are principal residences, 13 million are second homes (8%) and 12 million are vacant units (7%).

Among the principal residences, which house 377 million people, there are 90 million owner-occupiers, 37.5 million housing units in the private rental sector and 18.5 million in the social rental sector.

This demonstrates the considerable importance of the housing sector in Europe.

The diversity of European policies in favour of housing is less due to different objectives than it is to the multiplicity of situations that exist and which result from a wide range of different heritages (stage of development in the home ownership concept, the role held by the social rental sector, the level of encouragement to invest in the private rental sector, tax laws, etc.).

Consequently, the different measures introduced by the fifteen governments seem to meet a common desire to **restore the balance in the national supply to meet the needs of a more complex demand.**

This restored balance is based on seven key ideas:

- a better **targeting** of measures, whether direct or indirect, in favour of specific populations (young households, single-parent families, the elderly and/or disabled, low income households, immigrant populations) to increase the social efficiency of the policy: 10 countries explicitly mention this targeting;
- the passage from a **social housing policy to a social policy on housing**, which is translated by substituting aid to housing by aid to persons. This approach is well established in France and the United Kingdom, where aid to persons represents over half the total aid provided. This proportion is tending to increase in Germany and Finland;
- an **overall vision** of the housing policy approached through the quality and location aspects. As a result, the majority of the countries consider that social rental problems are due more to the location of the housing than to its strictly quantitative aspect; a number of member states believe, like the Netherlands, that the housing policy is inseparable from the policy governing town and country planning (region, urban area, town centre) and the districts;
- a **changeover from a logic based on flow to one based on stock**: the majority of countries are increasing their efforts favouring the existing housing stock through the use of multi-year housing stock rehabilitation programmes;



- **sustainable development:** the idea is to operate a continuous maintenance policy rather than carrying out one-off and expensive measures, as well as to integrate energy-saving and environmental aspects;
- the **concurrence of the measures adopted:** several countries have chosen to simultaneously help the home ownership sector using financial or tax aids, the social rental sector using budgetary aids, and the private rental sector using tax aids given to investors; this is the case in France where the policy favouring social housing commits less direct budgetary aid and places emphasis on creating relations between building programmes and a reviewed urban policy. Similarly, Italy is providing aid for these three sectors. Luxembourg, where a high level of demand is developing due to increasing demographic trends, wants to encourage private rental investment by improving its profitability, favour home ownership and increase the supply of social housing. This is also the case in Ireland, where housing requirements remain high;
- a **transfer of responsibilities** from the government to decentralized levels (regions, provinces, Länder, autonomous communities) and local authorities. This process is well under way and will be further reinforced.

Despite a largely liberal policy, many member states have explicitly announced increased means in favour of the **social rental sector**: this applies in Belgium, Finland, France, Ireland, Italy, Luxembourg and Sweden. The improved supply in this sector depends more on the location of the housing and its level of rehabilitation than on new constructions.

**Home ownership** is a clearly expressed goal in Germany (where the owner-occupier level is one of the lowest in Europe, around 40%), Belgium, Italy, Luxembourg, Portugal and the United Kingdom.

The **private rental sector** will continue to benefit from clearly expressed incentive measures in Germany, France, Ireland, Luxembourg and Portugal.

In certain cases, the rebalancing between ownership and rental translates the desire of the governments to hold a neutral position: providing freedom of choice in terms of status (particularly in Sweden).

When it comes to the total amount of public aid, the answers obtained remain uncertain: the stabilization expected in Spain, Finland, France and the Netherlands is more based on a normative hypothesis; the increase expected in Sweden and the United Kingdom seems much more clearly expressed; the reduction expected in Austria only applies to the short term.

Many difficulties were encountered during the introduction of these policies. Five points need to be stressed:

- the **statistical information system**, heterogeneous by nature, all too often remains insufficient to fully understand the complexity of phenomena (old censuses not carried out at the same time, highly fragmentary comprehension of the rent-to-income ratios and the effectiveness of public aid which remain difficult to understand);
- the measures aiming to use **vacant housing units** have only had slight results (no or very little taxation on under-occupation);
- although clearly expressed as a priority goal, **creating a social mix** often remains no more than a promise;
- although often acknowledged in documents (included in the constitution or the voting of specific laws), the **right to housing** continues to remain difficult to apply;
- the **fight against exclusion** and **aid to the homeless** are a long way from being resolved once and for all.

It is probably incorrect to say at the beginning of the 21st century that housing is no longer a challenge. Despite the current positive economic situation, we should not forget the risks of a two-speed economy in which social inequalities continue to be accentuated. In addition, a potential migratory flow towards Europe could challenge current demographic projections, and might well considerably modify the quantitative demand for housing and oblige governments to intervene more than they had expected.



# Appendix

## EUROPEAN PUBLIC POLICY CONCERNING ACCESS TO HOUSING

### QUESTIONNAIRE

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#### I Scope of public policies - Frame of reference

- What are the main aims of current housing policy (home ownership versus rentals, single-family dwellings versus apartments, private versus public ownership)?
- What are the main target groups of this policy ? (indicate the size of the different groups targeted by each policy as % of the population)

#### II The legal situation

##### 1. The right to housing

- Does your legislation or Constitution recognize a right to housing?
- Is this right enshrined in national legislation guaranteed by the central government, or in regional or local legislation guaranteed by authorities at other levels?

##### 2. Application of this right

- What measures have been implemented to guarantee the right to housing (obligation to provide housing within a set time period, protection against eviction)?
- When there is no right to housing, what avenues are open to the homeless (social assistance, community accommodation such as hostels)?
- Are there associations that campaign for the right to housing? How influential are they?

