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Report

International Trends in Housing and Policy Responses

Draft

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Julie Lawson and Vivienne Milligan

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LIST OF ABBREVIATIONS

AHS	American Housing Survey
ARM	Adjustable Rate Mortgage
CBO	Community Based Organisation
CECODHAS	Comité Européen de Coordination de L'Habitat Social (European Liaison Committee for Social Housing)
CDBG	Community Development Block Grant (US)
CMHC	Canadian Mortgage and Housing Corporation
CPI	Consumer Price Index
DBH	Department of Building and Housing (New Zealand)
EGW	Central Issuing Office of Non-profit Builders (Switzerland)
EMF	European Monetary Fund
EU	European Union
Eurostat	European Statistical Agency
EWG	Central Issuing Office of Non-Profit House Builders (Austria) (Emissionszentrale für gemeinnützige Bauträger)
FHA	Federal Housing Administration
FRM	Fixed Rate Mortgage
GBV	Federation of Limited-Profit Housing Associations (Austria)
GDP	Gross Domestic Product
GDR	German Democratic Republic
GNP	Gross National Product
HB	Housing Benefit
HLM	Moderate Rent Housing Companies (France)
HNZC	Housing New Zealand Corporation
HUD	Department of Housing and Urban Development (US)
IMF	International Monetary Fund
LPHA	Limited Profit Housing Association
MBS	Mortgaged Backed Security
MITR	Mortgage Interest Tax Relief
NAP	National Action Plans (see Appendix 2)
NGO	Non Government Organisation
NFP	Not-for-Profit
NZ	New Zealand
OECD	Organisation for Economic Cooperation and Development
OO	Owner Occupation
PR	Private Renting
RICS	Royal Institution of Chartered Surveyors
RSL	Registered Social Landlord
RTA	Right-to-Acquire
RTB	Right-to-Buy
SR	Social Renting
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
US	United States of America
VAT	Value Added Tax
VPG	Voluntary Purchase Grant
VROM	Volkshuisvesting, Ruimtelijke Ordening en Milieu (Dutch Ministry of Housing Planning and Environment)

EXECUTIVE SUMMARY

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1 INTRODUCTION

Housing policy makers in developed countries face a range of common challenges today. These include the housing related demands of an ageing population; changing housing and tenure preferences associated with this demographic shift, and with pervasive economic and social changes in modern societies; continuing urbanisation that is being accompanied by polarising housing markets; and the resultant socio spatial segregation of urban areas. New approaches to public sector finance and a revolution in mortgage markets have also had far-reaching impacts on housing policy.

Valuable lessons can be taken from different institutional and policy approaches to these and related challenges. This project uses an international comparative perspective to offer ideas for the development of future national housing policy settings in Australia. The chief purpose is to provide a resource and evidence base and well-informed strategic insights from developments in key policy areas across a selection of countries, which are similarly developed in socio economic terms to Australia but that offer a broad range of housing responses from which to source policy innovations. These include rental and home ownership based responses.

Policies cannot simply be transplanted from one national context to another. The ability to identify relevant policy ideas depends critically on using an appropriate comparative methodology. The starting point for making comparisons and interpreting the worth of policy is to recognise that national approaches to housing provision and the housing policies that underpin these approaches are inherently diverse. This is because systems of housing provision develop in dynamic local contexts and are subject to continually adapting local influences. Thus, over time, each country's housing system comes to represent the cumulative development of policies, actions and institutionalised processes relating to the provision of housing in that specific place.

Understanding a country's housing policy strategy and/or a particular policy initiative requires therefore an accurate analysis of key dimensions of the local policy strategy; having a historically informed appreciation of the specific and dynamic context in which it operates; and seeking evidence of the shelter and non-shelter outcomes that have resulted. Exploration of differences in the way countries approach the provision of housing and appreciation of the different mixes of state and market mechanisms that can be adopted, together with the evidence of their impacts, can then be used to inform and inspire appropriate policy development locally. In this report, the approach just described forms the basis for the methodology used to compare national housing systems, with a focus on policy developments in a mix of developed countries that appear to have made progressive gains in their housing systems and policies.

The timing of this research is significant. Australian housing policy is a matter of negotiation between the Commonwealth and State governments, which comprise the

Australian federation. The main elements of national housing policy are contained within the Commonwealth State Housing Agreement (CSHA), which has been renegotiated periodically since its introduction in 1945. Typically this occurs about every four years, during which time there is a small window of opportunity for substantive change. Thus, in the lead-up to the negotiation of the housing policy framework for 2008/09 and beyond, Australian housing policy makers have prioritised research into how advanced nations are addressing contemporary housing issues.

1.1 Research questions and stages

The specific research questions guiding this study are:

1. What is the nature of the systems of housing provision in countries selected for comparison?
2. What are the main trends in the way government responsibilities for housing policies are evolving in these countries and what are the drivers of those policy responses?
3. What evidence is available of the impact of recent changes in national housing policies on core shelter and non shelter outcomes for lower income households?
4. What are the main similarities and differences between Australia and the selected countries in terms of their systems of provision, policy trends and outcomes?
5. Taking into account the comparative analysis above, which housing policy directions have the most potential to offer strategic insights for the future development of housing policies in Australia?

For the chosen policy areas/initiatives:

6. What policy lessons are there for Australia?
7. What specific aspects may be worthy of further investigation?

Our response to this set of questions is being developed in two research stages. In the first, we have made a broad examination of systems of housing provision in the countries studied (chapter 2), investigated the main housing issues being faced and the driving factors behind these issues (chapter 3), and identified key clusters of housing policy activity across the countries studied (chapter 4). This stage of the study has also been used to identify specific policy initiatives in particular countries that may warrant further investigation because of their assessed potential to inform policy development in Australia (chapter 5). The second stage of the research comprises assessment of a selection of those initiatives, following consultation with Australian policy makers (chapter 6). In this stage more detailed consideration is given to understanding how particular policy options of interest work in their local context; the available evidence of their impacts; and an interpretation of their potential value in Australia.

In view of the strong policy attention being given in Australia to improving outcomes for Indigenous peoples, we have also tried to bring to the attention of Australian policy makers any information identified during research on how mainstream housing policies are formulated to address the needs of Indigenous households in countries with significant indigenous populations, such as New Zealand, United States and Canada. We have highlighted policy initiatives for Indigenous peoples that we consider may be worthy of further analysis in subsequent research.

1.2 Country selection

At the outset, countries within the scope of this study were identified as those similarly developed to Australia, but with diverse housing systems that offered a potential source of policy innovation and ideas.

Following a preliminary review the specific countries of interest were refined as Austria, Belgium, Denmark, France, Germany, Ireland, the Netherlands, Switzerland, the United Kingdom (UK) (mainly England), New Zealand (NZ), Canada and the United States (US). These countries have broadly comparable economic regimes and face many housing issues similar to those in Australia. However they embody a diversity of governance arrangements, welfare models and housing systems. Looking at different approaches to welfare and housing enables us to distinguish the variety of international responses to shared housing issues and, by analysing the context and impacts of different strategies, to make an assessment of their potential relevance to Australia.

Not every country of interest could be included practically. Other developed countries were omitted for one or more of the following reasons: similarity to countries covered; lack of accessible and/or comparable information; systems of housing provision too different to those in Australia; or a static/declining national housing policy regime. Overall, the twelve culturally and politically diverse countries chosen provide an abundant source of information and policy ideas.

1.3 Methodology

International comparisons of housing and urban phenomena are undertaken for a variety of reasons. These include policy development, problem evaluation, testing of theories, or development of new explanations. The purpose of comparative research should correspond with the type of conclusions sought: describing, evaluating, suggesting actions or explaining the topic of interest. Some studies may demand a combination of aims and outcomes; for example, that research is both evaluative and action orientated (Lawson 2006).

This study aims to promote understanding of international housing policies among Australian policy makers, and provide good ideas for policy action. As suggested above, this requires an analytical approach that will uncover how contemporary policies have emerged, what they have achieved in particular circumstances and, crucially, an understanding of why this has occurred (Pawson and Tilley 1997; Milligan and Phibbs 2007). Such an approach steers the research method away

from higher-level aggregation and categorisation of countries towards a more comprehensive description and appreciation of each dynamic housing system and the policies it generates.

To further our understanding of housing systems and the policies integral to them, we therefore need to use analytical tools to classify and compare individual housing systems, rather than merely describing housing policies and their apparent outcomes across numerous countries. An understanding of the policies emerging in each system requires a contextualised, historical approach acknowledging the connections between housing and a wide range of social relations that change over time and space. This approach tries firstly to appreciate the different internal logic of each type of housing system and secondly to understand the strategic relationships influencing each housing system through its links to time and place, specific political structures, welfare systems, institutional arrangements and demographic and market conditions (Lawson 2006).

The approach we adopt necessitates a clear conceptualisation of the endogenous relations that define each housing system, and an appreciation of the exogenous relations impacting on the system – often described as context. A national housing system is understood then as a complex and dynamic system that is exposed to shifting political power, evolving welfare regimes, embedded institutional arrangements and constantly changing economic and social conditions.

While this approach has been applied comprehensively to the study, the large number of countries being considered means these contextualised, strategic relations can only be sketched in brief in this report.

Information for the first stage of the study has been obtained mainly through three complementary methods. One approach has been an extensive desktop review of recent literature on housing policies and housing systems in the study countries. The main sources of information and analysis identified through this method have been national reports of governments and independent authorities on housing; national, regional or international statistical collections; commissioned cross country surveys related to housing; recently published research on key aspects of particular national housing systems or policies; previous comparative studies of housing in some of the countries and regions that make up our sample; and the websites of major national, international housing organisations (see References for complete list).

The second approach has involved using key national informants and/or housing policy experts to identify additional sources, to fill in gaps in information in the published literature and to validate our interpretation of particular initiatives. People who assisted in this way are listed in Appendix 1.

Thirdly, one or other of the authors has attended housing conferences (in Europe, North America and New Zealand¹) to promote awareness of the study and to obtain information and leads for the research. This produced several additional sources, contacts and many valuable ideas included as appropriate in the report. In addition we have drawn on our existing knowledge of housing systems in many of the countries studied, as acquired from previous research and our participation over several years in international housing networks.

We have emphasised above that housing policies are a product of both their historical and contemporary contexts. Nevertheless most policy adjustments tend to be incremental or marginal changes to long established national policy strategies. On some occasions major breaks with historical approaches can arise, particularly where a significant new economic or social challenge or crisis emerges or where a major shift in political power occurs. Because of the size of our task, it will not be possible to account for the full trajectory of housing policy developments in each of the study countries over a significant period of time. Instead we have sought to assess and interpret the nature and drivers of the most recent documented changes in housing policy. Mostly these have occurred within the last decade.

1.4 Report outline

Results from our broad investigation of international housing policy trends are presented in five chapters.

Chapter 2 provides an introduction to each country's system of housing provision and the context in which it operates. Drawing on approaches taken in previous comparative housing studies, the chapter incorporates general information on each country's demographic and economic characteristics, political systems, institutional arrangements, welfare regimes and market conditions, and shows how each of these has influenced the contemporary national housing system.

Chapter 3 draws on the wide-ranging sources of information and expertise accessed for the study to make an assessment of the main housing issues and challenges facing developed countries. From this assessment, we identify four prominent issues that cut across the study countries to influence policy settings, and review the factors underlying each issue. Those issues are:

- Rising housing costs and declining housing affordability;
- Housing supply shortages and issues of housing quality;
- Social exclusion and segregation related to housing location, tenure and quality; and
- The special housing needs of excluded groups, Indigenous communities and those with support needs.

¹ United Nations Habitat Third World Urban Forum, June 19-23 2006; European Network of Housing Researchers Conference, Housing in an Expanding Europe Ljubljana July 1 to 4 2006; Wellington City Council, Affordable Housing Summit, Wellington, New Zealand October 30 2006.

In conclusion, the chapter also describes how market-state relations in housing are adjusting to the latest housing issues and wider changes in systems of governance in developed countries.

Chapter 4 reviews the policy strategies employed by each country in response to the shared challenges identified in the previous chapter. The evidence suggests positive housing policy responses can be clustered in six main fields:

1. Facilitating low income home ownership;
2. Promoting private investment in affordable housing;
3. Utilising the private rental market;
4. Reinventing social housing;
5. Promoting housing and neighbourhood sustainability; and
6. Changing the governance of housing systems and the delivery of housing policies.

The chapter describes the principal policy mechanisms being utilised in selected national contexts for each of these strategic areas of intervention. Where available, evidence of the impacts of these strategies is also discussed.

Drawing on the results of the first broad stage of the research, chapter 5 identifies policy areas and associated countries in which further evaluation of policy settings and specific instruments may be fruitful for Australia. The chapter summarises key findings and insights into policy directions that have emerged during our research, followed by an appraisal of recent research and policy discourse on the strategic housing policy issues facing Australia. We then propose a set of criteria for assessing the potential relevance and interest of the strategic policy interventions we have identified. Using these criteria and reviewing current policy challenges in Australia, we propose a list of policy responses in each policy cluster that we consider to be of potential interest to Australian housing policy makers and suitable for further research.

In chapter 6, four distinct strategies selected from our list in consultation with policy makers are analysed in more detail. These strategies straddle several policy themes highlighted in the report, using illustrative applications in countries that have not been researched previously in detail in Australia. The specific policy strategies discussed are:

- New administrative arrangements for social housing between the national and provincial governments in Canada;
- The use of housing construction convertible bonds to facilitate investment in affordable housing in Austria;
- Switzerland's pension saving scheme for home ownership; and
- National plans for social inclusion and neighbourhood renewal in France and Ireland.

2 UNDERSTANDING AND DIFFERENTIATING NATIONAL HOUSING SYSTEMS

This chapter addresses how we can best appreciate the housing systems of each of the study countries, to understand how and why they have responded in different ways to similar housing issues such as declining housing affordability, ensuring appropriate housing, maintaining an adequate supply of housing and achieving effective links between housing and non shelter outcomes.

In order to better contextualise our findings, we start with a brief review of each country's key demographic urban and housing characteristics (section 2.1) and a preliminary sketch of the character of each housing system (section 2.2). We will then examine in turn the relationships between their housing systems and policies and national political structures (section 2.3), welfare regimes (section 2.4), institutional configurations (section 2.5) and market conditions (section 2.6).

2.1 Selected urban and housing characteristics

The countries under review fall into three groups: small, medium and very large populations. The smallest countries with populations of less than 10 million are Ireland, New Zealand, Denmark and Austria (in ascending size). Belgium, the Netherlands, Australia and Canada all belong to the group of medium sized countries with 10 to 31 million inhabitants. The UK, France, Germany and the US have the largest populations.

During the period 2000-2005 the countries with the fastest growing populations were New Zealand, Ireland, Australia and the US, growing on average by more than 1 per cent per year. Modest population growth of less than 1 per cent was recorded for Belgium, Denmark, the UK, France, the Netherlands and Canada. Germany and Switzerland had low population growth rates of less than 0.1 per cent. Austria is the only country of the group that recorded a small decline in population.

All countries in the study face ageing of their populations at unprecedented rates over the next 25 years. In a housing policy context, this has major implications for the sustainability of systems of housing provision, future levels of housing related wealth and inheritance, demands on social security that are linked to housing costs and pensions, and the delivery of home based health care. The future level of home ownership will also be significantly influenced by ageing populations, although in quite different ways depending on whether ownership rates are high or low among older cohorts of the population.

Across the countries household size varies between 2.2 and 2.94 persons, with the largest average in Ireland and the smallest in Germany, Denmark and Switzerland. A paradox of falling household sizes and increasing size of houses is apparent across our selection of countries.

The most urbanised countries in the group are Belgium, the UK, Germany, NZ and Denmark, along with Australia. Population concentrations nevertheless vary

significantly within countries from large conurbations or mega-cities, such as in France, Germany, the US and Australia, to polycentric clusters of smaller cities, such as in the Netherlands and Switzerland.

If countries are categorised by household tenure however, and specifically home ownership rates, an entirely different grouping can be teased from the data in table 2.1. Using this filter four different groups can be distilled:

- High ownership and significant social rental sector (UK);
- High ownership and significant private rental sector (Ireland, Belgium, US, Australia, NZ and Canada) – typically these countries also have small social housing sectors (7 per cent or less);
- Equivalent rates of ownership and renting, with a large proportion delivered by social landlords (Austria, France, the Netherlands and Denmark); and
- Countries with more private and social renters than owners (Germany and Switzerland).

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Table 2.1 Selected urban and housing characteristics

Country	Population ^a		Housing tenure ^b				Average household size	Urban population ^a	Population density ^a per Km ²
	Latest Census in Millions	Growth Rate 2000-2005	Owner Occupation (%)	Social Rental (%)	Private rental (%)	Other (%)			
Ireland	3.97	1.12	77	7	11	5	2.9	60	56
NZ ^c	4.14	1.32	67	7	26	0	2.7	85.8	14
Denmark	5.39	0.24	53	19	18	^d 10	2.2 ^f	85	125
Austria	7.33	-0.05	57	23	17	3	2.4	66	96
Switzerland ^e	8.07	0.05	36.5	5	65		2.2	68	178
Belgium	10.37	0.21	74	7	16	3	2.3	97	340
Netherlands	16.24	0.50	53	35	12	0	2.3	66	391
Australia ^g	20.1	1.10	69	5	22	2.4	2.6	89	2.6
Canada ^h	31.6	0.77	66	NA	34	NA	2.6	80	3
UK	58.9	0.31	70	20	10	0	2.4	89	245
France	61.54	0.47	56	17	21	6	2.40	76	112
Germany	82.52	0.07	43	6	51	0	2.2	88	231
US ⁱ	291.6	1.03	69	2.5	28.5	NA	2.6	80	30

^a UNECE (2005) ^b CECODHAS (2005) ^c SNZ (2006) ^d Non profit housing associations in Denmark involve co-ownership

^e RICS (2004) ^f Swiss Federal Statistics Office (2006) ^g ABS (2006) ^h Statistics Canada (2001) ⁱ USCB (2005)

2.2 Preliminary description of national housing systems

A brief character sketch is provided here to introduce the housing systems operating in each of the study countries.

Austria: a supply oriented policy with substantial rental housing stock that has been subsidised by a package of low interest loans for construction and renovation.

Denmark: the tax system is used to promote investment in different tenures, such as ownership and private rental. There is a range of social housing models characterised by local level planning, tenant management and collective resource sharing.

Germany: a system with a substantial private rental sector, regional market variation and a shrinking social housing sector, now geared to lifting its low rate of home ownership.

Switzerland: a system oriented towards individual private landlordism, with financial intermediaries facilitating investment in 'non-profit' supply. Access to pension contributions assists purchasers.

United Kingdom: a system now oriented towards home ownership, alongside lifting standards in the substantial social housing stock provided by councils and housing associations and redressing segregation.

Ireland: the country with the highest home ownership rate of those studied is facing major affordability problems alongside recent economic growth and demand pressures. Social housing sector is being expanded and poor quality private rental sector improved.

Netherlands: a country promoting ownership, but also retaining a substantial broad based social rental sector comprised of independent, private housing associations that are largely capital market financed. Urban renewal and additions to supply are the current policy focus.

Belgium: a nation of home owners, atypical in Western and Northern Europe. Housing policy is regionalised. Social housing is residualised and undergoing management reform.

France: a broad based central government led system supporting a range of tenures in order to stabilise the housing market and manage the economy. As for the Netherlands, urban renewal is a national concern.

Canada: a system geared to home ownership via national mortgage institutions. Responsibility for facilitating social housing has been devolved to lower levels of government but persistent homelessness and affordability problems have drawn the national government back into the field recently.

New Zealand: a system that has been long dominated by ownership now faces affordability problems, which have catalysed efforts to revive the social housing sector and seek new ways to promote affordability.

United States: a system geared to the promotion of home ownership via government regulated financial intermediaries, insurance agencies and subsidy programs which extend that tenure to minority groups and low income households. Has a partly regulated private rental sector and a small residual public housing sector. Public housing is undergoing reform and estate redevelopment. Diverse local affordable housing projects have been fostered under a national fiscal incentive (tax credit) scheme.

Australia: Dominantly a home owning country for around five decades. Access to home ownership for younger and single income households has come under pressure in recent years, as a result of houses prices rising faster than incomes. Private rental sector houses a significant proportion of non-aged low income households, a majority of whom have affordability problems. Highly residualised social housing sector.

The remainder of this chapter takes a closer look at several different aspects mediating each national system of housing provision, which are defined and packaged together in different ways to influence housing outcomes in each country. Those aspects are: political structures, welfare regimes, housing institutions and market conditions.

2.3 Political systems

Political structures help to define the nature of government and its responsibilities, including for housing. Typically in a federal system, powers and responsibilities are legislatively defined for both the central state and localities (provincial and/or more local governments). However, these relations are not static and often are mediated directly and indirectly. Sometimes this leads to formalised revision of the relations.

Of course there is much debate about the nature of the relationship between society and the state (including all forms of governance), and how this relationship affects policy making. Across the social sciences for decades, it has been argued that 'the state' is either responsive to its own self interest or to the logic of capitalism, organised labour, dominant classes, popular protest or key actors seeking to secure long term advantage over other groups. The debate about the state's role in housing is no different, contributing ideas on how changing political regimes, institutional arrangements and welfare systems influence directions in housing policy and strategy.

During the 1990s the political scientist Lundqvist (1990, 1992) took an explanatory concept of power and resources. He looked at "welfare state expansion as a result of rational actions of individuals or collectivities, gaining political power and representing groups who are weak in market resources" and applied it to shifts in housing policy approaches. In particular, he tried to explain the privatisation of housing policies within the context of a general contraction of the welfare state during the 1980s by examining the different responses of "market strong", "corporatist" and "market weak" parties. Lundqvist used Great Britain, Norway, the

Netherlands and Sweden as his case studies. More complex than his original hypothesis, Lundqvist found in these countries that the legacy of earlier policies, the strength of public bureaucracy, peculiarities of each political system and housing sector, and the organisation of affected interests were also very important factors influencing directions in housing policy. Political systems are thus only one factor accounting for differences in housing policies.

Amongst the countries examined in this study we find a wide variety of political systems with differing constitutions, separation of powers, central local relations and political parties. Each system has its own electoral systems, power bases and political ideologies. Governance arrangements often involve complex, sometimes ambiguous and conflicting arrangements between national, provincial and local governments concerning taxation, revenue transfer, policy and program responsibility, management and implementation. Relationships between governments and specific interests, social classes and economic sectors also vary from country to country and over time. Most states in our study have federal or similar structures. Ireland, NZ, Denmark, France and the Netherlands have unitary systems. Most states are governed by liberal or Christian conservative coalitions; only Belgium, the UK and NZ currently have social democratic governments although their past has been otherwise.

Given the wide scope of this study, there is only space to mention the key characteristics of each country's political structure, recent political regimes and how changes in political structures currently influence the delivery of housing policy, as set out in table 2.2.

This review of broad national approaches shows that:

- There is a trend towards regional responsibility for housing and urban planning, especially social housing provision, although mortgage related institutions and tax instruments remain centrally based;
- Devolution of housing responsibilities has often been accompanied by a transfer of related funds to regional governments, but not always leading to reliance on local revenue sources or abandonment of housing programs;
- There has been a notable increase in (social) housing policy action recently by the national governments of Ireland, France and NZ;
- Urban renewal has been a key concern of the central governments of the UK, the US, France, Belgium and the Netherlands; and
- Whilst home ownership remains a priority for many governments, expansion of this tenure has been stymied by declining affordability.

Given the changing developments in intergovernmental roles and relationships and their influence on housing policy across the selected countries, this topic is considered further in section 3.5 on market-state relations and section 4.6 on developing models of governance in housing systems.

Table 2.2: Political structures and government institutions

Country	The organisation of government ^a	Current and past ^b political regimes	How political structure currently influences housing policy
Austria	Since 1945 a revived weak federal system with 9 regions including Vienna (Länder). Distribution of tax to Lander every four years, revenue equalisation guaranteed.	2006 Christian Democratic Liberal government, with Right wing minor party. Conservative since 1930s	Federal laws govern tenancy, property, and non-profit housing. Housing policy devolved to the Länder who design subsidy schemes, eligibility and quality standards. Local governments expected to facilitate social housing providing land and exempting providers from property tax.
Belgium	Since 1993 a federation of 3 mainly autonomous regional governments - Brussels (bi-lingual), Flanders (Dutch speaking) and Wallonia (French Speaking)	2006 Coalition Liberal democrats, Reformist movement and Socialist party (Purple cabinet) Conservative or Christian democratic since 1930s	Housing is a regional matter, except rents and taxation. Policies implemented by communities and local governments, subject to different economic and community interests. National Urban Fund for integration and revitalisation.
Denmark	Unitary state. However mainland, Faroe Island and Greenland administered separately.	2006 Liberal conservative coalition with involvement of the far right Danish People's Party Previously Centre Right and Social Democratic governments	Central government makes and finances policy implemented by local government which plans and regulates Housing Association provision
France	Unitary state, yet 22 elected regional councils influential in economic planning process, and 96 department Councils.	2006 Conservative (President is Gaullist) Previously Christian Democratic, Conservative and Labour Liberal governments	Recently established national agencies for Urban Renewal. Yet overall a decentralising trend, with planning for housing devolving to local governments.
Germany	Decentralised federation unified in 1990, now 16 Länder each with constitution, and municipalities.	2006 Christian Democrat and Social Democrat coalition, Previously Social Democratic Greens, then Christian Democrats and Liberals	Bureaucratic federalism characterised by central withdrawal and devolution of social housing provision Housing policies vary widely between Länder.
Ireland	Unitary state, four provinces with 26 counties, 88 local governments	2006 Progressive Democrats and Centre Right Fianna Fáil Centre right or Centre left coalition governments	Central government develops policy and co-ordinates implementation by local authorities who manage, provide, plan for and facilitate housing.
Netherlands	Unitary, with strong central, 11 provincial with appointed governors, 670 local	2006 Liberal Christian Democrats Labour, Liberal coalition or	Central government primary policy maker, provinces develop regional strategy and municipalities plan for and

Country	The organisation of government ^a	Current and past ^b political regimes	How political structure currently influences housing policy
	governments	Christian and Labour coalitions	develop land for specific housing outcomes
Switzerland	Federation of 26 cantons with constitution reflecting cultural diversity of French German, Romansch and Italian speaking Protestant and catholic communities. Some cantons have direct democratic regimes.	2006 Four party Centre Right Coalition since 1959 Conservative	Involvement of central government minimal, main intervention by cantonal public banks, pension funds and local tax regulation. There has been a tendency towards devolution and withdrawal from housing. Reform stymied by electorate and lack of resources.
UK	Unitary state that has shifted from centralised to decentralised power recently establishing regional assemblies, devolution and self management	2006 Social democratic Liberal labour Liberal	Long term shift from council to non-profit social landlords. Shift from loans and grants to capital market financing. Devolution of housing policy to new regional assemblies, but not before substantial national legislation set in place concerning regulation, rights and performance.
Canada	Federation of 10 provinces with assemblies and elected Premiers.	2006 Conservative Liberal	Continuing devolution of responsibilities for housing to provinces has left the country without a national policy framework and coherent housing strategy. Federal agency focuses on mortgage system and market research.
United States	Federation of 50 states, with own constitutions. Central government co-ordinates and broadly interprets inter-state concerns.	2006 Conservative Liberal	Increasing focus on devolving housing responsibility to states via block grants. However, Federal presence retained through Department of Housing and Urban Development (HUD) and financial intermediaries.
New Zealand	Central-local government	2006 Labour-centrist coalition Labour, National governments	Revived national interest in housing policy, rejection of market-oriented policies of previous government and promotion of local planning for housing needs and third sector development.
Australia	A federation founded in 1901, now with 8 State and Territory governments and 673 local municipalities that have a comparatively narrow span of responsibilities and are highly fragmented. Improvements to fiscal equalisation have occurred since 2001 but vertical imbalance remains.	2006 Conservative Coalition nationally. Labour governments dominate in State/Territory sphere. Relatively brief historic periods of national Labor government characterised by more Federal policy involvement in housing and urban affairs.	Responsibilities for housing not clearly delineated across two higher levels of government and subject to change. Commonwealth has control over fiscal policy and social security. States have major direct role in delivery of social housing through state housing agencies. Responses to urban development/renewal issues normally lie with State governments. Local government usually has planning control, subject to State legislative power but is weak on housing policy.

^a This section draws upon Derbyshire and Derbyshire (1996) ^b Sources: Borchert (1998); Matznetter (2001) ^c The Lander North-Rhine Westfalia is particularly active in social housing support.

2.4 Welfare regimes and housing

Housing holds a central position in the welfare of households and contributes to many dimensions of wellbeing. While housing was once considered a pillar of the welfare state in the post-WWII era alongside health, social security, full employment and education, it typically has been treated differently from other forms of welfare, which have attracted specific approaches of government support and intervention. Accordingly it has been said that housing now forms the “wobbly pillar of the welfare state”, especially as market centred policies of housing provision have come to the fore (Torgersen 1987).

Below we explain the main approaches that have been taken to conceptualising and distinguishing national welfare systems and the role of housing within them. Using those ideas, we then discuss how differences in welfare systems have influenced each country’s position on national housing policy, presented in table 2.4.

2.4.1 Understanding and applying different concepts of welfare systems

At the most basic level, welfare researchers often refer to the rights of access and entitlement or social citizenship that underpin differences in welfare systems. They distinguish two different models operating, both with European origins (table 2.3). Bismarck’s approach to welfare emerged during the 1880s and promoted compulsory social insurance to avoid the perils of *laissez faire* liberalism and its socialist alternative. Much later, Lord Beveridge reported to the British government in 1942 arguing for the entitlement to collectively organised welfare provision, which later evolved across the UK and Scandinavia.

Table 2.3. Two opposing welfare state models: Beveridge vs. Bismarck

Welfare Model	Bismarck	Beveridge
Example	Continental Europe/France	Scandinavia/UK
Criteria for entitlement	Contribution/membership	Right/citizenship
Political ideology	Conservative	Social Democratic
Central institution	Voluntary Organisations	State (public sector)
Financing	Social partners’ contributions	Taxes
Demarcation of entitled Population	Affiliated with the labour market	Legal resident

Source: Abrahamson (2005:4)

The attributes above provide a starting point to order and organise the origins of different approaches to national welfare amongst the selected countries as shown in table 2.4.

Esping-Andersen (1990) developed another influential approach to distinguishing between national welfare systems. He used OECD social expenditure data on 18 countries and an analysis of social policy and labour market characteristics to develop a typology of welfare states: Liberal, Social Democratic and Conservative, each with different logic, organisation and social integration.

Esping-Anderson's original data mainly concerned expenditure on pensions and unemployment benefits, and did not include housing. However, Barlow and Duncan (1994) expanded the classification by distinguishing types of housing systems and relating these to each type of welfare regime. Building upon Ambrose's concept of a chain of housing provision (1991), these authors propose that different housing systems have been generated by different market-state mixes in the ways housing promotion, land supply, production and consumption are secured. They distinguish four main systems dominated respectively by speculative house building, limited profit social housing, self (consumer) initiation of housing and restricted profit private sector housing (Barlow and Duncan 1994).

