

RETHINKING INVESTMENT IN HOMES

| SPRING 2013 |



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“ New policies needed to deliver affordable and decent housing in Europe”

Finalized in April 2013

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FOREWORD

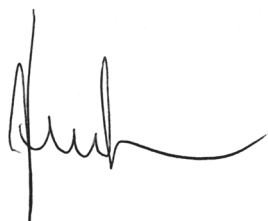
“Can we still afford the welfare state, the quality of life and lifestyle that are all trademarks of the European Union since several decades?” To put it bluntly that is the kind of questions that many policy makers have in mind since the beginning of the crisis in 2008. And many of them answer no to that question drawing the conclusion that we need a reduction of public spending on a wide range of areas linked to welfare (including in affordable house-building).

However after a quick look at the evolution of the per capita income-levels (which measures the wealth of a country) in the EU over the last 3 decades, one thing is striking: on average European countries are in 2010 richer than what they used to be in 2000 (+10%) and much richer than what they used to be in 1980 (+64%). Even countries that since 2008 have a decrease in their income per capita are still much wealthier than in the 80ies and 90ies¹.

Reminding those facts is not a call for inaction in terms of public investment decisions. On the contrary, this reality should encourage member states of the European Union, as well as local and regional governments to carefully spend and distribute the wealth of our nations on areas that have the greatest societal impact. We at CECODHAS Housing Europe believe that affordable housing is one of these areas.

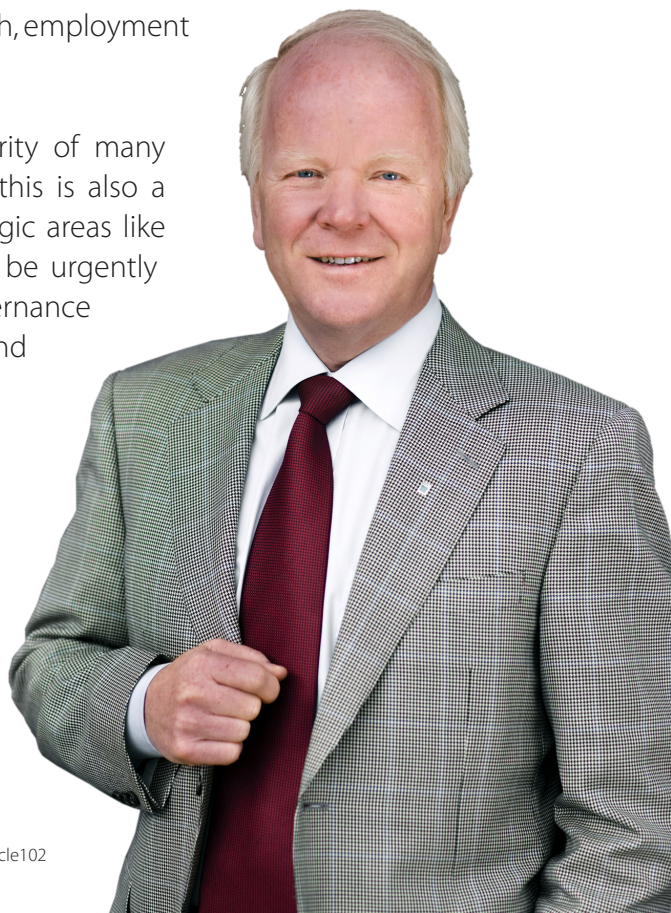
The publication that you have in your hands brings together a series of information, figures, case studies from different EU countries and even beyond which reinforce the idea that affordable housing is one of the best areas for governments to invest in. Not only because it has direct effects on the living conditions of low-income households but also because it helps save costs on many other areas, ranging from health, employment to social inclusion and education.

At a time when fiscal consolidation remains the priority of many EU member states and of the European Commission, this is also a reminder that costs can be saved by investing in strategic areas like affordable housing. This approach, we believe, should be urgently promoted within the framework of the EU economic governance (“European Semester”). Only this would help maintain and further improve the well-being of the EU citizens.



