

The State of Housing in Europe

2022 mid-term update



Produced by the Housing Europe Observatory, the research branch of the European Federation of public, cooperative, and social housing providers.

Brussels, June 2022

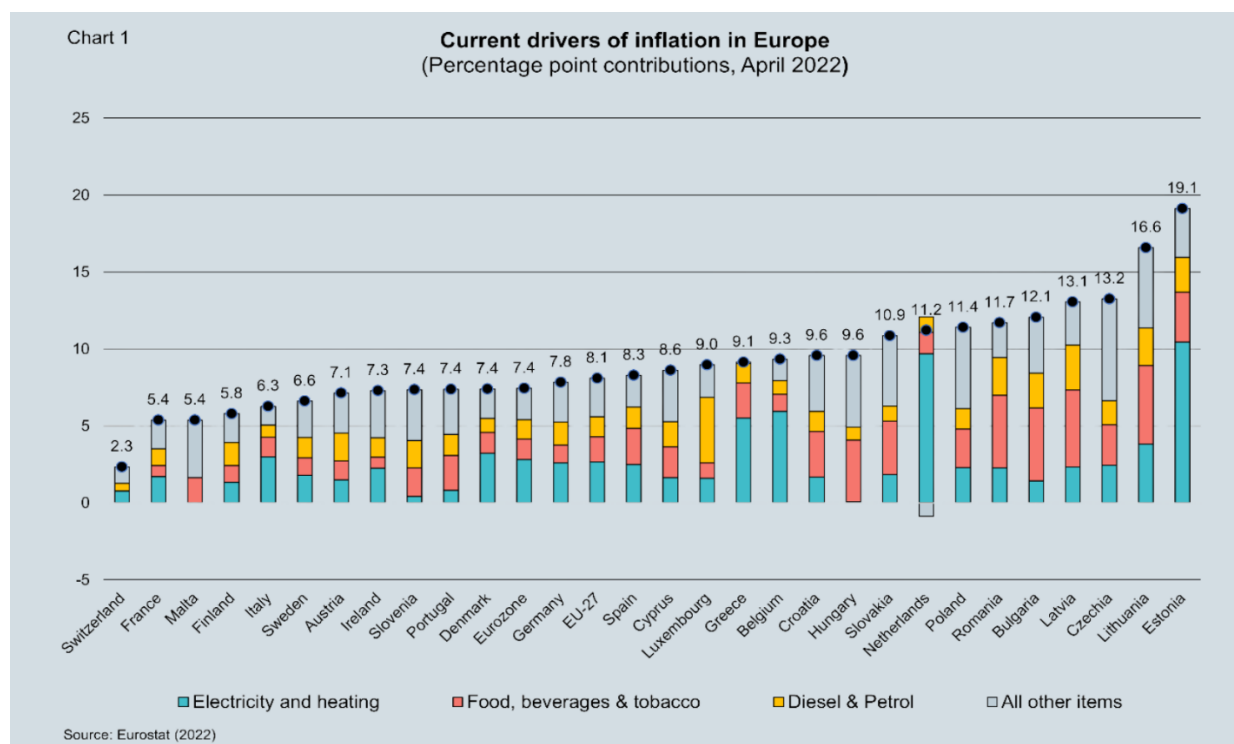
At the time of publishing the last edition of the State of Housing report, Europe and the world were still in the midst of a pandemic that had echoes of being “the end of the world as we know it”. One year on, the full effects of COVID-19 on our economies and societies are still uncertain. So is the potential impact of a protracted war on our doorstep.

As outlined in our recent statement¹, the shocking invasion of Ukraine has brought about an extraordinary set of circumstances throughout Europe – a refugee and energy crisis, on top of a health pandemic crisis, on top of an already deepened affordable housing crisis.

The European Union, for its part, is sending a strong message, that “all Member States should expand public investment for the green and digital transitions and for energy security, including by making use of the RRF, other EU funds and REPowerEU”².

At the same time, the scale of the ambition of social and affordable housing providers – to deliver a fair and green energy transition – is unchanged. The challenges ahead of us, however, are growing. In this brief update of our biannual State of Housing in Europe report³ we reflect on the current challenges and responses from the public, cooperative and social housing sector.

