

**AFFORDABILITY  
OF HOUSING:  
A NEW STAKE  
FOR THE UNION**

## MAIN TRENDS

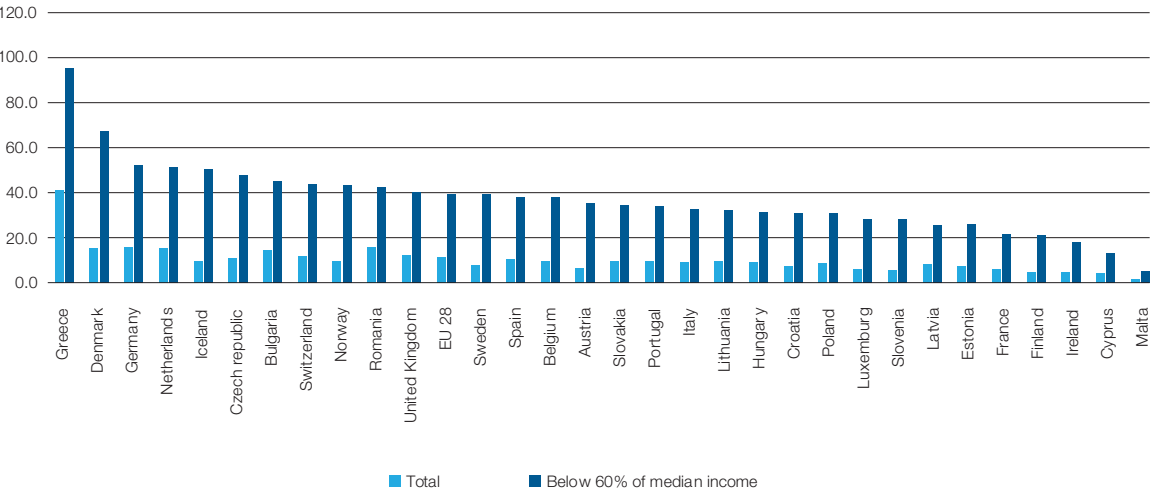
Housing affordability has become a key issue, impacting the lives of millions of European citizens. Housing costs is the single highest expenditure item for households, at about a quarter of total households' budget in 2015, increasing from 21.7 in 2000 and 22.5% in 2005 to 24.4 in 2015 (Eurostat, Annual National Accounts).

A large number of households are 'overburdened' by housing costs (i.e. they spend over 40% of their disposable income on housing) and this becomes more and more evident in the crisis-ridden countries like Greece, where more and more families appear to have difficulties to cover their

housing expenses as the crisis keeps evolving. 11.3 of the overall EU population was 'overburdened' by housing costs in 2015, but this share increases to 39.3 if we look at people at risk of poverty.

Most interestingly, although the average housing overburden rate for the overall population has remained more or less stable in recent years, the share of poor people overburdened by housing costs has increased significantly over the past decade, from 35% in 2005 to over 39% in 2015 (Eurostat, SILC). This increase has been particularly steep in some crisis-ridden countries where the housing cost overburden rate among the poor has more than doubled over this period (Greece, Ireland, Portugal and Spain) (Ibid.).

**HOUSING COST OVERBURDEN BY INCOME GROUP**  
Overburden rate for the total population and those at risk of poverty, 2015  
Source: Eurostat SILC



## NEW: THE OECD AFFORDABLE HOUSING DATABASE

Supported by EU funding in 2016, the new Affordable Housing Database (AHD) has been developed to help countries monitor access to good-quality affordable housing and strengthen the knowledge base for policy evaluation. It brings together cross-national information from OECD countries and EU member states.

The database currently includes indicators grouped along three main dimensions: housing market context, housing conditions, and public policies towards affordable housing. Each indicator presents data on a particular issue, relevant definitions and methodology, as well as key results. Indicators also discuss comparability, data and source issues, and, where relevant, include the raw data or descriptive information across countries.