Kurt Eliasson

President of CECODHAS Housing Europe
CEO of SABO (Sweden)



¹ Figures are from the World Bank and appear here : <http://www.inequalitywatch.eu/spip.php?article102>

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Conclusion: the importance of housing policies for the economic governance of the EU and the need to rethink EU 's role to support affordable homes



**“NEW POLICIES
NEEDED TO DELIVER
AFFORDABLE AND
DECENT HOUSING IN
EUROPE”**

PART 1

PUBLIC AND PRIVATE SPENDING IN HOUSING IN THE EU: THE EFFECTS OF THE CRISIS

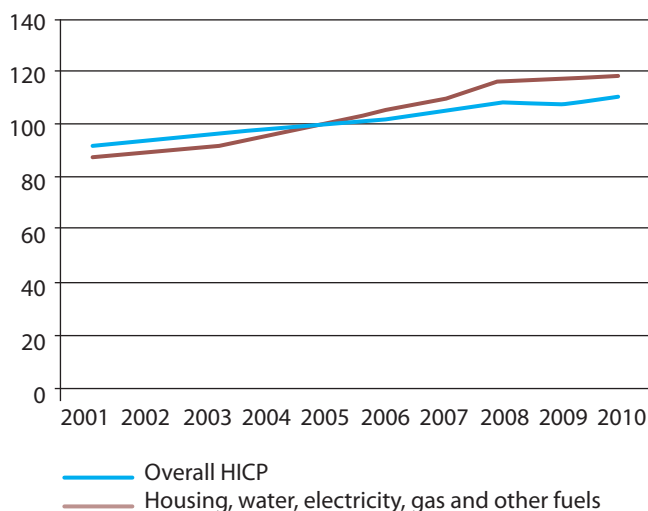
1.1. GROWING INDIVIDUAL SPENDING ON HOUSING

A regular rise has been recorded in the incidence of housing costs over the total household consumption in all countries. According to a recently published report by RICS², carrying out an analysis based on Eurostat data on households' consumption expenditures, housing related expenditure is currently the biggest component of consumer spending at an aggregated European level.

It is also interesting to look at housing compared to other consumption goods. Interestingly, the housing price index has risen more rapidly than the overall price index since 2004, as shown by Chart 4 below, where the Harmonized Index of Consumer Prices (HICP) for housing includes housing, water, electricity, gas and other fuels.

Chart 4: Harmonized indexes of consumer prices 2001-2010, overall index and housing, EU 27 (2005=100)

Source: Eurostat, HICP [teicp000] and [teicp040]



TO KNOW MORE

- ➔ Housing Affordability in the EU, CECODHAS Housing Europe's Observatory Briefing Year 5 / Number 1, January 2012

KEY FIGURES IN 2009



€1500 BILLION

the equivalent of €1500 billion were spent on housing in the 27 EU Member States



making up 22.9 % of total household consumption expenditure, up from 20.4 % in 2000.

² RICS (2011)

1.2. DECREASED PUBLIC SUPPORT TO SOCIAL HOUSING IN THE EU

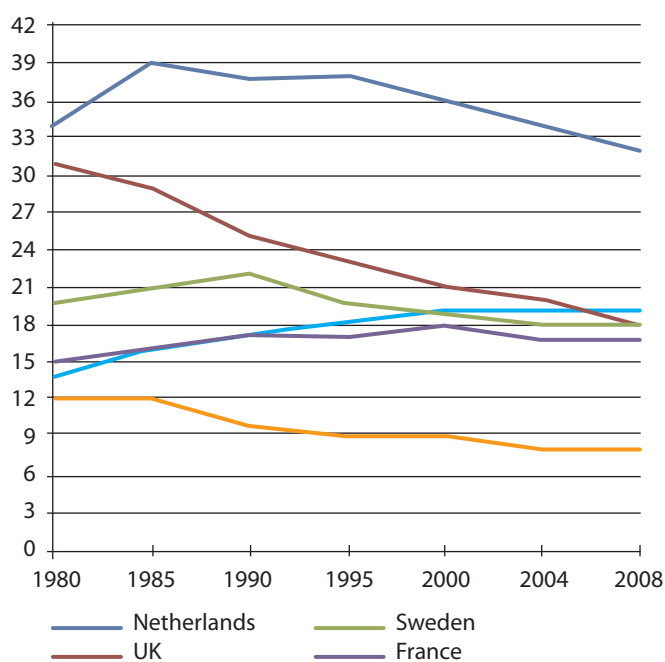
Housing is a key sector of the economy. Measured as a share of nominal GDP, long-term averages for housing investment are typically in the range of 4 to 6% according to a 2010 OECD study, although the global financial and economic crisis has overall dramatically reduced investment in housing. The impact of housing production and renovation on employment is also widely proofed, as we will discuss below.