Following Esping-Anderson, Barlow and Duncan then find that Liberal states promote self-reliance and market forms of social organisation and typically allow for means-tested assistance, modest social insurance and a low level of universal transfers. Speculative housing provision and reactive planning are typical of the housing systems of liberal regimes. The US provides the archetypal case of a liberal state with these forms of housing provision.

Social democratic states (the Netherlands and Scandinavia, especially Sweden) aim to provide universal assistance using non-market mechanisms, that is, without relying on the family or the market. In the housing realm such states place more emphasis on social housing and limited private non-profit provision.

Conversely, conservative corporatist regimes (Belgium, Germany, France and Austria) place more reliance on kinship networks, which are often reinforced by the Catholic Church, allowing the state to play a supplementary role. In these regimes housing systems are typically a mix of self-promotion and restricted profit private promotion (*ibid*: 28-35).

There has been considerable debate over the allocation of countries across this typology, forcing researchers to examine more closely the nature of welfare in their own countries and to contemplate other dimensions of welfare such as gender, de-commodification and domestic relations (see for example Esping-Anderson (1996) and Doling (1999)). Nevertheless, Kemeny (1992) maintains housing is so embedded in the social structures of different countries it is almost impossible empirically to disentangle it; while Matznetter contends "housing regimes will not correspond to the typology of welfare regimes... because of the specificities of housing both as a very special commodity and as the main storage of family wealth" (2001:13).

Continuing this line of argument, Kemeny (1995, 2003) argues housing researchers should not blindly follow the categories developed by welfare researchers but postulate, test and refine a new set of explanatory distinctions that treat housing as an integral component of welfare. Rising to the challenge, he identifies two types of rental housing systems: dualist (disconnected markets of for-profit rental housing and a residual public housing sector) and unitary (not-for-profit rental provision that is integrated into the market). Dualist rental systems include Canada, Australia, New

Zealand and the US. They have private market allocated rental housing with small residual social sectors allocated on the basis of need and waiting lists. Unitary systems are present in the Netherlands, Switzerland, Austria and Sweden. According to Kemeny, in unitary systems there are typically large social rental sectors with non-market allocative mechanisms. Their presence moderates rent levels in the private sector, and in this way a very significant proportion of households enjoy the flow-on benefits (Kemeny 1995).

Kemeny's typology helps to account for countries, such as those in the Scandinavian group, that are observed to have the same type of rented housing systems but two quite different welfare regimes: social democratic and conservative (Abrahamson 2005:5). The debate about the validity and value of Kemeny's dualist and unitary rental concepts is ongoing, inspiring empirical case studies across Europe (see for example Kemeny *et al.* 2005).

Other researchers have examined the relationship between social welfare systems and particular forms of housing tenure. For example, Australian political scientist Castles (1998) has argued that previous comparative welfare research highlighting the restricted nature of welfare in liberal regimes overlooked forms of housing assistance (*inter alia*) that may reduce the need for more extensive social welfare arrangements. Using Australia as a case in point, he showed that countries with a high proportion of older homeowners who have purchased their housing at an earlier stage of their lives may have less need to provide retirement income support than countries where households continue to rent upon retirement. Harloe (1995) links the debate about connections between welfare systems and housing tenure to economic factors, tentatively arguing that where the opportunity for capital accumulation exists, the housing system will drift towards more commodified relations of provision, typically speculative home ownership, and away from state provided social housing.

More recent comparative housing studies have looked deeper into welfare state theory and modes of economic development, and have considered carefully the empirical extent of both similarities and difference, and processes of convergence or divergence, in national housing systems in order to provide more nuanced explanations of how and why housing systems vary over place and time. It is not possible to consider the findings of all these comparative housing studies in this report, but Milligan (2003) and Lawson (2006) include a fuller review of the field.

To recap on the implications of this large field of enquiry, housing policies need to be considered in relation to their dynamic welfare regimes. Traditionally however, comparative welfare studies have not examined housing as an integral part of welfare. Combining concepts of housing systems and welfare regimes produces a complex and inconclusive picture, highlighting the need for careful empirical investigation to establish the nature of these relationships in a particular place and time. Empirically, key matters for consideration when considering housing welfare include how assistance is organised across tenures and over housing careers; the

tax treatment of property and related wealth; the basis for allocating housing supply; and the protection and rights of tenants and owners. Table 2.4 makes reference to the categories used by welfare researchers, and outlines the important aspects of each country's national welfare system that appear to affect housing policy.

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Table 2.4 Welfare regimes and their influence on housing policy

Country	Welfare types ^a	How the welfare regime has influenced housing policy ^b
Austria	Bismarkian social insurance, Strong role of the family, Conservative, corporatist, unitary rental state	Housing policy is predominantly concerned with supply via low interest loans and cost based rents within a corporatist framework i.e. a “social partnership” between state, employers and unions. Significant social sector (20%), which has been progressively regionalised since the 1980s, along with the development of financing institutions to support that sector.
Belgium	Bismarkian social insurance, conservative corporatist to more active workfare state, speculative, dual rental system	Regionalised housing policy focuses on owner-occupation, offering interest rate subsidies. Minimal limited-profit rental housing, which is income-targeted and allocated according to waiting list. Strong rent control, but varying allocation rules. Many low-income households rent privately yet insecurely; social service groups mediate in unstable tenancy conditions.
Denmark	Beveridge origins, social democratic to active workfare state, unitary rental system	Limited-profit housing is open to all strata of society. Well-established tenant participation in the operation of housing estates. Most of the private rental stock is subject to rent regulation. High land tax prevents speculation. Flat rate MITR promotes ownership.
France	Bismarkian, corporatist Conservative, unitary rental system	Post war housing policy focused on provision of large quantity of prefabricated high rise housing - social segregation, vacancies and maintenance now a prominent problem. Variety of large scale subsidy schemes to promote supply and address affordability. Reform of housing policy / expenditure is based on greater targeting but cross tenure support remains.
Germany	Bismarkian social insurance, Conservative corporatists Socially responsible market economy, unitary rental system	National subsidy schemes initially previously concentrated on rental housing for limited-profit and private developers, later focused on owner-occupied housing. Recently complemented by flexible subsidisation arrangements, with regionally and program differentiated rent assistance and eligibility criteria. Local authorities have allocation rights in the subsidised private rental sector. In some <i>Länder</i> , higher income tenants of subsidised dwellings pay a supplementary rent. Rents of privately financed unsubsidised rental accommodation are not regulated.
Ireland	Beveridge, liberal, Residual social housing and speculative housing provision, Dual rental system	High home owning country with a local authority social housing and private rental sector. In the context of economic growth and housing shortages, there has been broadening of housing policy agenda and expansion of housing programs attempting to increase supply and quality, diversify provision of social and affordable housing and improve security of private tenants.
Netherlands	Bismarkian origin, subsidiary, corporatist, Limited profit social housing, Strong positive land use planning control but increasing role for speculative housing provision Unitary rental system	Primary government expenditure now rental allowances for private and social housing tenants and generous home loan MITR. Growth of large social sector financed by state loans until 1990s, now relying on capital market loans. Long tradition of rent controls - maintaining affordable rents seen as means of containing pressure on wages. Social housing is the task of independent limited-profit housing associations, which have become very wealthy. Allocations not limited to low income households.

Country	Welfare types ^a	How the welfare regime has influenced housing policy ^b
Switzerland	Conservative, democratic, Supplementary, Unitary rental system	Primarily market based allocation of housing with rents pegged to landlords' housing costs including financing costs. Since 1970s promotion of affordable housing was achieved via cheap loans and subsidies to builders in order to reduce rents. New promotions ceased in 2001 and ongoing program was suspended by 2005. Since 2003 supply programs have ceased and only financial intermediary for non-profit house builders (EWG) remains supported by Federal Government.
UK	Beveridge, Anglo Saxon model, universal but minimal entitlements, Speculative housing provision Dual rental system	Mixed tenure system, social housing still plays a key role along with assistance to tenants and owners. Generous and targeted Housing Benefit is major expenditure, which, along with capital grants and planning contributions helps to underpin private financing of social and affordable housing. Local governments have key role in assessing and registering local needs, administering housing benefit and overseeing housing quality and supply.
Canada	Liberal, residual, speculative housing provision, dual rental system	Limited, market oriented social policy in housing. Emphasis upon private sector provision and home ownership via government secured loans and tax immunity. Assistance with housing costs is available but at a low level - the shelter allowance is a component of social assistance and is primarily targeted to the aged and indigenous communities and supplemented by provinces and local governments to include other low income households (Hulse 2003). Limited support for social housing provision. Recent initiatives in affordable housing and strategies to combat homelessness.
United States	Liberal, residual, role of philanthropy, speculative housing provision, dual rental system	Federal policy promotes ownership through tax immunity, MITR and national mortgage market intervention. Tax credits program for adding to the supply of affordable housing also significant. Block grants to states permit variations in policy at state and local level, involving home ownership assistance, public rental housing, affordable housing schemes and rent vouchers for market weak households. Availability of rent vouchers is budget not needs driven. Strong emphasis on mixed income/tenure redevelopment of former public housing estates.
New Zealand	Beveridge origins, from progressive welfare pioneer to workfare to "third way", speculative housing provision, dual rental system	Currently revival in 'third way' welfare state development, which has led housing policy development and innovation - expanding social rental stock, promoting new means of access to home ownership (mortgage insurance, shared equity, deposit assistance, accommodation supplement, education, assistance in rural areas) and experimenting with planning tools to promote affordable housing. Major whole of government 'healthy housing' initiative in social sector to address health issues associated with overcrowding and poorly maintained housing.
Australia	Liberal, residual. Residual social housing, dual rental system. Self-promotion of housing traditionally, now speculative.	Traditionally home ownership was an important plank of social policy. Direct assistance for homebuyers has contracted since 1990s but tax immunity remains. National and state policies limit most forms of housing assistance to welfare recipients. Preferred approaches are consistent with safety net model of welfare.

^a Applies categories discussed in this report drawn from Esping-Anderson (1990), Kemeny (1995), Doling (1999) and Abrahamson (2005)

^b Primarily draws upon Donner (2000)

2.4.2 Government expenditure on housing

Another view of the place of housing in overall systems of welfare provision can be gleaned from trends in public expenditure on housing using OECD sources. For 10 countries included in our study, the OECD has compiled twenty years of government spending on social policy between 1980 and 2001, including housing programs (OECD 2004a, 2004b).

In these countries, national spending on housing typically ranges between 1 and 3 per cent of total government expenditure (see table 2.5). Exceptions are the UK and NZ which are relatively big spenders, and Switzerland, Germany and Austria, which are low spenders. Australia sits at the lower end of the average. Across the countries the primary budget item now is rental assistance, typically supporting lower income households in the private and social rental sectors. In several countries (US, France, Germany, the Netherlands, UK, Ireland, NZ) rent assistance is extended to eligible homebuyers.

In half the countries covered by the OECD series, the proportion of public expenditure on housing actually increased or was stable over the past two decades (UK, NZ, Switzerland, Austria and France). Expenditure levels were fluctuating in Ireland, Denmark and Germany. Only in Canada and Australia did the proportion of government expenditure on housing decline over two decades.

It should be noted this data series does not cover the full range of government accounts and programs related to housing. It does not include lost revenue due to tax subsidies, which do not appear in national accounts; for example, considerable revenue is foregone in many countries via the provision of mortgage interest rate tax relief (MITR) to homebuyers. The data also do not indicate how lower levels of government allocate transfers of central funds. While the data are not comprehensive and may represent the tip of the iceberg in terms of governments' efforts in the housing realm, and while a simple comparison of national expenditures on direct housing assistance is all that is possible, nevertheless, such a comparison does provide some perspective for the countries included in the data series. For instance, expenditure levels appear not to be correlated with choices that are made about providing assistance mainly through demand or supply side measures.

To summarise this section's key issues regarding links between welfare and housing provision, we note that in most of the countries studied, housing is primarily a good allocated by market mechanisms, with governments stepping in to influence the supply or demand realms of provision — often favouring home ownership over other tenures and, more recently, demand assistance over supply. We return to these issues in later chapters.

Table 2.5 Government expenditure in housing 1980-2001

Country	Housing % of general government expenditure 2001 ^a	Housing expenditure trends 1980-2001	Main budget items
UK	6.66	Increasing and very high	Supply subsidies Housing allowances
New Zealand	2.37	Increasing and high	Accommodation supplement and income related rent subsidy
France	1.65	Stable and high	Supply subsidies Broad range of housing benefits for specific workers, social renters, owner occupiers
Ireland	1.49	Fluctuating	Housing benefits
Australia	1.29	Declining	Rental housing assistance
Denmark	1.20	Fluctuating	Housing benefits for social renters, subsidised loans for youth/student housing and social housing
Canada	1.19	Declining	Housing program and benefits
Switzerland	0.41	Increasing and low	Housing benefits and social housing assistance
Germany	0.39	Fluctuating and low	Assistance to renters and owner occupiers
Austria	0.19	Stable and low	National and provincial rent subsidy
Netherlands	Na	Declining from historically high level	Housing benefit National renewal fund
United States	Na	Declining	Housing Choice Voucher Program Block grants to states

^a Authors' calculations based on OECD (2004a & b). Expenditure data for Belgium, the Netherlands and the US not included.

2.5 Agents and institutions of housing provision

Housing systems are characterised by common categories of agents operating under unique conditions and being institutionalised, organised and bound together in particular ways. Categories of housing agents include: tenants, landlords, labourers, providers of materials, builders and project designers, financiers, land owners and purchasers, local and central organs of the state, including government agencies, religious organisations and representative or authoritative institutions.

As Jessop sums up, national institutional arrangements for providing housing are distinctive and varied:

Institutions cannot be meaningfully or productively analysed without locating actors, identities, interests, strategies, or tactics in a wider strategic-relational context. (2000:11)

Table 2.6 sets out the main institutional arrangements in each of the 13 countries and provides some general comments on how they influence housing provision.

2.5.1 International agencies and housing policy

Whilst policy remains the domain of each nation and its constituent regions and localities, international agencies are actively influencing and promoting housing policy development and the capacity of governments to respond to housing and related matters. The United Nations has several agencies such as UN Habitat, which promotes the achievement of nationally adopted Millennium Development Goals and provides technical assistance to improve national capacity in urban planning and housing policy. The World Bank and International Finance Corporation, known as the World Bank Group, also assists national and local governments in formulating policies and programs. In particular they provide expertise and finance on two aspects of the sector in client countries: linking real estate market development to overall economic development and focusing on how to make the housing market more efficient to provide adequate shelter for all city dwellers.

At the regional level, the UN Economic Commission for Europe (also covering North America) has been active on housing and urban matters since 1947. This agency collects national statistics on housing and construction for 56 countries and promotes the exchange of information and expertise on land markets, urban development, housing finance, social housing and home ownership. In Europe, the European Union Housing Expert Group and Housing Ministries Forum (recently expanded to include several eastern European nations) brings together housing experts and politicians from member nations respectively to discuss crosscutting issues such as environmental sustainability, employment and housing construction and social housing finance and management. The non-government member based organisation the European Liaison Committee on Housing (CECODHAS) and its research arm, the European Social Housing Observatory, analyse trends in housing systems with a view to promoting policy development by providing strategic and evidence based analysis of the field. Other non-government institutions providing valuable housing analysis include the Royal Institute of Chartered Surveyors (RICS), which provides an annual assessment of housing markets across Europe, and Eurostat, which provides cross-national urban and demographic data, including housing indicators, on a consistent basis.

Other agencies such as the OECD, Bank of International Settlements and the IMF are useful in extending international coverage to Canada, the US, NZ and Australia.

In this context it can be noted in passing that Australia has generally not been an active participant in international or regional forums of the kind mentioned above, where housing issues and policy ideas in different countries are regularly discussed and reviewed. This situation increases the value of comparative research like this study in Australia.

Table 2.6 Key agents and housing provision

Country	Key Agents	Influence on housing provision
Austria	Federal government 9 Lander (inc. Vienna) 6 Housing Banks Private developers and builders Around 200 Limited profit housing associations (LPHA) GBV umbrella organisation for LPHA Tenants	Policy aims to promote supply to meet demand. Federal Lander negotiations 'equalising' tax transfers and influencing expenditure on housing. Most housing and refurbishment co-financed with public loans (80%). LPHA are credit worthy, market strong having preferred access to subsidised loans and exempt from company tax. Strong market position in rural areas permits competition for private land, materials and construction efficiencies. Rent reducing effect of social market on private market. Higher social housing density permitted in larger cities. Preferable land transfer to social housing companies in Vienna. GBV audits LPHA. Broad eligibility to social housing. Well-protected tenants have right to buy after 10 years. Contractual savings arrangements that give priority access to low interest loans. Housing Banks established 1990s to channel funds into construction at low rate.
Belgium	3 Regional governments 3 Regional housing companies 300 local housing companies Private builders Owners Private landlords	Ownership predominates, private rental and small social sector. Regions subsidise building societies with interest rate subsidies. Regional housing companies monitor and control local companies and manage the financing of programs for approved private limited companies. Associations have some autonomy in rent setting. Insufficient supply to meet demand. Poor quality private rental accommodation.
Denmark	Local authorities Around 700 housing associations Tenant managed societies Co-operative housing associations Regional and national tenant associations Large private landlords Pension funds	Strong tenant democracy, autonomous boards. Tenant associations have a strong influence on access, and ensuring ability to pay rents. No income criteria but rents must cover costs. There are waiting lists, geared to income, size requirements, location etc. Local authorities plan for and monitor housing associations and can set aside 25% of homes to allocate on basis of need. Larger scale private rental housing is rent controlled, based on operating costs, does not cover public housing and is unrelated to market conditions. Efforts to promote pension funds to invest in private rental housing, via the taxation system.
France	National regulations affecting standards, finance, rent policy Moderate Rent Housing Companies (HLMs) Local authorities Private land lords	Public housing finance is the responsibility of central government and used for a range of policy purposes (affordability, leverage and regeneration) in the social, ownership and private rental sectors. Housing allowances available to tenants and owners. Investment subsidies are spread thinly and widely to lever maximum private finance (Ball 2005). Public housing is concentrated in major cities built by HLM with state subsidies. Local authorities facilitate development, develop system of allocations and are active on boards of HLM.

Country	Key Agents	Influence on housing provision
Germany	Private construction firms Larger landlords Individual private investors Savings Banks Lander and local governments Municipal housing companies Co-operatives Associations of tenants, landlords and landowners	Sector dominated by private renting and ownership, promoted by tax relief. Lander and by delegation local communes operate conventions in allocating subsidised housing, based on a variety of now ceased subsidy schemes. Since 1990s the Federal government has not continued its social housing programs, some of which have been continued by active Lander such as North Rhine Westfalia. Rents are now based on market rents instead of developer costs and subsidies.
Ireland	Central government Local government Council housing landlords Voluntary and co-operative providers Private landlords Intergenerational purchases	Overall increase in housing spending. Small but growing stock of targeted social rental housing provided by Councils, non-profit providers, being refurbished, redeveloped and mixed with other tenures and some sold at below market prices. Per centage of new development must be affordable (20%), linked to subsidies provided through local government. Shared ownership scheme, role of parents in home purchase increasing and removal of stamp duty to promote ownership. Increasingly important private rental sector focus of investment promotion measures, rent regulation and tenancy reforms. Local government activated to plan and facilitate development, with increased densities and investment in infrastructure.
Netherlands	Central government Around 500 Housing Associations Financial Intermediaries (see section 4.6 for details) Municipalities and Municipal land companies Private developers Banks	MITR promotes long term (30 year) borrowing for home purchase. Rent regulation applies to 95% of market (reducing in the future to 75%); moderates increases but ensures reasonable return for social landlords. Large asset rich social housing sector (35%) financed by capital markets. Local authorities facilitate affordable housing supply via land allocation, use of location subsidies and negotiation with developers. Private developers more active than in past, most output recently for ownership.
Switzerland	Canton owned banks Pension funds Individual private landlords For profit and non-profit builders Federal Office of Housing Central Issuing Office of Non-profit Builders (EWG)	Dominance of rental sector with rents tied to landlords' costs. Numerous private landlords have stymied attempts at tenancy reform. No tradition of home ownership, especially in cities. Regulation permitting use of pension savings to promote ownership as well as tax deduction of mortgage interest. Moderate sized social housing sector, built by non-profit builders, and financed by a special purpose intermediary established by the sector and federal government (EWG).

Country	Key Agents	Influence on housing provision
UK	Regional differences: England: Housing Corporation, Registered Social Landlords (RSLs), Arms Length Management Organisations, Housing Partnerships Private landlords Private builders Banks and building societies Local government	Rapid growth in ownership market, partly achieved through significant sales of social stock. Shift from local authority to registered social landlord provision of social housing. Housing Assistance Grant plus capital market debt finance enables new social housing. Relatively generous housing benefit and robust regulatory framework underpins borrowings from private sector by RSLs. Planning provisions by local governments under national regulation assist RSLs to access sites. Local governments also monitor achievement of decent housing standards. Trialling involvement of private sector in direct provision of affordable housing. Significant funding for public private partnerships for urban renewal. . Within a strong national policy and regulatory framework, considerable devolution of implementation tools and emergence of a variety of regional policies.
Canada	Canadian Mortgage and Housing Corporation Private house builders Provincial and local housing corporations Community based organisations First nations organisations	Dominated by the interests of ownership, facilitated by various programs of the Federal government including savings incentives, direct down payment assistance, interest rate protection, mortgage insurance institutions and taxation policies. Conversely, income from rental investment is taxed and considered by some to be a deterrent to growth in this sector (Maclennan 2005). The provinces and municipalities play an important role in facilitating housing at the lower end of the market in the private rental market and rural and urban home ownership.
United States	FHA Mortgage Insurance Ginnie Mae MBS program, Freddie Mac and Fannie Mae Private developers of affordable housing Public Housing Agencies Local governments Community based organisations	Strong emphasis on promoting access to mortgage credit and expanding opportunities for ownership through government-backed institutions. Key financial instruments include: FHA mortgage insurance, Ginnie Mae MBS program channelling global capital into residential market and Freddie Mac and Fannie Mae secondary mortgage assistance programs. Minimal public housing provided by state authorities. Patchy state and locally based housing initiatives. Growth in affordable housing projects initiated by not for profits or private developers combining multiple funding sources including the housing choice voucher program available to renters or home buyers on a rationed basis, state block grants under national tax credit program, planning gain and philanthropic funding sources.

Country	Key Agents	Influence on housing provision
New Zealand	Private house builders Housing New Zealand Corporation (HNZC) Department of Building and Housing (DBH) Small scale private landlords Local government Large banks and new financial institutions Māori and Pacific organisations	HNZC is dominant social housing landlord, now broadening role into home ownership assistance, land development and affordable housing levers. DBH has a broad regulatory role and provides independent policy advice on the housing market. Accommodation supplement provided by Ministry for Social Development to eligible beneficiaries and non-beneficiaries (low wage earners) with high housing costs. Some local governments involved in social housing, mainly for the aged. Promoting third sector providers. Diversifying mortgage finance sector with new players involved in assisting marginal buyers in partnership with the government. Potential for partnerships with Indigenous groups to develop housing on tribal land.
Australia	Australian Government. 8 State/Territory housing authorities Corporatised State land development agencies Significant private land development industry Traditional cottage house building system now overlain by large-scale multi-unit building firms Small but growing not-for-profit housing sector Church based agencies provide mainly in the aged care and homeless services sectors Increasingly diverse array of mortgage lending agencies Peak bodies of landlords, developers, estate agents and builders influential	Interests of existing homeowners and private market providers dominate politics of housing. Land development industry and large-scale builders are very powerful. Absence of institutional investors in rental housing sector, which is dominated by 'mums and dads' investors. Poor coordination of aims and actions between spheres and agencies of government. State housing authorities provide 85% of social housing directly. Local government involvement limited to planning and building controls except in a handful of progressively governed councils that have developed broader housing strategies. Current moves by higher levels of government to engage local government more in task of promoting diversity in new housing supply.

2.6 Housing market conditions

So far we have examined the political structures, welfare regimes and key agents affecting the provision of housing in each of the countries covered in this report, including Australia. This background underlines the importance of institutional factors influencing the nature of the housing market. We have shown that the operation of housing markets always occurs within the bounds of the state and is regulated by a range of laws, regulations and norms affecting investment, construction standards, allocation and exchange, refurbishment or redevelopment, and rent. Across the countries examined, none could be described as purely market or state in the functioning of their housing system. Rather, each is a hybrid with layers of complex and influential relations between the structures, institutions and actors of the state and market.

Moreover, each system of housing provision and its regulatory context is open to pressures and shocks from a range of contingencies. For example, consumption of housing is subject to labour market conditions, the rate of new household formation, immigration levels, and trends in household composition, ageing, income and unemployment. The housing finance system has evolved divergently in many countries and is differently exposed to internal and external influences (Stephens 2003, Hardt 2005). Many matters beyond the housing system may influence the supply of housing, such as the rates of return on alternative investments, interest rates, labour costs, land use regulation and monetary policy. All these factors mediate housing systems differently over time, influencing housing outcomes. For this reason, housing policy makers need to be continuously aware of the market context in which they attempt to operate. Robust national housing information systems that use internationally recognised data definitions and can provide performance benchmarks are essential to this task.

Table 2.7 provides a brief description of the key drivers influencing the housing market in each country in recent times and their subsequent outcomes. It draws on a number of sources, especially country-based reports, statistical overviews and national policy reviews. Major sources have been the Royal Institution of Chartered Surveyors' (RICS) Annual Reviews of European housing markets (Ball 2005) and pan European reviews of housing policies (Norris and Shiels 2004, Donner 2000).

Table 2.7 Demographic and economic drivers and outcomes

Country	Demographic and economic drivers	Housing outcomes
Austria	Strong purchasing power, low interest rates, low inflation, low but growing unemployment, despite growing GNP. Central government subsidies to local government, which support house building and refurbishment, have been declining. Switch due to years of excess supply (Ball 2005).	Stable housing market in 2003 and 2004, after a slump in the late 1990s, now a tighter market. No rapid boom in housing prices, unlike other European countries. However, decrease in supply is contributing to steady increase in prices. Steadily increasing proportion of mortgage debt (Ball 2005).
Belgium	Rural to urban migration within language group	Belgium has experienced a prolonged but comparatively modest boom in house prices in the context of positive economic environment and lower interest rates. Small residual social housing accommodating increasingly lower income households.
Denmark	Increasing unemployment (6%), low inflation, modest economic growth, low interest rates. Attempts to revise consumer demand with tax cuts and incentives for house building (Ball 2005)	Rate of home ownership is falling gradually, high price inflation on purchase apartments, consequently renting increasing, especially non-profit and co-operative dwellings. Low dwelling output. Low investment in private rental housing considered due to rent control. Quality problems emerging.
France	Low mortgage interest rates Ageing population Tourism Ability to sell subsidised dwellings since 1999	Strong housing market, moderate output of dwellings constructed per year, national over supply but localised shortages (Paris, South and Coastal region). Public housing concentrated in major cities, manifesting social and physical problems. Private rental housing is often poor quality and houses economically weak populations. Secondary residences problematic in tourist areas. Increasing proportion of constructed dwellings has been subsidised. Around 3,500 social rental dwellings have been sold annually since 1999.
Germany	Lack of resident equity in housing market has stymied equity withdrawal and reinvestment. There is strong regional segmentation of the housing market, east/west disparity and cities with stronger economies. Increased price of land and labour for building, particularly in the west.	The housing market has not experienced a boom like much of Europe, except in economically stronger cities. Small households, low birth-rate, population decrease. Excess supply in the East, thus weak rents and prices. Very low rates of new construction. Growing mortgage markets, yet prices flat or falling in real terms for a decade (Ball 2005). Decline in construction of multi-storey housing, stable rate for single and duplex owner occupied housing.

Country	Demographic and economic drivers	Housing outcomes
Ireland	Strong population growth. Low mortgage interest rates. There is much speculative activity with 32% of new homes sold to investors, despite significantly declining rents (Ball 2005). There is also shortage of skills in the construction industry and of serviced building land in high demand locations and capacity problems in the spatial planning system.	House price rises have been very significant. Problems in the housing market include affordability due to very high housing price and rent inflation and insufficient supply of housing. Planning requirement for affordable housing not considered to have stymied output. Social housing output is about 10% of all construction, a rise of 75% since 1999 (Ball 2005).
Netherlands	Low population growth overall but strong growth in single person households, which is contributing to housing shortages. Land for housing supply in such a small country remains a key challenge. Weak economic conditions.	Volatile housing market but as most Dutch home owners have long term fixed interest mortgages, less vulnerable to volatility than elsewhere. However there are high rates of indebtedness, to which generous MIRT contributes. Threat of mortgage default has been highlighted by the central bank. Tenure shift towards owning has slowed because of high house prices and economic conditions. This has stymied production and led to re-emergence of housing shortages. Current government is attempting to overcome these through encouraging rental market investment by private and social landlords.
Switzerland	Significant reliance on foreign workers (one fifth of population are foreign nationals), which influences nature of housing demand and use of rental tenure - foreign nationals only recently granted permission to purchase a residence. Housing stock growth higher than population growth, partly because of demand for larger housing from large cohort of middle aged.	Experienced moderate house price and rent rises compared to other European countries but in a context of very low general price inflation. As elsewhere, strong demand has helped to sustain the housing market, encouraged by falling interest rates and an economy that is growing at a faster rate than the Euro Zone (Ball 2005).
UK	Shortage of skilled workers in the building industry. High construction costs Interest rate rises Increasing number of households Declining household size.	Rising home ownership but following a boom housing prices, stopped abruptly in 2004, following warnings of the risk of rate rises and housing price falls, by the media, IMF, OECD and Bank of England (Ball 2005). High house price inflation and low construction rate is of concern leading to Barker review (Barker 2004). Uneven markets with excess housing demand and abandonment in some areas. House price inflation very significant in other areas. Decline in local authority housing (sold to tenants and transferred to RSLs) and decline of private rental.