#### III Public policy assisting access to housing

### III.1 Vacant housing

#### 1. Definition

- How is vacant housing defined in your country?
- Are static (census or occasional surveys) or dynamic (specific surveys, special methodology) methods used to determine vacant housing figures?

#### 2. Quantification

- Under the applicable definitions, what is the estimated total number of vacant housing units?
- What percentage of total housing does this represent?
- Can you break down the total figures into vacancy rates for rural and urban areas, or on healthy and depressed markets?
- Can you classify vacant housing units into the following categories:
  - habitable (immediately or after some renovation work),
  - uninhabitable (irreparably poor quality, location).

#### 3. Using vacant housing

- Do measures designed to bring vacant housing back onto the market exist?
- If so, what sort of measures are they (e.g. requisitioning, taxation, tax incentives)?
- Describe these mechanisms, specifying:
  - the dates when they were introduced and their period of application;
  - their cost;
  - their effectiveness (number of housing units brought back onto the market and inhabited).

### III.2 Social rental housing

*This section covers social housing in its strict sense, and excludes special types of accommodation and status (such as housing co-operatives).*



#### 1. Quantification

- How many social rental housing units exist? What percentage of total main homes do they represent?
- Who owns this type of housing (state, local authorities, non-profit associations, companies)?
- Who manages this type of housing (the owners themselves, companies designated as agents)?
- What specific measures have been introduced to encourage renovation of social housing?

## **2. Access to social housing**

- What are the eligibility criteria for social rental housing: income ceiling, specific social circumstances (single-parent families, young households, the elderly, retired people, the unemployed)?
- Is there a personal assistance system that reduces tenants' expenses by means of specific benefits?
- If so, what proportion of tenants in social housing receives such housing benefits?
- On average, what percentage of these tenants' net before-tax income is devoted to rent (before and after housing benefit)?

## **3. Management of social housing applications**

*Describe the process whereby households apply for social rental housing. In particular:*

- Who allocates housing to eligible applicants (social organizations, local authorities, etc.)? What criteria are used?
- What is the average waiting period?
- Is the procedure centralized over a specific geographic area?
- Do applications have to be renewed periodically?

## **4. Rent policy**

- How are rents calculated (e.g. break-even rent, historical rent)?
- Who sets and adjusts rents (role of the central government and/or local authorities)? What criteria are used?
- Are some tenants charged higher rents to maintain a certain tenant category (social mix, financial management)?

## **4. Mobility within social rental housing**

- Do tenants have a vested right to remain in their housing units? Describe the applicable procedures.
- Please provide figures on mobility: annual departures and re-rentals of housing units.

## **5. Vacant social rental housing**

- What is the vacancy rate in the social rental housing stock ?
- Has this rate increased over the past few years?
- State the reasons for vacancies (housing quality, environment, social problems, competition from the private sector).
- What steps have been taken to remedy this vacancy rate? How successful have they been?

## 6. Social rental housing supply

- What types of financial assistance are provided by the government (subsidies, reduced interest rates, loans)?
- Please state the percentage shares of the central government, the "regions" (*Länder*, autonomous areas, provinces, etc.), local authorities and social landlords in the total aid given annually to the social rental housing sector.
- Is the supply of social rental housing considered inadequate, adequate or surplus?
- If supply is inadequate, what is the estimated annual construction demand?
- Do the construction bodies responsible for social housing face problems? If so, what kinds of problems? Are these bodies and/or local authorities reluctant to build new housing (balancing economic and social considerations)?

## III.3 Private rental housing

### 1. Quantification

- What is the number of existing private rental units ?
- How many owners are corporations and how many are natural persons?
- Give the breakdown between small and large lessors among natural persons.
- What proportion of this housing can be considered *de facto* to be social housing in terms of rent, quality and location?
- If a system of personal housing benefits (as defined above) exists, is it applicable to private housing?
- If so, what proportion of private housing tenants receive housing benefits?
- On average, what percentage of these tenants' net before-tax income is devoted to rent (before and after housing benefit)?

### 2. Public action

In what areas does the state intervene with regard to private rental housing:

- financial subsidy and/or tax incentives to encourage investment?
- housing regulations?
- housing allocation?
- special taxation on under-occupancy?



What is the general rent policy framework? In particular:

- who is responsible for rent increases and what procedures are used?
- what rights do tenants have (vested right to remain in their dwellings, lease duration)?

Is there a special form of state intervention in the case of existing housing?

### 3. Building conversion



Some countries have converted vacant non-residential premises (especially offices) into housing. Has this been done in your country? What were the results in terms of number of housing units put on the market?

#### **4. Supply of private rental housing**

What factors encourage or curb this supply:

- tax incentives schemes?
- rent policy?
- competition from other forms of investment?

Has your country experienced phenomena such as:

- the withdrawal of small property owners?
- the withdrawal of corporations once the housing requires major repair work?
- the sale of some housing units to municipalities or social landlords?

## **IV Expected housing policy trends**

- What direction should public housing efforts take in terms of total aid over the coming years (increase, stability, decrease)?
- What changes should be seen in the various types of aid (direct, indirect, fiscal)?
- What changes will be seen in the division of responsibility and financing between the central government and other levels of government?
- What do you think will be the future direction of public housing policy (e.g. concentration and targeting of aid)?
- How will the right to housing be treated in future? By increasing the supply of social housing and housing for the poorest? By a shift to a social aid policy (higher benefits)? By building new community accommodations such as hostels?