Nevertheless, according to Eurostat public expenditures in housing have stagnated at around 0.5% of GDP in recent years³.

The size of the social housing sector has been shrinking since the 1980ies in the majority of countries although with some exception. And despite some recovery programmes in the immediate aftermath of the crisis with investment measures in the housing sector, from 2011 many member states have carried out cuts in affordable house building as part of wider fiscal consolidation programmes.

Rental social housing as % of the housing stock

Source : Housing Europe, 2012



TO KNOW MORE

- "2012 Housing Europe Review : the nuts and bolts of European Social Housing Systems", CECODHAS Housing's Europe Observatory, 2012
- Impact of the crisis and austerity measures on the social housing sector , CECODHAS Housing Europe's Observatory Research Briefing Year 5 / Number 2, February 2012

In conclusion, EU citizens are confronted with a "scissors effect": on the one hand, they spend more and more on housing (with a disproportionate burden for the people below the at-risk-of-poverty threshold); on the other hand, governments are failing to further support the affordable housing sector despite a growing demand.

Is this situation doomed to continue as long as fiscal consolidation efforts will stop and growth will be high and sustain again? Since this might take years, waiting is not an option. The second part of this publication shows how investing now in affordable housing can help improve the situation of public finances and boost economic recovery in the medium to longer term.

³ See Eurostat, COFOG

PART 2

COST-EFFECTIVENESS OF INVESTING IN AFFORDABLE HOUSING: 3 CASE STUDIES

2.1. INVESTING IN THE ENERGY TRANSITION

KEY FINDINGS

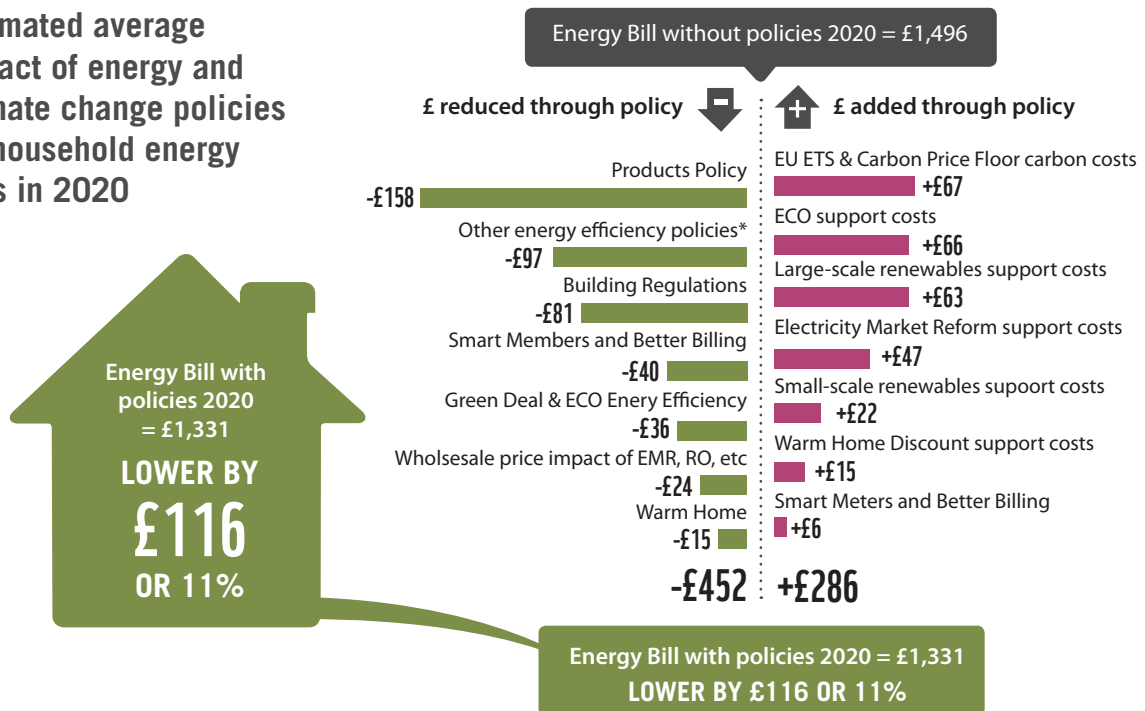
Nº 1:

Public policies aiming at increasing energy efficiency in housing have a direct effect on energy bills

Even if acting on the energy performance of buildings alone is not always sufficient to reduce energy bills, not least because of the so-called rebound effect or because of the unpredictability of energy prices. However climate and energy policies at all level despite their costs (partly supported by end users) have greater long term gains.

