

## Annex: Housing in the 2023 CSRs

Country	Text from recitals	Relevant CSRs
Czechia	<p>Housing affordability in Czechia has been among the lowest in the EU in the past 5 years with large differences between regions. High house price growth has made it difficult for middle-income groups to buy property. This has fed the demand for rental property, which in turn has made it less affordable. Moreover, the low social housing stock cannot meet the demand of all low-income and vulnerable households (it accounted for 0.4% of total housing stock in 2020 versus 7-8% on average in the EU27), and existing housing allowances are underutilised, partly due to administrative burden, stigma, and a lack of awareness. As a result, the number of families in housing need has been growing in recent years, which entails increasing costs for the public budget and healthcare system. The COVID-19 pandemic and influx of people fleeing the war in Ukraine have further exacerbated these pre-existing challenges. Cohesion policy funding remains an important source of piloting and funding investments in social housing, thus contributing to social protection and inclusion. However, other funding sources are necessary to significantly improve the situation. Czechia lacks legislation and a comprehensive framework on social housing, which makes it difficult to coordinate the fragmented housing policies and define responsibilities among national and regional bodies. Stable and sustainable financing from national sources, together with the adoption of incentives for rental or cooperative housing, would help to increase the supply of affordable housing and ensure continuity and scale-up to such efforts. Effective coordination would be crucial for increasing the housing supply, the reconstruction and refurbishment of existing housing units and utilisation of vacant dwellings</p>	<p>Strengthen the provision of social and affordable housing, including by adopting a specific legislative framework, improving coordination between different public bodies, and incentivising the construction of new housing units as well as the refurbishment of existing ones. [...]</p> <p>Increase the energy efficiency of district heating systems and of the building stock by incentivising deep renovations and renewable heat sources, easing administrative access to subsidies for both households and industry, and capacity building and skills in public authorities.</p>
Denmark	<p>Finding affordable housing remains a major challenge for many people. The combination of high house prices and long waiting times for social housing has led to a shortage of affordable</p>	<p>Accelerate investment in the construction of affordable housing to alleviate the most pressing needs.</p>

	<p>housing in major urban areas. Denmark shows an increasing share of variable-rate and deferred amortisation mortgages, which increases the vulnerability of heavily indebted mortgage holders to further potential declines in house prices and/or hikes in interest rates</p>	<p>[...] Implement additional measures that support energy efficiency in private and public buildings to reduce energy bills and energy system costs. Ensure a better roll-out of decarbonised heating sources. Step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.</p>
Hungary	<p>House prices have grown strongly in Hungary in the last decade, while housing supply remained limited. Weakly targeted subsidy schemes for home purchase, also available for higher income households already in possession of a dwelling, contributed to recent price increases. Subsidies on housing construction, including grants, subsidised loans and preferential VAT rates, are similarly untargeted.</p>	<p>Target support measures in the housing sector to low-income households. [...] Improve energy efficiency, in particular in buildings, and continue efforts to reduce overall gas consumption. Adjust the current system of regulated energy prices to encourage energy saving while providing targeted support for low-income households</p>
Lithuania	<p>Access to social housing is limited in Lithuania. Around 9 700 families (almost 19 000 people) were waiting for social housing at the end of 2022, with the average waiting time 5.85 years. The overall quality of social housing remains low. Although Lithuania has undertaken some reform measures on social housing, including introducing the right to prioritise single-parent families, increasing the income and assets limits when assessing eligibility and adding special provisions in case of a national emergency or quarantine, an overall strategy on how to tackle these chronic shortages and increase the quality of social housing is currently missing.</p>	<p>Improve access to and quality of social housing. [...] Further reduce reliance on fossil fuels and imported energy by accelerating the deployment of renewables, [...] and making buildings more energy efficient, also to reduce energy poverty.</p>
Luxemburg	<p>[...] vulnerabilities relating to high house prices and high household debt have recently increased but overall seem to be contained so far and are expected to ease over the medium term. [...] Additional policy efforts, including by stepping up and prioritising the adoption and implementation of recent measures, including</p>	<p>Reduce risks related to the housing market, in particular by reducing mortgage interest deductibility, and by taking measures to increase the supply of buildable land. [...]</p>