### Find out more:

- *OECD Affordable Housing Database*  
<http://www.oecd.org/social/affordable-housing-database.htm>
- *Habitat for Humanity (2015), Housing Review 2015 AFFORDABILITY, LIVABILITY, SUSTAINABILITY*

## AFFORDABILITY GAP IN THE RENTAL SECTOR

Taking a closer look at the rental sector, in the following countries tenants spend more than one fourth of their income on rents alone, without including additional costs such as utilities: Finland, the Czech Republic, Sweden, Norway, Greece, the UK, Denmark, Spain, Belgium and Luxembourg. Looking at the evolution of rents over income, since 2010 the sharpest increases have been registered in the Czech Republic (from 21.73% to 29.56%), Greece (from 24.8% to 28.57%), Luxembourg (21.18% to 26.37%), the Netherlands (from 24.7% to 28.8%), and Portugal (from 10.58% to 18.08%) (OECD, 2016).

In this context, social and affordable housing providers continue to offer rents significantly lower than the market (e.g. rents in social housing are about 60% of market rents in the UK and France). They also provide affordable home ownership and shared ownership options. However, they are faced with a double challenge: decreasing income of current residents, and increasing number of people registered on waiting lists.

As a consequence of the lack of affordable housing solu-

tions, the social housing sector is under increasing pressure to deliver homes and respond to increasing demand. The number of households on waiting lists for social housing is increasing everywhere. Just to name a few examples, in France the number of people registered increased from about 1.2 million in 2010 to about 1.9 million in 2016. In Ireland the number almost doubled between 2008 and 2010 and it's currently over 96 thousand.

## HOUSING QUALITY AND ENERGY POVERTY

A number of countries especially in Eastern Europe has a relatively lesser problem in terms of overall affordability of housing (price/rents). Unfortunately though in many of these countries inadequate housing quality is still a big issue, with potentially a huge negative impact on health. The phenomenon of 'poor home owners' in CEE countries implies that a large part of the existing stock in apartment buildings is badly in need of upkeep and modernization, but residents cannot afford it without public support (for instance in Bulgaria, Estonia, Romania). Furthermore, energetic performance of housing can have a significant impact on the cost of utilities and contribute to fuel poverty.

However, fuel poverty is a complex issue. For instance in the UK the average social rented home is of significantly higher energy efficiency than any other tenure. Despite this, with 22% of social rented households saying that they are unable to keep their home adequately warm the proportion is higher than among home-owners or private renters reflecting the concentration of low incomes in social housing. Almost 1 in 10 (9.4%) households in the European Union are unable to keep their homes adequately warm. While the proportion of households in fuel poverty across Europe has remained relatively stable at around 10%, there are significant variations both across countries and in terms of the changes over time.

Somewhat counterintuitively, the highest levels fuel poverty can actually be found in countries of South and South East Europe. In Bulgaria, Greece, Cyprus and Portugal more than 20% of all households say that they are unable to keep their home adequately warm. While some of these high rates are certainly the outcome of the quality and energy efficiency of homes, the recent growth in fuel poor households in countries such as Greece, Italy and Spain can at least partially be explained with the worsening social and economic conditions in the aftermath of the financial crisis and austerity measures. Lower levels of fuel poverty are observed in Scandinavian and other Northern and Central European countries, including Germany, the Netherlands or Austria. In these countries, less than 5% of all households report that they are unable to keep their home adequately warm.

The launch of the European Energy Poverty Observatory in early 2017 is hopefully going to contribute a better understanding of this problem and its consequences and guide better policies in this field.



### Find out more:

- <http://fuelpoverty.eu/about/epov/>
- *Tamás Meszerics (2016) Energy Poverty Handbook, Greens/EFA group of the European Parliament*  
<http://meszerics.eu/pdf/energypovertyhandbook-online.pdf>

## RISK OF HOUSING EXCLUSION

Defining the issue of homelessness in quantitative terms is a difficult task. As experts point out (see OECD 2016, FEANTSA 2017), definitions of whom should be considered as homeless and methodologies used to collect data vary significantly at national level, hampering comparison across countries. Nevertheless, if we take into account the different starting point, it is still possible to identify trends. The most recent available evidence (FEANTSA, 2017), shows an alarming situation with increasing homelessness in 15 countries, Finland being the only example in the EU of a country which has managed to decrease the share of homeless people through an effective housing first policy. In France, the number of homeless people increased by 50% between 2001 and 2012. In Denmark, the number of homeless people has increased by 23% between 2009 and 2015, and by 24% between 2013 and 2016 in the Netherlands.

