

**SUMMARY
OF KEY
FINDINGS**

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THE STATE OF HOUSING IN THE EU 2017: SUMMARY OF KEY FINDINGS

Growth has returned to our continent, but we should not forget this growth is leaving many behind and our societies are increasingly unequal. Similarly, the recent 'recovery' in housing markets is far from benefitting everyone and the state of housing in the European Union today remains critical.

IN A NUTSHELL:

1. The growth recovery means also recovery in house prices, which are growing faster than income in a majority of EU Member States.

- 2.** Housing inequalities and income inequalities do reinforce each other.
- 3.** Housing has become the highest expenditure for Europeans and overburden rate remains stable at high level, hitting disproportionately harder the poor.
- 4.** This is reflected in increasing levels of homelessness.
- 5.** As the level of housing construction is still low, especially major cities face a structural housing shortage reinforced by recent waves of migration.
- 6.** In most cases policy responses at Member States level have been to decrease public expenditure for housing and relying on measures to increase the supply in the private sector or access to homeownership.
- 7.** As cities are at the forefront of the housing crisis, they are showing a more prominent role in finding solutions.

IN DETAILS:

• House prices are growing again

Two years have passed since the previous edition of the State of Housing report. Since then, housing markets across the EU have started to speed up again. 2016 saw the highest annual growth rate in house prices since 2009, showing house price growth has overall picked up since the crisis. This is not true everywhere: while in some countries like the UK or Sweden prices are higher than pre-crisis level, in others like Greece, Portugal and Spain the downward trend has only marginally slowed down. But what is more important is that in a majority of countries house prices are growing faster than incomes. At the same time there are countries where the crisis had a large impact in terms of worsening households' economic situation and this means less capacity to make ends meet even in a context of lower house prices. Overall, housing is the single highest expenditure item for Europeans, at about a quarter of total EU households' budget in 2015, increasing from 21.7 in 2000 and 22.5% in 2005.

• Inequality and housing exclusion are mutually reinforcing

There is a direct link between the rising inequality at global scale and housing. Looking at housing costs in relative terms, the average EU overburden rate among people at risk of poverty has increased significantly compared to pre-crisis level, from 35.9 in 2005 to 39.3 in 2015. However, it has slightly decreased for those with higher incomes. The share of poor households paying too much for housing has doubled (or more) in Spain, Portugal and Ireland. Greece has registered the sharpest increase and it also shows the most severe situation. Furthermore, increasing house prices are contributing to a big transfer of wealth from the poor to the rich and from the young to the old. At the same time price growth is linked to conflicting interests between profit seeking investors in the housing markets and inhabitants. We also see that the income gap between tenants and owners is widening in a number of countries, and people trying to enter the housing market such as youth and migrants face increasing difficulties. Working poors are also emerging more clearly as a category very much at risk.

• Poor political response to homelessness

Also, and most worryingly, housing exclusion has been exacerbated by the crisis and policies are failing to provide an adequate response in most countries. Evidence points to an alarming situation with increasing homelessness, Finland being the only country in the EU which managed to reverse this trend by implementing effective policies.

• The consequences of the slow recovery of construction

Construction is recovering much slower than prices and consequently housing shortages are emerging more clearly, especially in large cities/metropolitan areas with a growing population. This has been reported notably in the UK, Sweden, Ireland, Luxembourg, but also at local level in Netherlands and Germany. Shortage contributes to increasing prices and rents.

• The territorial divide

Major cities face a structural housing shortage and house

prices in areas of high demand are higher and raising faster with rents following similar upward trends. This means finding adequate and affordable housing in places where job opportunities are increasingly hard. At the same time, some of our cities and regions are experiencing outward migration and population decrease. Shrinking regions show high housing vacancy rates, abandoned properties and negative equity, as well as an increased need for services and revitalization of areas with an increasingly old population.

• The shaping forces of labour mobility & migration

Migration flows are contributing to widening the housing gap in already tight housing market areas. The extraordinary influx of migrants in 2015 commonly referred to as the 'refugee crisis' marked a peak in the need for housing in destination countries - both in terms of emergency accommodation and long-term solutions - as well as mobilizing resources for integration.

• Why affordable homes are not enough?

In this context, social housing providers continue to offer rents significantly lower than the market, but are faced with a double challenge: decreasing income of current residents and large number of people registered on waiting lists. Responding to the ever growing demand in the context of increasing building and energy requirements and decreasing public support is becoming more difficult.

• Lesson not learnt by housing policy makers

The crisis could have represented a turning point showing the importance of investing in affordable, non-speculative housing. However, overall so far there has been little change in social housing policies. In general, with few exception, social housing providers have to cope with less public funding and rely more on private finance. In countries with a long tradition of social renting the sector has shown more resilience (like for instance Austria and France), but there's a trend of moving towards a more residual role (e.g. in the Netherlands). However, in countries with little tradition of social housing (CEE region) and/or where public finances have been particularly constrained (for instance Greece, Ireland, Italy and Portugal) are struggling to find ways to invest in supply and maintenance as well as necessary social measures.

• Cities at the forefront

In this context, increasingly we find local authorities/cities coming up with solutions rather than national policies, ranging from making land available at reduces cost for social/affordable housing, demanding private developers to contribute to the development of affordable housing and social infrastructures, bringing vacant premises back into use, promoting initiatives to increase social inclusion, education and employment opportunities in poor neighbourhoods and enhancing mixity.