

Social housing in Europe

*Housing affordability:
Policies in the rental market*

Bank of Spain
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Structure

- Definitions
- A short history of London social housing
- A profile of the main European systems
- Financing new social housing
- Economic arguments
- Current debates

Definitions

What is 'social housing'?

- Specific dwellings provided at below-market rents or prices
- Allocated to defined groups of households--usually
 - Low-income
 - Vulnerable
 - Key workers and/or
 - Locals
- NOT market-price housing with rent subsidies

Who are the providers?

Most of NW Europe

- Municipalities or housing associations
- Varying percentages:
 - Netherlands: 100% housing associations
 - Czech Republic: 100% municipalities

Exceptions

- **Spain:** mostly social owner-occupation
- **Germany:** time-limited subsidies to private landlords
- **Eastern Europe:** sold/given away after 1989
- **Greece, Cyprus:** no tradition of social housing

A brief **history** of social housing in London



Peabody Estate

Lawrence Street Chelsea (1870)



First council estate: Boundary Estate Shoreditch (1890)



Bellingham

LCC cottage estate (1919-1923)





The Brandon Estate, Kennington (1956-61)

1st towers over 15 storeys built by London
County Council

Mrs Thatcher elected 1979

- Policies to radically expand home ownership
- Right to Buy for council tenants
- Ballots on council estates
- Restrictions on municipalities' ability to construct new social homes – only housing associations could build



Ely Court, South Kilburn
mixed tenure, London Borough of Brent
(2010-2015)

How the main European systems work

Tenure of dwellings

Country	Social rented housing as % of housing stock
Netherlands	32
Austria	24
Denmark	19
Sweden	18
England	18
France	16
Ireland	9
Czech Republic	8
Germany	5
Hungary	3
Spain	2

Getting a social tenancy

- Access to social rented housing is always controlled (usually by government)
- Some systems use waiting lists (in Denmark: register at birth)
- Others give priority to those in most need
- In most countries social tenants can stay for life, with no reappraisal of eligibility—though this may change

Access to social housing

	Country	% of population technically eligible
Formal income limits	Austria	80-90
	Spain	Over 80 (VPO) Very few (municipal rented)
	France	33 (non-owners only)
	Hungary	15-40
	Germany	20
	Ireland	Very few
No formal income limits	Denmark	100
	Sweden	100
	England	100*
	Scotland	100*
	Netherlands	40
Varies	Czech	Varies by municipality

Rents: social vs private

	Country	How social rents are set
Social rents close to market	Austria	Cost-based
	Denmark	Cost-based at estate level
	Germany	Varies with building period and funding
	Sweden	Negotiation
Social rents 50-66% of market rents	France	Central government sets—cost-related
	Netherlands	Points system—'utility value'
	Scotland	Historic cost-based
	England	Before: local incomes & dwelling price; now: for new lets up to 80% of market
Social rents less than 50% of market rents	Czech	Cost-based
	Hungary	Set by municipalities; very low
	Ireland	A percentage of tenant incomes
	Spain	Cost-based

Newer varieties of 'affordable'

- Shared ownership
- Shared equity
- Various rental 'products'
 - Intermediate rent (up to 80% of market)
 - London Living Rent
 - Discount Market Rent

All cheaper than market *but* not necessarily 'genuinely affordable' for low-income households

Examples from 3 countries

Netherlands

- Social housing provided by large, financially independent housing associations, which also provide market housing
- European Union rules have forced them to 'fence off' subsidised units
- Generally no stigma about living in social housing



Netherlands

(note bicycles)

Germany

- Federal state policies—not national
- In most states, any landlord (including private individuals) can get subsidy to build new social housing
- Must be rented to qualifying households at low rents for a set period (often 30 years), after which units are free of restrictions
- Still sizeable stocks of municipally owned housing rented @ social rents



Scheme near site of Berlin wall (1985)

France

- HLM housing provided by housing associations
- Most of population eligible for some type of social housing: three levels, with three income ceilings
- Recent law requires that 20% of housing stock in each municipality be social