Rising cost of living



The **inflation rate has been on the rise in the EU** since the beginning of 2021, increasing from 0.3% in December 2020 to 8.1% in April 2022, its highest ever level since records began in 1997. Worryingly, there is evidence to suggest that it will increase further in the coming months.

¹ See Housing Europe (2022) [Delivering a dignified housing response to Ukraine | Housing Europe](#) Policy Paper

² European Commission (2022) 2022 European Semester - Spring Package. Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. https://ec.europa.eu/info/publications/2022-european-semester-spring-package-communication_en

³ The most recent full State of Housing in Europe report can be viewed at: www.stateofhousing.eu

More than one-third of the current high inflation rate in the EU comes from electricity, gas, and other household fuels. An additional 16% is related to the cost of petrol and diesel, and 15% by food and beverage prices.

As highlighted by the European Commission: “The **recent energy and food price rises hit the poorest households the hardest**. The increases of fossil fuel, electricity and commodity prices, already noticeable in the second half of 2021, have been further aggravated with the invasion of Ukraine. They weigh particularly on the most vulnerable households, who have to spend a higher share of their disposable income on basic goods, such as energy and food⁴”.

Against this backdrop, many **social housing companies have adopted a threefold approach to dealing with increased costs for residents** – increased use of renewables (from solar to geothermal), adopting energy saving measures where possible, and carrying out awareness raising campaigns on how to use heating systems more efficiently.

In **Austria**, for instance, inflation rose to 8.1% in May 2022, up from 3% in the same month of 2021. This has been largely driven by increases in the cost of energy, with the energy component of the Harmonised Index of Consumer Prices (HICP) up by 37% in April 2022 versus the previous year. The Austrian Government is supporting (almost) all households with a one-off €150 voucher to help cover higher energy costs. While this is an important policy initiative, it will not offset the entire additional energy costs encountered by households. It is difficult for limited profit housing organisations to provide, ‘quick fixes’, as energy is billed directly to households by energy providers. However, there is a commitment in the sector to drive up efforts to decarbonise remaining gas/oil-fuelled heating systems.

In **Germany**, housing companies seek to negotiate low-cost energy contracts for their buildings, but lately they have been unable to do so. Many existing contracts expire at the end of this year, and gas prices paid by tenants are expected to be three to four times higher when the new contracts kick in. The German government has adopted several relief measures. Moreover, the Federal Association of German Housing and Real Estate Companies (GdW) is working on a nationwide campaign to save energy in the housing sector and promote diversification of energy supply.

In **Spain**, in the case where public housing companies manage neighbourhood communities in buildings using central heating systems, they are applying discounts in the energy bills of up to 20%. This is on top of government actions, which have secured a "political agreement" (a so-called 'Iberian exception') with the EU to cap the price of gas used to generate electricity at an average of €50 per megawatt hour.

In **Portugal** (which is also implementing the so-called 'Iberian exception' mentioned above) some taxes have been reduced to try to lower energy price, but other than that no specific measures have been taken to support social housing residents. The sector is currently advocating for a fund that would help tackling fuel poverty by supporting energy retrofit and diversification of energy sources including by installing solar panels across the social housing stock.