Country	Demographic and economic drivers	Housing outcomes
Canada	<p>Ageing population, increasing wealth of baby boomers Increasing home ownership Accelerating income growth Low interest rates Declining birth rate and household size Increasing cultural and linguistic diversity Aboriginal and rental households have unmet housing needs</p>	<p>There has been a sustained boom in housing prices over the past five years, but with considerable regional diversity. Wealth in housing assets has increased, providing collateral to existing owners for increased borrowing. Despite rising incomes there are affordability problems and a growing wealth gap between owners and, particularly, older renters.</p>
United States	<p>Growing and ageing population More ethnically diverse Low home loan interest rates</p>	<p>Rising rates of ownership, also amongst minority groups from a comparatively low base. However, racial differences persist in housing outcomes. Incidence of rising prices and affordability problems variable across cities and regions. Large stock of poorer quality housing in private ownership.</p>
New Zealand	<p>Comparatively high mortgage rates High levels of personal/household debt Continuing skills shortages in the building industry A long-term trend towards rising housing-related wealth</p>	<p>Housing market remains strong. Rising housing prices have contributed towards serious affordability problems in the ownership sector, especially cities and popular coastal areas, leading to delays in and withdrawal from home ownership. Pressure on rental sector from falling rate of home ownership. Auckland is relatively expensive and dominant (one third of total market) leading to public and private concerns about affordability for workforce there. Supply problems in most cities. Dilapidated rural housing in private or community ownership an outstanding issue.</p>
Australia	<p>Interest rates have been at historically low levels but are high in comparison to most other countries and rising. High economic growth over a long period and falling unemployment. Strong population and household growth, especially in largest capital cities. Growth in single person households. High rate of completed home purchase among retirees and large baby boomer cohort.</p>	<p>Housing stock is mismatched to changing household structures, incidence of smaller households. However, increases in average new house size. New supply is lagging growth in major cities and resource boom areas. Actions of rental investors and established home owners trading up have dominated market activity in recent years, squeezing out first homebuyers and social providers (PC 2004). Mortgage indebtedness is at historically high levels, rising rapidly from 49% in 1990/91 to 143% of household disposable income in 2004 (Yates 2006). Long-term decline in low cost rental stock (Yates <i>et al.</i> 2004). Hot markets in many coastal and regional centres fuelled by second home buyers, retirees or resources boom. 43% personal wealth in housing, concentrated among older generations; much of it is untaxed (Kelly 2001). Younger single person and single income households (especially single parents), older renters and Indigenous households are the most disadvantaged in housing market.</p>

2.7 Overview

In this chapter we have begun to describe and group the housing systems and policies of the study countries. We have also considered the connections between different national approaches to housing on the one hand, and national political and welfare regimes and prevailing housing and wider market conditions on the other. The analysis shows that the relationship between housing and these broader socio-economic conditions is complex and varies significantly between countries and over time.

Nevertheless some common trends are apparent over the last two decades. Over that period the emphasis on home ownership linked to private housing provision has been increasing. Government investment in housing has become dominated by taxation incentives for home ownership and rental housing investors and large programs of housing related income assistance mainly for lower income renters. Large and small social housing sectors alike have been static or declining mainly as a result of cutbacks in government subsidies to that sector and sales to home ownership, although to a different extent in different places. Sluggish supply conditions leading to market scarcity are apparent in most markets in the study, even under conditions of strong economic growth. This situation coupled with high house price inflation appears to be stymieing home ownership policies and aspirations and generating mounting pressure on the private and social rental sectors.

With this broad understanding we turn now to a more detailed discussion of the key housing issues facing these countries in common.

3 CROSS CUTTING HOUSING ISSUES

The review of housing systems and market conditions in chapter 2 shows there are many pressing housing issues confronting countries in this study. Prominent issues across countries include rising housing costs and declining affordability; declining housing supply and uneven quality standards across different tenures and regions; social segregation and the polarisation of wealth across housing tenures; and the challenges of meeting the special housing needs of a rising share of ageing households, along with those of Indigenous peoples and excluded people and communities. Also widely evident across the systems and institutions of housing provision are changes in the de-commodified and commodified aspects of housing, the division of responsibilities across central and regional / local governments, and changes in broader governance arrangements.

In this chapter we examine these significant and widespread issues in greater detail drawing upon a number of sources including national reports, published research and our discussions with national experts and key informants. Each section provides an overview of the manifestation of the issue across the study countries and synthesises information about the drivers of these problems obtained from those sources.

3.1 Housing costs and affordability

The growth of housing costs over the last decade or so, to a level that creates problems for many households is documented for almost every developed country analysed in the literature (see for example, Joint Center for Housing Studies 2005, Hulchanski *et al.* 2004, Van der Heijden *et al.* 2002).

The major contributor to rising housing costs has been the rising price of housing. Figure 3.1 shows the trend in the price of housing (rent, fuel and power) in all the European Union (EU) member countries in the study on a comparable basis.

Figure 3.1: Housing Price Index 1985-2004 Selected European Countries



Source: Boverket (2005:60).

A recent indicator of the share of housing costs in household budgets in the EU countries within our study is shown in table 3.1. In the period 1980 to 2003 housing costs have taken an increasing share of total expenses in these countries, with the fastest rate of growth experienced in Ireland, Austria and France (Eurostat 2004).

Table 3.1 Housing costs as a share of total household costs 2003

Country	Ratio housing costs to household costs (%)
Austria (2002)	19.1
Belgium	23.6
Denmark	28.6
France	24.1
Germany	25.1
Ireland	21.6
Netherlands	21.4

Source: Boverket (2005:61)

For the other countries in our study, direct comparison of housing costs is problematic because of different definitions applied to the notion of housing expenditures by national statistical and policy research institutes. However some indication is given by national figures on average housing costs and levels of housing stress.

In the United States, the median proportion of income spent on housing was 21.5 per cent in 2003. For owners this was much lower, being 18.2 per cent and renters

much higher, 30.1 per cent (AHS 2003, table 2-13). Some 14 million households in the US have serious housing affordability problems and only an estimated 4 million can rely on some form of federal assistance for meeting their shelter costs. In Canada 13.6 per cent of households were paying over 50 per cent of their disposable income on housing in 1999. This proportion was up from 4.5 per cent in 1982, reflecting a long term and pervasive trend. Similar to the US, the incidence of severe affordability was greatest in the rental sector (Moore and Skaburskis 2004).

In New Zealand, housing accounted for 24 per cent of total household costs in 2004. This share has risen by almost 20 per cent since 2000/2001 (NZBS 2004). Rising house prices and consumer debt have contributed towards significant affordability problems in the ownership sector, leading to entry delays, withdrawal, and a changing geography of ownership. Decline in ownership rates is most marked in the largest city, Auckland (DTZ NZ 2005).

While problems in paying for housing are concentrated amongst lower income households in all countries, the affordability problem is no longer only about the poor. It now includes those in employment like workers in lower status service jobs in the private sector, and public sector employees such as nurses, teachers and care workers (Monk 2002, Joint Center for Housing Studies 2005). In general young entrant households, non-family households and those renting seem most prone to housing affordability problems (Scanlon and Whitehead 2004).

Although housing affordability problems seem to be on the rise in almost all developed countries, variations are large and are certainly affected by the presence or absence of safety nets like the system of housing allowances and the size and accessibility of the social rented sector. As private home ownership plays an increasing role in the housing careers of many households in developed countries (especially in the parts of Europe where this tenure has grown rapidly in the last two decades), the affordability and security of housing is subject more than ever to broader economic developments such as interest rates and employment conditions. Other important matters that influence the capacity of households to pay for their housing in different countries include the level and distribution of incomes; taxation arrangements and support for specific household types; market conditions affecting the supply and cost of land, building and established housing and changes in housing standards and quality.

All countries in our selection provide housing allowances either as general income assistance or related specifically to the level of housing costs and tenure as a primary way of offsetting housing costs for lower income households. Allowances are typically provided by the central government but may be distributed by regional and local governments as in Germany and Austria. Local governments may also distribute additional or top up subsidies on a more highly targeted basis in some countries (e.g. the Netherlands, UK). The amount of allowance and the basis for its allocation vary considerably across countries (CECODHAS 2005a, Hulse 2003, Kemp 1997). Nevertheless, there is a clear trend to increased reliance on this form

of assistance in most countries. For example a team of researchers who examined and compared trends in housing expenses in Netherlands, Germany, Great Britain, Belgium, France and Sweden since the 1980s, found that declining government financial support for social housing supply had led to increased dependence of low income households upon housing allowances to pay for higher housing costs (Van der Heijden *et al.* 2002).

Table 3.2 provides estimates of the proportion of households receiving a housing allowance or equivalent rent offset in the social housing system in recent years.

Table 3.2 Estimated per cent households receiving housing allowances or equivalent, various years

Country	Households receiving housing allowances (%)
Denmark ¹	21
Ireland ¹	20
France ¹	19.5
UK ¹	19
Netherlands ¹	14
Germany ¹	7
Austria ¹	5
US (2002) ²	6.2
NZ (2001) ²	14.7
Canada (1999) ²	15.4
Australia (2001) ²	14.1

Source: ¹ Boverket (2005: 70) data for 2003; ² calculated from Hulse (2002: 49).

Cross national differences can be partly explained by whether allowances apply to renters only or also to buyers (e.g. France, NZ); whether eligibility is determined principally by income (e.g. Australia) or both income and housing costs (e.g. Netherlands); whether the benefit is rationed (e.g. US) or an entitlement for qualified households (elsewhere), as well as design factors, housing cost levels and the extent of rent control regulations. These differences notwithstanding, the data show overwhelmingly that housing allowances introduced in most countries less than half a century ago have become undeniably significant, as a means of addressing housing affordability issues.

3.1.1 What is driving rising housing costs and causing declining affordability

Many factors seem to have contributed to the rise in housing costs as a proportion of household income in recent decades. In this subsection we examine the main causal factors underlining this trend in the study countries.

One of the factors driving housing prices is demand arising from growth in household numbers and the widespread trend to smaller households. In Europe between 1980

and 2000, the number of households increased by around 20 per cent with the increase arising from both new household formation and immigration. The Netherlands and Ireland experienced around double that rate of growth (Boverket 2005). In the US, the number of households is also growing with immigration playing an important role (Shrestha 2006).

A second factor is the growing demand for home ownership right across the regions of this study. The shift to home ownership has contributed to dramatic expansion of the mortgage finance sector and substantial growth in household debt. The housing finance sector varies considerably between nations, incorporating special mortgage banks and non-specialist commercial banks, savings banks and insurance companies, with various related financial intermediaries and loan insurance institutions. Housing finance systems operating in different countries vary in terms of the borrowing norms, the level of consumer protection they offer and the conditions affecting the use of funds saved². Links between mortgage originators and the capital markets have been facilitated by the development a secondary mortgage market in some countries more than others. For example in the US, special purpose financial vehicles channel global capital into the mortgage sector and provide government guarantees and insurance to lenders in order to secure lower interest rates for lower income households. These instruments have been integral to the increase in home ownership among previously excluded groups. However, the rise in prices generated by the additional demand in a context of constrained supply can have the paradoxical effect of reducing access to an increasing proportion of households.

One of the most important mechanisms underlying cross national house price inflation has been declining mortgage interest rates in the last decade. For instance, with the adoption of the Euro, following harmonised monetary policy (Maastricht Treaty) and more consistent banking practices (Basel 11), there has been a decline in mortgage interest rates and increased access to and availability of housing credit. Mortgages also have lower interest rates because the inflation rate has fallen and risks of long term lending have decreased across the countries in this study (Wachter 2005). These factors have combined to increase the borrowing power and capacity of households.

This rise in the availability of mortgage credit has been facilitated by other changes affecting the demand and supply of mortgage finance. On the demand side, favourable economic conditions have led to higher incomes and contributed to increased levels of participation of women in the labour force from the 1990s. The resultant dual income households could absorb greater debt and larger loans were affordable whilst both partners remained active in the workforce. In some countries, this second income was officially included in the banking norms governing mortgage calculations. As one example of the impact of these sorts of changes, it is estimated

² While national mortgage markets have evolved independently, they now face increasing pressure to harmonise their banking standards and operate in an international market.

that permissible loan capacity increased by 86 per cent between 1994 and 1999 in the Netherlands (DNB 2000:15-21).

Another influential factor on demand for mortgage finance has been the high level of consumer confidence that accompanied economic growth, increased incomes and employment security throughout the 1990s (Ball 2005). Rising housing prices have catalysed market activity as investors chase capital gain and owner-occupiers enhance their properties (Berry 2006). In some countries, mature owners were encouraged to re-invest their notional capital gains in the housing market, by taking out a second mortgage on their homes (Lawson 2005).

Thirdly, housing markets were subject to strong demand during the late 1990s, partly as a consequence of new household formation with young people seeking a place of their own. Widespread policies to encourage more of the elderly to remain living independently at home rather than move into an aged care accommodation have also begun to have an impact. Demand for dwellings of better quality has also increased, but in some countries, these are in limited supply driving up the price of those available (DNB 2000:15-21). In many countries, another contributing factor to house price inflation has been the constrained overall supply of housing, as we discuss further in section 3.2.3.

The fourth reason for rising housing costs stems from connections between favourable lending conditions (already described) and the taxation of housing. Providing incentives for home ownership (and thereby stimulating demand) is widespread in the countries studied, although such incentives are more generous in some countries than others. Currently, the Netherlands, Belgium, France, Denmark, Ireland Germany and the US offer full or partial tax deductions for mortgage interest rates. The charging of imputed rental income tax based on (assessed) property values in Belgium, Denmark, the Netherlands and Switzerland also influences housing costs.

Home loan borrowing conditions and tax provisions operate as a package of incentives and disincentives influencing investment in housing. Table 3.3 below summarises different borrowing conditions and tax arrangements affecting mortgage provision across Europe. As can be seen, conditions in the Netherlands are the most generous for home purchasers with long terms, high loan to value ratios, low level of tax on imputed rent and generous mortgage related tax relief. These are the very instruments that can steer investment into the home purchase market, drive up prices in times of scarcity, and encourage household debt. Indeed, under the particular policy settings operating in the Netherlands since the 1990s to boost home ownership, mortgage debt levels reached the highest in Europe, house prices exploded and then, following an economic downturn, production stagnated (Lawson 2004, Boelhouwer 2005).

Table 3.3 Mortgage systems and housing taxes, selected countries

Country	Term in years	Loan to Value Ratio (new mortgages) in %	Tax on imputed rent (Yes or No)	Mortgage related tax relief (Yes or No)	Indirect tax rate on new homes ¹
Austria	na	60	Yes	Yes	10-20
Belgium	20	80-85	Yes	Yes	21
Denmark	30	80	Yes	Yes	25
France	15-20	66	No	No	19.6
Germany	<30	70	No	No (but subsidies)	16
Ireland	na	60-70	No	Yes	13.5
Netherlands	<30	112	Yes (low)	Yes (capped)	19
UK	na	70	No	No (>2000)	0
Switzerland	na	na	Yes	Yes for landlords (but capital gains tax)	na
Canada	25	75-95	No	No	na
United States	30	85	No	Yes (no capital gains tax)	na
New Zealand	na	95%	No	First 5 years	exempt
Australia	25	60-70	No	No	10

¹ Exemptions or reductions may apply for social not for profit housing

Sources: Boverket (2005), BIS (2006), Brown (2005) and Ball (2005)

Beyond demand factors, it is also important to consider developments affecting the supply of mortgages. Typically mortgage loans fall into one of two groups: fixed rate (FRM) and adjustable rate (ARM) mortgages. In the Netherlands, Belgium, France and Denmark, FRM dominate the sector, buffering highly geared purchasers from any interest rate shocks. Variable rate mortgages are more typical in Australia, the US, Canada, Ireland, NZ and the UK and hence these countries are more vulnerable to the politics of interest rate changes (EMF 2005:6).

Favourable interest conditions have enticed new purchasers into the ownership market and those with existing mortgages have been tempted to take on additional loans or extend and renegotiate existing ones. In some countries, such as the US, Canada and the Netherlands, there are national mortgage guarantee institutions, which enable mortgage providers to lend to low and moderate income purchasers at discounted interest rates. In this way, specific households, formerly excluded, have been able to enter the housing market.

There has also been considerable innovation and development of the mortgage sector, which has increased the volume of credit available and alleviated the need for policies to address shortages of mortgage finance. These innovations include new mortgage products, new methods of retailing and distributing products, contracting out tasks such as the risk assessment of credit applicants, and financing products via the capital market rather than own reserves (Brounen, 2001; BIS, 2006).

Finally, the establishment and growth of a secondary mortgage market and the sale of mortgage-backed securities has enabled the release of more credit into the global mortgage sector.

So far we have mainly focused on the rise in home ownership and the cost of ownership, identifying the causal role played by demographic factors and sweeping changes in the system of mortgage financing.

We turn now to the factors contributing to the rising costs of renting. The rental sector is subject to quite different state-market arrangements to those for the ownership sector, between countries and over time.

The following list shows the diversity of drivers of rental costs that have been identified in the literature on this issue in the study countries:

- The relative attractiveness of the buy to let market compared with buy to own or other investments, which is primarily influenced by interest rates, rent levels, generosity of subsidies and potential capital gains. For example, subsidies have favoured renting in the Netherlands and Switzerland. Tight market conditions can lead to inflated rents and thus the existence and nature of rent regulation is of importance in such markets. For example in Ireland, four year tenancy cycles were introduced in 2004 to reduce rent volatility and improve security of tenure;
- Government policy and regulation can promote or discourage investment in the rental sector. Examples are interest subsidies (Germany), tax deductions (Denmark), anti-speculation or holding tax (Ireland), vacancy tax (France) and protective legislation (the Netherlands);
- In some countries (e.g. Netherlands, Germany) the total supply of rental housing is declining, primarily due to transfers into the ownership sector and sales of social rental stock;
- Market conditions vary considerably between countries, regions and cities over time for different reasons. Where there is a disparity between supply and demand, market based rents and house prices may fluctuate and diverge considerably. For example, in the former East Germany there is an over supply of housing and falling rents and prices, while at the same time some areas of West Germany have

experienced rent and house price rises linked to (inter alia) in-migration;

- Many countries apply some form of rent regulation but regulations are based on different principles. The degree of rent regulation, and its basis (tied to cost rents, market rents, pooled rents, project or indexed construction costs, financing costs, point systems etc.) has been influential in mediating market pressures in France, Switzerland, Germany, the Netherlands and Austria;
- The proportion of social housing charging non-market rents, may have a moderating influence on rent levels across the sector (as is evident in Austria, France, Denmark and the Netherlands);
- The profit orientation of landlords in relation to rent revenue (i.e. regular returns) or capital gains. For example, the prospect of capital gains in Ireland has attracted new landlords to the sector, who are not depending on high rent returns for their profits. Conversely rental properties are being sold in the Netherlands to realise short-term capital gains;
- The moderating effect of social rents tied to original building costs as evident in Austria, France and Germany; and
- Rent setting policies and their duration. For example, in Germany rent increases are pegged to inflation, local market conditions or the construction price index. Social rents remain for the life of the subsidised construction loan (around 40 years), and then expire.

Throughout most of the study countries, rents have increased in the social sector over time (although at different rates) under a variety of influences, including financial arrangements that have increased exposure to capital market conditions (Netherlands); removal or expiration of tax benefits (Germany); and decreases in government loans or grants (Canada). The influence of social rents upon the entire rental market varies between countries according to their rent setting principles, access criteria and market significance (Kemeny 2003). The most notable example where social rents positively influence the private sector can be found in Austria. Conversely, in the UK social rents have risen faster than private rents. There are initiatives (for example in the US and UK) that attempt to promote tenure choice by providing a fixed level of assistance to reduce the cost of owning or renting for low income households.

More detail on policies affecting the rental sector can be found in section 4.3.

3.1.2 Outcomes of rising housing costs and declining affordability

As discussed above, there has been increased emphasis upon home ownership across many countries. Ownership is now the main growth tenure and the most prominent tenure in most countries in this report (with the notable exceptions of

urban Switzerland, Germany and Austria). Whilst ownership permits households to build up equity in an asset, significant and long term mortgage commitments expose more households to increasingly complex risks, and newcomers to a strong market face higher cost thresholds.

Over the longer term house price inflation can gradually transform the entire housing system, leading to a polarised model of home owning wealth accumulators and poorer renters. Within many of the countries in this study, there are considerable variations in the pattern of house price rises, especially between rural and urban centres and between high employment and declining areas. Wealth accumulated via the home ownership market will therefore be unevenly and inequitably spread, leading not only to polarisation of wealth by tenure but also by region.

Much of the international debate about the impact of house price inflation has centred on the increasing risk to consumers of over indebtedness due to highly geared purchase arrangements. As mortgage payments command an increasing share of household expenses, a growing number of households are vulnerable to interest rate changes and any decline in expendable income (such as occurs through home based child care, sickness, unemployment and divorce). As well, single income households are increasingly unable to afford home ownership in urban markets, which, paradoxically, are where the best employment opportunities may exist.

Table 3.4 Ratio of outstanding residential mortgage debt to GDP Selected countries 1994 – 2003

Countries	Residential mortgage debt as % GDP										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Austria	na	5.0	na	na	na	na	na	na	4.0	na	20.3
Belgium	21.2	20.8	21.4	23.0	24.8	26.8	26.6	27.9	28.5	27.2	31.2
Denmark	65.0	62.9	62.9	71.3	75.6	76.5	76.1	79.5	82.9	87.5	89.7
France	20.8	20.1	20.0	20.5	20.3	21.0	21.5	22.0	23.0	24.7	26.2
Germany	44.1	45.1	47.7	50.6	52.9	56.5	54.1	54.1	54.0	54.3	52.4
Ireland	22.8	23.5	24.1	24.3	26.9	29.2	31.6	33.4	36.5	45.0	52.7
Netherlands	46.4	47.9	52.0	57.8	63.3	68.8	74.2	79.4	97.5	99.9	111.1
UK	54.6	53.2	59.1	55.2	51.0	54.6	56.3	59.5	64.7	70.4	72.5

Source: EMF (2003, 2004)

Indebtedness is not only a concern for households but also the stability of individual financial institutions and the finance sector as a whole. Too many marginal and defaulting loans can destabilise financial institutions with implications for the entire sector. Over the past decade, housing debt has increased considerably in all European countries, as shown in table 3.4. In the most extreme case of the Netherlands mortgage debt has outpaced GDP growth (EMF 2004).

While the Netherlands is protected by the strong take up of long term fixed rate mortgages, in other countries adjustable rate mortgage (ARM) loans are becoming the norm. New products such as investment-linked mortgages expose households to a whole new world of risks, as mortgage repayments are reliant on accumulating investment returns. However according to the Bank of International Settlements, most financial institutions “are sufficiently capitalised to withstand a substantial deterioration in household credit quality” (BIS 2006:2).

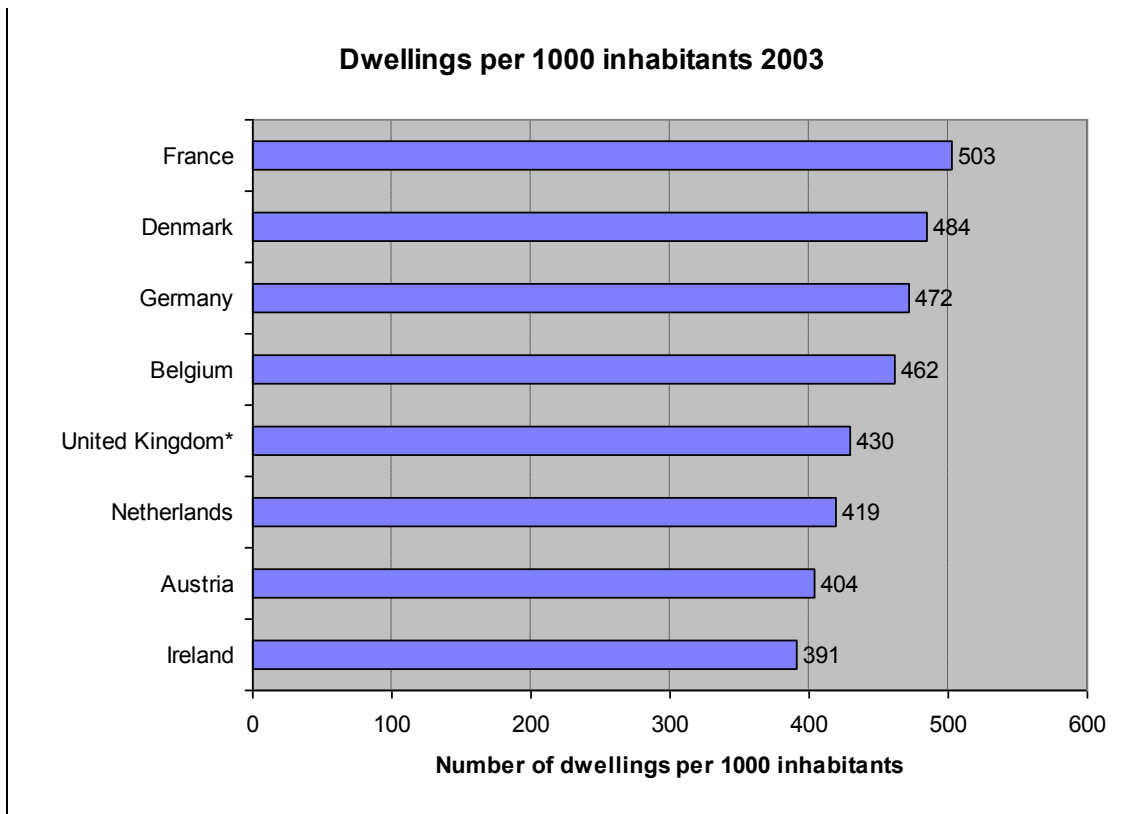
So far we have considered a selection of matters that have influenced housing costs in the ownership and rental sectors. We will return to the way governments are responding to this issue in the next chapter. The following section examines another closely related issue: of housing supply across the study countries.

3.2 Housing supply and quality

The supply of housing is influenced by the availability and cost of land, appropriate materials and technology and skilled labour – all aspects that typically involve both some form of government intervention and market provision. Supply patterns are influenced by: any form of subsidy or favourable tax treatment; conditions concerning allocation and sales of the dwelling; and the cost and availability of development finance. Supply is also influenced by the demand for housing, which in turn is subject to many other drivers mentioned in the previous section.

The supply of housing can be measured at the most rudimentary level by the number of dwellings per inhabitants of each country and the rate of new completions as depicted for European countries with available data on a comparable basis in Figure 3.2.

Figure 3.2 Dwellings per Inhabitants



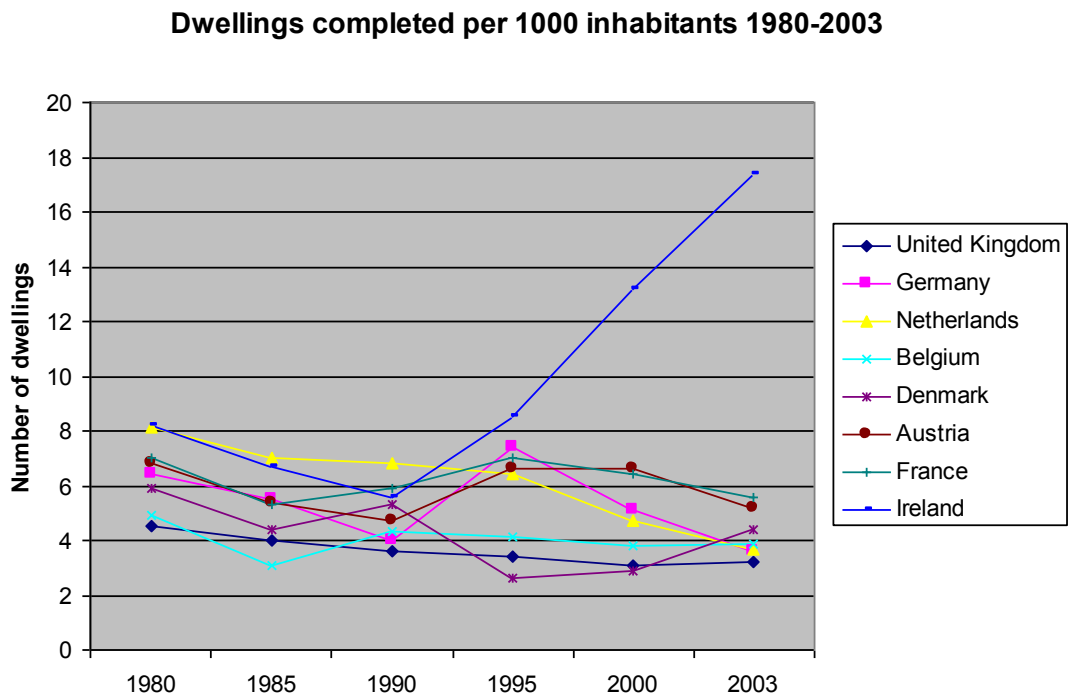
*UK Figures are for 2000

Source: Boverket (2005:47).

As can be seen above, there is considerable variation in the number of dwellings per household, with Ireland having by far the lowest, followed by Austria and the Netherlands. Before we consider the market context for this low level, it is relevant to take a glance at the rate of new dwellings constructed (Figure 3.3)³.

³ Sometimes, more dwellings are removed than added to the total stock each year and this also needs to be taken into account when considering the contribution of new construction to overall supply. However data are only available for a limited selection of our countries. The data show that in 2003, France, Austria and the Netherlands experienced a net stock loss of between 10.6 and 15.4 per 1000 inhabitants (Boverket 2005).

Figure 3.3 Dwellings completed per 1000 inhabitants, 1980-2003



Source: Boverket (2005:54)

During the last two decades there has been a steady decline in new production in the face of population growth and rising demand. Some countries recovered during the 1990s, notably Ireland, Germany, France and, to a much lesser extent, Austria. However, this was followed by a continuing decline in output in all countries except Denmark (from a low base) and Ireland, which has sustained exceptionally high output. The Netherlands demonstrates the sharpest long term decline in output, despite having a 36 per cent net increase in the number of new households during the period.

Overall, lack of new housing and inelastic supply is a salient problem plaguing housing markets in countries right across this study.

3.2.1 Housing quality

Dwellings are typically smaller in Europe than North America and Australasia. Amongst the European countries included, the useable floor area of a dwelling is about 95 square meters, with Denmark (109 m²), Ireland (104 m²) and the Netherlands (98 m²) being marginally larger and the UK and Belgium having the smallest dwellings. Typically, almost half of total housing stock in the EU's first fifteen member states is medium density multi family housing, with the greatest proportion being found in Germany, Austria, France and Denmark. High rise dwellings account for almost 15 per cent of dwellings for this region, with France having the great proportion amongst our selection. Of the European countries, the Netherlands has the youngest housing stock, with the greatest proportion built since

1980 and the UK the oldest, followed closely by Denmark, France, Austria and Belgium. Germany has more post war housing than any other European country, primarily built before 1970 (UNECE 2005). The US has a large amount of small (140 m² average, still larger than Europe) sub-standard timber framed suburban housing stock. Currently no mechanisms are in place to address this problem systematically so redevelopment is largely occurring in a piecemeal fashion through the actions of individual owners demolishing and rebuilding larger housing (Landis, personal communication 2006).

Quality problems persist primarily in the private rental market and social housing estates built during the 1960s and 1970s. This is especially the case in the UK, Ireland and France and to some extent the Netherlands. Ageing and poorly designed dwellings in the large, monotonous housing public housing estates of France, the Netherlands and the UK also suffer quality problems, although substantial attempts are being made to upgrade and renew these areas. Maintaining the private housing stock of the aged is also a concern in the UK, Ireland and Canada.

In table 3.5 we provide an overview of supply and quality conditions drawing on the most recent RICS review (Ball 2005) supplemented by national policy reviews.