For instance, according to the UK Department on Energy and Climate Change, by 2020, the average household's dual fuel bill could be expected to be £1,496 without government policies and £1,331 with energy-saving policies (see illustration below).

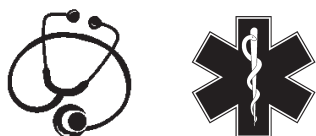
Estimated average impact of energy and climate change policies on household energy bills in 2020



* CART, CART Extension, CESP and EEC 1&2

Source: The Guardian, edition of 27th March: <http://m.guardian.co.uk/environment/2013/mar/27/rising-energy-bills-reduced-climate-policies>

Nº 2:
They have an impact on health expenditure and other areas



NORTHERN IRELAND

600 millions euros are needed which would generate a saving of 40 millions Euros a year of health expenditures

NEEDED	SAVING	PAYBACK
€600 MILLIONS	€40 MILLIONS	13 YEARS
		The investment will be paid back in 13 years

Calculating the impact on the energy bills is however only a partial take on the benefits of energy poverty alleviating policies. Beyond the direct effect on energy performance of dwellings, those measures help to save costs in other policy areas. For instance in Northern Ireland⁵, the estimated cost of eliminating/renovating the most energy consuming houses would be of nearly 600 million Euros. At the same time the estimated annual savings to Health Service would be 40 million euro per annum, which means that it would take 13 years for the total gains for the health service to equalize the total investment costs. This only reflects the co-benefits on health, but there are many other co-benefits, as pointed out by the International Energy Agency (IEA)⁶:

- Direct financial co-benefits that accrue to governments and energy providers, and property owners and participants. These include reduced outlays for energy assistance and rate subsidies, as well as other cost savings for utilities and ratepayers (e.g. avoided bad debt write-off; reduced carrying cost on billing arrears; reduced spending on notices, collections, customer calls, and shut-offs and reconnections for non-payment).
- Indirect economic co-benefits to participants, ratepayers and taxpayers, property owners, and society. These include increased individual or neighbourhood property values, economic activity (including jobs created through spending on low-income energy-efficiency programmes), improved home and fire safety, improved learning and earning capability of participants, and reduced mobility of low-income households.
- Social welfare and livelihood co-benefits to participants, the local community and society as a whole. These include improved health and comfort through reduction of noise, drafts, mold and mildew; improvement in community appearance; environmental benefits; and improved educational outcomes.

Nº 3:
Compared to other uses of public money investing in combating energy poverty in housing has the greatest economic impact



Recent studies⁷ have shown that investing in energy efficiency measures in fuel poor households has a similar or more positive macro-economic impact than an equivalent stimulus package either through increases in government current spending (e.g. NHS, education) or government capital spending (e.g. roads, building hospitals), or reductions in VAT or fuel duty. Each of the three spending options causes an increase in economic output, but investment in energy efficiency has the added and persisting benefit of also reducing natural gas imports.

If households spend less on energy imports, they are able to spend more on other products and services, which are in part supplied domestically. Energy security is also improved.

⁵ Frey, Joe (2013): Tackling Health Inequalities through investing in housing, Northern Ireland Housing Executive: http://www.housingeurope.eu/www.housingeurope.eu/uploads/file_/1-Joe%20Frey.pdf

⁶ International Energy Agency (2011): Evaluating the co-benefits of low-income energy efficiency programmes: http://www.iea.org/publications/freepublications/publication/low_income_energy_efficiency.pdf

⁷ <http://www.consumerfocus.org.uk/files/2012/11/Jobs-growth-and-warmer-homes-November-2012.pdf>

2.2. HOUSING, GROWTH AND LOCAL EMPLOYMENT

KEY FINDINGS

N° 1:

Investing in affordable housing has a demonstrated multiplier effect for the local economy

SOCIAL HOUSING COMPANY OF QUEBEC



1 dollar grant to the social housing company of Quebec generate 2.3 dollars in the quebec economy

\$1



\$2.3

40 HOUSES REFURBISHED



10 DIRECT JOBS

7 INDIRECT JOBS

N° 2:

The provision of social housing generates quantifiable gains not only for the tenants (gains in living conditions and purchasing power) but also for local enterprises and public authorities

From an economic point of view, the impact of investing in affordable housing is increasingly well documented in the EU and beyond.