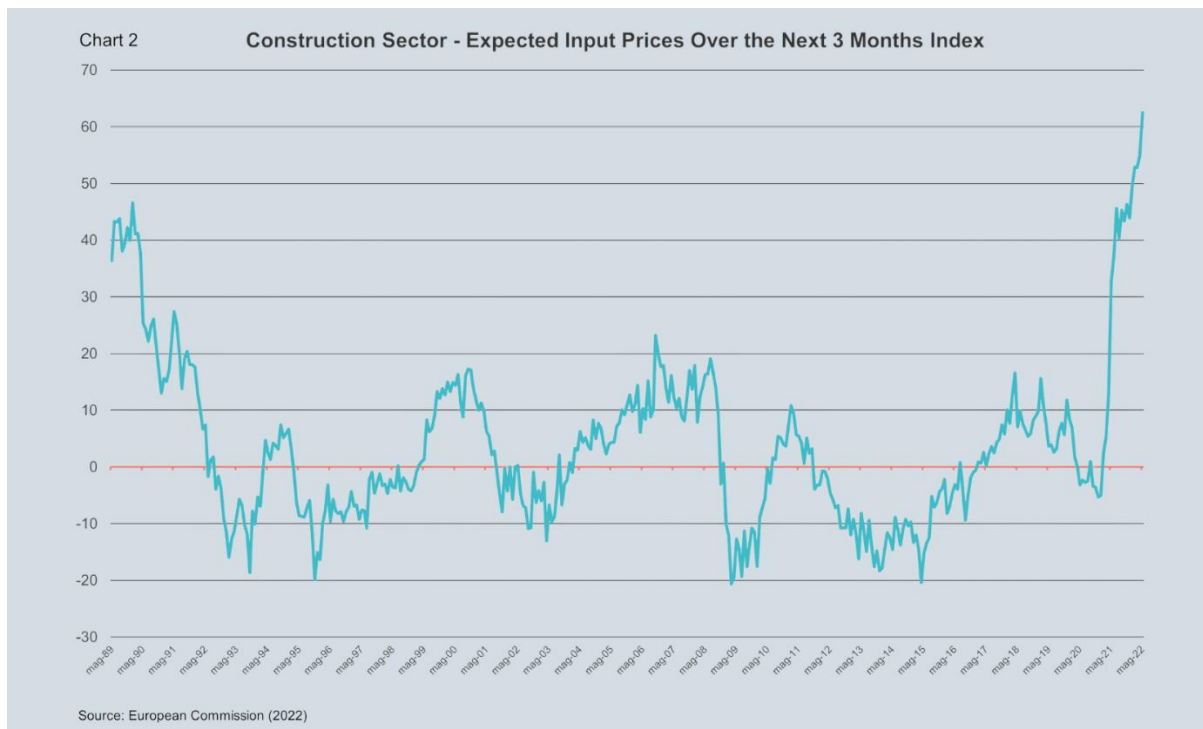
In the **Flanders** region in Belgium, the local social housing providers have been supported by the EU ELENA grant programme to invest €231 million over 4 years, installing almost 650,000 solar panels on nearly 60,000 buildings, representing a production of 207,286 MWh per year. The project has all it takes to alleviate energy poverty and yet, in their ambition to create energy communities, local social housing providers encounter obstacles from national legislation which risk undermining the economic rationale for such investments in renewable energy.

⁴ European Commission (2022), Ibid

Increasing price and scarcity of construction-related raw materials and products

While the increasing cost of living is resulting in massive pressure on households, the **capacity of our sector to carry out renovation and improve homes is undermined by erratic and rapid increases in the prices of construction materials.**

Indeed, the European Commission's often cited measure of expected future input prices in the construction sector (see chart 2 below) jumped to its highest ever level in May, suggesting that even greater price increases are anticipated in the coming months, despite current prices already reaching unsupportable levels for many social providers.



As a result of these dynamics, our network reports a significant slowdown of the much-needed renovation and energy-efficiency projects. The Renovation Wave must continue, however reality bites as in a context of growing demand also because of migration from Ukraine, national **price caps in the social housing sector** have brought multiple construction projects but also renovation projects to a halt.

A mix of vigilance and flexibility (also with regards to EU funding programmes) is clearly needed to avoid housing supply and renovation coming to a halt. In an effort to speed up construction and reducing costs, housing providers are also looking at further improving standardisation.

Overall, over the long term this upward trend in costs is simply unsustainable, as the cost will inevitably impact either the public purse or the social tenants.

In **Germany**, a recent survey found out that 64% of socially oriented housing companies have to postpone new construction projects, and 24% are forced to abandon the planned construction of new apartment buildings altogether. The situation is similarly dramatic for renovation projects; 67% and 13% respectively.

In **Austria**, above-average construction price increases are an issue since the beginning of 2021 but have sharpened in spring 2022. In just one month, the material costs component

within the construction cost index increased by 8% (March 2022), in 12 months by 27%. While in the past limited profit housing companies usually agreed on fixed prices with construction companies, the construction industry is no longer willing to agree on this given the volatile market conditions. As a result, while projects already under construction are likely to be finished as planned, current project starts are often paused. As most projects are built with public funding, loan covenants set a limit on construction costs. At the moment, many limited-profit housing organisations report that they are unable to fit construction costs within the limits set in loan conditions of regional governments. Some regions have already increased or are considering increasing the threshold for construction costs, but this would also result in higher costs for future tenants.