Table 3.5 Overview of recent supply trends and quality issues

Country	Trends
Austria	The supply of housing is strongly influenced by government policy and stimulated by supply subsidy programs to meet demand. There is debate over whether the current low level of production is a problem. The slump in construction follows a period of overproduction to meet the demands of East European immigration, which has now been considerably curtailed.
Belgium	The supply of new housing in Belgium is primarily subject to market forces in a highly private land and construction market, dominated by home ownership. The contribution of new build to overall supply is shrinking, as demolition and renewal dominates building activity and high land prices inhibit new starts. High land costs have promoted increased densities in urban areas. There are considerable quality problems in the private rental market
Denmark	New housing production in Denmark is historically low but is increasing and is costly compared with other Scandinavian countries.
France	The supply of housing in France is strong, more generous in size and has produced more single detached houses than flats. Home ownership is rapidly increasing, yet rapid price rises are reducing access for younger first homebuyers. There are significant quality problems in the rental sector and to a lesser degree in the social sector. Social housing estates are large and concentrated in major cities. There, quality has been substantially improved with major public investment and social renewal projects.
Germany	Germany is emerging from a decade of boom and bust. In the 1990s production of housing rose when excessive post reunification government subsidies for rental housing produced an over supply, depressing housing markets and contributing to a decline in housing production. An over supply of low quality rental accommodation remains in the East. Quality problems persist in peripheral housing estates of the 1960 –'70's period in

	the West.
Ireland	Ireland's housing market is orientated towards low density, private home ownership, which has become far less affordable in recent years. Construction rates for private and social housing are very high. The private rental market has tended to be temporary and furnished is now subject to some rent regulation and greater protection for tenants. Despite this the sector continues to attract investment that is oriented towards capital gains.
Netherlands	The rate of new construction has stagnated and been overshadowed by withdrawals from the housing stock due to demolition for redevelopment. Market demand for high quality housing for ownership is strong but uneven, with the high employment West commanding the highest house prices. Social housing production - traditionally a high share of new activity - has declined considerably due mainly to higher land costs and the withdrawal of capital subsidies in the 1990s. Major changes in government financing, land release and urban planning policies towards a more (but still partly) privatised system have contributed to the decline in supply (Boelhouwer <i>et al.</i> 2006). Addressing reemerging shortages is a renewed priority of the national government.
UK	Dwellings are amongst the smallest and oldest in Europe. The rate of new construction of housing for purchase is historically low but has increased slightly since 2002, and significantly for social house building – by 40% since 1990. Quality problems persist in the private rental sector and larger housing estates.
Switzerland	The rental apartment sector dominates the housing system, although home ownership rates are rising. The 'see-sawing' supply of renting and ownership housing in Switzerland (Federal Office of Housing, 2006) has lagged behind changes in demand, producing an over supply during the economically depressed 1990s, from which it is now recovering. Residential building permits and investment is increasing, yet the actual completion rate is still very low.
Canada	Canadian housing starts have doubled between 1995 and 2004, primarily in the ownership sector. After a slump in the late 1990s, rental starts have more than doubled during the same period, but make up only 9% of the total market. Social housing additions are decided at provincial level and have been minor in recent years.
United States	Despite economic down turn there has been a high level of housing starts in the US, primarily for the low to medium density ownership market on the edge of cities, with a push for quality coming from the baby boom generation. An enormous number of units are abandoned (inner areas), structurally inadequate and poorly maintained. The sustainability of much existing timber based suburban housing has also been questioned.
New Zealand	High cost of ownership forcing many to be long term renters. The state agency HNZC has recommenced investing in social housing via new supply and some head leasing. Constrained supply of new housing, now under review, possibly causing high land costs. High land costs are also resulting in higher density housing development in urban areas, although this trend has reached a plateau.
Australia	Between 1991/2 and 2003/04 an average of 145,000 dwellings per annum has been completed (around 7 per 1000 inhabitants). While there are peaks and troughs in supply, the underlying long-term trend is flat. There has been some shift in new supply away from separate houses to medium density but 72% of new dwellings completed over the period were separate houses. A higher proportion of medium density housing

	was constructed in the capital cities, especially Sydney, Canberra and Darwin. The proportion of dwellings constructed for public housing is declining, being 2% in 2002/03 (ABS 2005). Main quality issues are found in the low cost rental sector and housing in discrete Indigenous communities. Public housing has also been under maintained, although this is now being addressed through more extensive renewal and redevelopment programs.
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3.2.2 Drivers of housing supply outcomes

Many different factors influence the supply of housing in different countries. Some of the most important of these include: land supply; costs of construction; public subsidies and taxation incentives for financing supply; regulatory constraints on rents and/or sales; positive or negative demand pressures; economic growth and consumer confidence and the potential from capital gains on housing investment.

In table 3.6 we indicate which of these factors appear to have been most influential on recent supply trends in particular countries. The table should be read in conjunction with table 3.4.

Table 3.6 Factors influencing recent supply trends

Country	Factors
Austria	Government programs stimulating supply, such as co-financing with low interest loans, which are responsive and can meet a range of economic and social objectives.
Belgium	Rising cost of scarce developable land, significant in a self build market, is a major reason for the decline in building starts. Low consumer confidence and regional differences in economic and population growth has undermined the housing market. Inner city gentrification, has helped to improve the housing stock but displaced lower income and immigrant families.
Denmark	Danish housing is costly due to low productivity, high materials costs and a higher rate of building defects. Social rents are very low, tied to capital costs set in 1982, and insufficient to cover contemporary financing costs. Low consumer confidence is affecting the housing industry adversely.
France	Subsidies extended to 41% of housing starts in 2003, promoting the provision of a range of tenures. Significant public investment in social housing rehabilitation and renewal has increased quality.
Germany	Tax concessions have helped to promote the construction and purchase of housing for owner occupation. Absence of demand and oversupply conditions have dampened investment for new build in particular regions, especially the East. Subsidies for private and social rental supply have been cut back due to fiscal problems.
Ireland	Supply has not been adversely affected by the requirement on developers to contribute 20% of new dwellings for affordable housing, in a context of strong economic growth but rapid house price inflation. Increase in subsidies for social housing production.
Netherlands	Factors contributing to the stagnation in supply include the high cost of land, skilled labour shortages that have increased construction costs, and an increase in speculative land holding (following privatisation of land development). At the same time the generous tax regime for home buyers has stimulated demand in a non responsive market, producing severe inflationary pressures.
UK	Lack of and high cost of infrastructure to facilitate developable land is a constraint. There is political and community opposition to urban expansion into rural areas.
Switzerland	Interest rate conditions in the capital market making investment more attractive in specific sectors. Fragmentation in the building market has impacted adversely on the cost of construction.
Canada	Low rent levels reduce the rate of return on rental investment. Less policy intervention to increase investment, in comparison to neighbouring US.
United States	Speculative bubble in housing prices affecting the ownership market, partly generated by higher income and lower interest rates. Possibly influenced by constrained housing supply and high land costs, yet rents have decreased in some cities.
New Zealand	High costs of land, possibly influenced by constraining government legislation concerning the management of resources and local government planning, currently under review.
Australia	Delayed release of serviced land for new development in some cities is holding back supply. Low production of social housing and loss of low cost private rental stock (e.g. boarding houses) to gentrification is having adverse impact on access and affordability for lower income households.

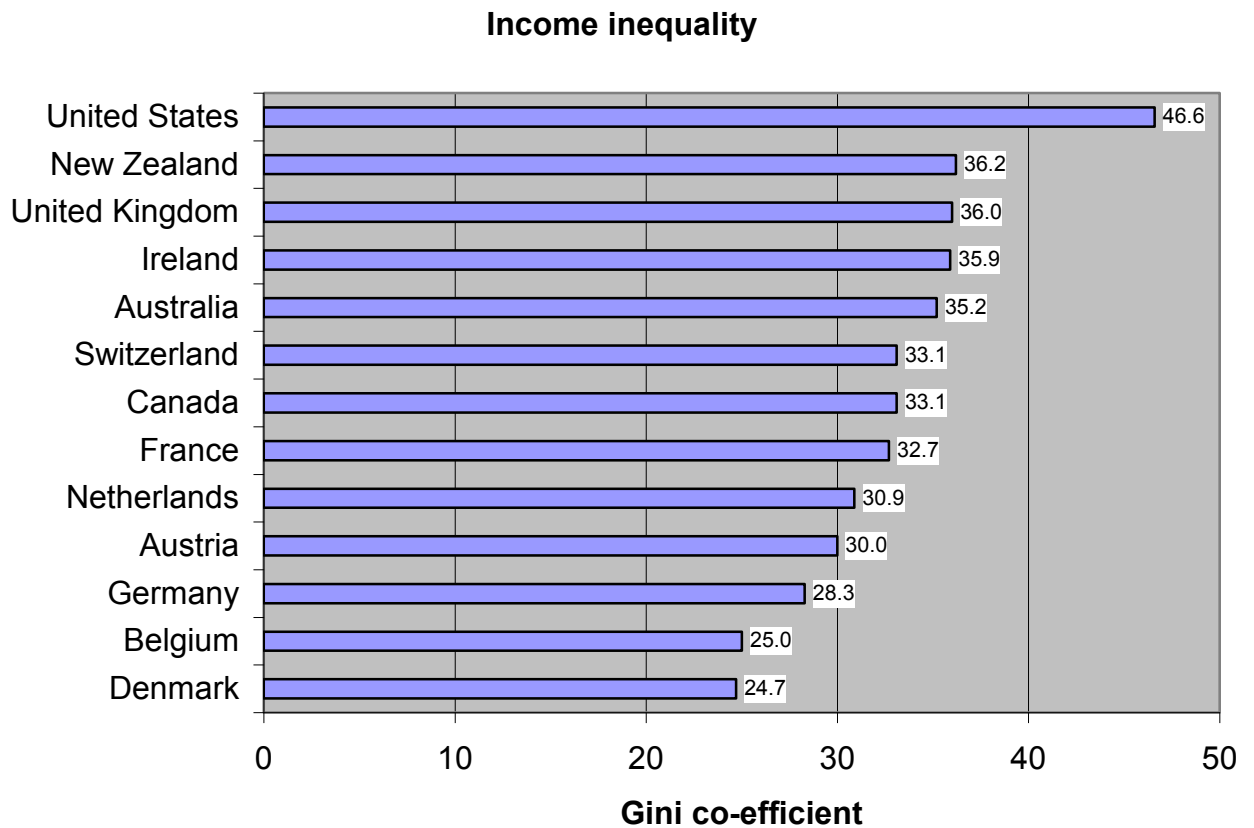
3.3 Social exclusion and segregation

One of the consistent attributes of the housing systems of developed countries is the differentiation of the housing situation of an increasing proportion of their residents by tenure, location and generation. This phenomenon is represented by different forms of what has come to be known as social exclusion. Social exclusion is a complex social, economic, political and geographical process of socio spatial polarisation and segregation. It is promoted by macro level social inequality, and exacerbated by labour market restructuring, reconstruction of the welfare state and spatial processes of concentration and stigmatisation. (For more extensive reviews of this topic see Mohan 2002, Arthurson and Jacobs 2003, Hulse and Stone 2006.)

To highlight this condition at a national level, the United Nations has promoted the use of the Gini coefficient in their Human Development Reports (UNDP 2006), which is a broad measure of inequality of income and wealth.⁴ Figure 3.4 below illustrates the differing level of inequality between the countries in this report using that measure.

⁴ The Gini co-efficient is expressed as a percentage with 100 being perfectly unequal and 0 perfectly equal.

Figure 3.4 Income inequality across the study countries



Source: UNDP (2006)

Whilst most West European countries tend to have Gini coefficients between 24 and 36, other countries in our study are above this level. The US is well above, continuing a worsening trend that has persisted since the 1970s. This suggests the US has serious and deepening inequality problems. However, given the geographical size of the country, this figure hides considerable regional variation, with some areas, and some ethnic and racial groups, considerably better off than others (Centre for Economic Policy and Research 2006).

Of course, assessing social segregation needs to extend well beyond the Gini co-efficient and has spawned a specialist field in demography and geography. There has also been considerable work on the issue of social exclusion at national, European and international agency levels. A recent review of comparative housing issues found that social exclusion and segregation in the housing stock, both by income and ethnicity, was a major policy concern across all original and new member states of the EU (VROM 2006). To address social exclusion amongst EU members, there have been several joint reports, two rounds of national action plans in 2001 and 2003, attempts to co-ordinate social protection and inclusion policies and, recently, a new program of research and exchange on social and economic policies, which will run until 2013. Some countries (UK, Ireland, France, Germany)

have established special research and policy centres to examine the causes of social exclusion and recommend policies to reduce it. Concerns about low income and excluded groups are also prominent in US housing policy in the context of that country's high level of inequality and socio-spatial segregation. However, policy interest notwithstanding, debate over the meaning and causes of social exclusion appears to have frustrated the development and adoption of a widely accepted index that could be useful in guiding policy responses at a sub-national level.

According to Berube (2005), social exclusion is evidenced by the following social conditions:

- Low access to employment amongst semi-skilled and unskilled young people, particularly women, older people and those of foreign origin;
- Undersupply of affordable housing, particularly for the young, elderly and disabled, reliant on a single income or low household wage, as well as larger lower income families who are often of foreign origin;
- Considerable homeless and transient populations, including legal or illegal immigrants;
- Spatial concentration of high needs groups, such as elderly, mental health clients and single parents;
- Poor housing conditions in old districts in the city centres and high rise districts on a city's outskirts housing families of foreign origin; and
- Concentration of poorer households in private and social rental sectors, with reduced access to ownership markets.

The manifestations of the social conditions listed above are not always recorded, visible or immediate, and may often be hidden. However in the US, UK and France, there is a visible deterioration of building stock, falling into disrepair through lack of investment – particularly in the rental sector. Less visible are social outcomes such as violence, joblessness and fear of crime. Mohan (2002) reviews research on the costs and consequences of social exclusion in Europe and the US. The key indicators he has found in diverse national and regional locations are listed in table 3.7.

Table 3.7 Indicators of social exclusion

Indicators	Locations
Rising health inequality stemming from low socio-economic prosperity and concentration of problems leading to premature mortality	Bronx (New York), Northern England and Scotland
Rising incidence of diseases such as Tuberculosis, especially in crowded homeless shelters	UK and US
Defensive tactics by residents fearing crime, gated communities, nimbysism, CCTV, neighbourhood watch, anti-collective behaviour, changing the character of public spaces	UK and US
Lack of affordable retail outlets with a wide and healthy selection	UK and US

of food and over representation of small expensive low quality fast food, drug and liquor stores	
Reactive responses to homelessness, aimed at containing and controlling anti-social behaviour	UK and Denmark
Under consumption of basic services, which are privatised but not subject to competition	UK
Withdrawal of financial services from marginal areas, closure of banks, reduction in services	Australia
Low rates of participation in high school and tertiary education, especially amongst new migrants	UK and Denmark
Racially inspired violence and civic unrest	Many cities and towns in France and Belgium in 2005

Source: adapted from Mohan (2002) and Berube (2005).

Several other issues relating social segregation to housing conditions were mentioned in national reports. The polarisation of income and tenure (e.g. asset rich owners and asset poor renters) is a prominent concern in the US, Ireland and the Netherlands. A rising level of social disharmony was mentioned in the US, France and Belgium, and has emerged in Australia (Hulse and Stone 2006). The degree of urban decay and need for extensive neighbourhood improvement is a policy issue in France, the Netherlands, UK and US.

In Canada, research that has examined the relationship between housing stress and social vulnerability, has found four groups disproportionately represented among the most vulnerable: Aboriginal peoples, single-parent families, senior renters and recent immigrants (CMHC 2005). Canadian researchers also stress the increasing polarisation of wealth between renters and owners and the broader influence of conditions in the housing system that are exacerbating social exclusion (Hulchanski 2003a and 2005, CMHC 2003).

In the US variations in housing market conditions and housing quality, from inner to outer urban areas, and from mid western states to coastal cities is associated with patterns of exclusion, along with significant racial and ethnic differences in access to key resources such as employment, education and housing. However, as we discuss further in chapter 4, there has been some increase in home ownership among Black and Hispanic minority groups under policies that aim to counter the exclusion of minority groups from this tenure (Centre for Economic Policy and Research 2006).

In New Zealand, researchers (Morrison *et al.* 2002) have emphasised the growing and reinforcing nature of spatial inequality between incomes and income growth in and between urban and rural areas, and highlighted the spatial concentration of joblessness in certain poorer urban areas. Their evidence also shows an increasing number of children less than five years living in households in which employment is infrequent or non-existent, potentially reinforcing the negative effects of social exclusion.

3.3.1 Drivers of social segregation

A review of research on the causes underlying social segregation suggests that a combination of the following interactive and cumulative factors promote social segregation:

- Low income and poverty which restricts access to opportunities;
- Decline of traditional forms of employment and unemployment;
- Family breakdown – lone parent families often earn the least and family breakdowns can lead to social isolation and homelessness;
- Low educational attainment;
- Having an institutionalised or criminal past;
- Ill health and unhealthy behaviour concentrated amongst the poor;
- Costly or inadequate transport to employment opportunities and services;
- Market allocation mechanisms, which can discriminate by age, ethnicity, gender, sexuality or disability, concentrating people with the least marketable resources in the worst neighbourhoods, furthering social and economic disadvantage;
- Public allocation mechanisms that may discriminate against certain groups, and increasingly concentrate high needs households in social housing, compounding social stigma of the area and tenure;
- Inadequate supply of quality affordable which is well located;
- Age of housing stock and lack of investment in specific areas, tenures and estates;
- Poor quality housing that can contribute to physical and mental health problems;
- Fear of crime – crime and the fear of crime can produce social isolation, especially among the elderly;
- Privatisation of essential services (water, electricity, gas, telephone) reducing access and leading to under consumption; and
- The digital divide – lack of access to information and communications technologies (ICT), which may come to be a growing barrier.

Some contributions of housing policy responses to these wide ranging issues are addressed in the next chapter.

3.4 Special needs housing

Special needs housing refers to dwellings that offer design features and / or support services in order to accommodate households with particular requirements.

Examples include accessible and adaptable housing for the frail aged and those with physical disabilities; support for people who lack sufficiently developed independent living skills (including some homeless youths, people with drug and alcohol addictions, those with acquired brain injuries and people with mental health problems); and the provision of special refuges for women fleeing domestic violence. The need for culturally sensitive housing and living arrangements for Aboriginal peoples and ethnic groups can also be included in this category. Special needs housing is a salient issue in all national housing policies, because of the inadequate response of mainstream housing markets to such needs and growth in demand from most of the groups mentioned above (but especially the elderly).

Across Europe, many special housing needs have traditionally been provided for by a range of social organisations, varying from publicly owned and managed agencies to non-profit or limited profit private companies. However the role, responsibilities and privileges of these organisations have changed in the context of promotion of free competition between private and public sectors in the provision of services as:

- Governments have reduced their expenditure on social housing;
- Demand from special needs have grown;
- Better off tenants have left to purchase housing; and
- Greater scrutiny of the role of social housing agencies has developed.

While both larger and smaller social housing systems have increasing responsibility for providing special needs housing, this sector only accommodates a proportion of such households. In most countries, a sizeable number of these households exist on the margins of the private market.

Among the diverse groups with special needs, those of the growing number of elderly are receiving the most attention from housing policy-makers. As in Australia, the need to provide appropriate housing and services for older people in their homes is the primary policy tenet, driven especially by concerns about the high cost of institutionalised care. The cross government push and community based movements towards independent living across Europe, as well as in Canada and the US, have led to the revision of design requirements for new housing, subsidies for the renovation of existing housing, and the development of domestic services. There has also been considerable effort in Canada and Europe towards adapting homes for the elderly and revising national building codes to promote universal access.

Without a detailed examination of special needs in each country, which is beyond the scope of this report, we have to rely upon needs identified by policy makers and researchers in each country. These policies and reviews are influenced by the dominant housing discourse – which impacts on both research agendas and what is considered a policy ‘issue’.

Special needs that were highlighted in national reports are summarised below in table 3.8.

Table 3.8 Identified needs

Austria	Those not previously eligible for social housing – non-nationals and asylum seekers, who are currently concentrated in worst private rental housing.
Denmark	Large refugee families in housing need, low wages students, also quality problems relating to mould and radon which require attention.
Belgium	New migrants of non-European background, households in specific areas that are either economically depressed (French speaking south) or subject to market influence of neighbouring Netherlands (Flanders).
Germany	Unemployed youth in economically depressed Eastern provinces.
UK	Lone parents, unemployed households, homeless population and nomadic Traveller households.
Ireland	Improving the standard of homeless shelters and their resettlement, accommodation for Travellers, special needs housing for older people and people with disabilities, serviced sites for increasing number of Traveller households.
The Netherlands	Overall shortage of housing, reduced access for ‘starters’ in the housing market, housing designed for older people.
France	New migrants of non European background, legal and illegal refugees, housing quality of concrete panel estates and poor quality inner city private rental housing.
Switzerland	Low income tenants burdened by high rents tied to landlord’s financing costs, racial, religious and lifestyle discrimination in the housing market, in some areas low urban amenity, social isolation particularly of single person households, adaptable and accessible housing for older people.
Canada	The aged (‘seniors’), especially older renters, disabled and Aboriginal ‘First Nations’ households.
United States	Supportive housing for homeless, ownership housing for low income and minority (Black and Hispanic) households. Energy efficient housing.
New Zealand	Affordable housing for workers in resort areas, older people, low income single women and single parents, accessible housing for people with disabilities, youth housing options and child orientated design of housing, integrated community housing for Māori and Pacific Islanders, housing responsive to migrant needs.
Australia	Persistent Indigenous housing need particularly in rural and remote areas. Stubbornly high rate of homelessness. Significant unmet need for affordable housing among diverse non aged low income households driving emphasis on assisting homeless and special needs households in public and community housing and in the private rental market (e.g. through brokerage schemes).

National policy responses that aim to respond to special needs are discussed in the next chapter.

3.5 Market-state relations

In chapter 2 we examined the complex and dynamic array of factors that influence the mode of housing provision in each country. These included federal and unitary political systems and intra-government relations, dominant coalitions of political and

economic interests, particular welfare regimes, the nature and variety of institutional arrangements in housing provision and finally, the shift in housing policy from supply to demand assistance and in some cases back again. The main recent trends we observed concerning the nature of citizen-market-state relations in housing provision were:

- Changes in the housing roles assumed by central and local governments;
- Changes in the market state mix of roles in housing; and
- Retraction in the role of the welfare state in housing policy.

In this section we provide some more detail on these trends as a backdrop to discussion of the governance of housing in chapter 4.

3.5.1 Changes in housing roles assumed by central and local governments

Across both federated and unitary systems of government, there is a trend towards devolving responsibility for housing and urban planning to regional / local levels, especially social housing provision and related forms of housing assistance. However, mortgage related institutions and tax instruments remain a central concern except in Switzerland. Similarly housing allowances are a national responsibility in all countries except Belgium and Canada, although local action to distribute some subsidies and link them to stronger housing outcomes for their recipients is increasing.

A variable pattern of devolution relating to partnering for implementation of central government programs, needs based planning for housing and leveraging local revenue sources (land, property taxes, development gains) can be found across the study countries. As discussed in more detail in section 4.6, the UK provides a notable example of the hollowing out of local government roles in direct housing provision. However, there are other examples provided by New Zealand, France, Germany and Austria where local government is gaining importance in contributing to that sector. In some cases this has been due to increasing pressure upon local government to exploit its property tax base more fully to address pressing housing needs especially in the face of declining funds from central government.

As income taxation powers and responsibilities for social security typically remain centralised, most instruments in the fiscal realm, such as mortgage interest tax relief, company tax and income related assistance, remain administered by the highest level of government. For example, the Federal Governments of the US (through the government sponsored and publicly regulated mortgage finance corporations, Fannie Mae and Freddie Mac) and Canada (through CMHC), and the central government of the Netherlands (through the independent National Mortgage Guarantee Fund), remain active in the realm of mortgage market regulation, intervention and market analysis. Such tasks are unlikely to be devolved in an era of rapidly globalising capital markets.

Another shift in inter-government responsibilities of note, particularly in the context of the discussion about national concerns with social segregation covered earlier, is that leadership on urban renewal has become more prominent in the central government arena in several countries. For example in France, with the establishment of the National Agency for Urban Renewal; in the Netherlands via a major central government led urban renewal program; and in the UK, via a series of strategies (referenced in chapter 4) to support economic regeneration of problem areas.

3.5.2 Changes in the market-state mix of roles in housing

This sub-section considers how some of the study countries have shifted state-market relations to steer key housing outcomes. We can see that state involvement occurs right across the process of housing provision in many countries, from land development to rent setting and dwelling allocation. Over the past decade, some countries have stepped back from a role in areas such as land development and supply, allowing private market mechanisms to dominate. In turn this has influenced the price, availability and quality of housing.

A clear example is provided by the Netherlands, where the timely purchase, development and release of land for housing has played a key role in urban expansion into rural areas and in the allocation of sites for prescribed housing outcomes, such as social housing (Gurran *et al.* 2007). Whilst this role has diminished with the entry of private land developers in recent years and a more speculative market, it has left an indelible mark on the Dutch landscape of small compact cities and towns that have a considerable proportion of social rental housing.

Decommodification and intervention also affect rent setting quite widely. Across Europe and in some parts of the US the 'free market' does not determine rents, as is the case in Australia. Rent systems vary from highly interventionist centrally determined systems to locally influenced market moderating systems. Rents in the private sector can be based on a point system of utility and amenity (Netherlands), historic cost rent (Austria), indexed cost rent (Denmark), 'reasonable' market rents (Germany), existence of subsidies (US, Germany, France), free market rents (Belgium, Germany, Australia) and financing costs (Switzerland). The determination of market rents is also dependent on a range of supply and demand pressures, including the volume and cost of social housing on the market, which may moderate private rents. For more detailed international comparisons see McNelis (2006) and Hulse (2003).

Related to this are the rules governing eligibility, which vary between and within different tenures (Doling 1999). No tenure has the same rules of access across the countries examined. Even home ownership is subject to formal and informal rules governing property ownership (for example, exclusive to nationals or reserved for those registered to live in a particular town; whether second income is taken into account in determining borrowing capacity; etc.). Access to sufficient credit to

purchase is also determined by the borrowing norms and standards concerning loan to value and income ratios, definitions of household income, etc. Rules of access to finance relate to assessments of credit risk. They have been used to exclude customers according to gender, lifestyle, race and religion and to decline loans in specific areas. However, any such rules will also be subject to change in response to pressure from forces such as financial regulators, lending institutions, national reserve banks and international banking organisations, such as the European Central Bank and the Bank of International Settlements. Governments also can bring pressure to bear on lending rules and mores. This has occurred most notably in the US where federal government laws requiring financial institutions to disclose details of the socio economic profile of their customers, coupled with a requirement to match lending to community profiles, has helped to increase lending to minority groups (Zigas 2004).

Rules of access in social rental housing also differ. Increasingly, however, dwellings are typically allocated to low and moderate income households, with some prioritisation for need (see review of special needs housing in section 3.4 and CECODHAS 2005). As a result, in many countries there is a marked increase in high needs groups entering social housing, as discussed further in section 4.4.

3.5.3 Withdrawal of the welfare state from housing policy?

To conclude this section on market state relations it is worth addressing the question of whether the welfare state is withdrawing from the realm of housing policy and in particular housing supply.

It can be said societies that once were traditionally multi-tenure are now promoting and even favouring home ownership, such as UK, France, Germany, the Netherlands and even Switzerland. This policy shift is occurring for a range of reasons: a belief that the supply problems of the post war era have been remedied and that quality is best provided for in the ownership market; to promote ownership as a way of reducing reliance on rental assistance over time; and, related to this, to reduce pressure on government pension schemes arising from high housing costs of retirees. There is also a clear ideological belief in the social benefits of property ownership, especially in the policy rhetoric of the US (Jackson 2006).

This shift towards ownership has sometimes been accompanied by a shift away from direct government loans for social housing supply and increasingly reliance on the capital market for finance (the Netherlands, Germany, UK) and a growing reliance on rental assistance as the primary tool to serve those in housing need.

In a special issue of the *Journal of European Housing Policy* (December 2004), various authors attempted to answer the question of whether there was either 'roll back' or 'roll out' and 're-styling' of the role of the state with regard to housing policies in their particular jurisdiction. The answers provided were by no means consistent but the overall conclusion reached was that the state remains a central and important player in the funding and/or provision of social housing and in addressing homelessness in Europe. While traditional state roles in some areas

(such as social housing investment) may have retracted, other functions such as urban regeneration and strategies to address homelessness have been enhanced. As well, the state remains intensively involved in shaping the private housing market through the widespread use of various mixes of regulatory, fiscal and monetary instruments. Nevertheless, the review demonstrated that the ways in which the state enacts its various roles are fundamentally different to previous decades, with the emphasis shifting heavily to enabling the market, largely through indirect measures, policy decentralisation, and a political preference for housing choice and open competition between private and government agencies (Doherty 2004).

Some states in this study are experiencing renewed, though modest, interest in proactive housing policies to correct market failures: notably, Ireland, France and, to some degree, the Netherlands. Others are moving housing policy closer to the regions (Canada, Belgium, Austria and UK) or to local governments (Germany) to respond to the greater diversity of housing market conditions. In such cases, the capacity and resources of local and regional bodies to respond adequately is emerging as a key issue. Other countries are moving their general welfare philosophies closer towards workfare and away from large and encompassing welfare states (Denmark, Switzerland), although it is too early to say whether this will lead to curtailing of housing programs or, more, a re-styling of state functions in future.

The next chapter will examine the diverse policy responses to these cross cutting housing issues and their impacts in context.

4 KEY POLICY RESPONSES AND THEIR IMPACTS

Governments continuously reshape housing policies and tools in order to produce sufficient housing supply, improve quality and affordability, generate domestic employment and contribute to other broad social, environmental and economic policy objectives. From the 1980s, housing policy strategies tended to favour demand side assistance. More direct policy mechanisms, such as investing in new housing or subsidising housing production, were reduced or even abandoned in some but not all countries. The demand assistance route, which has been favoured by neo-liberal governments and international agencies such as the OECD and IMF, has proven to be costly and unable to stimulate supply or steer broader urban goals. Politically, it is also difficult to change. Now, according to Maclennan:

“Housing policies are under new, positive scrutiny in the advanced economies but not because there is an outburst of renewed altruism for the poor. Rather it is because the stripped down policies of the previous two decades are now recognised to have negative implications for economic and environmental as well as social goals of governments” (Maclennan 2005:12).

In keeping with this assessment, housing policy developments in the UK, NZ, Ireland, France and the Netherlands in particular have entered an innovative and expansionary phase trying to address unaffordable home ownership, inadequate private rental markets, declining housing productions levels and social segregation. While the same scope of policy development does not apply to the other countries in our study at this stage, some initiatives in one or more of these areas are apparent in most cases.

In this chapter we examine current housing policy strategies and initiatives across the 12 study countries. These strategies are grouped according to five main themes we think characterise the current thrust of housing policy developments in response to the issues described in chapter 3.

The policy themes examined in turn below are:

1. Facilitating home ownership for lower income households;
 2. Promoting private investment in ‘affordable’ housing;
 3. Utilising the existing private rental market;
 4. Reinventing social housing;
 5. Promoting housing and neighbourhood sustainability; and
 6. Changing the governance of housing systems and the delivery of housing policies.
- For each strategic area of intervention, we discuss the policy goals and illustrate the principal policy levers being utilised across our chosen countries. Where available, we also refer to evidence of their impacts (from successful to unsuccessful) in particular national contexts.

4.1 Facilitating home ownership

Home ownership continues to be facilitated by governments in all countries via a combination of favourable taxation regulations, mortgage market intervention, and demand and/or supply side subsidies (Smith and Robinson 2005, Laferrère and Le Blanc 2004, Bramley and Morgan 1998). The main national objectives driving policy directions in this tenure, to greater or lesser degrees in different countries, are to:

- Protect and grow home ownership as the preferred tenure; Reach specific ethnic groups and lower income households;
- Contribute to tenure mix in disadvantaged areas; and
- Reduce long term reliance on social security.