For instance in Quebec (Canada) a study from the Société d'Habitation du Québec (SHQ) illustrates this potential⁸: for 2010-2011, SHQ grants amounted 413.4 million dollars. These grants, combined with \$ 195 million in replacement work, improvement and modernization of public housing estates, have generated \$ 928.7 of economic activity in the area of residential construction and \$ 466.7 in the wider economy. In total, an estimated one dollar paid by the SHQ as grant allowed to inject 2.3 dollars in the Quebec economy.

Another way to approach this issue is to look at the "local economic multiplier effect" – creating local employment opportunities and retaining investment in the local and regional economy. The "local economic multiplier effect" encompasses further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer term development effects⁹.

For example, in terms of job creation, as an average in the social and cooperative housing sector, when 4 dwellings are refurbished to high energy efficiency standard, it creates the equivalent of 1 full-time employment per year. Therefore, to this direct effect on employment one must add the multiplier effects:

- A supply multiplier which comes about due to purchases made as a result of the project and further purchases associated with linked firms along the supply chain;
- An income multiplier which is associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the project.

As a result, one estimates that when 10 direct jobs are created in the framework of a renovation programme, 7 indirect jobs are created in the community and elsewhere.

A recent project in France (commissioned by the Union Sociale pour l'Habitat (USH) and the Caisse des Dépôts et consignations (CDC), and led by DELPHIS¹⁰) managed to quantify some of the gains generated by social housing companies (resulting from their housing stock and their activities) on a specific territory. The gains are evaluated for 3 different types of actors, considered as key drivers for local development: local population (the "residential sector"), enterprises (the "productive sector") and local authorities (the "public sector"). Indicators were developed with private and public social housing companies, which then measured them on different territories. The two illustrations below provide some findings relating to gains for tenants and local authorities. Each bar represents findings for one company, on one territory.

⁸ <http://www.habitation.gouv.qc.ca/fileadmin/internet/publications/0000021371.pdf>

⁹ Addressing the Economic Downturn: the Case for Increased Investment In Social Housing (June 2009), Mike Smith and Mark Bailey, University of Ulster.

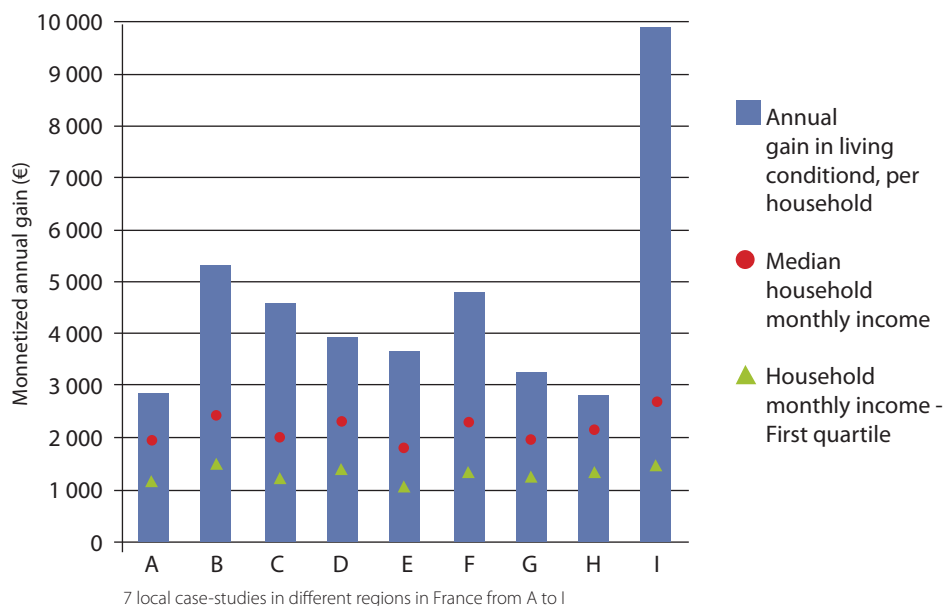
¹⁰ DELPHIS is a network of 25 French social housing companies, dedicated to research and development and exchange of good practices.

In the first example, the significant variation reflects the very different contexts in which companies operate in terms of rental prices in the “free-market” sector. In the second example, results depend on the income-level of elderly tenants living in the company’s adapted dwellings on the territory.