In **Denmark**, 73% of building works stopped because of the cap on development costs in the not-for-profit housing sector. Housing organisations can still renovate (also thanks to resources available from the National Building Fund), but not build new homes for the time being.

In **Finland**, new social housing projects are being considered in more detail, and some projects have been put on hold. The Finnish Housing Fund (ARA) introduced index-linked construction contracts, which facilitate the pricing of contractors and enable cost increases to be considered in the contract price.

To mitigate the consequences of the rise in the prices of certain raw materials, the **Spanish** government also had to adopt a series of regulatory measures, including revision of public works procurement prices, allowing up to 20% higher costs than stated in the contract price under certain circumstances.

The post-pandemic national recovery efforts are also playing a role in prices and activity in the construction sector. Today, essential projects funded by NextGenerationEU are very often subject to short deadlines as a condition to receive funding. For instance, in **Italy** tight deadlines of current funding programmes (including RRF) is causing a general rush to implement renovation projects, which is contributing to inflating construction costs.

In the **Netherlands**, the price of building materials is increasing very rapidly, by almost 25% year on year. An investigation by Building Holland has identified six products that are responsible for the increase, with some companies hoarding them, and thus distorting the market. The Dutch Federation of Housing Corporations AEDES released a press declaration asking the Dutch government to facilitate access to the market for industrially built homes.

NBO Housing Nordic (the alliance bringing together eight cooperative and public housing associations in **Denmark, Finland, Iceland, Norway and Sweden**) has been trying for a long time to set up common building codes among Nordic countries as a way to increase economies of scale and, therefore, decrease costs.

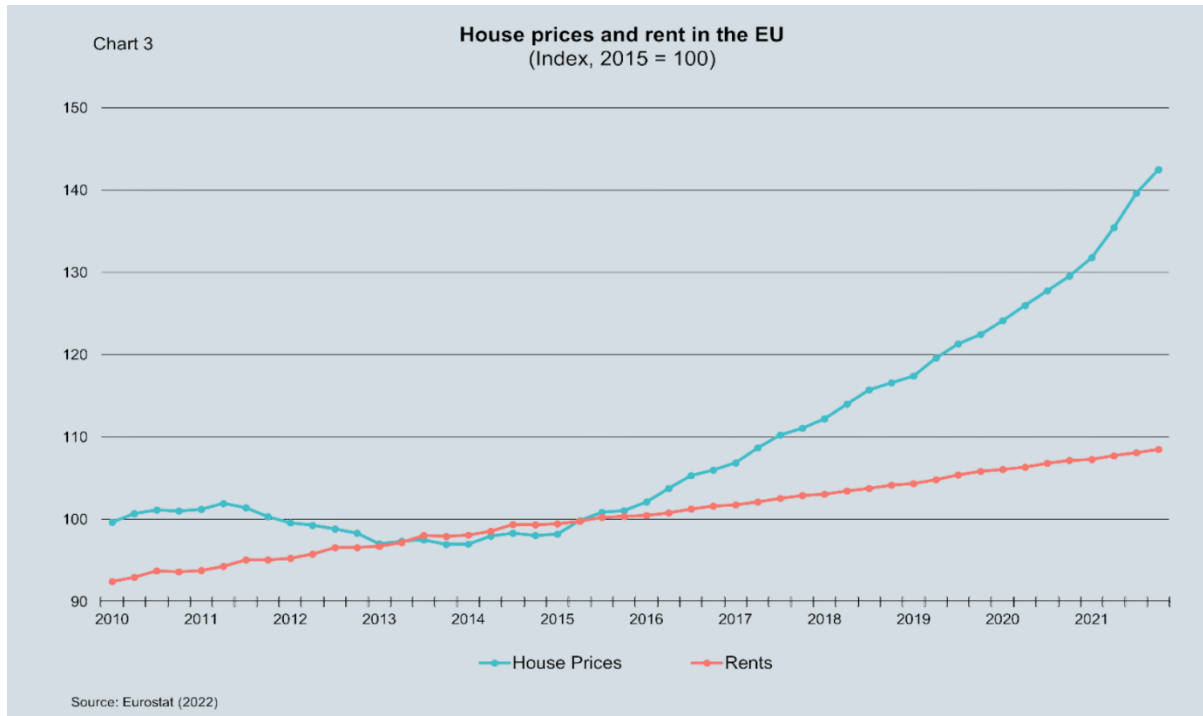
Housing affordability

House prices have been growing steadily across the euro area for nearly a decade. There are different factors at play behind this phenomenon, including a lack of coherent national policies, supply shortages, and the increasing financialisation of housing⁵. However, **the pace of price increases has accelerated in many member states recently**: throughout the pandemic, house price growth has further accelerated and current prices are higher than at the outbreak of the global financial crisis in 2008⁶.