Studies carried out at the local level show a significant increase in some European cities and capitals such as Brussels, Paris, London, Dublin, Vienna, and Barcelona. In some cases the 'profile' of homeless people is also changing, with for instance an increase in the number of young people who are homeless in Netherlands and Denmark, or an increase in the number of families with children residing in homeless accommodation in Ireland (FEANTSA, 2017).

Besides homelessness, the risk of housing exclusion touches a larger share of the population. Overall, we can identify a number of 'categories' of people find it increasingly difficult to access and secure adequate housing, and they have diverse profiles: youth without significant parental financial support, people who are unemployed or those in unstable/low-paid jobs, elderly people who would like to downsize or get adapted dwellings but can't afford to, migrants, single parents, people with physical/mental disabilities.

As for social and affordable housing providers, catering for these diverse needs implies a change in the way they work their role is evolving rapidly way beyond simply providing 'bricks and mortar'. According to a recent survey, housing providers members of Housing Europe provide additional services for tenants such as money advice, employment training, advice on how to access available social benefits and public services, they engage in social mediation and neighbourhood services to improve local area or community, they manage 'sheltered' accommodation such as sheltered housing, retirement homes, foyers, they arrange for domiciliary care and support services for residents with specific needs (Housing Europe, 2016). Cooperation with other actors and stakeholders at the local level such as local authorities and associations is key in this respect. Furthermore, affordable housing providers must dedicate resources to address these issue, at times when the state retreats from the social housing sector and hands over a big share of responsibility to private initiatives.



### Find out more:

- *FEANTSA (2017), Second overview of housing exclusion in Europe*  
[www.feantsa.org/en/report/2017/03/21/the-second-overview-of-housing-exclusion-in-europe-2017](http://www.feantsa.org/en/report/2017/03/21/the-second-overview-of-housing-exclusion-in-europe-2017)
- *OECD (2016), Society at a Glance 2016: OECD Social Indicators, OECD Publishing, Paris.*  
<http://dx.doi.org/10.1787/9789264261488-en>
- *Eurofound (2017), In-work poverty in the EU, Publications*

DECREASING ROLE OF THE STATE  
AND SHIFT IN PUBLIC FUNDING

The retreat of the state from housing policies is not a new trend, it's been happening in most Western European countries over decades. In some countries the crisis has exacerbated this trend by putting a further constraint on public budgets. There is little comparable cross-country data on public investment in housing. However, if we take public expenditure on 'Housing and community amenities' compared to %GDP, the share has decreased in 15 countries since pre-crisis levels. Those countries where it has remained stable or even increased are typically starting from very low levels (with the exception of France and to some extent Austria and Finland - Eurostat, COFOG)

There are various policy instruments governments can use to achieve desired housing outcomes, ranging from building subsidies (so-called 'bricks and mortar subsidies'), over low interest rates for people wanting to buy a home to supporting low-income households with housing allowances. The range becomes even bigger if we compare housing policies across different European countries, each having a very distinct system of financial measures geared towards different tenures, for different income thresholds and available under different conditions and eligibility criteria. In some countries, housing policies even vary by region, as it is the case for instance with the nine federal states in Austria or the four countries of the UK. Despite this complexity, the literature on housing research broadly distinguishes between supply and demand side interventions or, sometimes also referred to as object and subject subsidies. Historically, the housing shortages many European countries faced in the wake of

World War I and II have been tackled by large government investment programmes into building new homes. Building subsidies were seen as the most effective way of dealing with this problem. In many cases this was achieved via the construction of public or social housing.

As a result the most severe housing shortages have been alleviated and housing standards have improved. Despite the diversity of European housing systems and several exceptions in this regard (notably Austria for instance), there has been a noticeable shift from supply to demand side subsidies over recent decades in many European countries, with many now spending more on housing allowances than on supply-side subsidies or building new homes. A trend towards declining capital investment into housing has been particularly prevalent in countries with a comparatively large rented sector, including Denmark, France, the Netherlands and Sweden.