Table 4.1 provides a summary of how different countries in this study currently facilitate home ownership by category of action, with a focus on strategies that can assist lower income households to access this tenure. To illustrate types of contemporary initiatives in this policy area, more detail is provided following the table on the application of these strategies in selected individual countries.

Table 4.1: Home ownership strategies by category and country

Policy area	Au	Bel	Can	Den	Fra	Ger	Ire	Net	NZ	Swi	UK	US
Supply side subsidies for production	✓	✓					✓					
Consumer education, particularly for marginal groups									✓		✓	✓
Mortgage market regulation, facilitation, insurance and security			✓					✓	✓			✓
Demand side subsidies for (low income) purchase					✓	✓	✓	✓	✓		✓	✓
Access to individual pension savings										✓		
Contract Savings Schemes					✓	✓			✓		✓	
Fiscal incentives and subsidies for ownership		✓		✓				✓		✓		✓
Large scale sale/conversion of public/private rental housing to ownership							✓	✓			✓	✓
Promotion of shared equity tenure							✓	✓			✓	✓

Regional strategies to address uneven markets



4.1.1 Selected country initiatives

Canada

Home ownership in Canada is promoted primarily via the Canadian Mortgage and Housing Corporation (CMHC) which widens access to home mortgages by providing mortgage insurance, thereby reducing the interest rate on mortgage finance and the overall cost of housing for both owner occupiers and investors. CMHC is a government owned corporation and Canada's premier provider of mortgage loan insurance and mortgage-backed securities, controlling about 70 per cent of the country's mortgage insurance market. Around one third of all CMHC's mortgage insurance is directed to public policy objectives in the rental and ownership sectors (CMHC 2005c).

A number of specific regulations and innovations are being used to widen access to insured and therefore cheaper loans, and to achieve other housing objectives. For example, CMHC mortgage insurance premiums can be reduced for the first two years where a 5 per cent mortgage deposit has been made. Further discounts are given for insurance on homes built or renovated in energy efficient ways. Access to insurance is also facilitated for self-employed applicants. All CMHC products can be accessed more than once, thus being accessible for people who are second purchasers due to divorce or a change in employment circumstances. The term of the loan for housing developed under the CMHC Affordable Partnership Program for home ownership can be extended without any insurance surcharge (CMHC 2005c). The Home Buyers Plan allows first-time home buyers to borrow up to CAN\$20,000 from their Registered Retirement Savings Plan to buy or build a qualifying home. The interest free loan is repaid in annual instalments over a 15-year period, beginning with the second year following the withdrawal (Miron 2001).

The Netherlands

Since the 1990s, fostering home ownership has held a more central position in Dutch housing policy amidst substantial rent increases, the development of higher quality detached housing forms, a strong political preference for ownership, increasing economic welfare, an active mortgage market and favourable tax regulation, including a generous MIRT scheme. A National Mortgage Guarantee (NHG) established in 1998 (formerly operating at a municipal level) also deepens mortgage access and slightly reduces the mortgage interest rate (Schiffer 2002). Access to the guarantee is both income- and housing price restricted. However, market coverage has reduced in recent years, again mainly as a result of rising prices. It has been argued that mortgage interest rate tax relief – i.e. the deductibility of mortgage interest from incomes in tax assessments (in a context of income tax rates of up to 52 per cent) for a maximum of 30 years – is the most powerful policy stimulating

ownership in the Netherlands (Elsinga 2003). However, following rapid house price increases recently, in the context of sluggish housing production and liberal mortgage markets, this policy has also been blamed for stimulating demand and halting access to home ownership by lower income households. A debate about the future of the policy has begun (Boelhouwer 2005).

The housing policy 'What People Want, Where People Live' (VROM 2001) promotes individual home ownership via the sale of social housing – especially in urban renewal areas where that tenure is dominant – and promotion of new build, especially to buyers' specifications. However, also under this policy, extension of the housing allowance to low income buyers did not succeed, with only a small number of applicants able to avail themselves of the benefit in a rising market (Van Eyk, personal communication). As in the UK, alternative tenures have been trialled, including sales to sitting tenants, discount sales, shared equity and a 'free' sale of dilapidated stock where renovation becomes the new owner's responsibility⁵. Overall, the impact of low income ownership promotion in the Netherlands has been limited due to high house prices, a strong social housing sector and generous rental allowances (Priemus 2001, Elsinga 2003, Boelhouwer *et al.* 2005).

Switzerland

Whilst the Swiss Confederation traditionally has been a country of renters, home ownership is steadily increasing from 34.6 per cent in 2000 to an estimated 36.5 per cent in 2005 (SFSO 2006). This increase is mainly attributed to market factors and finance industry adjustments: lower bank mortgage interest rates (3 per cent in 2005), higher loan to value ratios and lower savings deposit requirements (FOH 2006). The supply of condominiums for the ownership market (possible since 1965) also increased from 2003, after deep stagnation (Swissinfo 2005). However, investment has been directed towards more expensive dwellings and the government has recently stressed the need for investments to reverse this trend (FOH 2006). Tax deductions of interest and maintenance have promoted mortgage debt. However, direct public investment in home ownership has been constrained by lack of resources (with government recovering from significant financial problems) and inadequate political support from the Cantons. There are exceptions in some Cantons, where Canton owned banks operate savings schemes with incentives such as tax reductions or premiums.

Since 1990, contributors to Swiss pension funds can withdraw their savings in order to purchase or renovate a home (known as tax-privileged Column 3a of the Swiss Occupational Benefit Plan). In 2005, 37,500 policyholders made use of this possibility (FOH 2006). More detail on this initiative is provided in chapter 6.

⁵ See Elsinga (2005) for an analysis of the nature and impact of innovative tenures in several European countries.

France

France has a well-established mixed economy of housing, providing substantial subsidy assistance across all tenures. France's home ownership rate is relatively stable at 56 per cent and a considerable 42 per cent of French home owners have been supported by direct subsidy (729,000 households) and/or low interest loans (1,886,000 households) (INSEE Housing Survey 2001). In addition to the universal problem of housing affordability, specific challenges include the poor quality of much private and social housing, social changes affecting housing outcomes (e.g. higher divorce rates), and stagnating economic performance.

Some of these issues are addressed by a diverse array of initiatives with different goals, as summarised in table 4.2 below.

Table 4.2 Recent forms of home ownership assistance in France

Épargne logement (EL)	A contract savings scheme available to all, requiring a 5 year period of savings (Laferrère and Le Blanc 2004). Savers are entitled to tax relief on the interest earned from these accounts and to receive a bonus from the state when they take out a loan to buy property (SIG 2006).
Prêt à l'accession sociale (PAS)	Government provided loans within income and house price limits, with a lower interest rate and a housing grant to cover part of the monthly repayments (SIG 2006).
Prêt à taux zero (PTZ)	This offers a small interest free loan of around €15,000 or up to 20% of the total cost for which repayment may be delayed up to 16 years according to income for qualified buyers of new property or property needing renovation. Funding is drawn from the payroll tax that is collected for housing in France. Research suggests 75,000 households were enticed out of renting by this scheme since it began in 1995 (about 15% of recipients). The price effect of PTZ is estimated at about 5%. However, it is considered that a 12% rise be necessary to negate its advantages (Laferrère and Le Blanc 2004). A full description is given in Miron (2001).
Prêt conventionné (PC)	This is a preferred-rate mortgage loan, made by banks or financial institutions under contract to the government. Dwelling but not income tests apply.
Allocation logement (AL)	Housing benefit (AL) is available on a tenure neutral basis so low-income homeowners can use this to help meet the costs of their mortgage, possibly in conjunction with other forms of mortgage assistance described in this table. However, banks are reported to not always take account of the payment in determining borrowing limits.
Abatement of transfer/property/sales taxes	France has high transaction costs, which are abated for households purchasing a new house to promote new construction.
Mortgage interest deduction	25% of interest payments on mortgages taken out before 1998 are tax deductible, with limits more favorable for new construction and for families with children.
Taxation of vacant housing	This scheme, described in section 4.3, is designed to encourage private landlords of properties vacant for 2 or more years to rent or sell, thereby potentially supporting home buyers indirectly.

Source: Adopted from Miron (2001) supplemented by other sources cited in the table.

United Kingdom

The UK made considerable progress in expanding home ownership from below 60 per cent in the 1970s to 70 per cent in 2000, mainly through the sale of around one third of former council housing to sitting tenants after 1979. Mortgage interest rate tax relief was also introduced in the UK in the mid 1970s to promote home ownership, but was criticised for inflating prices, being highly regressive and locking out new entrants to the market. Since 1994 it has been gradually phased out and was abolished finally in 2000. Successful withdrawal was enabled by a decline in interest rates and the operation of a price ceiling in a booming market.

The UK now has significant housing market affordability problems. The long-term increase in UK house prices (2.4 per cent per annum over the last 30 years) has been higher than for other European common market partners (1.1 per cent) (Barker 2004). In the last few years, the country (particularly England) has experienced weak supply and sluggish market responsiveness, in the face of high prices but strong demand. This situation has led the UK government to take a greater interest in housing policy and housing affordability with the aim of improving macroeconomic stability/economic growth and delivering greater affordability for individuals. A major Government commissioned review of housing supply completed in 2004 included recommendations on significant changes to local and regional planning processes to improve market functioning and reduce bottlenecks; a possible new planning gain supplement designed to capture some of the benefits of land development for the wider community and to improve equity in the housing system; and increased government investment in social housing (Barker 2004). Consultations around these reforms and the development of specific policy proposals are underway. Importantly, this process has shifted the housing policy focus away from specific forms of housing assistance to a wider strategy for addressing housing affordability, especially through supply side and regulatory measures.

Nevertheless, a patchwork of specific schemes operate in the UK (or England) to promote home ownership amongst lower income households, as summarised in table 4.3.

Table 4.3 Programs to promote housing equity in the UK

Equity Share	Small scale shared equity schemes are operating with some Housing Associations and trusts. Towards a national model, the government is contemplating two approaches: a scheme matching money saved by tenants to be used to rent to buy or on the open market and a full scheme where a responsible tenant will receive between £250 and £500 each year for five years in an equity savings account. Three quarters of money withdrawn has to be used to purchase housing either through Rent-To-Buy or in the open market.
Shared Ownership	Households/individuals purchase between 25% and 75% of the social rental dwelling with a mortgage and pay rent on the remainder of the equity. The purchaser is able to 'staircase' up to 100 % ownership.
Home Buy	Since 1999 purchases may be financed 75% through a private

	mortgage, and the remainder through an interest free equity loan from a Housing Association, which may staircase up to 100%.
Right-To-Buy (RTB)	Since 1980, tenants may buy their council home at a discounted price determined by their length of tenancy in the dwelling. Equivalent schemes called the Right-to-Acquire (RTA) and the Voluntary Purchase Grant (VPG) operate since 1996 in the Housing Association sector. Right to buy sales have declined recently, reaching their lowest level since 1980, following a peak in 2003/04 (Pawson 2006).
Cash Incentive Scheme	Cash Incentive Schemes enable local authorities to free up rental stock by helping eligible tenants with a grant (up to £10,000 in most areas) to buy a home on the open market.
The Savings Gateway	The government matches the amount saved over a period of time (18 months), and up to a maximum amount per month. An individual is free to withdraw money from their account, but can only access the government's contribution once the account matures after 18 months.
Home Initiatives for Key Workers	Aims to keep skilled people in communities where housing costs are high by providing subsidised homeownership options. It is targeted at high housing cost metropolitan areas that have had recruitment and retention problems in specific skill areas. In partnership with both private developers and social housing providers assistance includes cash grants, subsidised rents with right-to-buy, and shared equity. With exceptions, the worker must repay assistance on leaving a qualifying field of employment.

Sources: Smith and Robinson (2005), Stephens et al. (2005) and Bramley and Morgan (1998). See also Berry *et al.* (2004) for a comparison with Australia.

Ireland

Ireland has a comparatively high rate of home ownership (77 per cent) for countries in this study. Some long-standing measures to assist the sector remain in place, but the focus of recent policy initiatives has been on targeting assistance to first time and lower income buyers, and to particular areas. As in the UK, a broader concern with the functioning of the housing market and housing affordability is apparent in national economic and social policy statements:

“...because of the key role which the private market plays in housing the Irish population, it has...been the focus of concerted action by government in order to increase supply, stem price inflation, support first-time and low-income home buyers and promote home ownership in specific areas of the country” (Norris and Winston 2004:54).

Six schemes to enable low-income households to purchase a dwelling have been introduced or upgraded between 1990 and 2003. These are summarised in table 4.4. The array of schemes shows there is a concerted and nuanced, though somewhat complex approach, to maintaining access to home ownership in Ireland. A recent review suggests success has been mixed, varying over the property cycle and in different parts of the country (Norris and Winston 2004).

Table 4.4 Recent initiatives for home buyers in Ireland

<p>Shared Ownership Scheme 1991</p>	<p>Enables the purchase of a new or second hand home on the open market with the local authority or not for profit housing agency initially taking at least a 40% stake, which they rent to the beneficiary. The individual funds their equity stake through a local authority loan and is committed to take out all the equity in the property over 25 years. They make payments on a mortgage for the part they own and pay rent to the local authority for the other part. The scheme has been subject to much adjustment since its introduction. While take up has been variable over time and location, it is popular and has a significant share of beneficiaries of recent initiatives.</p>
<p>Mortgage Allowance Scheme 1991</p>	<p>Social housing tenants purchasing a private or local authority house may qualify for a mortgage allowance (up to €11,450 in 2000) paid on a reducing basis over 5 years to the mortgage lender. The scheme is designed to ease the transition from rent to mortgage. Allowing for purchase of existing social housing under the scheme has been designed to stem movement off estates of tenants able to buy, which occurred under an earlier formulation of the scheme that was found to destabilise estates.</p>
<p>Affordable Housing Scheme 1999</p>	<p>Local authorities provide newly built houses at a cost price on their own lands to qualified households. The purchaser can also benefit from some other schemes listed in this table. Sales in the first ten years are subject to anti profiteering measures. The scheme is designed to address demand and supply side risks in one program.</p>
<p>Affordable Housing under the Planning Acts 2000 – Part V Schemes</p>	<p>As discussed in more detail in section 4.2, planning permissions in Ireland may require up to 20% provision for social and affordable housing.</p> <p>Low income buyers and those opting for shared ownership, are eligible to purchase dwellings provided through this mechanism. Eligibility to purchase is limited to those for whom mortgage payments for a suitable dwelling would exceed 35% of their net annual income, along with other considerations laid out in the Act. In the case of dual income households half the net income of the second earner must also be taken into account in determining eligibility.</p>
<p>House Purchase and Improvement Grants and Aids 1977</p>	<p>Grants (up to €3,810 in 2002) are available to income and house size/price qualified purchasers of new houses and to owner occupiers whose housing needs improvement and who would qualify for social housing if such works were not carried out. Local authorities and NFP housing providers also qualify for funding for sites provided for share ownership and affordable housing schemes. Take up rates reflect building activity levels among other factors.</p>
<p>Urban, town and rural renewal 1986</p>	<p>Tax incentives are available to owner-occupiers who purchase a residence in selected urban areas, towns and rural regions designated for physical and socio-economic development. To encourage the refurbishment of existing buildings, 10% of refurbishment costs per annum may be offset against total income over ten years compared with 5% per annum in the case of new construction. Relief also applies for the refurbishment of shop top housing in designated cities.</p>

Source: Norris and Winston 2004

United States

Home ownership in the US has increased steadily from 64 per cent in 1993 to 69 per cent in 2004 (USCB 2005). The increase is attributed partly to lending programs targeted to underserved groups / areas, although economic conditions and demographic trends have also broadly been favourable. Lending to low-income households and minorities has been the major area of growth in lending, from a relatively low base (less than 50 per cent). For example in 1996, low-income borrowers accounted for 40 per cent of all mortgage lending in the US, up from 30 per cent in 1990 (Miron 2001). From 1994 to 2000 there was a 38 per cent increase in home ownership among black American households and 24 per cent among Hispanic households, compared to 9 per cent among non-ethnic households (Zigas 2004).

It has been long-standing US housing policy to use mortgage insurance as a means to reduce the cost of financing and thereby improve access to home ownership. In addition mortgage interest payments are tax deductible in the US but, as elsewhere, there is an ongoing debate about whether this mechanism actually increases home ownership, particularly amongst low income households. Two other important aspects of the US policy model are the *Home Mortgage Disclosure Act* and the *Community Reinvestment Act*. The former operates to ensure lending patterns of financial institutions are publicly transparent and the latter to drive fairer lending practices where groups or areas are underserved.

Three government created bodies are responsible for ensuring that the mortgage investment funding process operates efficiently across the country to increase the availability and affordability of housing for low to moderate-income Americans: Ginnie Mae (1986), a government enterprise, and two large government regulated but privately owned bodies, Fannie Mae (1937) and Freddie Mac (1970).

Ginnie Mae was established specifically to provide adequate funds for federal loans, which were once widely utilised but are now concentrated in the first-time homebuyer and minority buyers' markets. Freddie Mac and Fannie Mae are bound by their charters and federal regulations to provide stability and liquidity in the secondary mortgage market, provide secondary mortgage assistance for mortgages, and promote access to mortgage credit. This model aims to expand affordable housing opportunities amongst those not traditionally served by the market, particularly racial and ethnic minorities. To help drive accountability in these arms-length agencies, the Federal Department of Housing and Urban Development (HUD) sets annual targets for loans to low and moderate income households, underserved areas and special affordable housing. These targets have been increased substantially over the period 1990 to 2004 (Zigas 2004).

Alongside the big mortgage finance agencies, and since the National Home Ownership Strategy (NHS) introduced by the Clinton administration in 1994, a plethora of state and local government, private and not for profit agencies have been harnessed to the task of reducing barriers to home ownership among the target

groups. Strategies have fallen into six clusters: production, financing, building communities, opening of markets, education and raising awareness (Miron 2001).

Currently US\$2.5 billion of HUD's annual budget (about 8 per cent) is dedicated to home ownership goals as follows:

- To expand national homeownership opportunities;
- To increase minority homeownership;
- To make the home buying process less complicated and less expensive;
- To reduce predatory lending through reform, education and enforcement;
- To help HUD-assisted renters become homeowners; and
- To keep existing homeowners from losing their homes (HUD, 2006b)⁶.

There are also innovative programs that operate at state level in the US. Readers are referred to the Urban Land Institute's recent review of the most successful state and local strategies promoting housing affordability, including low-income home ownership (ULI 2005).

New Zealand

Home ownership rates in New Zealand have fallen from 74 per cent in 1991 to 68 per cent in 2001. A further decline to 62 per cent is forecast by 2016 (DTZ NZ 2004). Decline has been greatest amongst 25 to 44 year olds. Factors said to be contributing to the decline include rising consumer debt, removal of specific assistance, the impact of student loans, changing social and labour market dynamics and housing affordability problems, especially in Auckland, which dominates the market.

New Zealand's recent housing strategy (HNZC 2005) aims, *inter alia*, to improve access to home ownership. A range of targeted measures is proposed to achieve better access to finance, improve affordability and choice and to raise consumer awareness among low to moderate income buyers (broadly defined as those with income up to about NZ\$85,000). Key initiatives include expansion of a piloted mortgage insurance scheme (known as the Welcome Home Loan Scheme), offering deposit assistance (Kiwi Saver) to qualified buyers as part of a Work Based Savings Scheme and introducing a shared equity scheme. There are also education programs to support sustainable home ownership. These began in rural areas but have been expanded to about 5000 funded places nationally per year to ensure home ownership is an informed choice and to raise awareness of assistance being offered by the NZ government. In the medium to long term, the government also

⁶ More detail on specific initiatives can be found in the draft HUD FY2006-FY2011 Strategic Plan, available online at <http://www.hud.gov/offices/cfo/dfstratplan1-16.pdf>.

wishes to develop additional home ownership products to meet the specialised needs of Māori and Pacific groups.

Notwithstanding these policy initiatives, it seems significant rises in house prices may have stalled attempts to increase access to home ownership for marginal buyers. However, as discussed elsewhere, New Zealand's Housing Strategy also includes supply side and regulatory mechanisms that are being designed to address affordability problems and improve efficiency in rental and home buyer markets in the longer term.

4.1.2 Home ownership assistance for Indigenous households

To come

4.1.3 Overview

Traditionally Western European countries in the main have not promoted home ownership as strongly as their Anglo counterparts. Supporting home ownership is now a major policy goal in all countries in our study. Despite this, expansion of home ownership has stalled recently in some countries (e.g. the Netherlands, UK) while others (e.g. Germany, Switzerland) still have comparatively low rates of ownership, because of the adverse impacts of house price growth on affordability, along with the impact of other broader economic and social changes affecting household formation and incomes. A third group of countries, which includes Australia and New Zealand, are facing a decline in ownership rates among the next generation. In several countries there is evidence that demand side measures implemented by governments have actually fuelled recent rises in house prices.

The evidence also suggests access and affordability barriers to home ownership for lower income households are mounting, which is exacerbating income and wealth differentials between households in the renting and owning sectors of many countries. So far, specific policies targeted to lower income households, such as shared equity schemes and various forms of deposit gap or mortgage assistance, have not turned around this situation in most countries. One exception is the US, where a number of factors have combined to achieve a significant increase in lending to black American, Hispanic and Asian homebuyers. These include federal laws requiring transparency in lending to underserved groups and areas; large-scale, regulated national financial institutions that serve that assist with procuring finance for priority groups; ambitious performance targets for lending to these groups and pro-active community education.

Overall, our review of current general and targeted measures adopted across countries to promote home ownership and available evidence of their impacts does not suggest there is an easy or immediate way to deepen access to home ownership. Rather, the general situation of declining housing affordability and sluggish new supply seems to be generating renewed recognition of the need for housing policy to address housing market functioning and housing production levels,

as well as a return to policy support for rental housing, as discussed later in this chapter.

4.2 Promoting private investment in ‘affordable’ housing

As discussed throughout this report, mounting housing affordability problems are common features of contemporary housing markets in developed societies. Analysis of the problem of poor affordability suggests that lack of a supply of reasonably priced housing is a generic cause, although for different reasons in different countries. For instance, in the US and Canada gentrification of low priced private rental housing is often mentioned as a major factor (Moore and Skaburskis 2004). In much of Europe, where the social rented sector has traditionally been larger, subsidies for new construction have diminished, rent levels have increased and, in some countries, demolition, sales and the expiry of subsidies protecting rents have also contributed to significant losses of existing low cost housing (as discussed in section 4.4). The reduction in capital subsidies for social housing has also been a factor in declining general levels of new construction in many countries, thereby contributing to higher prices in the owner occupied and private rental sectors. In some countries, physical planning controls also limit new construction, and therefore are considered to be a factor in growing housing affordability problems (K. Smith 2002; Gurran *et al.* 2007).

In response to this diagnosis and rising concern about affordability for the next generation, strategies to promote new investment in affordable housing supply feature increasingly among national and regional housing policies. Broadly, these strategies are concerned with getting more housing to rent or buy in the parts of the market that are affordable to low to middle/moderate income households using a variety and mix of incentives and regulations.

There are many national definitions of affordable housing but generally what is implied is a tenure neutral term to describe housing that is priced to be accessible to low to moderate income households, whether through subsidisation, regulation or other arrangements (e.g. not for profit supplier). As well, countries define ‘middle’ and ‘moderate’ incomes differently. However, there seems to be a general tendency toward broadening the target groups for affordable housing in the context of significant rises in housing prices and changes in affordability. Several countries (e.g. the Netherlands, Austria) tend not use the term to distinguish particular housing, preferring to retain the terminology ‘social housing’ as encompassing a range of forms of non-market housing. Meanwhile others (e.g. US, Canada) may tend to use the term to distinguish ‘affordable’ housing from policies and practices associated with traditional forms of social housing.

The broad goals of national policy initiatives to increase the availability of affordable housing described in this section seem to be to:

- Stretch limited public funds and lever additional private investment;

- Address low construction output in the residential sector Help attach key workers to labour markets;
- Arrest decline in rental markets 'lost' to ownership; and
- Address the gap in affordable housing for those between social housing and unassisted home ownership

A feature of many of the policies in this cluster is that they are not universally applied. Rather they may be targeted to reflect specific gaps in supply to particular locations (such as hot spots or growth regions); target groups (for example, marginal home buyers, key workers); price ranges (such as market entry or starter housing); or housing forms (larger housing, detached housing, medium density or multi family housing). This reflects the trend for housing policies to be tailored to address the greater diversity of housing challenges that we have highlighted in earlier chapters.

Table 4.5 Affordable housing supply side and regulatory strategies by country

Policy area	Au	Bel	Can	Den	Fra	Ger	Ire	Net	NZ	Swi	UK	US
Fiscal incentives	✓							✓				✓
Capital subsidies			✓				✓	✓	✓		✓	✓
Use of planning levers and developer incentives			✓	✓			✓	✓	✓		✓	✓

4.2.1 Fiscal incentives and capital subsidies

While we deal with social rental housing in more detail later in this chapter, this section focuses on innovative, mixed funding arrangements for providing social or affordable housing forms. Table 4.6 below describes the way that various national governments have blended public subsidies and fiscal incentives for the production (and renovation) of social and affordable housing. Sources are included in the table.

Table 4.6 Fiscal incentives and capital subsidies for affordable housing

United Kingdom	'Mixed' funding for social and affordable housing was introduced in 1988. Under this regime, regulated housing associations (and more recently private developers) obtain mortgage finance for part of the cost of new developments or major renovations in return for grants from the Housing Corporation and / or local authorities (known as Social Housing Grant (SHG)). Debt servicing is underpinned by housing benefits paid to eligible tenants. The Housing Corporation sets price and cost controls for developments on a borough-by-borough basis (Golland and Blake 2004). This model works in tandem with the provision for land for social housing through section 106 agreements, as described in 4.2.2 below. Over £40 billion private finance has been raised since 1988 for development and improvement in the sector. SHG is currently around 50% of the total allowable cost. The UK financing approach has been reviewed in detail in a previous AHURI funded study (Berry <i>et al.</i> 2004).
Ireland	Several initiatives aiming to stimulate the provision of additional affordable housing for purchase by lower income households, including

	<p>sales to social housing tenants have been described in table 4.4. In addition the Irish government is pursuing a strategy of investing in additional / replacement social housing through capital subsidies and interest free loans to local authorities and the voluntary and cooperative housing sectors. Investment in local authority house building grew from €82.3 million in 1991 to €999.2 million in 2002 (Norris and Winton 2004). The National Development Plan for Ireland (1999) provided for 35,500 new rental dwellings between 2000 and 2006 (O’Sullivan 2004). A significant increase in the target number of dwellings to be built by not for profit sector is part of the plan.</p>
<p>United States</p>	<p>The Low Income Housing Tax Credit (LIHTC) program is the single largest source of fiscal support for affordable rental development and rehabilitation in the US. It allocates tax credits, which are sold to investors, with the proceeds used to provide equity investment in targeted affordable housing projects. Since inception in 1986, the LIHTC has allocated new credits totalling more than US\$300 million each year and has helped to build or rehabilitate 1.15 million rental units – an average of 75,000 each year. As credits awarded each year continue for periods of ten to thirty years, the annual expenditure now exceeds US\$3.5 billion. Equity investment stimulated by the tax credits is blended with diverse sources of borrowings, and regional or local government and philanthropic equity for individual projects. The program is credited with stimulating an entrepreneurial not for profit sector (Landis, personal communication). There is also a tax exempt bonds program</p> <p>Federal block grants also allocated to states for both government and private sector developers of affordable housing (including new construction and rehabilitation of rental, as well as assisted home ownership programs). The largest program, the HOME Investment Partnership Program (commenced in the late 1980s) provided US\$2 billion in 2006. Since 1992 more than 52% of the budget has been spent on providing rental housing (HUD 2006b). This is supplemented by targeted block grants for urban renewal, rural housing, native American housing and brownfield economic development. A small proportion of community development block grants (CDBGs) aimed at cities with populations of more than 50,000 are also used for the acquisition, rehabilitation, or construction of property. HUD also operates a multi-family mortgage insurance program, which is used almost exclusively to support financing for affordable housing. A set proportion of section 8 vouchers (see section 4.2) is dedicated to affordable housing projects to secure revenue for borrowings – a share of places in these projects are reserved for voucher eligible households. Sources of funds used by state governments include a share of real estate transfer taxes, interest from real estate escrow accounts and a dedicated portion of state income tax (Joint Centre for Housing Studies Harvard 2005).</p> <p>Collectively these arrangements provide Federal underwriting for a wide variety of affordable housing projects initiated by state and local governments and the private sector (HUD 2006). Overall the affordable housing sector in the US is estimated at 1.5 million units, 50 per cent larger than the remaining public housing sector (1 million) (HUD 2006b; Landis, personal communication). Outputs across US states and cities vary depending on the level of regional and local investment.</p>
<p>Canada</p>	<p>Following negotiation of a new agreement with the provinces / territories in 2001, federal funding of CAN\$680 million for affordable housing for 5 years was announced (commencing 2002/03) for partnership programs</p>

	<p>that provide below market price housing for renters and buyers. An additional CAN\$320 million was announced in 2003. At June 2006 over 27,600 additional rental units had been announced⁷. Partner contributions typically include rent subsidies (provinces); land, cash and fee offsets (municipalities) and non government partner equity. Affordable rental housing developed under partnership schemes is eligible for a 15% reduction in CMHC mortgage insurance for each of the first two years (CMHC, 2006).</p>
Netherlands	<p>Historically the Netherlands used extensive public loans to finance social housing. From the mid 1980s capital market finance, underpinned by the national mortgage guarantee scheme and the widespread availability of housing benefit, was successfully introduced. Following withdrawal of most public subsidies in the 1990s, the large and wealthy housing association sector in the Netherlands itself subsidises new investment in social housing drawing on gains from asset sales and revenue surpluses (Milligan 2003). It is estimated that the typical dwelling unit subsidy being provided by associations was €30,000 in 2006 (Needham, personal communication).</p>
Austria	<p>For more than a decade, investment has been directed towards the housing sector via the sale of special housing construction convertible bonds (HCCB) by six large banks for investment in new rental houses within 3 years. Money raised through the sale of bonds must be invested in social housing construction programs. Mortgages from the proceeds of HCCB are 0.75 per cent cheaper than other products and can be used to build housing to be operated privately, by municipalities or limited profit housing associations. Bonds have been primarily purchased by low risk long term investors such as pension funds and municipalities, who receive preferential tax treatment on the first 4% of returns and can declare them as an expense in income tax returns. Over the last ten years about 100,000 housing units were financed through housing construction bonds. More detail is provided in chapter 6.</p> <p>In addition to channelling investment, local governments are legally encouraged to provide affordable building sites for subsidised housing projects (Czerny 2005, Ball 2005).</p>
Switzerland	<p>Since 1975 affordable rental housing has been promoted by law and financial programs offering low interest and interest free loans, grants and specific assistance to non-profit house builders to construct and demand lower rents for economically weaker households. These policies led to the development of approximately 100,000 quality affordable rental dwellings under a variety of delivery models. However, the policy was suspended in 2003 during budgetary and economic crises and cannot be reactivated before 2008.</p> <p>However, since 1991 the non profit building sector has improved their access to the capital market for residential construction by working collaboratively with the Swiss Government to create the Central Issuing Office of Non-Profit House Builders or EGW (Emissionszentrale für gemeinnützige Bauträger). The EGW is a membership based financial intermediary which issues bonds with Federal surety for a duration of seven and fifteen years and distributes bond quotas to its member non-profit builders. Bond sales provide long term, low interest investment for builders and are highly sought after on the bond market. Pricing at 1% below typical mortgage interest rates ensures that tenants benefit in the</p>

⁷ (http://www.cmhc-schl.gc.ca/en/inpr/prfias/prfias_003.cfm?renderforprint=1, viewed 8 Jan. 2007).

	form of lower rents (Federal Office of Housing 2006).
New Zealand	<p>The Housing Innovation Fund set up in 2003 is a leverage fund specifically to encourage local councils, community groups and Māori organisations to buy, modernise or reconfigure social and affordable housing for:</p> <ul style="list-style-type: none"> • households whose housing needs are not fully met by Housing New Zealand or the private market, such as Māori and Pacific peoples, older people and people with disabilities and • low or moderate-income households whose housing needs are not met in the private market but for whom no suitable alternative exists. <p>The fund provides low interest loans and conditional grants for housing that must be kept affordable for at least 20 years. Required partner contributions vary for councils and community groups. Around NZ\$20 million was allocated in 2005/06 from the fund, including NZ\$2.8 million for capacity building (HNZC 2006). The government is considering expansion of the fund.</p>

Preservation of the supply of government assisted affordable housing is also a policy challenge, especially in countries like Germany and the US where time limited schemes have dominated procurement approaches in the past. With the persistence of affordability problems, policies are becoming more sensitised to the need to retain and protect affordable housing stock that is vulnerable to price rises or sale. The US in particular has adopted several measures to preserve affordable housing that may otherwise expire, including: allowing increased rents supported by subsidies to existing residents to enable them to stay affordably; extending project based housing vouchers that are about to expire for continuing eligible residents; providing financial assistance or other incentives for renovation of affordable stock subject to extension of agreements for rent capping; and developing policies for the sale of affordable dwellings that may assist in their transfer to a not for profit affordable housing provider or existing resident (HUD 2006b).

