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Policies to Ensure Access to Affordable Housing



Policy Department for Economic, Scientific and Quality of Life Policies
Directorate-General for Internal Policies
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Policies to Ensure Access to Affordable Housing

Abstract

This study analyses the current situation and key challenges with regard to housing affordability in the EU, as well as policies to ensure access to affordable housing at national and EU levels. After assessing the key trends, the authors also provide recommendations for policy makers and stakeholders on improving the affordability of housing.

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LIST OF ABBREVIATIONS

ANRU	National Agency for Urban Renewal in France
CEB	Council of Europe Development Bank
CEE	Central and Eastern European
CSRs	Country-specific recommendations
EAPN	European Anti-Poverty Network
EIB	European Investment Bank
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESPN	European Social Policy Network
EU-27	27 Member States of the European Union
EU-SILC	European Union Statistics on Income and Living Conditions
FEANTSA	European Federation of National Organisations Working with the Homeless
GDP	Gross Domestic Product
HFCS	Household Finance and Consumption Survey
KfW	Kreditanstalt für Wiederaufbau (<i>Credit Institute for Reconstruction</i>)
MEPs	Members of the European Parliament
OECD	Organisation for Economic Cooperation and Development
OP	Operational Programme
PwC	PricewaterhouseCoopers (company)
SGEI	Services of general economic interest
SPO	Secondary property ownership

TBS Towarzystwa Budownictwa Społecznego (*National Housing Fund, Poland*)

TFEU Treaty on the Functioning of the European Union

UIA Urban Innovative Actions

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EXECUTIVE SUMMARY

Background

Affordable housing is becoming a more distinct field of housing policy and decision-making in many EU Member States. The EU has no direct competence over housing policy, but it can affect housing conditions in the Member States indirectly through regulations, such as state aid law, fiscal law and competition law and through "soft law" measures such as recommendations and guidelines.

Aim and methods

The main goals of this study are to:

- Provide an in-depth overview of the housing situation in the EU, including its main trends and challenges by specifying areas in Europe experiencing particular difficulties;
- Identify trends and best practice in affordable housing policies at Member State level; and
- Identify the main policies in relation to the affordability of housing at EU level and specify what more can be done at EU and national levels in the future.

The analysis is based on desk-research (review of recent publications and statistical data), supplemented by several interviews with key EU-level stakeholders in the field of housing policy.

Key findings

There is a variety of criteria for and definitions of housing affordability used across different Member States and institutions. The most commonly used measure of housing affordability, however, is the criterion of housing price-to-income ratio: Eurostat defines the housing cost overburden rate as the share of the population living in households that spend 40% or more of their equivalised disposable income on housing. Between 2010 and 2018, the average housing cost overburden rate in the EU-27 countries remained stable at around 10% of population. However, **there are substantial differences between EU Member States in terms of the proportion of the population spending more than 40% of their disposable income on housing**. Whereas housing cost overburden is relatively low in most Northern European and Central and Eastern European (CEE) countries, it is higher in Germany, Denmark and Bulgaria, and is a particularly acute problem in Greece and some of the Balkan countries.

In recent years, **the position in terms of housing affordability has deteriorated, in particular among low-income owners and private renters**. In 2018, almost 38% of households at risk of poverty spent more than 40% of their disposable income on housing, compared to 10.2% of the general population in the EU Member States. Housing conditions/access to decent housing for low-income owners and renters have also deteriorated in recent decades. In addition, the **absence of a single widely adopted definition of homelessness in the EU has made it difficult to assess the extent of homelessness** across the EU countries. The available data, however, indicates that rates of homelessness have increased over the last decade in a number of EU countries. The causes of such an increase are a combination of rising housing costs, the impact of the economic crisis and, over the years that followed, continued austerity-related measures, such as freezing or cutting social programmes or benefits, as well as the inadequacy of policies to address homelessness in many Member States.

One of the key factors behind rising housing costs and the decreasing affordability of housing in Europe is the so-called **'financialisation' of housing**, which is generally defined as the transformation of housing into a financial asset or commodity. The integration with and **increasing dependence of housing on the general financial markets, especially the financial markets for mortgages** has,

over recent decades, been one of the key factors linked to the financialisation of housing in the EU. Evidence also shows that **secondary property ownership is widely used in many EU Member States as an investment, to supplement absent or low second-tier pension arrangements** by those who are inadequately covered by such arrangements. Evidence also shows that **foreign investment increases local house prices** and reduces the rate of home ownership in the area, especially in places where housing stock reacts more slowly to housing price changes.