⁵ Daniela Gabor and Sebastian Kohl (2022), My home is an asset class - the financialization of housing in Europe. <https://www.greens-efa.eu/en/article/document/my-home-is-an-asset-class>

⁶ European Commission Directorate General Economic and Financial Affairs (2022), Housing market developments in the Euro area: focus on housing affordability. Technical note for the Eurogroup. [eg-housing-affordability.pdf \(europa.eu\)](https://www.europa.eu/press-room/media/33444/eg-housing-affordability.pdf)

In 2021, fourteen countries have seen increases in the house price index that go beyond the 6% 'alert' threshold used in the Macroeconomic Imbalance Procedure (MIP) last year and today “**House prices are growing at their fastest pace in over a decade**”⁷. Recent data released from Eurostat point at fast price increases by 9.4 % in the euro area and by 10.0 % in the European Union in the fourth quarter of 2021, compared with the same quarter of 2020.



This trend has clear implications for housing affordability and potential additional spill overs. Already in the Alert Mechanism Report (AMR) last autumn, the European Commission highlighted the potential risk to the financial sector linked with overvaluation⁸. Crucially, for the first time the AMR also recognised that deteriorating housing affordability bears “potentially adverse macroeconomic consequences linked to lower private consumption and labour mobility, and a diversion of credit away from productivity-enhancing investment”⁹.

At the same time, the European Central Bank¹⁰ is now also raising concerns about the potential risks to the European financial and economic systems from a potential “abrupt repricing in the housing market”, which could be prompted by rising interest rates, which is also linked to a change in preferences of investors.

Public, cooperative and social housing providers from a number of countries flag the issue that **lack of affordable housing is an increasing problem, especially in urban areas, and one that it's starting to affect middle-class households too.**

At the same time, the size of the social housing sector in a number of countries is way too small compared to demand often with as many households on waiting lists as those living in social housing. The sector finds itself under pressure with **increasing demand from different**

⁷ European Commission (2022) Ibid

⁸ See European Commission (2021) Alert Mechanism Report 2022. Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee. https://ec.europa.eu/info/files/2022-european-semester-alert-mechanism-report_en

⁹ Ibid

¹⁰ Paola Di Casola, Daniel Dieckelmann, Magdalena Grothe, Hannah Hempell, Barbara Jarmulska, Jan Hannes Lang and Marek Rusnák (2022) Drivers of rising house prices and the risk of reversal. https://www.ecb.europa.eu/pub/financial-stability/fsr/focus/2022/html/ecb.fsrbox202205_02~cc40a7cbda.en.html

target groups – from the homeless to key workers, and most recently people fleeing the war in Ukraine.

Ukraine refugees and reconstruction

Since its start, the war in Ukraine has already led to significant population displacements. The United Nations Refugee Agency (UNHCR) estimates that more than 5 million people have already crossed the Ukrainian border to seek refuge in neighbouring countries¹¹.

The EU has already promptly activated the “temporary protection” mechanism for displaced persons from Ukraine. The **granting of this protection includes a right of residence, access to the labour market, access to housing, as well as social and medical assistance**. Therefore, public, social, and cooperative housing providers are working together with local authorities to **identify available homes**, often in very tight housing markets where homes are already lacking.

Furthermore, having been through the migration crisis back in 2015, social and affordable housing providers know from experience that EU Member States, local authorities, associations and NGOs must mobilise quickly and collectively to **provide not only housing but also different kinds of support**.

In **Austria** involvement of limited profit housing providers in hosting refugees from Ukraine varies across regions. In some cases they work closely with charitable organisations, others assist public authorities in coordinating regional plans. This happens mainly through subletting, which can be converted into direct contracts over time. The stock mobilised consists mainly of vacant housing units but also offices or commercial premises that can be temporarily adapted for residential use.