4.2.2 Use of planning levers

A contemporaneous AHURI funded study provides a review of the rationale for, and use of, planning levers to support the provision of affordable housing and their impacts in the US, UK, Canada, Ireland and the Netherlands, and compares international practice to that in Australia (Gurran *et al.* 2007). Importantly, that study situates discussion of the use of proactive planning interventions to retain and promote new affordable housing supply levers within the context of the broader influence (both positive and negative) that the urban planning system can have on housing affordability outcomes. Readers are referred to that study for a comprehensive review of planning policy objectives, elements and the evidence base on impacts related to housing affordability. For this study, table 4.7 provides a summary of the main specific mechanisms being applied to leverage additional affordable housing in the countries mentioned above.

In addition to these countries, New Zealand has announced it intends to trial the use of planning and zoning instruments and developer incentives to promote affordable housing supply in some high pressure areas (HNZC 2005).

Table 4.7 Planning incentives to support the provision of affordable housing

United Kingdom	<p>Since 1990 under of the <i>Town and Country Planning Act</i> (Section 106) planning authorities can negotiate and enter into an agreement for developer contributions for affordable housing, before planning permission is granted. To use this provision, the planning authority must first demonstrate the need for affordable housing, specify targets to address this need, and identify specific sites on which contributions towards this need will be sought. On and off site contributions are allowed, but the former is favoured increasingly, to meet social mix objectives. Thresholds for seeking contributions are also prescribed. Currently the threshold stands at developments of 25 or more dwellings or residential sites of 1 hectare or more, with a lower threshold of 15 dwellings or 0.5 ha residential sites in Inner London, and flexibility in setting thresholds for rural areas with settlements of 3,000 people or fewer. Importantly, the mechanisms operate in conjunction with funding mechanisms described in section 4.2.1. Alternatives to this lengthy and often uncertain process of negotiation for affordable housing have been foreshadowed as part of the broader government review of housing supply and the planning system in the UK for possible implementation from 2008 (Barker 2004, 2006).</p>
Ireland	<p>Since 2000 under the <i>Irish Planning and Development Act 2000</i> (Part V) up to 20% of land zoned for residential developments or for a mix of residential and other uses in developments of 5 or more houses on zoned land of 0.1 hectares or more is to be reserved to meet social and affordable housing needs, in accord with housing plans required to be made by the authority. This requirement can be fulfilled by the transfer of land or dwellings to local authorities at a specified price, cash compensation or provision of land / dwellings in another location (Norris and Winton 2004). The focus of the policy is on delivery of mixed tenure residential developments, as a way of reducing socio-spatial segregation, and of securing sites for new social and affordable housing providers, who may be otherwise unable to compete for land in the open market.</p>
United States	<p>Use of planning powers to generate dedicated affordable housing for rent or purchase in the United States is a matter for individual states. Currently 24 states have legislation authorising or mandating local governments to incorporate affordable housing into their land use plans, with California, Massachusetts, New York, New Jersey and Washington D.C being the most active. The most common technique is “inclusionary zoning”, where a proportion of development (or a financial equivalent) within a particular zone is set aside for affordable housing. Fixed percentage requirements are used generally, with 10 per cent of development value or number of units and higher being typical. The requirements typically apply to new developments above a threshold. However, in urban areas where there is limited potential for new development, requirements have been extended to conversions and rehabilitations. On site provisions are usually preferred and increasingly contributions are mandated not voluntary.</p>
Canada	<p>Practice in Canada is locally based and as a result diverse and more limited than in the other countries included here. Specific planning policies for affordable housing are predominantly found in the two large</p>

	provinces of British Columbia and Ontario, where both density bonus and /or mandatory contribution mechanisms have been used.
Netherlands	Under national policy guidelines, up to 30% of sites can be set-aside by municipalities for social housing (broadly defined) in designated new residential development areas. Traditionally, municipalities used their direct powers as the developers of land, recipients of housing construction subsidies and providers of housing to achieve affordable housing targets. Since the marketisation of Dutch land and housing development functions in many areas and the abolition of construction subsidies, municipalities negotiate with for profit and not for profit providers. Changes to planning laws to help support this long-standing policy of integrating forms of social housing into residential developments are before Parliament.

Source: Gurran *et al.* (2007) and other specific sources cited.

4.3 Utilising the existing private rental market

The size of the private rental sector in the countries examined in this study varies widely from 10 per cent in the UK to 65 per cent in Switzerland (table 2.1). Nevertheless, private rental sectors in all countries house a significant share of lower income and excluded households, often living in some of the poorest quality housing. This sector has come under increasing pressure in Australia and internationally, as access to social housing and home ownership for lower income households and newly arrived immigrants has declined.

Policies influencing the private rental market fall into a number of categories: intervening in patterns of private investment for construction and renovation; regulating quality; setting rents; providing assistance with housing costs; and encouraging tenant participation and protection. While some countries maintain long-standing policies in some or all of these arenas, others are looking currently to adjust their strategies to address supply and demand imbalances, hardship and quality issues, and to make the rental sector a more effective long term tenure. Assistance with rental subsidies remains by far the most significant strategy and largest item of direct expenditure on housing in most countries, except Belgium, Austria, Canada and Switzerland. Table 4.8 indicates which countries are active in reforming and/or developing policies and strategies that apply specifically to the private rental market currently.

Table 4.8 Private rental policy developments by country

Policy area	Au	Bel	Can	Den	Fra	Ger	Ire	Net	NZ	Swi	UK	US
Facilitating private rental investment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Loans for improvement		✓	✓		✓	✓						✓
Improving quality		✓			✓						✓	✓
Rent regulations	✓			✓	✓	✓	✓	✓		✓		✓
Rental	✓			✓	✓	✓	✓	✓	✓		✓	✓

allowances					
Securing/ improving rent revenue to stimulate supply	✓		✓		
Tenant protection			✓	✓	✓

4.3.1 National policy approaches to the private rental market

This section provides a brief summary of policies in each country for utilising the private rental market to achieve public policy goals, through the use of landlord incentives, regulatory measures and tenant subsidies. Prospective policy initiatives in this sector are also identified. Where indicated, policies apply to both the private and social rental sectors.

Austria

Austrian housing policies and public expenditure are primarily directed towards maintaining a stable supply of affordable, quality housing and, in the past, employment in the construction sector. As mentioned earlier, unlike for most other countries in this study, housing allowances have not become a major part of housing policy or budget outlays (less than 5 per cent of tenants receive housing allowances) and are not available in all provinces. Instead rent levels have been moderated by competition between the large social housing sector (23 per cent), which is subsidised via cheaper finance leading to a lower cost price and the smaller private rental market housing (17 per cent). Subsidised housing is subject to *Limited Profit Housing Law*, which regulates the calculation of cost rent, the 'right to buy' (after 10 years for equity contributing tenants) and maintenance.

Belgium

The private rental sector accommodates 17 per cent of households in Belgium. There are no housing allowances – only a very limited system of housing grants allocated to around 2000 households moving from substandard housing per year. There is no system of rent control for new contracts in the private market but certain conditions for increasing rents do apply during existing contracts. There are quality standards and poor quality housing is taxed: the owner is required to renovate and, in rare circumstances, may lose the property via compulsory acquisition. The tax system and favourable VAT rates promote investment in new housing and renovation, whether in the rental or ownership sector (Winters 2005).

There is an active debate in Flanders about the desirability of a limited housing allowance system to expand the capacity of the government to influence housing outcomes for needy households. The idea being considered is similar to a scheme developed in New South Wales in the 1980s, whereby rental subsidies are directed to intermediate organisations (in Flanders 'social rental agencies') whose roles are to match priority households to appropriate homes and provide tenancy services. For

their part the private property owners would not have to undertake property and tenancy management and receive a guaranteed rental income stream as an incentive for providing their housing to the intermediate agency. This plan is being proposed as one immediate way of increasing the supply of rental housing but not as a substitute for longer term investment in social housing (Winters 2005; Elsinga, personal communication 2006).

Canada

The sizeable private rental sector in Canada (34 per cent) has not been a focus of national housing policy since the 1990s in keeping with the devolution of most housing responsibilities to lower levels of government. Under subsequent policies that focused strongly on home ownership (see section 4.1), Canadian renters and owners became more economically polarised and housing affordability was exacerbated by inadequate rental assistance and a lack of investment in expanding supply across the private and social sectors (Hulchanski 2001). Partly in response to these issues, new national strategies for addressing homelessness and affordable housing (see section 4.2) have emerged in recent years.

Under separate agreements with the provinces (Housing Renovation Program Agreements) financial assistance, usually in the form of forgivable loans, is available to private owners and landlords for preserving and enhancing the appropriateness of the existing stock of housing. Program areas covered include renovations and repairs to owner occupied and rental properties, and rooming houses to meet minimum standards; conversions of non residential property to housing for lower income households; modifications to homes for people with disability; housing adaptations for seniors renting or owning; emergency repairs and repairs and improvements to emergency shelters for women escape domestic violence and other target groups. Different eligibility and regulatory requirements apply to each sub-program. Typically, residents must meet income criteria and, in the case of rental properties, rents must be held affordable following repairs for an agreed period (CMHC 2006).

The Canadian Mortgage and Housing Corporation (CMHC) influences access to finance for rental housing through its mortgage insurance role. In response to criticisms that the commercial operating goals of CMHC have impeded investment in new rental housing, rules for new loans for rental investment have gradually become more flexible and some fees have been lowered (Pomeroy *et al.* undated). As well, CMHC waives mortgage insurance premiums for rental projects addressing greatest housing needs, where rent levels are accessible for social housing applicants (CMHC 2006).

Denmark

The private rental sector comprises 18 per cent of the housing stock. Two types of individual housing benefits are available: rent allowance granted to pensioners and rent subsidy for non-pensioners (Ministry of Housing 1999). Most private rental stock is subject to rent regulation, although newer stock (built since 1991) is not

regulated and landlords of renovated older stock can raise their rents more substantially. Rent control is based on cost based rents, allowed for a return on capital of from 7 to 14 per cent (DEC 2001). The market presence of social housing moderates rent levels across the entire market.

In recent years, there has been a radical overhaul of the Danish housing system, aimed at encouraging greater private investment, 'balancing' private and subsidised development and increasing the supply of rental housing through new construction. New policy mechanisms (such as tax credits) are being employed to promote private sector roles in financing and constructing mixed tenure (private and social rental and owner occupied housing) developments and other forms of rental provision (e.g. roof top private rental housing above owner occupied dwellings) (Ball 2005). Legislation now allows public subsidies to go to private companies.

France

The French private rental market comprises 21 per cent of housing and consists of unfurnished, furnished, and (since 1948) rent controlled dwellings (CECODHAS 2005). In general, private rental housing is of a lower standard and houses lower income clients than social rental housing. Under the rent control regime, market rents are established at the beginning of a tenancy and then increased according to a national rent index (Laferrère and Le Blanc 2004). Tenants are entitled to receive means tested housing allowances, which vary with family size and the proportion of income dedicated to housing costs.

In France investors in private rental housing may gain access to subsidised loans. They can claim capital depreciation and may obtain a tax credit equal to 10 per cent of the interest paid on a mortgage for two years, up to a maximum amount. The subsidised low interest loans are part of a protected circuit of finance known as *Livret A*, based on a tax favoured savings program and tax incentives. There are a number of incentives to encourage the letting of private property. The state has recently begun encouraging private landlords to accommodate people whose income is above the upper income limit for obtaining social housing but not high enough to get afford private housing. In return for tax breaks, these landlords must ask moderate rents for a minimum of 9 years. Any housing benefits are transferred directly to the landlord. This balance between tax breaks and letting restrictions makes up what is known as the "private landlord's charter" (SIG 2006).

An incentive to reduce the number of vacant dwellings is the tax levied (since 1999) on dwellings deliberately left vacant by their owners for two years or more. Revenue from the vacant dwellings levy is transferred to the National Home Improvement Agency (ANAH), which allocates aid for building work (repayable loans, subsidies). Over €311 million in revenue was raised in the first year of operation. Owners can receive an additional amount, over and above the ordinary ANAH subsidy, for vacant dwellings they re-let after building works under the private landlord's charter (SIG, 2006). Further, the government is making some efforts to ensure older run down dwellings are not removed from the rental stock but improved. There are tax write-

offs that apply to purchase cost and certified professional improvements of these dwellings. Nevertheless, the tax on vacant accommodation has increased tenancies in poor quality accommodation (Ball 2005).

Recently, the national government has launched a program to balance the supply and demand for rental housing in certain areas and also sustain employment in the building sector by encouraging construction in areas under pressure (for example, coastal areas and the Isle de France region near Paris).

Germany

The private rental sector in Germany is substantial, providing 51 per cent of dwellings in a generally relaxed market that is very weak in the East and tightening around major employment centres in the West. Given the prominence of renting in German society, tenant protection is well developed. Private rents are regulated on a regional basis and there are regionally differentiated housing allowances.

Germany built its large private rental sector through a series of post war subsidy schemes for private investors, which effectively created a social housing system in the private sector. In return for assistance with their initial investment, such as access to subsidised loans and a depreciation allowance, landlords (both corporate and private individuals) have been obliged to accommodate tenants who qualify for social housing at a capped rent for the period of their government-assisted mortgage. However, many of the original schemes have now expired and from the mid 1980s there has been a major policy shift away from subsidising supply of rental housing towards allowing increased rents offset by targeted rent assistance. As a result, the low cost rental stock has been reduced substantially and become more narrowly targeted (Busche-Geertsema 2004). Existing stock has been brought into the latest scheme in an attempt to better match existing rental dwellings to need (Haffner, personal communication).

Ireland

Current Irish housing policy aims to enhance the role of the private rented sector by reforming tenancy legislation and promoting increased accommodation supply. Currently, this sector provides only 11 per cent of total housing stock but as affordability problems in the ownership sector worsen, private renting is being relied upon more for long term accommodation. However the sector typically offers furnished, less secure and temporary accommodation.

Landlords are required to register rental dwellings and local authorities have the power to inspect these to ensure minimum standards are met. However registration and inspection rates are low. Nevertheless, 51 per cent of properties inspected were found not to meet minimum standards in 2002. Additional resources are now being provided to support this function (Norris and Winston 2004).

To increase the supply of rental accommodation, interest tax relief for money borrowed to purchase private rented residences was reintroduced in 2001. Interest on borrowings for the purchase, improvement or repair of any rented residential

property can be offset against rental income; also tax relief for refurbishment of rented residential accommodation can now be claimed for capital expenditure incurred after April 2001 (Norris and Winston 2004). The 9 per cent stamp duty on houses purchased for letting has been abolished.

Following deregulation of the private rental sector in 1980, and subsequent sharp rises in rents and tenant backlash, tenant-landlord relations were re-regulated in 2002 (Ball 2005). In order to improve the quality of tenancy the new *Residential Tenancies Act*, introduced in 2004, regulates tenant landlord relations; introduces a Private Residential Tenancies Board to oversee the sector and manage disputes; defines market rents and introduces a secure four-year tenancy for tenants who successfully complete six-month tenancy. Under the latter innovation, there are specified conditions when a landlord can regain possession and graduated notice periods for both parties related to duration of tenancy.

Social security recipients may be entitled to receive a supplementary welfare allowance rent supplement to cover a substantial part of the average market rent in their local area. There has been a significant increase in recipients in recent years, many of whom are younger households who are not given priority for local authority housing. In order to reduce dependence on rent supplement and expand affordable housing options, a new mechanism has been developed for assisting long term recipients to find affordable accommodation in the private and social sectors. Under the Rental Accommodation Scheme introduced in 2004 local authorities will progressively take over responsibility for procuring new rental accommodation on a long-term basis for approximately 30,000 housing rent supplement recipients transferred to them. A key procurement mechanism for securing additional accommodation will be through long term partnerships with the private sector to acquire, own and operate dwellings for these recipients using funding transferred from the rent supplement program (Norris and Winston 2004, O'Sullivan 2004).

The Netherlands

Among our study countries, the rental sector in the Netherlands is unusual in being dominated by social landlords who make up 75 per cent of providers, which is highly subsidised and strongly regulated. However, the private rental component has been in decline for decades, as social housing has expanded. The most recent reduction has been caused by the sale of dwellings into the ownership sector to realise capital gains during the boom in housing prices. Currently 12 per cent of dwellings are provided in the private rental sector.

An important pillar of Dutch housing policy since the 1970s has been individual rent subsidy (for private and social tenants). This currently absorbs around €2 billion annual public expenditure. The subsidy is available to tenants with incomes under €33,000 and covers 75 per cent of the difference between a rent floor and the dwelling rent. The operational parameters of the subsidy have been designed to give eligible tenants affordable access to a large proportion of the rental stock.

Rents in the Netherlands, except for very expensive dwellings, are priced according to a Housing Evaluation System, which allocates points for the size and quality of the dwelling. Each year Cabinet approves a general rate of rent increases based on negotiations between the government and the major social and private landlords. Rents for much of the sector are considered to be low by market standards elsewhere and this has helped to contain the cost of what is a comparatively generous housing benefit scheme (Milligan 2003).

Rent policy is currently a focus for liberalisation. In 2005 the Dutch government outlined a proposal to increase the deregulated part of the rental market from the current level of 5 per cent (high end properties) to 25 per cent with the aims of creating a more flexible rental market (by offering more choice to those who can pay) and stimulating additional supply (from improved revenue). Under this policy, three market segments will be created comprising the existing regulated component, a new transitionally regulated component and a growing deregulated component. The transitional segment will be increasingly subject to market forces in setting rents, providing there is sufficient supply of new rental dwellings and appropriate market conditions. Rent increases will be tied to increases in assessed property values, differentiated by a scale of regional market conditions (tightest, tight, relatively relaxed, relaxed), plus inflation. Rent increases will not apply to existing tenants. In response to tenant concerns the government has also offered that tenants on housing benefit who move (or whose dwellings are renovated) will not be adversely affected. Officials say the policy will be closely monitored to ensure the goals are achieved (Van Eyk and Ravestein, personal communication).

Beginning in 2007, a new levy will apply to all social and private landlords owning more than 25 dwellings (progressively decreasing to 10 with successful implementation) to pay for additional demand on rent subsidy and to ensure housing remains affordable. According to the government, since landlords will benefit from both the liberalisation of rental policy (see above) and the availability of rent subsidy, they should make a contribution in order to guarantee that people with low incomes will be able to live in affordable homes (Van Eyk, personal communication).

New Zealand

The private rental sector comprised 26 per cent of total housing in New Zealand in 2001. Like Australia, this market segment is characterised by large numbers of small investors each owning a small number of properties. Uncharacteristically for countries in this study, the sector grew by 35 per cent over the ten years to 2001 (Jameson and Nana 2004, Thorns 2005).

New Zealand housing policy has undergone significant change since 1999, from a deregulated marketisation approach supported by housing allowances to a return to supply side strategies and new regulatory measures. The current Accommodation Supplement, a form of housing allowance, was introduced under the previous regime. Tenants of private housing, as well as eligible purchasers, can receive the supplement based on income and housing cost limits. Both welfare beneficiaries

and non-beneficiaries are eligible depending on income. The supplement covers 70 per cent of housing costs above a floor rent up to a maximum amount in each region. The present government has enhanced the supplement mainly through increases to income limits and rent and price ceilings to better cover high price areas to support working families in a context of deteriorating affordability (Parkin, personal communication). The New Zealand Housing Strategy (2005) also foreshadowed a review of the scheme, which is currently underway. The focus of the review is whether the scheme is meeting its objectives of providing choice of affordable and appropriate housing, and whether it suits present market conditions (HNZC & MSDNZ 2006).

Also following the Strategy, a review of the *Residential Tenancies Act* is underway and the option of a longer-term tenure alternative to short term and periodic leases has been floated. Strategic consideration is also being given to the future of rental market, including questions about what could be done to facilitate long term renting (such as through support for institutional investors or property trusts), measures to improve the quality of rental properties (such as offering landlord incentives), and the need for improved education and advocacy services for tenants and landlords. The possibility of making Accommodation Supplement payments directly to landlords, particularly to assist not for profit providers, is also under consideration.

Switzerland

Renting is by far the most significant tenure in Switzerland, at 65 per cent of total stock. Tenant relations favour the landlord and rents are tied to the cost of operating and financing developments. If financing costs rise, the landlord can legitimately raise the rents and thus ensure long-term revenue security. Thus investment in rental housing is attractive and the quality of rental housing is relatively high (FOH, 2006).

Protection for Swiss tenants against abusive rents and terminations is offered by the Federal Constitution and Swiss Civil code. However, efforts towards fairer rent setting procedures have not been supported by two referenda (FOH, 2006; see also table 2.6).

United Kingdom

In the UK private rental housing is generally of poorer quality and more temporary than social rental housing. Over the long term the sector is declining and currently contributes only 10 per cent of stock, much of it furnished. The profile of tenants has swung from older and poorer to younger and more affluent households (possibly experiencing a deposit gap) or foreign workers. Landlords generally own a few properties for secondary income. There are many 'buy to let' mortgages on the market and there has been a recent cyclical expansion of the rental sector (Ball 2005).

The Housing Benefit is the main housing subsidy in the rental sector, assisting low income private and social renters with their housing costs and supplementing low

level social security payments. It has been provided in some form since the 1930s and is now widely available. Unlike programs operating in most other countries, the UK scheme covers the whole of the gap between the rent that is deemed affordable by the tenant and the property rent. One consequence of this approach is that tenants who obtain work often face the situation of losing this benefit (which is withdrawn quite quickly once income rises) and thereby becoming worse off (Ball 2005). Stephens (2005) and Stephens *et al.* (2005) provide recent assessments of the Housing Benefit.

The new *Housing Act (2004)* provides for a mandatory national licensing scheme to tackle inadequate basic facilities and management problems amongst private rented dwellings and the licensing of private landlords, especially in problem areas. Local authorities carry out inspections. With regionalisation, different policies towards the rental sector are emerging. For instance in England, fiscal incentives have been introduced to encourage renovation of long term vacant dwellings and a vacant dwelling tax discount has also been abolished to encourage owners to tenant their dwellings.

A new area of policy development is Real Estate Investment Trusts, known as UK-REITs. In 2005 the government announced their intention to legislate to allow the introduction of such trusts in the UK to improve the efficiency of both the commercial and residential property investment markets (HM Revenue and Customs 2005). Legislation aims to promote the development of property investment vehicles available to a wide range of investors and to encourage increased institutional and professional investment to support the private rented sector. The key structural features of proposed REIT model include:

- Separation for tax purposes of the ownership of property from the activities that take place on that property by establishing a ring-fence around the qualifying property letting business of the UK-REIT;
- Requiring that the majority (at least 75 per cent) of the UK-REIT's activity relates to the ring-fenced business by reference to both its total income and assets; and
- Companies that meet the UK-REIT eligibility criteria as set out in legislation will not pay corporation tax on qualifying property rental income or qualifying chargeable gains that relate to the ring-fenced business (HM Revenue and Customs 2005)

United States

Almost one third of all households rent their housing in the US. The main form of assistance to low income renters is the Housing Choice Voucher program (also known as Section 8), which provides a voucher for the difference between a tenant contribution (usually set at 30 per cent of assessed income) and approved local area median rents. Approximately 1.8 million low income families were receiving vouchers

in 2006 at a cost of US \$15 billion (HUD 2006b). The allocation of vouchers is budget (not demand) driven so many more households are eligible and waiting for assistance.

The Department of Housing and Urban Development's current policy objectives in the realm of rental housing include: expanding access to decent affordable rental housing; improving delivery, management accountability and physical quality of public and assisted housing and reforming the voucher program; improving housing opportunities for the elderly and people with disabilities; and promoting self sufficiency. The actions to be undertaken towards these goals are outlined in the draft HUD Strategic Plan (HUD 2006b).

4.3.2 Overview

It is not possible to generalise about policy approaches to so diverse a sector of housing provision as national private rental markets. As we have shown, all countries operate a mix of regulatory instruments, subsidies and incentives in their private rental market and expenditure on housing allowances dominates the policy approach. As the trend for the sector to become more important as a long term tenure for low income households develops, active policy changes to support this situation appropriately are evident in Ireland, the UK, NZ, Denmark, France and the Netherlands. Policy directions centre on securing investment through revenue (eg rent deregulation) and fiscal measures, improving tenant protection and improving quality in the sector.

4.4 Reinventing social rental housing

Historically, social rental housing has played different roles across the regions included in this study. In most of the European countries (with the exception of Belgium and Switzerland), and particularly in the second half of the 20th century, social rental housing has become a significant tenure offering secure affordable housing to a mix of income groups. On the other hand, in most of the Anglo speaking countries (with the exception of the UK, until recently), social rental housing has served as a supplementary tenure to home ownership and usually has been provided on a more targeted basis to low income households and those with special needs. As a result of these different goals, the social housing systems represented in this study vary considerably in size and profile (see table 2.1).

With the widespread shift to more market oriented national housing policies from the 1980s, every country has scrutinised and debated the role of social rental housing in their national policy. During this phase many countries stopped growing their supply of social rental housing and some with larger stocks (UK, Germany, US) reduced those substantially through privatisation, deregulation and redevelopment processes. Accompanying stagnation or downsizing of the sector, policies to better target social rental housing to those in most need have been given greater emphasis in most places. Despite large increases in expenditure on housing allowances (see section 2.4.2), tenant rents in the social sector have also increased significantly as housing

costs have risen, older or poorer quality stock has been upgraded and fiscal constraints imposed by governments have contained growth in other forms of subsidies.

In our review of the latest developments in policies affecting this sector across the study countries, we have found some signs of resurgence in policies aimed at sustaining social rental housing into the future. This is partly in response to the intensification of social problems, such as homelessness and socio-spatial exclusion, and also declining affordability in housing market sectors, where the limits of ownership for lower income households have become more apparent. There is also an assortment of other reforms that seek to address challenges thrown up by past practice (such as poor management and poor quality stock) and the residualisation of the sector (such as tenure polarisation, spatial segregation and poverty neighbourhoods). This resurgence of interest in social housing suggests that national (and, in some countries, regional) governments are again being forced to review their housing goals, especially to support economic development (for example, through the provision of affordable housing) and to redress the rising social and civic costs of spatial segregation, homelessness and urban decay.

A key trend underlying the evolution of traditional social rental housing systems has been growing diversification of approaches to the ownership, financing, subsidisation and management of social rental housing. Moreover, the extensive changes in the role of central, regional and local governments in housing means the distinction between traditional social rental housing and other forms of government enabled and regulated rental housing is becoming increasingly blurred. This situation makes cross-country comparisons more complex. In this section we focus on initiatives in established social rental housing systems. Sections 4.2 and 4.3 have dealt with what can be viewed as complementary strategies by national governments to enhance rental housing supply, quality and security in the private and/or affordable rental sectors.

For the purposes of this section, we have taken four factors as defining characteristics of contemporary social housing: provision of subsidies in some form (either capital or recurrent) for the supply and/or renewal of housing assets; having providers whose policies are publicly regulated and whose performance is monitored; the use of non market allocation mechanisms that assist the access of specified target groups (e.g. low income, special needs, homeless) and the adoption of rent policies that contribute to affordability objectives. These characteristics can be found among a diverse group of providers who may include government-controlled agencies, special purpose vehicles, not for profit organisations, housing cooperatives or private companies. Increasingly, having a mix of public, not for profit and for profit providers is typical both within and across countries.

In previous chapters we have included descriptions of the social housing sector in each of our study countries. In this section we focus on recent developments in those countries that have been active in reforming and/or restoring their social rental

housing systems. Several objectives appear to underlie the reforms we have identified, though not all objectives apply to all cases. The main aims of recent reforms include:

- To prevent further spatial segregation and halt the process of residualisation of social housing that is recognised as having contributed to declining client and community outcomes;
- To address sharp reductions in production of lower cost stock by market and not for profit agencies;
- To enable a rapid response to shortfalls in housing production in the general market;
- To drive efficiency, performance and accountability of diverse social housing providers; and
- To respond to growth in households with special needs – especially those seeking refuge, older people and mental health clients.

Reforms responding to one or more of these issues across countries can be categorised into a number of broad areas, which are set out in table 4.9 below.

Table 4.9 Social rental housing key policy developments by country

Policy area	Au	Bel	Can	Den	Fra	Ger	Ire	Net	NZ	Swi	UK	US
Investment in new supply	✓	✓		✓	✓		✓		✓		✓	✓
Proactive asset management /reconfiguration			✓		✓		✓	✓			✓	✓
Government driven service reforms				✓							✓	
Firmer tenant responsibilities											✓	
Enhanced regulation and performance monitoring			✓						✓		✓	✓
Financial sustainability of main providers improved			✓					✓	✓		✓	✓
Emphasis on integration of new social housing in existing areas	✓	✓		✓	✓		✓	✓			✓	

Below we consider contemporary approaches to key dimensions of a social housing system, using the policies of selected countries within our study group as illustrations. The section concludes with a comment on recently issued good

practice guidelines for modern social housing systems, which have been developed by the United Nations Economic Committee for Europe (UNECE).