Another recent trend that affects housing prices and access to affordable housing in the EU is the rise **of collaborative economy platforms for short-term accommodation** (e.g. Airbnb, HomeAway). Negative effects of short-term rental platforms include the reduced supply of housing, as properties shift from serving local residents to serving Airbnb travellers. This hurts local residents by raising housing costs, and contributes to the gentrification of some (especially central) city areas.

Our overview of recent housing policies at national level reveals that over recent years the general trend has been that of **decreasing public expenditure on supply-side housing measures**, i.e. **development of social/affordable housing**. In parallel, **there has been an increase of public expenditure on demand-side housing measures**, i.e. public expenditure on social welfare-type payments in the EU. Although over the last few years, mortgage interest tax reliefs have been phased out or abolished in a number of European countries, in general public spending policies across European countries still focus strongly on home ownership. According to a number of experts, **demand-side policies, rather than improving housing affordability for households with lower and middle incomes, often result in an increase in local housing prices**. In contrast, **recurring immovable property taxes** (e.g. annual taxes on a certain value of property) **have been an increasingly popular measure among EU Member States** because they are one of the best instruments to address speculation in housing market, increase the supply of housing in the market, and decrease the share of vacant properties.

The EU has no direct competence over housing policy, but it can affect housing conditions in the Member States indirectly through regulations, such as state aid law, fiscal law and competition law. Social housing is defined as a service of general economic interest (SGEI) under the current 2012 SGEI package and is therefore exempt from State aid regulation, meaning that Member States are not required to notify the Commission of compensation for social housing. However, this exemption is limited to "disadvantaged citizens or socially less advantaged groups". According to a number of stakeholders, **the current limitation of social housing to "disadvantaged citizens or socially less advantaged groups" under the current SGEI package restricts the provision of social and affordable housing** to a very limited target group.

In terms of direct policy making in the area of affordable housing and rights to housing, **the EU has largely employed 'soft power' – administrative measures, recommendations, general principles and guidelines for national/local policy makers**. Over the last few years there have been a number of EU-level policy initiatives of this nature, addressing access to affordable housing. These include Principle 19 of the European Pillar of Social Rights, which envisages "Housing and assistance for the homeless"; the European Semester process (although only a few country-specific recommendations focus explicitly on the affordability of housing); and the Housing Partnership Action Plan, which proposed 13 substantial actions and recommendations at EU level, focusing on affordable public housing. The European Social Fund (ESF) has had tangible impacts on European cities, including better access to housing among vulnerable groups through various projects. Meanwhile, projects funded by the European Regional Development Fund (ERDF) have had the most obvious impacts on improving the quality and energy efficiency of the housing stock in the Member States.

1. HOUSING IN THE EU – CURRENT SITUATION AND MAIN CHALLENGES

1.1. Affordable and decent housing – definitions, recent trends and main challenges in the EU

1.1.1. Affordable housing – definition(s) and indicators

The affordability of housing generally refers to the cost of housing services and shelter – both for renters and owner-occupiers – often relative to a given individual's or household's disposable income¹. In many developed countries, the affordability of housing has become a focal point in discussions about housing policy over the past few decades. The significance of housing affordability has increased as the relationship between rental costs/house prices and household incomes has transformed significantly, i.e. rental costs/house prices have increased relative to household incomes^{2,3}. This process is the result of three main factors:

- Developers continue to build for upper-income households, which increases the number of housing units, without addressing the affordability of housing⁴;
- Old and affordable housing units are torn down and replaced with new, expensive ones⁵; and
- National and local governments have limited affordable housing policies⁶.