In **Finland**, temporary protection has been granted to almost 22,000 Ukrainians. Given the temporary nature of their status, they are not eligible for subsidized rental apartments. However, since March 2022, housing organizations are allowed to house people under temporary protection provided they notify the Housing Fund ARA and get an exemption. When this is the case, housing organizations work in cooperation with municipalities, the Finnish Immigration Service and Red Cross.

In **Germany**, the influx of refugees has so far concentrated in Berlin, Hamburg and other big cities. But vacant housing stock is rather available in Eastern Germany, creating to some extent a deadlock situation. Already the government has had to build shelters, and the situation could worsen if and when the refugees hosted by private citizens will have to find other solutions. Housing companies in contact with municipalities. For instance, North Rhine-Westphalia and the VdW Rheinland Westfalen reactivated the housing map which was used during the 2015 refugee crisis to identify and centralize information on available homes. Furthermore, GdW offers refugees a central online contact point for accommodation and additional information on the different types of support they can access.

In **Denmark**, the federation of not for profit housing BL used live data on vacant dwellings and identified 3,300 units when the war started, out of which 2,000 were mobilized quickly. In just two weeks all of them were allocated to refugees from Ukraine.

¹¹ UNHCR <http://www.unhcr.org/refugees.html>

Sweden has so far received about 15,000 refugees - less than expected. Furthermore, the first wave had relatives or friends to live with, which has meant there hasn't been a need for shelter solutions yet. The size of future influx could determine a potential shortage, if this is the case municipalities have responsibility to provide housing solutions to people fleeing the war.

In **Spain**, public housing companies are not involved in the accommodation of people from Ukraine but in some case they sub-let through NGOs.

In **Estonia**, they are around 40,000 refugees from Ukraine. The state is bound to provide housing for refugees for a period of four months. Furthermore, local authorities in cooperation with the state play a central role. Refugees are now increasingly moving from short-term accommodations organized by the state and municipalities to longer-term housing, usually rented from the private rental market. Newly arrived refugees face problems when looking for long-term accommodation in the cities as locals often do not want to rent to them and there is a shortage of affordable apartments. The government is trying to alleviate landlords' fears by giving refugees a monthly subsistence benefit.

In **France**, the social housing federation Union Sociale pour l' Habitat is providing legal support and analysis to HLM housing organisations. The latter tend to house Ukrainian refugees by subletting through associations. Furthermore, the State has asked the préfets to come up with local plans to host refugees: HLM companies had to quickly communicate the number of homes available, and they have been recommended to cooperate with local authorities to make sure refugees they house can have easy access to local administration offices and transport.

In **Italy**, housing cooperatives and those providing social services are coordinating their efforts to welcome refugees from Ukraine. Particular attention is dedicated to regions with a strong migration like for instance Emilia Romagna, Lombardy and Piedmont.

Furthermore, in May 2022, along with the launch of RePowerEU, the President of the European Commission proposed setting up a reconstruction platform for Ukraine to help with the massive financing needs of rebuilding the country.

Looking ahead, it is clear that those returning to war-torn cities and towns will not be able to contribute to recovery without first meeting the basic need of a roof over their head. Reacting to her call to invest in the wider reconstruction of the country, and **in light of the extensive damage to homes, Housing Europe stands ready to act, and has the capacity to be a 'like-minded partner' in the area of housing** through the provision of expertise on inclusionary policies.

This short report was produced by the [Observatory](#) based on inputs from Housing Europe members throughout the first half of 2022, with the aim of highlighting some new trends and issues that are impacting the public, cooperative and social housing sector across Europe.

The main aim of the Observatory is to identify research needs and analyse key trends in the field of housing and social housing at European level, thus supporting Housing Europe policy work by providing strategic and evidence-based analysis.

Its flagship report on the [State of Housing in Europe](#) has become a key reference for researchers and policymakers in the housing field. The next edition is planned for 2023.

Launched more than 25 years ago, the Housing Europe Observatory is the research branch of the Federation and point of reference for facts, figures and key trends in the field of public, cooperative and social housing across Europe.

<https://www.housingeurope.eu/section-135/housing-observatory>



The European Federation of Public, Cooperative & Social Housing Since 1988 it's a network of 45 national & regional federations gathering 43,000 housing providers in 25 countries. Together they manage over 25 million homes, about 11% of existing dwellings in Europe.

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