4.4.1 Supply

Traditionally social housing supply was funded primarily through the provision of low cost public loans and/or grants. Since the 1980s, these kinds of housing subsidies have been severely curtailed in most countries. This has occurred in context of both perceptions that supply shortages had been substantially overcome and constraints on government spending imposed under broader national macro economic policy settings and pan national agreements, such as the Maastricht Treaty. This situation has tended to result in static or declining social housing systems in most countries.

However, deregulation and internationalisation of financial markets over the same period has also provided a flow of private loans for countries that wished to continue to add to their stock of social housing and/or finance major improvements. To take advantage of this opportunity, governments in some countries, notably the Netherlands, France and the UK (especially England), have provided substantial subsidies to lower income tenants who otherwise could not afford the higher rents associated with private financing. They have also adopted other measures, including government guarantees, tax concessions for providers and supplementary grants, to promote continuing investment in social housing (see Milligan 2003 and Berry *et al.* 2004 for more details).

Recently, to respond to affordable housing shortages and the increasing difficulty that many lower income households face in accessing home ownership, policies to supply additional social housing have been reinstated or expanded in Ireland, England, France, Belgium, Austria and NZ. In addition, the Dutch government is imploring the independent and wealthy housing associations sector in the Netherlands to invest more in new social housing to help counter a downturn in housing market activity. The US retains programs (section 202 and 811) for financing the construction of affordable homes (with support) for elderly households and people with disabilities, respectively (HUD 2006b). While investment in new construction is very modest and, therefore, unlikely to result in significant real growth in social housing (i.e. after taking into account household growth rates and sales/demolition of existing stock), the return to some supply side subsidies represents an observable shift in housing policy thinking, away from relying largely or solely on demand side measures (especially housing allowances) that has dominated the last two decades.

The two countries in this study that have experienced the most significant decline in their social housing systems are England and Germany. In England sales to tenants under the 'right to buy' program and demolitions have reduced the size of the sector from about 30 per cent in 1980 to 18 per cent in 2005 (Pawson 2006). In Germany, where a 'social market' policy model applied, regulated and subsidised private landlords historically provided a high proportion of (time limited) social housing. However, as subsidies for new investment have been cut back and subsidies for the

existing stock have expired, social housing units have shrunk rapidly. There have also been large-scale demolitions of poor quality former state housing in the East and sales of municipal housing companies to reduce municipal debt. The net result is a substantial drop in social housing from about 20 per cent of the stock in the West in the late 1960s to around 6 per cent overall today (Busch-Geertsema 2004; Haffner, personal communication).

4.4.2 Renewal and social inclusion

Renewal of existing stock is a major need, and a large and increasing public and private expenditure area. This is a much bigger task in many places other than Australia because of the small size, low quality and multi-unit form of much international social housing. Consequently, many countries have separate funding arrangements for improvements to their existing social housing.

In some countries (UK, US, Ireland, Netherlands), renewal effort has been targeted to social housing. In others (France, Canada) private housing may also be involved. In the former cases the driving aim is to break down concentrations of social housing that have come to be associated with poor community and individual outcomes. Unlike for most of Australia's social housing, many of the estates comprise mostly high-rise, high density flats.

Similar to Australia however, it is quite a common practice for redevelopment to involve the replacement of mono-tenure social housing estates with mixed tenure estates. One large-scale initiative has been the HOPE VI program in the US, which, as discussed in section 4.5, has resulted in the demolition of a significant proportion of public housing in socially distressed areas. In the US, replacement public housing is often not provided off-estate; rather displaced tenants are given vouchers to enable them to move to private housing in another neighbourhood. In other cases, notably the Netherlands, UK and Ireland, the demolition and/or upgrading and privatisation of social housing has been accompanied by other planning and funding strategies to promote the supply of alternative forms of affordable housing in new residential developments. (Gurran *et al.* 2007 have more detail on planning policies that support the integrated provision of affordable housing in these countries.)

Recently, the US has also strengthening the capacity of public housing authorities to borrow on capital markets or issue bonds for their stock improvement needs by providing capital funds as collateral or debt servicing (HUD 2006b).

In a major national drive in this area in 2000, the UK government announced its goal of bringing all social housing up to the decent homes standard by 2010 by encouraging the use of a mix of public and private investment channelled through housing associations, stock transfer associations and municipal arms length management companies. Four core elements of the standard to be addressed are disrepair, fitness for habitation, modern facilities and thermal comfort (DETR 2000). Up to 2.2 million social housing dwellings were estimated to not meet the standard in 1997. The initial focus has been placed on the worst housing in deprived areas and the program has been extended to some private dwellings housing vulnerable

households. So far restorative and/or preventative work has been carried out on 3.6 million dwellings. Recently, the guidelines have been revised to strengthen progress towards the target and to encourage social landlords to integrate their decent homes activities with two other key tenets of UK social housing policy: the provision of additional social housing and the creation of socially mixed communities (DCLG 2006).

4.4.3 Eligibility, allocations and income mixing

Increasing demand for more affordable housing and dwindling low rent supply has meant that means testing of access and more intensive targeting of available social housing to the neediest households has become the prevailing regime in most countries. It is notable, however, that these processes have had a very different impact on smaller and larger social housing sectors.

Countries with larger sectors, such as the Netherlands, Austria and France, have been able to retain an income mix among their social housing tenants which has helped to protect the financial viability of providers, maintain political support for social housing (through contributing to both financial independence and a broader resident constituency), reduce the spatial segregation of disadvantaged households, and provide a degree of self financed renewal and new build. In the Netherlands, the already comparatively broad target group for social housing has been expanded recently to acknowledge the difficulties faced by an increasing proportion of households in affording home ownership. In France, income mixing has been maintained partly through the provision of significant nomination rights for employees (typically up to 30 per cent), whose firms contribute a share of their payroll to the social housing sector (see section 4.6).

In smaller systems, means testing and targeting has increased housing management costs and socio-spatial segregation with significant flow-on effects to other government programs and services. Subsequently, some countries with small sectors, notably parts of the US, have deliberately reintroduced income mix into their housing allocation policies to try and offset the negative social impacts of heavy targeting.

The growing scarcity of affordable housing, and political and community expectations that the neediest households should be assisted first in taxpayer subsidised housing, means that residualisation has intensified in social housing sectors. In Anglo countries with safety net approaches to welfare and a dual tenure system, this trend is more extreme than in European countries that tend to embrace more universal welfare philosophies and operate a unitary rental market. Nevertheless, even European countries with larger income mixed systems have experienced residualisation in the poorest parts of their sectors (i.e. estates with low quality or unpopular housing and/or in poor locations). A broad indication of the extent of income mixing in social housing in selected European countries is given by the data in table 4.10.

Table 4.10: Social tenants with income is in lowest 50 per cent of the income distribution as share of all social tenants (1990s)

	% lower income social tenants
Belgium	72
(West) Germany	68
France	64
Great Britain	84
Netherlands	70

Source: Van der Heijden and Haffner 2000: 86

Increasingly, countries with stigmatised social housing areas are adopting stronger cohesion and social integration strategies (as discussed in section 4.5) designed variously to stabilise existing communities, prevent future problems, improve 'problem' areas or create social mix in new or renewed communities. For example, in England community lettings policy allows for a share of rentals to specified groups other than those in acute need on individual social housing estates. Groups offered housing may be those who are economically active or those who through their skills and participation are judged to be able to provide additional benefits in the local community (Griffiths *et al.* 1996). Social housing agencies throughout Europe are also placing more emphasis on their role in promoting training and job initiatives for existing residents, although how significant the benefits of this approach are have not become apparent yet (Blanc 2004).

4.4.4 Financial viability

The lack of financial viability in the existing Australian social housing system (Hall and Berry 2004) seems generally to be less acute elsewhere. In Australia, a combination of tight targeting to very low income households and no provision to directly subsidise the housing costs of public tenants has resulted in a situation where most state housing authorities cannot meet their operating costs from their existing revenue. This has produced major distortions in the public housing system, including under-maintained assets and the diversion of national subsidies intended for growth to defray provider deficits. Over the last decade, public housing rents have also been increased significantly in Australia (over 25 per cent in some jurisdictions) to help offset this problem.

For several countries in our study (Netherlands, UK, Germany, France) provider viability is addressed mainly through the provision of personal housing allowances to eligible low-income households living in social housing⁸. Allowances typically take account of household income, household type/size and the rent charged by the provider, which in most social systems is moderated by the social goals of providers (or by regulation) and by any fiscal benefits that accrue to them as (mostly) not-for-profit agencies. In some cases (US, NZ), central governments give social housing

⁸ Providers may also be receiving ongoing subsidies for past commitments to the acquisition of housing, especially where loan finance (rather than capital grants) was involved.

providers revenue supplements from central budgets to ensure the stability and future of the existing sector. Such operating subsidies are separate from any subsidies that may be provided to support new supply. They are calculated to cover the gap between the rent affordable by low-income tenants and provider costs (US) or market rents (NZ). Following a report of the Harvard University School of Design, a new formula will be introduced in 2007 in the US, which calculates federal subsidies to public housing authorities on the basis of the performance of individual properties (known as 'asset based funding') rather than on an organisational basis. The new formula is intended to create incentives that will drive resolution of problems of high cost or obsolete properties (HUD 2006b).

Denmark operates a project based historic cost rent system, where rents are related to the recurrent costs of each housing project that is developed but indexed over time. Where rents are considered too high for tenants to afford, providers may receive subsidies (e.g. to assist with interest payments on their loans) and tenants have a say in rent adjustments and the amounts reserved for maintenance (Boelhouwer 1997). Although rent is tied to project costs, rent paid by social housing tenants is not reduced when mortgage loans are redeemed. Instead the proceeds go towards local and central funds and are used by non-profit housing associations for renovation and the upgrading older housing stock. (Section 4.6 refers to possible changes to this policy.)

In Austria, the continuing emphasis on subsidising an adequate supply of housing is claimed to have assisted in limiting the need for housing allowances, while keeping overall housing expenditures comparable with other countries. An interesting feature of the Austrian system that assists with viability is that tenants are encouraged to take equity in their housing and after 10 years have a right to buy. In Belgium housing companies maintain income mix to assist in cross-subsidising lower rents that are paid by low income groups (Boelhouwer 1997). Finally, Switzerland has an extensive system of regulated rents that applies to the large private rental sector and to social landlords who also receive subsidies necessary to keep their rents affordable (Ball 2005).

4.4.5 Service monitoring and improvement

Development of monitoring frameworks and performance standards to drive service improvements in social housing is an emerging priority. Typically these functions are the responsibility of a national or regional agency which is independent of housing providers. For example, the New Zealand government expanded the role of the Department of Building and Housing to include an oversight role in relation to the performance of Housing New Zealand, the public housing corporation. In the UK the Audit Office has traditionally monitored local housing authorities and the Housing Corporation has monitored RSLs. This separation is currently under review with a view to achieving a streamlined and more consistent regulatory framework. In the US, HUD places a strong emphasis on improving physical quality and management accountability in state based PHAs, by employing a wide range of incentives and

monitoring tools to achieve specific improvement targets, with a focus on efficient property based management, housing improvements and estate renewal (HUD, 2006b). Similarly in Ireland, the Department of Environment and Local Government has introduced a mix of enabling mechanisms and enforcement measures to drive improvements in the management and quality of public housing provided by local authorities. While the focus of management initiatives was initially relatively narrow, concentrated around improving tenant participation in management functions and localised management of disadvantaged estates, a broader and more strategic agenda for service reform is being pursued gradually (Norris and Winton 2004).

4.4.6 Intergovernmental roles and delivery mechanisms

Among our selected countries, responsibility for the funding and policy framework for social housing depends in part on whether a federal or unitary system of national governance operates. In unitary systems (see table 2.2) overall responsibility remains at a central level, although delivery mechanisms are increasingly likely to be diversified (see below and section 4.6) and there is growing promotion of partnership approaches and regionally differentiated policies – for example, to enable investment in social housing in growth areas and the restructuring of social housing in declining areas (e.g. the former East Germany; North England; Baltimore US). In the federal systems of Austria, Belgium, Germany, Switzerland, Canada and the US there has been a trend to devolve lead responsibility for social housing to state or provincial level. However, the US and Canadian governments remain involved in the funding of operating subsidies for social housing providers and in providing some funding or fiscal incentives for additional investment. Some federal systems (for example, Austria and Belgium) retain national legislation such as pertaining to rights to decent housing and/or national regulatory and monitoring regimes for not-for-profit or for profit providers of subsidised housing.

From an Australian perspective, Canada has an interesting trajectory of shifting federal/state roles in providing social and, recently, affordable housing. Until the 1990s Canada operated a system of negotiated housing agreements between the national government, represented by the large Canadian Mortgage and Housing Corporation (CMHC), and the 13 Canadian provinces and territories. As for Australia, agreements involved federal funding for existing and new social housing on a cost share basis. After an unsuccessful attempt at constitutional reform that would have made housing the exclusive domain of the provinces/territories, federal funding for additional social housing ceased in 1993. In 1996 the federal government announced it would transfer the administration and assets of most federal social housing programs to the provinces/territories, ending 50 years of direct federal involvement (Hulchanski 2003b). The new agreements capped federal funding for housing on a diminishing basis over 30 years, thereby making no provision for replacement of the existing stock. However, major community concerns about affordability and homelessness have influenced the federal government to return to a national housing initiative for homelessness in 1999 and an affordable

housing initiative in 2001 (see section 4.2). More details on Canada’s funding arrangements for social housing are included in chapter 6.

Regions in this study have adopted different approaches to the delivery of social housing in the past. Anglo countries have tended to favour public authorities operating at a municipal (UK, Ireland), regional (Canada, Australia, US) or national level (NZ) as the main providers. Western European countries have tended to favour specialised and regulated arms length providers (housing associations, limited profit housing construction companies, arms length municipal housing companies). Germany opted mainly for a system of regulated private provision. Table 4.11 summarises the main delivery arrangements that apply today across the study countries.

Notwithstanding historic differences, the common trend now is for diversification and/or privatisation of providers, such as occurs through stock transfers or the sale of former public companies and the shift from government grants and loans to direct capital market financing. These changes are designed to open up the sector to competitive pressures that drive efficiency and choice, and to focus providers on their financial continuity and competitive role in the housing market. The most significant example of restructuring of ownership and governance is found in the UK where England has moved from 90 per cent municipal provision to having almost equal shares of municipal and housing association landlords (albeit for a much reduced stock base) over the last twenty-five years (Pawson 2006). Since 2005, access to capital grants has also been opened up to private providers in England. Other countries making a recent policy commitment to diversification include NZ, Belgium and Ireland. Accompanying restructuring of the existing social housing sector, the clear direction for investment in new supply is towards the mobilisation of independent profit and/or not for profit organisations that can mix public and private funding sources, as discussed in sections 4.2 and 4.6. A fuller discussion of intergovernmental roles and responsibilities in housing is provided in section 4.6.

Table 4.11 Providers of social / affordable rental housing

	Provider types and scale (where available)
Australia	Public Housing Authorities (85%) State & Community- managed Indigenous housing (7%) NGOs (8%)
New Zealand	Housing New Zealand Corporation (83%) Some municipalities Very small NFP sector
Canada	Provincial Housing Authorities NFPs; Co-ops Municipal Housing Companies (Toronto, Vancouver)
USA	Private and NFP Owners (60%) Public Housing Authorities (40%)
Germany	Regulated private landlords (institutions and individuals)

	Municipal Housing Companies Other housing companies NFP and limited profit Coops (Note: providers tend to provide a mix of private and for profit rental and housing for owner occupation)
France	Private limited profit housing associations (90%) Municipal Housing Companies Private organisations
Netherlands	Private limited profit housing associations (99%) Very small local authority sector
UK (England)	Local Authorities (54%) Housing Associations (46%)
Austria	Limited profit construction companies
Switzerland	Cooperatives Public authorities Limited profit Housing Companies
Belgium	Accredited private housing companies Housing associations
Denmark	Non profit housing associations with either municipal or tenant shareholdings
Ireland	Local authorities Not for profit providers

Sources: Fitzpatrick and Stephens (forthcoming); Ball 2005; Boelhouwer 1997.

4.4.7 Rents and affordability

While keeping rents affordable is an essential goal of social housing, this is achieved in diverse ways between and sometimes within countries. As discussed above, there are four main approaches:

- Historic cost rents underpinned by capital subsidies for the construction of the housing;
- Current cost rents underpinned by operating subsidies for providers or housing allowances paid to individual tenants⁹;
- Discounted market rents that can be 'afforded' by low cost, not for profit providers; and
- Income related rents underpinned by capital and/or recurrent subsidy arrangements.¹⁰

⁹ Note however, that cost rent levels themselves are dependent in part on how finance is provided.

¹⁰ More detail on rent setting in individual social housing systems in the UK, Germany, the Netherlands New Zealand, Denmark and Canada has been provided in previous AHURI funded research (McNeilis and Burke, 2004).

In addition, many governments, particularly in continental Europe, regulate rent increases for social (and sometimes private) rental housing.

The way rent subsidies are compensated has important implications for the viability of social housing providers and their sensitivities to income mix / targeting. In Australia the use of income related rents without an explicit subsidy system has meant providers have become less viable as targeting has intensified. In other similar cases, such as Belgium and Germany, independent providers (public or private companies) may deliberately retain or promote income mix to assist with their viability (Boelhouwer 1997). Nevertheless, declining viability of municipal housing companies in Germany has been one factor behind the recent privatisation of social housing discussed earlier. By comparison in systems where providers are compensated for housing lower income tenants, they are indifferent to housing higher and lower income tenants and the composition of the sector (or a particular estate) becomes a matter of direct policy, as argued to be appropriate by McNelis and Burke (2004).

Rent restructuring in most social housing systems occurs periodically to reflect market and quality shifts, and inequities between tenants of similar means. However, rising rents have become a general characteristic of social housing systems since the roll back of capital subsidies from the 1980s. It is very difficult to compare the affordability of social housing rents across the countries in this study because different methods of rent setting are used. Using an affordability benchmark measure is one way but valid comparison is marred by the use of different definitions of income, the inclusion of different housing outlays (e.g. heating costs) and by how subsidies are treated in that measure. Broadly speaking, European social housing systems seem to have better affordability outcomes than those reported in Australia, Canada or the US (see Van der Heijden and Haffner 2000 for data on Europe). This could be explained by greater residualisation of Anglo systems putting pressure on rents, especially as funding has become more constrained (McNelis and Burke 2004).

4.4.8 Towards best practice

Given the diverse history of social housing, generalising about good policy and practice in a contemporary social housing system is a significant challenge. Recently the UNECE have undertaken an assessment with housing experts, policy makers and providers of long standing experience and practice across two dissimilar groups of countries – developed countries in Western Europe and East European countries in transition – as a basis for developing broad national guidelines on social housing:

“The UNECE Guidelines on Social Housing are designed to enable policymakers to assess the various policy options that are currently available for the provision of social housing. The Guidelines address the institutional, legal and economic frameworks for social housing and experience with social housing design. They analyse the role of social housing policies for society at large. In particular, they

include relevant and well-researched information on instruments available for the financing and provision of social housing” (UNECE, 2006:v).

In context of the forthcoming review of the CSHA in Australia, the guidelines provide a well-informed comparative perspective on, and valuable checklist for, considering the role of a contemporary social housing sector. They promote the development of a national strategy to determine how to balance the need to maintain and improve the existing stock of social housing and to develop new stock for renting and owner occupation in a particular national context, subject to local housing market characteristics and developments. Because of the complexity and diversity of issues in a social housing system that require specialised and often localised attention, emphasis is placed on increasing cooperation between levels of government and fostering the engagement of a wider range of private and not for profit organisations. A broad based (though not necessarily large) social housing sector with a diverse dwelling stock and differentiated resident profile is also favoured to prevent stigmatisation. To contribute to social inclusion, the importance of integrating social housing policies with urban planning, transport and employment policies is also highlighted.¹¹

4.5 Promoting housing and neighbourhood sustainability

Sustainability as an overarching policy goal has many dimensions including generating positive community dynamics, securing employment opportunities, improving environmental standards and energy conservation. Whilst housing policies alone do not create sustainable or unsustainable living environments (Arthurson and Jacobs 2003), the institutional and regulatory framework of the housing system can generate intended or unintended outcomes in a dynamic market context. For example, rent setting policies and the application of subsidies influence the ability to pay housing costs but may also create poverty traps. Allocation policies may address highest needs but at the same time may concentrate or disperse disadvantage, depending on stock configuration and location. Tenancy law may promote security but impede investment in rental supply (*ibid.*).

The system of housing supply, allocation and maintenance is integral to the quality of living environments, which vary a great deal between and within the study countries. Consider for example the US, where serious inner city dilapidation exists alongside gated high quality estates, or France where (illegal) migrants are often concentrated in poor quality, over crowded private rental apartments whilst a ‘second homes’ market booms for foreign nationals. Over the past decade, central government departments concerned with housing and urban affairs have placed increasing emphasis on creating socially inclusive living areas, improving employment and educational opportunities for disadvantaged groups to support more vibrant and sustainable urban economies, and reviving older housing estates, especially in European countries.

¹¹ The guidelines can be downloaded at http://www.unece.org/pub_cat/topics/hs.htm.

In 2000 the Council of European Ministers agreed upon a strategy of sustainable economic growth providing more and better jobs, eradicating poverty and promoting greater social cohesion. They have since developed National Action Plans (NAPs), which have become a catalyst for a raft of policies and legislation across the 25 member states. There has not been a similar mobilisation of effort in North America.


Whilst national sustainability efforts in Europe extend well beyond housing policies to address health, education, anti-social behaviour, social participation, welfare dependence, employment opportunities and interagency co-operation, this section concerns policies that specifically address the relationship between housing markets and sustainability. These initiatives are centred on the following:



- Social and economic development for targeted households or areas;
- Restructuring of social housing estates;
- Large scale government led urban renewal;
- Inclusion and dispersion of affordable housing; and
- Land use planning to steer housing output.

Such policies are summarised in table 4.12 below under national approaches and described in more detail in the next subsection. Unfortunately it is not possible to convey the scale or impact of most initiatives in a short review and the reader is referred to primary documents and other sources for more information.

Table 4.12 Summary of national approaches to urban sustainability and housing markets

Policy area	Au	Bel	Can	Den	Fra	Ger	Ire	Net	NZ	Swi	UK	US
Increase social housing		✓			✓		✓		✓			
Redevelop and mix social housing estates							✓	✓			✓	✓
Social regulation	✓	✓		✓								
Renovation		✓			✓						✓	
Regulate rental sector to improve quality		✓			✓							
Protect tenants		✓			✓		✓					
Support homeless		✓					✓				✓	
Environmental standards	✓		✓						✓	✓		
Address special needs including indigenous groups			✓						✓			
Regulate allocation				✓	✓							
National urban renewal program					✓		✓	✓			✓	

Market mediation for disadvantaged 

Third sector and employment initiatives  

Key role for local government     

Much of the material in the following subsection is drawn from a range of National Action Plans for Social Inclusion and Updates to those Plans from various countries. Rather than listing each of these in the text, we provide a full list by country in Appendix 2.

4.5.1 National approaches

As will become apparent below, different countries have emphasised different dimensions of sustainability and housing in their national approach. In Austria and Canada, sustainability is more often linked with environmental goals, and these countries have pursued more comprehensive energy conservation housing policies. In other cases such as Denmark, the Netherlands and the US, strategy has centred on the dispersal of poverty and inclusion of higher income households in urban renewal projects. In other countries (for example France, Germany and Belgium), sustainability involves creating positive economic and social dynamics, including via adopting new modes of governance in local communities. Integration of labour markets, health and education services and housing markets and policies has been pursued most comprehensively in Ireland and the UK.

Austria

In Austria the central political concern in housing and urban policy is the environment. Austria has signed the Kyoto Protocol and committed to reduce greenhouse gas emissions by 13 per cent from 1990 levels. Building regulations lie within the authority of Austrian provinces, resulting in nine different building codes that apply to existing buildings, modernisation or replacement. These regulations have been amended to encompass energy performance and carbon emissions. Amendments concerning thermal efficiency alone are estimated to contribute 15 per cent to the 2008/12 targets (Odyssey Project 2006).

Whilst there is a strong role for the social housing sector in Austria, especially in major cities, historically migrants have not benefited from this housing resource. Before 2003 foreign nationals were excluded from social housing and became concentrated in certain districts with small, lower quality private rental dwellings. European directives against discrimination have made this illegal and new national laws were passed late in 2003 against racism and towards equality in housing and employment.

In recent years, Austria has shifted towards a more restrictive stance against immigrants and immigration fueled by a fear of uncontrolled immigration from Eastern Europe, the Austrian Freedom Party and parts of the media. A policy of integration (through nationalisation) before new migration has been promoted and a

suite of new legislation has been passed, weakening the position of non-Austrian long-term residents, restricting opportunities for family reunion and work entitlements and increasing the risk of expulsion (EMC 2004a).

Earlier Austrian strategies to promote social inclusion and reduce poverty outlined a new system for accommodating, dispersing and caring for asylum seekers; the phasing out of large homeless hostels to be replaced with special needs accommodation; and the establishment of emergency housing for short term residents in crisis. However in more recent reports, housing policies do not feature prominently. The appendix to the 2006 Report briefly mentions programs to prevent eviction and ensure housing in a number of Austrian Länder.

Belgium

In Belgium, poorer households are concentrated in the major cities, where employment opportunities and networks are strongest. These households include many ethnic minorities from former colonies such as Congo, Rwanda and Burundi, as well as Morocco and Turkey, and new migrants and asylum seekers. Typically, recent migrants are concentrated in the poor quality private rental sector with some living in the social housing sector.

Since the mid 1990s, Belgium's policy towards social integration has been dominated by the goal of integrating and 'inserting' existing migrant groups, notably from Morocco, into the host society via social compacts, but there are considerable regional differences. For example, the city of Mons (Wallonia) established a system of Security and Social Contracts against crime and towards greater social cohesion. These contracts involve locally initiated and regionally funded projects and are supposed to be elaborated, executed and evaluated with the active participation of the population. This system of contracted projects has spread to many Belgian cities since 1993.¹² In Flanders however, much greater emphasis has been placed on emancipation, social inclusion and participative governance structures (EMC 2004b).

Belgium's National Action Plan for Social Inclusion and Poverty Reduction 2003-2005 mentions a number of new housing policy initiatives, which are also regionally differentiated. They include a review of national taxation measures affecting housing costs and investment in renovation works; considerable increase in social housing, particularly in Flanders; subsidies for establishing local social housing rental offices; establishment of a forum for social tenants and their landlords; establishing fines for exploitative landlords and laws protecting tenants including caravan residents; and planning measures to improve security of caravan residents. Flanders also has a new system to register the homeless and enable their access to social support. In Wallonia, a system for registering, supporting and evaluating the quality of emergency housing has been established by non-profit organisations.

¹²More on this initiative can be found at the website <http://www.toolkitparticipation.nl/cases/10>

Canada

Canada's national strategy towards social inclusion and reducing poverty via housing policies is less prominent than in European countries, although information on particular programs with a bearing on social inclusion is available.

There are some CMHC programs that support more diverse housing options and ageing in place policies, particularly relating to the physical improvement/modification of dwellings. These were described in section 4.3.

Specifically for First Nations Canadians, CMHC provides financial assistance on for on-reserve building or rehabilitating non-profit affordable rental housing, repairing substandard dwellings and making them accessible for people with disabilities. To assist young Aboriginal people towards self sufficiency, they provide on the job training in the housing industry. Other capacity building programs develop more general housing related skills. A program entitled Native Inspection Services Initiative contracts out all on-reserve inspections to First Nations service providers.

Formerly, energy conservation was a prominent CMHC policy concern, with various programs promoting more energy efficient buildings to reduce greenhouse gas emissions. These included the 5-year CAN\$500 million 'E' housing initiative to assist about 130,000 households to retrofit their homes. This successful high profile program has ceased operation under the new national government.

At the provincial level some city governments have made a name for themselves in sustainable urban planning and housing policies. Vancouver's public investments have been praised for producing renowned urban success stories. For example, the multi tenure False Creek development and brown field redevelopment of Granville Island as an arts and market precinct are considered amongst the world's best planning practice. These developments were partly funded through the city's own property investment fund and CMHC loans.

Denmark

According to the European Commission Against Intolerance and Racism (ECRI), members of various ethnic minorities living in Denmark face problems when renting housing because of market conditions, housing restrictions and indirect discrimination. They often can access only social housing in poorer suburban neighbourhoods. Consequently, there are disproportionately high numbers of first and second-generation immigrants in certain neighbourhoods (ECRI quoted in EMC 2004c).

Denmark is one of the most ethnically homogenous countries in Europe. In recent years there has been rising debate about migrants and their role in Danish society. Alongside a fear of their burden on welfare resources and intolerance towards different ethnic groups, policies towards migrants have become increasingly restrictive. The National Action Plan for Social Inclusion and Poverty Reduction (2005-2008) emphasises activation of the unemployed to enter the labour market and support for migrant enterprise and job programs. There have also been a

number of special initiatives for socially excluded groups such as drug users, prostitutes, the mentally ill, abused women, and children and young people in need.

In terms of social sustainability, the government aims to reduce and prevent the formation of 'ghettos' in social housing and has introduced a new allocation system to underpin this. It has also established a board to monitor areas and specific integration initiatives, such as special crime-prevention activities, homework assistance and voluntary work, in the most socially disadvantaged housing areas.

Whilst the structure and regulation of the housing market is a key factor, integration is largely the responsibility of local government and individual migrants, via the establishment of individual action plans for every refugee within their municipality. Access to benefits is conditional on participation in Danish language classes or other prescribed classes (EMC 2004c). Integration councils further oversee the efforts of municipalities.

France

France has a long colonial past and for decades many migrants have arrived from former colonies and French protectorates in South East Asia and West and North Africa. Guest workers were formerly accommodated in migrant hostels and special purpose built accommodation, but in recent decades services have been mainstreamed with other 'disadvantaged' groups in social housing. France remains an important destination for many asylum seekers, alongside the UK and Sweden. This places some strain on the housing market, particularly at the lower end. The poor housing conditions of these groups are often compounded by cultural and family characteristics, which can lead to overcrowding. (Edgar 2004).

Social exclusion of the disadvantaged (especially migrants and asylum seekers) continues to be a very prominent policy issue. It has been tackled via assimilation and inclusion policies, and a housing system offering comparatively wide-ranging subsidised provision and rental allowances to assist low income households. There has been active expansion of the social housing sector, especially to meet special needs. However, the location of much social housing, sometimes far from current employment opportunities, has exacerbated exclusion processes. Local plans for the homeless, special needs groups and migrant populations are now required in consultation with these groups, and in turn inform national policy and programs.

France has been very active in the field of housing inclusion and urban sustainability over the past decade. In 2002, the *Social Modernisation Act* prohibited housing discrimination on the basis of race, religion, gender, appearance, sexual preference, family situation, health status and political opinions, union membership or non membership amongst other characteristics, conforming with EU directives. There is inspection, regulation and reporting on this matter at a high level (*ibid.*).

In 2003, a broad National Strategy for Sustainable Development was produced which aimed to reduce energy usage, waste production, restore old buildings including social housing, substitute materials, classify of building products and

heating appliances. In 2004 a National Agency was established to promote urban renewal in 751 special urban zones and provide measures to improve profitability of rental investment in high demand areas.