The case of the UK however is probably the most significant example of the shift towards housing allowances. The low levels of public investment into new homes and the resulting lack of affordable (rented or owned) housing options has seen a growing number of low to middle income households having to claim housing benefit in the comparatively expensive private rented sector. Today, around one in three (32%) of all households claiming housing benefit rent privately (NHF/Koessler 2016). This has contributed to a growing housing benefit bill in the UK in recent years. In 2015/16 there were more than 4m housing benefit claimants in England only, adding up to a total expenditure of £24.7bn in 2014/15. In comparison, capital expenditure on building new homes in 2014/15 amounted to £5.4bn, which is less than a quarter of the housing benefit bill (CCHPR 2017).

With the growing shortage of homes in many European countries, in particular in urban areas that are experiencing a rapid growth of their population, this demand-led system has become increasingly questioned (IPPR 2014, CIH 2014).

DEVELOPMENTS IN SOCIAL  
AND AFFORDABLE HOUSING

In a number of countries social housing construction played a counter-cyclical role in the aftermath of the crisis. Social housing providers in Belgium, Austria, France and the UK managed to increase the yearly production of new homes during the period 2005-2015.

However, new supply of social housing was affected in many countries by budget cuts: for instance In Italy the production of public housing between 2005 and 2014 almost halved, from about 9000 units per year to 4600. In Spain, it went from over 15 thousand in 2005 to 2.5 thousand in 2014. Housing associations in Ireland built about 1.3 thousand homes in 2005 but only 350 in 2014. In the case of the Netherlands, the level of new housing production by housing associations dropped from over 40 thousand in the year 2009 to about 20 thousand in 2014 as a consequence of reforms in the regulation and taxation of the sector (Housing Europe 2016). Conversely, over the past two years, an increased output of social rental housing was reported in Germany and Luxemburg and in the Belgian region of Flanders. Housing associations in England have also managed to increase housing construction but since 2012 public funding has been only available for affordable housing instead of social rentals.

In general, with few exception, social housing providers have to cope with less public funding and rely more on private finance. Countries with a long tradition of social renting have shown more resilience (Austria, France and Denmark have not registered a decrease in the share of social housing out of the total housing stock since the early 2000s). Even in countries with a relatively large share of social housing we see a trend towards moving towards a more residual role (i.e. a stronger focus on lower incomes), either through regulatory changes (e.g. in the Netherlands), or de facto as the sector tends to house increasingly poor households (France). Increased residualisation raises issues of economic sustainability for the social landlords (Poggio and Whitehead, 2017) and it risks hampering social mix which in many countries is an essential part of the mission of social housing providers (this concern led the Belgian region of Wallonia to recently increase income ceilings for the allocation of public housing so as to allow access also to some middle-income households). The problems with the sustainability of this model are particularly visible where the social housing sector is small and public finances have been significantly constrained.

Another trend is the emergence of an intermediate or 'affordable' housing segment (e.g. 'affordable housing' in the UK, or the so-called 'housing sociale' sector in Italy which is mainly linked with foundations). The idea being that this intermediate sector should cater for people who need affordable housing options but they do not fall into the typical criteria for the allocation of social housing, this represents both a challenge and an opportunity and the role to be played by the different providers/stakeholders in this segment is often a subject of debate.

Furthermore, a growing body of literature points to the recent (re)emergence of 'collaborative housing' (Czischke, 2017). Under this term we find a number of initiatives such as co-housing, community land trusts, housing co-operatives and other forms of collective self-organised housing, all characterised by a high degree of residents involvement,

self-help and mutual solidarity. However, the scale of operation is often very limited and access to finance difficult (Wetzstein, 2017). Overall, some positive signals have appeared at the level of national policy over the past two years: Ireland adopting an ambitious 'Rebuilding Ireland' strategy with a strong emphasis on the (social) rental sector and tackling homelessness, the Czech Republic debating a new law on social housing. For the time being this shows a degree of political commitment, but the effects are not seen yet. In this context, increasingly we find local authorities/cities coming up with solutions rather than national policies.



**Find out more:**  
• *Critical Housing Analysis (2017) Social Housing after the Global Financial Crisis: New Trends across Europe, Special Issue, Volume 4 Issue 1*  
www.housing-critical.com

PUBLIC FUNDING TOWARDS CAPITAL SPEND ON HOUSING DEVELOPMENT  
AND HOUSING ALLOWANCE  
European Union (28 countries)  
Source: Eurostat, COFOG