Example 1: Gains in living conditions for tenants (“residential sector”)

Gain in living conditions resulting from lower rents: translation in €
Gain in living conditions resulting from lower rents, per household per year

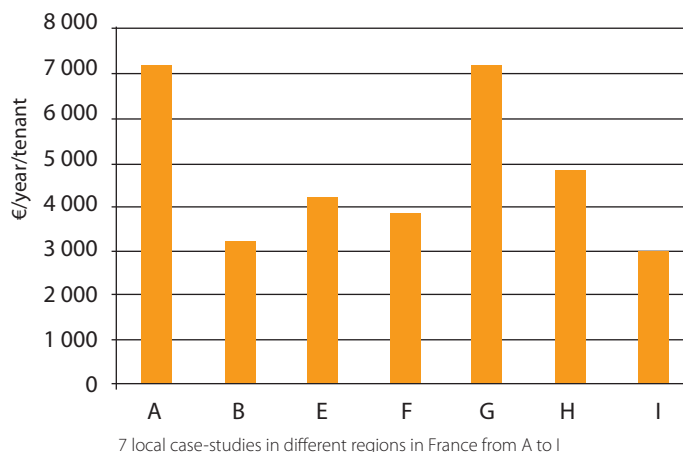
IT INCLUDES:
A gain in **purchasing power** (reduced housing costs, compared to housing costs in the market sector for households with the same level of resources)
A gain in **housing conditions** (surface area, comfort, quality, location,...)



Example 2: Avoided social aid costs for Departments (Conseils Généraux – “public sector”) resulting from the prevention of nursing home admissions through housing companies’ “ageing at home” policies

Avoided social aid costs for elderly tenants
Avoided collective costs, per tenant

SOCIAL LANDLORDS’ CAPACITY TO MAINTAIN AND MAXIMISE BENEFITS:
> Capacity to identify and address needs
> Capacity to match supply with demand, for optimal occupation of adapted dwelling units on the long term

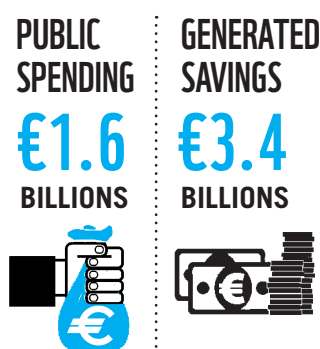


2.3. HOUSING-LED APPROACHES AGAINST HOMELESSNESS

Experience in North-America and since a few years in the EU give a lot of information about the cost-effectiveness of different approaches to homelessness and housing exclusion. There is a wide consensus among experts and policy makers that *“Prevention and early intervention are in many ways the most cost-effective and harm minimising policies for confronting homelessness”*¹⁰ and that *“Housing policies and corresponding taxation and mortgage policies, if well designed, can contribute to preventing homelessness and housing exclusion. The main challenge lies in the affordability and accessibility of the various housing offers/tenures”*¹¹.

Beyond the prevention through an increase in housing supply, better access to affordable housing, and better chances for poorer people to get work that offers a living wage, the role of integrated services around housing support is revealed in different situations.

The provision of integrated services around housing support costs less than segmented approaches



For instance, the Supporting People programme in the United Kingdom has been recently evaluated and the findings support the cost effectiveness argument for integrated housing support. Overall, Research by Cap Gemini for the Department for Communities and Local Government (CLG) found that £1.6bn of housing-related support services generated savings of £3.4bn to the public purse, including to health and social care by avoiding more costly acute services.

The Supporting People (SP) programme provides strategically planned housing related services which are typically parts of packages of support and potentially other services (which may be provided by the public, private or third sector). The services are provided to vulnerable people, with the goal of improving their quality of life by providing a stable environment to enable independent living. The programme provides support to a wide range of vulnerable client groups, including those (such as older people) with longer term support needs and others (such as those experiencing or at risk of social exclusion) for whom a shorter-term intervention (either to build skills and confidence towards independence or to support through a crisis) is more appropriate.