	<p>recurrent taxes to increase the supply of buildable land, combined with the ongoing reform of land-use planning, could help to boost housing supply, including through the supply of affordable and social housing targeted to those most in need. The efficiency of the rental market could be improved too. In addition, reducing the mortgage interest deductibility, which was recently significantly increased, would reduce the fiscal incentives to borrow which supports high house prices. [...] While Luxembourg is highly interconnected in terms of both power and gas, further investment will be needed in anticipation of growing renewable generation and power demand. Luxembourg has to address the challenge of insufficient housing supply while achieving its energy and climate targets. There is also a need to renovate the existing building stock. With 20.8% of the total energy saving potential (in terms of GWh), the residential building and renovation sector represents the second-largest source of cumulative energy saving potential by 2030. Around 89% of residential building stock uses heating systems based on fossil fuels (heating oil and natural gas). Municipalities will have a key role in this respect.</p>	<p>investing in energy efficiency in both the residential and non-residential sectors.</p>
<p>Netherlands</p>	<p>Rapidly rising house prices in recent years have resulted in an overvalued housing market. However, with financial conditions tightening, the housing market reached a turning point in mid-2022 as house prices started to decrease in response to rising mortgage interest rates. Mortgage debt relative to GDP remains high in the Netherlands, by international standards. This is driven by relatively high borrowing limits (loan-to-value) and substantial tax relief on mortgage payments. Although the mortgage interest tax deductibility is being reduced gradually, it remains high. The resulting high household debt makes households vulnerable to economic shocks, which is especially relevant now that risks of house price corrections have increased. At the same time, the private rental market is relatively small, which results in a limited supply of affordable and available alternatives to buying a house. The lack of</p>	<p>Reduce the household debt bias and distortions in the housing market. Support the availability and affordability of housing on the private rental market. Remove obstacles holding back investments, including in residential construction.</p>

	<p>affordable rental housing also undermines labour mobility. Removing obstacles that are currently holding back investments, including in residential construction, could allow the government to successfully execute its plans for an increase in housing supply and could therefore contribute to external rebalancing as well as the better functioning of the housing market.</p>	
Slovakia	<p>Slovakia does not currently have sufficient data to enable the property tax base to be updated and indexed in line with market values, although this could also partly curb the continuing strong demand for housing and related strong house price growth.</p> <p>[...] Additional effort is needed to structurally address energy poverty, in particular through dedicated housing renovation schemes and technical and administrative assistance that reflects the needs of vulnerable households, together with reforms and investment in social housing.</p>	<p>Reduce the risks related to household debt by supporting housing supply and the expansion of the rental market.</p> <p>[...]</p> <p>Accelerate and incentivise deep renovations of public and private buildings, address energy poverty through housing renovations for low-income households, and step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.</p>
Spain	<p>Further investment in energy-efficient housing would help alleviate affordability challenges. The significant loss of purchasing power, the sustained growth of rental prices and higher mortgage payments have aggravated affordability problems, particularly for vulnerable households. The supply of affordable and social housing remains constrained and is significantly lower than the EU average. The current Spanish national energy and climate plan envisages achieving 1.2 million renovations of residential buildings by 2030, with the recovery and resilience plan covering around a third of them. Deploying additional energy-efficient housing in areas with pronounced shortages and stressed markets, including through renovation and electrification, can help contain energy consumption and address the green transition, as well as support vulnerable households more exposed to energy poverty. Well-targeted social and affordable rental housing provided in</p>	<p>Increase the availability of social and affordable energy-efficient housing, including through renovation, accelerate the electrification of buildings and the penetration of electromobility. Step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.</p>

	cooperation with the private sector can help limit the fiscal impact.	
Sweden	<p>High private debt and, despite some recent corrections, still overvalued property prices constitute macroeconomic imbalances that continue to be at risk of disorderly unwinding. Housing remains difficult to afford for newcomers to the housing market, while the rental market offers few alternatives and is still in need of reform, to reduce waiting lists and promote the construction of rental accommodation. Limited policy action has been taken by Sweden to counter the imbalances, focusing on macroprudential policies and supply measures aimed at easing building permit procedures and subsidising the construction of rental apartments.</p> <p>The overall tax burden on property remains relatively low because of generous tax deductions on mortgage interest payments and low recurrent property taxes. The impact of policy changes on after-tax mortgage payments is difficult to assess, due to a lack of individual household data on assets and liabilities.</p> <p>Availability of such data could lead to efficiency gains in the design of policy, possibly lowering the entry barrier to the housing market and spreading housing burdens more equally among the population. On the rental market, regulated below-market rents benefit a limited group of households. There is no link between the regulated rent and the household's needs or income. As a consequence, there are long waiting lists, particularly for the more sought-after rental dwellings, and the vacancy rate for apartments is very low from an international perspective. Efficiency gains would be made if rents followed market prices more closely, complemented with rental support based on income and net wealth.</p>	<p>Reduce risks related to high household debt and housing market imbalances by reducing the tax deductibility of mortgage interest payments and/or increasing recurrent property taxes, while establishing adequate tools for better policy assessment and targeting. Stimulate investment in residential construction to ease the most urgent shortages, in particular by removing structural obstacles to construction and by ensuring the supply of buildable land. Improve the efficiency of the housing market, including by introducing reforms to the rental market.</p>

Source: Country Specific Recommendations, available at [https://commission.europa.eu/publications/2023-european-semester-country-specific-recommendations-commission-recommendations\\_en](https://commission.europa.eu/publications/2023-european-semester-country-specific-recommendations-commission-recommendations_en)