France

New construction in St Jean de Luz

Financing new social housing

Types of government intervention

- Market by definition does not provide, so requires government intervention
- 4 possibilities:
 - A. Direct public provision
 - B. Subsidies
 - C. Tax concessions
 - D. Regulations—require private developers to provide

A. Public provision

- Municipalities are major owners of social housing in many countries but not all
- Tight budgets (everywhere) and policy restrictions (e.g. UK) mean few municipalities are building new housing

Public provision (2)

- In UK, tenants have right to purchase municipally owned social housing—and local authorities are not permitted to construct new housing to replace it
- In Germany, municipalities sold housing to investors to cover budget deficits (Kiel, Dresden)
- Trend generally is towards lower involvement of municipalities as owners

B. Subsidies

1. Capital grants for new construction
2. Revenue subsidies
3. Governments guarantee or subsidise loans
4. Governments provide cheap/free land for social housing
5. Providers cross-subsidise from profit-making activities

C. Tax concessions

1. Exempt providers of social housing from income tax
2. Tax relief on investment in social housing (construction or renovation)
3. Lower rate of VAT
4. Relief from local taxes (eg property tax)

D. Regulation: 'inclusionary zoning'

Principle

Governments can require % of affordable/social housing in new developments. Attractive as 'free' to the state

Examples

- **London:** 35% affordable (not all social)
- **Dublin:** 20%
- **Stuttgart:** 20%

Trends in financing

- Reduced availability of government financial subsidy → more reliance on inclusionary zoning and private debt finance (especially Netherlands, UK)
- One alternative to financial subsidy: governments supply cheap/free land
- Some providers or systems have large historic reserves (e.g. Denmark)
- Future: is there a role for institutional investors?

Benefits and disbenefits

Equity / efficiency

For individual households

- + lower rents
 - better standards ?
 - more security
- perverse incentives?

For neighbourhoods

- + can contribute to healthy tenure/income/
social mix *or*
- Lead to concentrations of poverty/ASB

For wider economy & society

- + greater productivity
 - can raise rental standards generally (Netherlands, Sweden)
 - > stable demand for new construction—countercyclical
- Costly to build and maintain, especially if starting from low base
 - Creates winners & losers

Evaluation

- In many countries the housing came first, with economic justifications much later
- What evaluations there are focus on specific policies, funding streams or developments—not on entire systems

Current debates

Are we building enough?

- Post-GFC economic downturn led to increased demand for social housing and downturn in construction sector.
- Rate of new social-housing construction across Europe generally low (except France, Denmark). New social housing often part of mixed-tenure, mixed-use developments.
- Focus on renovation of existing buildings/estates, often to improve energy efficiency. Some recent construction repurposed as social housing.

Are we building the right homes?

- ‘Affordability crisis’ affects young professionals and low/middle income families—but allocation procedures often mean they have little chance of getting into traditional social housing
- Many countries encourage / require tenure mix on new developments – but that can mean less new social housing is provided if wider market slows

Who is social housing for?

- Some countries (Netherlands, Scandinavia) have a 'universalist' tradition of social housing for all
- Housing not an EU competency, but EU competition law limits government subsidies to 'services of a general economic interest'
- Recent European Court rulings mean that member states can *only* subsidise social housing targeted at poor/vulnerable households

The ecosystem

- Path dependency: 100+ years of history (and subsidy) have created strong social-housing sectors in NW Europe
- In UK and the Netherlands, the biggest associations are major house builders in market sector as well
- Creating a similar system from scratch would be colossally expensive

Conclusions

- Social housing provides affordable, stable housing for many households—but it is not the answer to all affordability problems
- Expensive cities have expensive land, so new social housing isn't necessarily cheap
- Private rented housing inevitably picks up the slack

...and finally

- no housing system is perfect. In every country some things work well and others don't.
- Housing policies that are successful in one place may have very different effects elsewhere.