The evaluation of the impact of the Programme consisted in measuring the difference between the costs of supporting the individual through the programme and the overall costs of either withdrawing or reducing support, or of switching to a more intensive form of support offering a lower degree of independent living. This evaluation can be done per group of “users” or per type of services (see table below)

Costs of SP services (and associated costs)	
Costs of providing SP services	(1,546.8)
Housing costs	(380.3)
Social services care	(125.2)
Benefits and Related Services	(310.7)
Total of costs (costs introduced)	(2,363.0)
Residential Care Packages	4,418.1
Homelessness	104.1
Tenancy failure costs	44.8
Health service costs	265.9
Crime costs	297.3
Total of benefits (costs avoided)	5,130.3
Overall net benefit	2,767.3

Source:
<http://webarchive.nationalarchives.gov.uk/20100210162740/http://www.communities.gov.uk/documents/housing/pdf/1274439>

¹⁰ <http://ec.europa.eu/social/BlobServlet?docId=9770&langId=en>

¹¹ <http://ec.europa.eu/social/BlobServlet?docId=9770&langId=en>

For a high-cost, high-risk group of very vulnerable homeless people, provision of permanent housing is the most cost effective solutions

This table shows how much could be saved in particular in terms of services to homeless (such as cost of temporary accommodation) if integrated support and housing led approach were further promoted. PHF in the table stands for Pathways Housing First, a housing-led approach. The table also illustrates the so-called 'cost offsets'. These 'cost offsets' are reductions in expenditure on emergency medical services, including drug and alcohol and mental health services as well as hospital emergency facilities, and the result of less contact with criminal justice systems by chronically homeless people.

Relative costs of PHF compared to Alternatives in the USA according to Pathways

Service	Costs per night (\$)	Cost per night (€)
PHF	\$57	\$42
Emergency homeless shelter	\$73	\$54
Jail	\$164	\$120
Hospital ER	\$519	\$381
Psychiatric hospital	\$1 185	\$869

Source: http://www.pathwaystohousing.org/content/our_model quoted in Pleace, Nicholas : "Housing First" (http://www.west-vlaanderen.be/kwaliteit/Welzijn/Documents/Housing_First%20-%20Feantsa.pdf)

2.4 HOUSING AND THE CHALLENGE OF DEMOGRAPHIC CHANGE

Decent, well-adapted housing also maintains older people's mobility and minimises falls.

Recent studies in the UK show the benefits in terms of avoided costs for public budget deriving from programmes supporting housing adaptation: for instance it has been calculated that every £1 spent adapting 100,000 homes where a serious fall is likely to occur saves the National Health System £69.37 over 10 years¹².



Every £1 spent adapting 100,000 homes saves the National Health System £69.37 over 10 years .

¹² Source: Housing Health and Safety Rating System

CONCLUSION

The evidence provided by the studies referred to in this publication is increasingly solid: there are long term societal gains of investing in affordable housing. And those gains can translate in improvement of public finances as well. However, it seems that decision makers at all levels find it difficult to take appropriate public investment decisions that would take benefit of those long term gains. Why? The current economic context which put any new public investment decision under tough scrutiny is certainly one conjectural reason.

But there are also structural challenges that need to be tackled to renew policies supporting investment in affordable homes:



1. **Measuring the broad societal impact of long term investment** in affordable housing and proposing new ways for the public accountancy to integrate those costs and gains is now crucial. Investing in affordable housing should not only count as expenditure but should also count as gain-generating / cost-saving activities.
2. But in parallel, there is a need **to understand and forecast housing needs** since investment decisions should be made with regard to medium to long term needs. The EU can help in providing research opportunities that will bring together academic specialists and practitioners
3. **EU long-term investment** policies, through project bonds, EIB lending policies should prioritise investment answering the needs of citizens: more affordable homes and the energy transition in the housing sector
4. **Guarantee mechanisms to investment in affordable housing and in ambitious refurbishment** programmes should be developed at EU level so that all EU countries can still invest despite the crisis and lending scarcity
5. Eventually in the EU coordination of economic policies (European Semester and future Economic and Monetary Union) the European Commission and the Council of Ministers have a great responsibility in making major policy reforms recommendations for each EU country on areas such as the housing sector, these proposals should aimed at ensuring to all access to decent and affordable housing in full respect of each countries choices to deliver the best for citizen.

CECODHAS Housing Europe will ensure that this question will be at the centre of the campaign for the European elections in May 2014.

VISION STATEMENT

CECODHAS Housing Europe is a network of national and regional housing federations of housing organisations. Together the 43 members in 18 European members States manage 25 million dwellings which represent 12% of the total housing stock. Its members work together for a Europe that provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where all are enabled to reach their full potential.

www.housingeurope.eu and @HousingEurope (Twitter)

CECODHAS HOUSING EUROPE

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