There are quota policies and practices used by HLMs to avoid the development of racial ghettos. Under the Occupation Protocol for Public Housing, HLMs may discriminate between different ethnic groups in order to promote 'balanced communities'. This reduces these groups' access to secure housing. Consequently, more NGO social support agencies have become housing market mediators for excluded groups. NGOs have lobbied successfully for better housing conditions for disadvantaged groups and their right to adequate housing. Information on housing rights and resources is now produced in the languages of many migrant groups. A new registration system for applicants to improve transparency, a housing inspectorate, and establishing a right to adequate housing have been discussed (Edgar 2004).

Germany

Fifteen years since re-unification, Germany continues to grapple with considerable regional disparity in economic opportunity, which has a profound effect on housing markets. Many workers from the East migrated to more prosperous Western cities when their uncompetitive factories were closed. They left behind high density concrete panel housing which previously had been allocated to all, regardless of income. Much of this housing was privatised with re-unification and slowly improved in size, quality and facilities. However many wealthier residents have sought alternative accommodation, leaving behind an increasingly impoverished residential base.

There is an estimated 350,000 excess units in the new federal states (former GDR). Mass demolitions and quality improvements of remaining stock are the main policy approaches, adapting to very low demand and lack of investment in the East. Inner city areas are being improved under a €2.8 billion urban restructuring program funded until 2009 (Ball 2005).

Estates developed in the West during the 1960s until 1975 have been subject to social protest due to their monotonous design, lack of infrastructure and poor connectivity to urban resources. With the exodus of wealthier tenants and arrival of poorer often migrants or displaced tenants, many of these areas are considered socially problematic and only sustained through intensive social support. A third stream of urban renewal, initially involving radical demolitions, was moderated by popular protest and since the mid 1980s has involved quality urban design, heritage preservation and new models for advocacy planning (NEHOM 2003).

According to the update of the German National Action Plan (2004) problems are currently concentrated in a few densely populated and peripheral neighbourhoods of cities, comprising neglected public spaces and mass housing estates in a living environment devoid of social and cultural infrastructure.

Between 1999 and 2004, a federal policy of the “Soziale Stadt” or *Social City* promoted the integration of these high needs districts by pooling public and private resources, integrating various institutions and service sectors, and enhancing city participation in neighbourhood management and economic development. Germany now has 249 districts, which are the concern of the Social City program. This program reinforces civic governance on issues to promote stability and address urban problems and has produced a myriad of initiatives, from the Alliance for Employment to Local Agenda 21 processes, Crime Prevention Councils and the Healthy Cities Network (NEHOM 2003).

Ireland

In Ireland, strong economic growth has reduced poverty with rising incomes and low interest rates ameliorating the impact of rapid price rises. Yet high demand and rising house prices have created acute housing affordability and supply problems.

The National Action Plan against Poverty and Social Exclusion 2003-2005 specifies that new housing supply, including social housing, must be greatly expanded to address rising demand and accommodate special needs including those of Travellers. The target is an additional 500,000 units by 2010, including 41,500 social dwellings. High levels of social housing output were achieved in the early part of the new century, much of which was allocated to special needs groups. However private housing output has continued to lag behind expectations.

A number of institutional structures have been established to progress the NAP goals of poverty reduction and social inclusion including a special cabinet committee, senior officials group, consultative group, Office for Social Inclusion, Social Inclusion Units and the Combat Poverty Agency. The NAP is monitored and progress evaluated twice a year. Social inclusion measures are evaluated at the local level by Community Development Boards. The NAP goals have been frustrated by a recent slow down in economic growth and continuing high housing prices, increasing the risk of poverty and homelessness.

In addition to reforms to the private rental sector, improving tenure security and expansion of social housing (described elsewhere in this chapter), there are several area based programs to progress social inclusion and urban sustainability.

In order to address urban poverty, the RAPID (Revitalising Areas by Planning, Investment and Development) Program identified the most disadvantaged urban areas in the country and targeted a proportion of the social inclusion funding towards these areas. The program aims to foster public safety and prevent crime through better detection; use of approved youth diversion programs and restorative schemes; optimum use of community-based sanctions; and reducing the level of offending by ensuring that the basic needs of all families (especially young parents and lone parents), older people and ethnic minorities are met through enhanced and better co-ordinated State support services. The Program also seeks better co-ordination and closer integration between government departments and agencies in the

delivery of services. Area Implementation Teams have been established to prepare local plans, which are forwarded to the relevant Government Departments for action.

Since 2001, the Irish government has also funded the Rural Disadvantage program for 18 counties that have suffered the greatest population decline and would benefit from public and private expenditure.

Netherlands

The Netherlands has been a forerunner in a multi-pronged approach to urban renewal and urban sustainability since the early 1990s. In particular, the Major Cities program aims to prevent spatial segregation of ethnic minorities and attempts to strengthen labour and economic integration by revitalising urban economies, using a mix of physical, economic and social planning approaches. There are five objectives for the program:

1. Improving objective and subjective safety;
2. Improving the quality of the environment;
3. Improving the social quality of the environment;
4. Binding the moderate and upper income groups to the city; and
5. Improving the city's economic strength.

The program is also designed to promote greater collaboration with local government and the private sector, towards an 'interactive' policy with citizens, business and local organisations.

The Ministry of Housing, Spatial Planning and the Environment (VROM) is providing support for urban renewal from 2005 to 2009 via the Urban Renewal Investment Budget, which totals around €1.4 billion.

In high amenity localities dominated by social housing, urban renewal often involves demolishing small housing and replacing it with higher quality housing to attract home buyers. Up to 70 per cent of the newly constructed properties are designated for owner-occupation. Another strategy focuses upon the housing and care needs of older people, with the intent that renovated and new housing should be designed to be accessible to all groups.

Increasingly, neighbourhoods rather than cities have become the focus. In 2006 the government designated 56 problem neighbourhoods to be modernised under the Neighbourhoods Initiative Program of Action. Performance agreements between local authorities, housing corporations and sometimes market players are overseen by VROM. It is claimed that the focus on neighbourhoods has accelerated the urban renewal process in terms of the demolition, redesign and replacement of social housing.

New Zealand

New Zealand's Housing Strategy *Building the Future* was developed by Housing New Zealand Corporation (HNZC) in consultation with numerous public

organisations, from Treasury to Pacific Island Affairs. It describes housing as an integral part of social and economic policy requiring a broad range of policy tools (HNZC 2005).

The government's overall vision is that all New Zealanders should have access to affordable, sustainable, good quality housing appropriate to their needs. To meet this vision, the government aims to promote well-designed and appropriately located affordable housing in well integrated, sustainable urban communities and to improve housing quality and sustainability. A wide range of short and longer term actions to contribute to these goals is set out in the strategy. Some specific initiatives include healthy housing programs targeted to Māori and Pacific peoples, stronger building codes, and initiatives for warm housing and energy efficiency.

Urban renewal initiatives in social housing estates are just beginning in NZ and so far have been comparatively small scale. Creating more social mix in these estates may be hampered by both allocations policy and resistance to the sale of social housing assets. This policy reflects a backlash from the rudimentary privatisation plans of the previous national government.

Switzerland

The obligation to develop sustainable urban areas has been part of the Swiss Constitution since 1999, leading to the adoption of a Sustainable Development Strategy in 2002 addressing economic, social and environmental dimensions. This Strategy attempts to combat urban sprawl and the functional segregation of land uses, which dislocate work from residence, unnecessarily increasing traffic. It also promotes the better use of natural resources such as forest timber. The goal of sustainability is also implied in efforts to curb a growing second homes market, which can undermine tourist economies. In some popular tourist areas, there has been a ban on home purchases by foreigners for tourist accommodation.

United Kingdom

Since 1997, UK national policy has focused on the improvement of seriously deprived estates, and the creation of mixed tenure or balanced communities via the sale of social housing for ownership and the introduction of social housing into slum areas of private rental housing. The overall strategy in the UK has featured in numerous successive policy documents (see for example DETR 2000, ODPM 2005a & 2005b). Programs of two main types are involved: quality improvements to social housing, and special local initiatives to address specific problems in the fields of employment, crime, health and education. There has been considerable evaluative research of the policy initiatives. This includes many studies by the Neighbourhood Renewal and Social Exclusion Units, over 60 reports funded by the Joseph Rowntree Foundation, the three year EC funded NEHOM project (2003), and a wide ranging review of policy and its impacts undertaken by Berube (2005).

This section provides an overview of the main policies dealing with social exclusion and urban renewal. The main focus of the UK National Action Plan on Social

inclusion (2002) is economic development via employment promotion and more flexible labour arrangements with attention to tax benefit reform, the minimum wage and reducing income gap between men and women. Since 2000, there have been significant efforts towards raising living standards (incomes, savings asset accumulation), improving health and educational standards and tackling homelessness, which have borne fruit according to government indicators (SEU, 2001).

The most significant housing policy concerned with reducing poverty is the Housing Benefit. In recent years, efforts have been made to simplify and standardise administration of this scheme. A 10-year pilot of a local housing benefit has also been set up to address regional market differences. In addition to benefits, low income households have been offered incentives to save and accumulate assets, via a matched savings scheme (up to a £375 limit) and Child Trust Fund.

As discussed in section 4.4, there also has been a substantial effort made to improve the quality of private and social housing to meet minimum standards. Fuel related poverty is also a focus of efforts across different regions. In England the Warm Front program works in partnership with the private sector to provide insulation and heating improvements. British Gas's HELP program is an example of this partnership.

There are substantial regional differences between strategies to manage social housing, for example in Scotland and Wales, as discussed elsewhere in the chapter. With regard to social inclusion aims, Scotland is moving towards greater empowerment and involvement of tenants in decision-making and housing management and the right to housing for homeless people. This proposal will mean that all homeless people will be entitled to permanent accommodation by 2012. In addition, a program of developing support services has been co-ordinated with local authorities, trusts and relevant service providers.

In England there has been considerable effort to improve social inclusion and reduce poverty at the neighbourhood level. There is a high level Social Exclusion Unit, previously in the Office of the Deputy Prime Minister (now Department of Communities and Local Government), which launched the Commitment to Neighbourhood Renewal (SEU 2001). This strategy aims to ensure the standards of public services such as health and education (which have received a boost in funding) in 88 deprived areas are lifted to national averages. Specific targets to reduce unemployment, poverty and crime and to improve health, skills, housing and the environment are nominated.

In relation to housing, the strategy aims to reduce substantially the number of households living in non-decent social housing, with most improvement targeted to the most deprived local authority areas. It is planned that more local authority homes will be transferred to Registered Social Landlords (RSLs) subject to support of a majority of tenants; and measures to tackle low demand and abandonment,

including a clear lead role for local authorities and pilot funding of demolition by the Housing Corporation (SEU 2001).

The strategy is evaluated and monitored by the Neighbourhood Renewal Unit¹³ (NRU) which acts as an information and knowledge exchange and training resource and also operates a number of programs including the New Deal program for combating joblessness; Neighbourhood Management for linking local services effectively; and a system of Neighbourhood Wardens and Local Partnerships to involve private and community organisations. The NRU also has considerable human resources, in the form of local area action teams, to facilitate and join up initiatives.

Critics of the government's efforts suggest that various government policies have actually contributed to social segregation, in addition to drivers such as family breakdown, competitive job markets and rising housing prices (Berube 2005). For instance, in the housing area Berube is critical of the role of the Right-to-Buy program in contributing to the residualisation of social housing, along with a lack of replacement supply which has helped to intensify concentrations of low income and poverty in the worst estates, especially given local area obligations to house the homeless. He also notes that a serious backlog in maintenance of social housing estates remains, as does the poverty trap created by rules governing access to the Housing Benefit (and other benefits).

United States

US housing policy emphasises the role home ownership and overall economic growth can play in wealth accumulation and poverty reduction, and has tried to make ownership more accessible to excluded groups. These efforts are discussed in section 4.1. National efforts towards urban renewal include the HOPE VI program to revitalise areas with private investment and Section 32 program to sell public housing to tenants.

The HOPE VI program was established in 1989 to revitalise or eradicate severely distressed public housing by the year 2000. The program has been an important mechanism prompting public housing agencies (PHAs) to seek new partnerships with private entities to create mixed-finance and mixed-income affordable housing. In 2003, the program was expanded to assist local governments in the production of affordable housing in Main Street rejuvenation projects. The activities permitted under HOPE VI include the capital costs of demolition, reconstruction, and rehabilitation, the provision of replacement housing, management and technical assistance. Since 2000 it has also supported the establishment of an endowment trust for supportive services.

There have been strongly supportive evaluations of the HOPE VI program (see Popkin *et al.* 2004). Nevertheless, while mixed-income approaches play an important role in supplying high quality additional affordable units and reducing the

¹³ More about the Neighbourhood Renewal Unit can be found on <http://www.neighbourhood.gov.uk/>

concentration of poverty, they cannot overcome the realities of housing markets and the causes of household poverty (A. Smith 2002). Despite growing policy support for the mixed tenure approach, the HOPE VI program has not been generously supported and funding has reduced substantially during the Bush administration. In 2006, only four of 26 applications were granted totalling US\$71 million and the program ceased to be active after September last.

The Section 32 program stems from an amendment to the US *Housing Act 1937* in 1998, to permit the sale of public housing units to low-income families. The program offers PHAs a flexible way to sell public housing units to low-income families, with preference given to current residents of the unit(s) being sold. PHAs can retain and reuse the proceeds of sale of public housing units to meet other low-income housing needs (HUD 2006d).

4.5.2 Overview

A number of underlying themes emerge from the above review. The nature of housing allocation and market conditions are integral to the spatial-economic processes that concentrate disadvantage. In countries that rely on private market mechanisms to allocate housing resources, the poorest households can be found in the poorest quality housing. Some public processes have exacerbated or ameliorated this process. For instance, where ageing social housing is poorly located away from employment opportunities and quality services, allocation to the most needy has concentrated households with the least resources in the worst areas. Conversely, social housing that is well maintained and attractively located close to a range of opportunities and services can, and does, provide a secure and affordable residential resource for excluded households and a springboard to participation.

In Europe, areas of social disadvantage are accommodating an increasing population of marginalised migrants with limited education, relevant work experience or language skills. Male youth in these areas are periodically expressing their dislocation from mainstream society in anti-social ways. Some governments are requiring migrants, including long term residents, to assimilate more rapidly. Other countries, such as Austria, Denmark and the Netherlands, are becoming less tolerant of differences to their national identity.

Whilst there are a wide range of policy efforts dealing with deprived areas and social exclusion, many do not tackle sufficiently broader causal mechanisms. These include the operation of housing markets, housing allocation mechanisms, employment opportunities and conditions, as well as key services such as educational resources and quality childcare for working and learning mothers. Much effort is needed to assist those on the margins of the housing and labour market to be included and well serviced. Sensitive local area strategies are necessary to lift the economic and social participation of lagging areas in an appropriate and sustainable manner. However, local strategies (such as those dominant in Germany) may collapse once project based funding is removed.

4.6 Governance and delivery in housing systems

This section considers how recent changes to governance and institutional arrangements are shaping systems of housing provision in the study countries. It builds on the outline of political structures and institutional relations provided in chapter 2 (see especially table 2.2) and the review of changing market state relations in section 3.5 to look at the major developments in governance and delivery models across the study countries.

Table 4.13 provides a summary of the main developments, which are then discussed in more detail. The main drivers of the changes that are identified seem to include:

- The complexity, volatility and greater differentiation of housing markets within regions and countries;
- Neo-liberal agendas such as public sector reform and privatisation; But also, growing acknowledgement that conditions of privatisation need to change – simple formulations of *less government* and *more market* are not working; and
- The influence of international/cross national agencies – e.g. EU directives on competition issues and overcoming regional disadvantage.

Table 4.13 Developments in governance and institutional models for housing provision

	Au	Bel	Can	Den	Fra	Ger	Ire	Net	NZ	Swi	UK	US
Social partnership 'third way models'	✓	✓		✓				✓	✓		✓	
Devolution – to varying degrees	✓	✓	✓			✓	✓	✓		✓	✓	✓
Bottom up needs assessment and planning				✓				✓	✓			
Tying social obligations to supply subsidies	✓			✓		✓	✓			✓		
Conditional land and infrastructure provision							✓	✓	✓		✓	✓
Reducing the cost of finance via intermediaries			✓					✓		✓		✓
Channelling private investment	✓			✓	✓						✓	✓
Partnerships for sustainability			✓					✓			✓	

4.6.1 Shifts in local government roles in housing

The role of local government in direct provision of housing in the **United Kingdom** has been radically curtailed, through privatisation schemes ('right to buy' council housing), and the transfer of council housing and targeting of funds for growth to non government registered social landlords (Pawson 2006). Nevertheless, that level of

government remains integral to meeting central government's housing affordability and decency objectives via activities that include the making of local housing plans; negotiating contributions for affordable housing under the planning act; assessing and overseeing improvements in housing quality; registrations and nominations of applicants for places in social housing; and, in some areas, allocation of a housing allowance. Another significant development has been the allocation of significant responsibilities in housing policy and programs to regional governments in Wales, Scotland and Northern Ireland. This development is becoming reflected in different priorities in housing policy. For example, current English policy emphasises sustainability via local economic and social development, increasing supply in high demand areas and improving housing quality especially in deprived areas. Scotland's Better Homes policy (2002) emphasises reforms to social housing, housing rights and improving housing management. At the same time, the UK government has also enacted legislation to speed up development in high demand areas in South East England, effectively removing localities from the planning process in those areas. This example highlights the fluid and interwoven nature of relations in housing across spheres of government.

In **Ireland**, local government has traditionally been a landlord of social rental housing. It is also now a partner of the national government in needs assessment and strategic development. Local governments must regularly prepare a housing strategy, which is centrally reviewed, to address the needs of all sectors in the existing and future population, promote balanced communities and counteract segregation. Local authorities must also prepare strategies to address homelessness and plan to accommodate Traveller communities.

In the past some local governments in the larger urban areas in **New Zealand** built modest stocks of rental housing, mainly for older people. This stock is now ageing and in need of repair and upgrading. While Auckland city sold its housing to the national government, other councils are looking at how best to maintain and manage stock in the future in consultation with the national government, which has indicated it does not wish to takeover the housing but will work in partnership to achieve a viable future for it. Local governments in NZ are now also being encouraged to become more engaged in planning for local housing needs by influencing development outcomes, strategy making and using new planning instruments to promote affordable housing development. Strategies for capacity building in the local government and community housing sectors are currently in preparation.

In **Denmark**, local authorities have long held the right to allocate housing association dwellings to households in need on their waiting lists and are also responsible for regulating the performance of housing providers. They now also regulate social integration policy, formulating agreements with new migrants to facilitate and enforce social integration.

In the **United States** there has been a continued devolution of responsibility for housing, principally via the mechanism of block grants. Federal governments have

increasingly relied upon the uptake of program funds by local community groups and additional contributions by state and city governments to maintain and manage public housing. This has contributed to a general decline in public housing and a more variable range and coverage of programs, with some states much more active than others. Extending the use of block grants for housing has been considered under the Bush administration but has so far not received the support of Congress. The main concern is that political considerations – for instance of the value of rental versus ownership – may influence state priorities.

In **Austria** local governments are required to facilitate the provision of land for subsidised housing. This occurs particularly in the urban market of Vienna, where the city holds a strong position in the land market for social housing. Yet in other cities and towns the situation is different and local governments have been reluctant to fulfil that role.

In **Germany** local governments are also required to lower the cost of land for social housing, but due to land scarcity and competing demands for higher quality individual housing this increasingly can be a challenge.

4.6.2 Centralisation and devolution

There are many forms of devolution varying from an enhanced role for local government in needs based planning to new models of local level governance involving community service and private sector partners. Innovations in financing housing have led to the development of financial intermediaries in the Netherlands, Switzerland and the UK, and strengthened well-established arms length mortgage agencies in the US. Using government subsidies to lever private investment has also led to the development of public private partnerships (PPPs) for various housing construction, management and renewal tasks. The concept of partnership has also been extended to social service provision and economic development, where comprehensive approaches to issues such as urban deprivation have promoted 'joined up' government strategies and partnerships with the wider community.

Devolution has often been accompanied by a transfer of diminishing amounts of housing funding to more local levels of government, but not always leading to reliance on property based local revenue sources or abandonment of housing programs. Limited central government funding in some countries has also necessitated the development of alternative sources of revenue and investment.

The unitary state of **France** has continued to evolve from extreme centralism in economic and social intervention post war until the 1960s, to enabling neo-liberalism until the 1980s, followed by a third and current phase of negotiated governance enabling and co-coordinating local level activities (Blanc 2004). Decentralisation laws passed in 1983 and the application of European Union regional funds for the environment have promoted the latest phase. Blanc cites Housing Improvement Schemes as an example of projects requiring ongoing negotiations between central government, the three tiers of local authorities and, sometimes, a fifth tier, the EU. In the latest phase, central government continues to control and set the parameters of

funding streams that must be expended at a local level. There is discussion of further devolution, but local governments fear a reduction in central funds and pressure on localities to raise revenue.

As discussed earlier in this chapter, the **Canadian** government has been stepping away from a direct Federal role in social housing and housing assistance. Devolution of programs has occurred formerly since 1996, via a series of agreements between the Canadian Mortgage and Housing Corporation (CMHC) and the provinces, the last being with British Columbia (BC) in June 2006. However, since 2001 something of a reversal has occurred with new federal funding for a homelessness initiative and for affordable housing being offered to provinces.

The concept of social partnership between the **Austrian** state, market and labour remains important but devolution has pushed housing responsibility to the regional sphere, lessening the influence of this corporate arrangement. While funding for housing is still largely provided centrally under special revenue sharing law, regional governments have become increasingly responsible for housing policy. However, over the past decade, funds allocated to the regions for housing have been declining and have not been compensated by additional regional contributions. In 2004 intergovernmental roles were renegotiated and redefined and devolution of housing responsibilities has been accelerated from the federal to regional government. Nevertheless, housing remains an important policy area, increasingly with an environmental emphasis (see section 4.5).

The most striking feature of the **Belgium** system of housing provision is the strong federalist structure. This has resulted in housing provision and policy being almost entirely a regional matter, with some national level role for tax provisions favouring home ownership. Wallonia, Flanders and Brussels each have their own legislation for planning and housing. Even housing allowances are determined at a regional level. Serious structural constraints affecting the financial capacity of certain regions to cope with urban development and housing needs are apparent under this arrangement.

4.6.3 Third sector models

In the **United States** the emphasis of the Housing and Urban Development Strategy for 2006-2011 is 'third sector' provision. Community-based organisations have been long-established as non-government vehicles for receipt of community development block grants and, more recently, many have expanded their housing role using low income housing tax credits. Recently, the Bush administration has sought to assist and utilise faith-based groups.

An important feature of the **Austrian** system is its unitary rental housing market. Social rental dwellings, provided by Limited Profit Housing Associations comprise a substantial component of the rental sector, especially in cities such as Vienna where they are key, sometimes dominant players in the land market. Rents are set to recover costs and households with a broad range of incomes are eligible. Profits can be made: up to 2 per cent of revenue can be redistributed to shareholders or

owners but the remainder must be reinvested in land, refurbishment and new construction. The market presence of publicly owned LPHAs moderates rent levels across the entire market. However, there have been moves by the federal government to privatise these agencies.

A unique feature of the **French** housing system are the roles of employees in saving for housing, and companies in contributing towards local housing for employees. In France all companies with more than 10 employees are required to contribute 0.45 per cent of their total wage bill to the Interprofessional Housing Committee, which collects and allocates these funds for rental or owner occupied housing via Low Cost Housing Companies known as HLMs. These companies construct and manage social housing and promote urban development. They are responsive to initiatives of private companies, financial institutions, the Chamber of Commerce and Industry and the Office for Family Loans (CECODHAS 2006). Allocation depends on the level of contribution by different sponsors, for example local industry.

A unique characteristic of **Danish** social rental housing is the role of tenants in managing housing developments. For more than 20 years housing associations in Denmark have worked within a management framework called tenants' democracy. This is centred on a Residents' Board which sets part of the rent for the estate; appoints a local manager employed by the landlord but with real authority to make decisions regarding the estate; and coordinates input by residents over relevant issues, such as repairs and maintenance (Aldbourn Associates 1994; Larkin and Lawson 1998).

4.6.4 Financial institutions and intermediaries

The most established and largest financial intermediaries operate in the **United States** housing market. At the national level, Freddie Mac and Fannie Mae are substantial, well established government-sponsored and regulated enterprises that channel funds into the home loans sector and have a mandate to promote affordable home ownership – particularly amongst low income and minority households that may be discriminated against in the private market. They are discussed in more detail in section 4.1.

As outlined previously, key developments in the **Dutch** housing sector have been the shift from government loans to capital markets in order to finance social housing supply, and strong promotion of the ownership tenure. Several institutional developments helped to underpin these arrangements. In conjunction with the housing association and municipal sectors, the national government has established a number of arms length financial intermediaries to improve the financial position of the social sector and assist lower income home purchasers. These intermediaries are: the Social Housing Guarantee fund (WSW), which guarantees capital market loans for housing associations; the Central Fund for Social Housing (CFV), which works to improve the financial position of weaker associations in the sector; and the National Mortgage Guarantee (NHG) which formerly operated at a municipal level

but now operates nationally to protect banks against default and, in turn, induce lower interest loans for more marginal home purchasers.

Another governance mechanism to channel private investment to achieve policy goals can be found in the **Austrian** system. As mentioned in section 4.2, the sale of Housing Construction Convertible Bonds (HCCB) directs investment into new housing construction projects, which are eligible for subsidy schemes provided by regional governments. Regional governments design the subsidy mechanisms for promoting housing and urban outcomes, defining the recipients, form and terms of subsidies, financial conditions and quality.

A reform in the **Swiss** housing system has been the establishment of an intermediary to channel private investment into affordable rental housing. As detailed in section 4.2, the Swiss non profit building sector has improved their access to the capital market by establishing the Central Issuing Office of Non-Profit House Builders (Emissionszentrale für gemeinnützige Bauträger, EWG) which issues bonds with Federal surety. The EWG sells 5-7 year bonds, which in turn provide long term low interest investment for non-profit builders (FOH 2006).

Danish social housing is funded by tenant contributions, generous local government loans (7 per cent) and subsidised capital market loans (91 per cent). Social rents are set to recover project costs and a broad range of income groups are eligible. Although rent is tied to project costs, rent paid by social housing tenants is not reduced when mortgage loans are redeemed; instead the proceeds go towards local and central funds (The National Building Fund) and are used by non-profit housing associations for renovation and the upgrading older housing stock. Funds are projected to reach €34 million in 2008 and grow substantially to €256 million in 2019. In this context, the current government wants to reduce government spending and instead access these reserves to subsidise new construction of non-profit housing (CECODHAS 2006). This is a similar proposal to that already operating in the Netherlands where financing for social housing and, from 2007, a contribution to housing allowances has been secured from the profits of past development held by the large and wealthy non profit associations. As discussed in section 4.2, private investment in rental housing is also being fostered.

4.6.5 Overview

There are many institutional innovations occurring across the 12 study countries. Devolution of responsibilities, localised housing strategies built on local needs analysis, community and private sector partnerships, joined up government strategies and the establishment of financial intermediaries and social enterprises are all features of changing governance structures across Europe and North America. While the implications are not easy to evaluate from such a broad review, some preliminary comments can be made. First, responsible devolution needs to balance the desire to encourage local institutions to innovate and deliver appropriate housing outcomes with the need for a secure, long term supply of financial resources. Thus, a stable supply of resources for housing should be negotiated and

established on a long term basis, with appropriate review mechanisms to accompany devolution. Where this process is weak or absent, states and cities may turn to property based revenue sources, which may be inequitable and politically volatile. There are also cases, such as in parts of Germany, where devolution has become policy withdrawal by the back door.

Second, the establishment of new financial relations to support social housing has proved most successful where social housing associations are independently governed and financially strong and their tenant base is also broad, as in the Netherlands and Austria; and/or there is a secure, substantial form of rent assistance provided to help service returns to private capital, as in the Netherlands and the UK.

Third, the involvement of local government in responsively planning for housing brings a key player into the more strategic level of housing policy making. Local government's extension into developing local housing strategies and using planning mechanisms for affordable housing developments raises many issues. Much can be learned about this approach from the experience of the US, UK, Ireland and the Netherlands in particular (see Gurran *et al.* 2007).

5 STRATEGIC POLICY INTERVENTIONS AND THEIR RELEVANCE TO AUSTRALIA

6 SPECIFIC POLICY INITIATIVES

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APPENDICES

Appendix 1: Key Informants

The authors interviewed and/or received specific advice and information from the following researchers and policy makers.

Informant	Organisation
Wolfgang Amman	Institute for Real Estate, Construction and Housing Ltd, Vienna
Dr Blair Badcock	Housing New Zealand Corporation, NZ
Prof. Edward J. Blakely	University of Sydney, Australia
Prof. Peter Boelhouwer	Delft University of Technology, The Netherlands
Wenda van der Laan Bouma	Delft University of Technology, The Netherlands
David Brosnan	Department of Building and Housing, NZ
Darinska Czischke	CECODHAS (Comité Européen de Coordination de L'Habitat Social), France
Allan Dobie	CMHC, Canada
Dr Marja Elsinga	Delft University of Technology, The Netherlands
Roger Fitzgerald	Housing New Zealand Corporation, NZ
Mark Guslits	Toronto Community Housing Canada
Dr Vincent Gruis	Delft University of Technology, The Netherlands
Dr Marietta Haffner	Delft University of Technology, The Netherlands
Ernst Hauri	Federal Office of Housing, Switzerland
Prof. David Hulchanski	University of Toronto, Canada
Thor Kuhlmann	City of Vancouver, Canada
Dr Patricia Laing	Housing New Zealand Corporation, NZ
Prof. John Landis	University of California, Berkley US
Dr Walter Matznetter	University of Vienna, Austria
Prof. Barrie Needham	University of Nijmegen, The Netherlands
Dr Michelle Norris	University College Dublin, Ireland
André Ouwehand	Delft University of Technology, The Netherlands
Dan Paris	Vancity Enterprises, Canada
Graham Parkin	Housing New Zealand Corporation, NZ
Stephen Pomeroy	Focus Consulting, Canada
Hal Pawson	Heriot-Watt University, UK
Gordon Reid	British Columbia Housing, Canada
Rob Ravestein	AEDES (Federation of Housing Corporations), The Netherlands
Fred ami Rougemont	Switzerland
Kath Scanlon	London School of Economics, UK
Harry Van der Heijden	Delft University of Technology, The Netherlands
Hubert Van Eyk	VROM (Ministry of Housing, Spatial Planning and the Environment), The Netherlands
Prof. Christine Whitehead	London School of Economics and Cambridge University, UK
Sien Winters	Catholic University, Leuven, Belgium

Appendix 2: National Action Plans on Social Inclusion and Updates to Plans

Austria

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RMIT-NATSEM Research Centre
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Affiliates

Charles Darwin University



Australian Housing and Urban Research Institute
Level 1 114 Flinders Street, Melbourne Victoria 3000
Phone +61 3 9660 2300 Fax +61 3 9663 5488
Email information@ahuri.edu.au Web www.ahuri.edu.au