Measuring housing affordability

No official, legal or statutory definition of the term 'affordable housing' or 'housing affordability' is universally accepted across the Member States. According to expert interviewees, this often prevents systematic comparison and assessment of housing policy initiatives at European level. However, **for practical purposes, housing affordability is usually operationalised by policymakers based on an assumption that households should not spend more than 30–40% of their income on housing expenditures**⁷. For example, Eurostat⁸ measures the share of the EU-27 population living in households that spend 40% or more of their equivalised disposable income⁹ on housing. According to this measure of housing affordability, in 2018, 10.2% of all households in the EU-27 spent over 40% of their disposable income on housing costs. This proportion of households ranged from 4% to more than 25% depending on the tenure status (Figure 1).

¹ Bieri, D.S. (2014), *Housing Affordability*, in: Michalos, A.C. (ed) *Encyclopedia of Quality of Life and Well-Being Research*, Springer, Dordrecht.

² Lennartz, C., Ronald, R. (2017), *Asset-based welfare and social investment: Competing, compatible, or complementary social policy strategies for the new welfare state?* *Housing, Theory and Society*, 34(2), pp. 201–220, doi:10.1080/14036096.2016.1220422.

³ Le Roux, J., Moreno, R. (2018), *Recent house price increases and housing affordability*, *ECB Economic Bulletin*, Issue 1 / 2018 – Boxes, p. 29, available at: https://www.ecb.europa.eu/pub/pdf/other/ebbox201801_03.en.pdf?503b1397497df5287ba3a2e7a752b612.

⁴ Sherman, R. (2017), *Uneasy street: The anxieties of affluence*, Princeton, NJ: Princeton University Press.

⁵ Harrington, B. (2016), *Capital without borders: Wealth managers and the one percent*, Cambridge, MA: Harvard University Press.

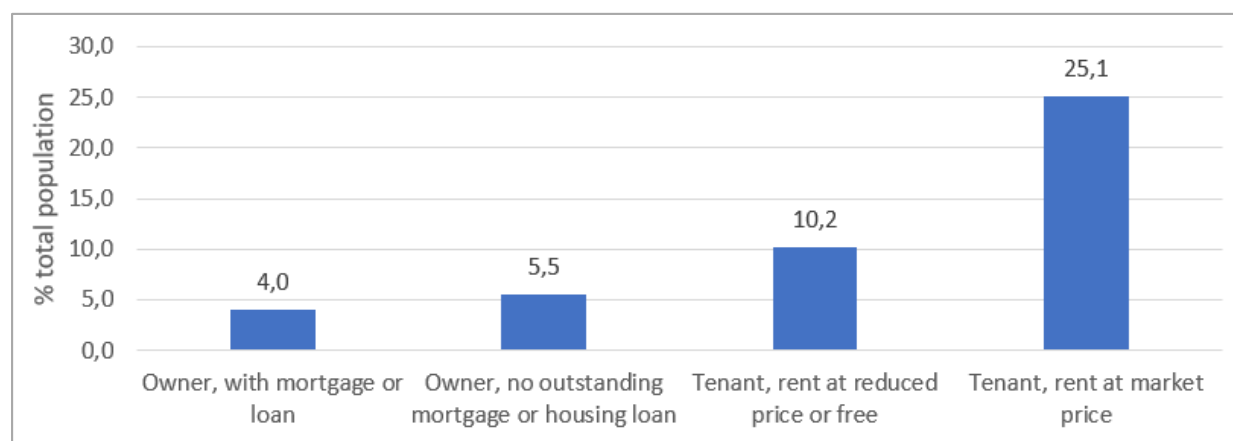
⁶ Ronald, R., Dewilde, C. (2017), *Why housing wealth and welfare?* In: Dewilde, C., Ronald, R. (eds), *Housing Wealth and Welfare*, Northampton, MA: Edward Elgar, pp. 1–34.

⁷ Colini, L. (2016), *EU Urban Agenda: The challenge of "affordable housing" in Europe*, available at: <https://ec.europa.eu/futurium/en/housing/eu-urban-agenda-challenge-affordable-housing-europe-laura-colini-urbact-expert>.

⁸ Eurostat (2019), *Housing Statistics Explained*, Eurostat [Online], available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_statistics.

⁹ The equivalised disposable income is the total income of a household, after tax and other deductions that is available for spending or saving, divided by the number of household members converted into equalised adults.

Figure 1: Housing cost overburden rate by tenure status in the EU-27



Source: Authors' own elaboration based on Eurostat, EU-SILC survey (ilc_lvho07c).

The EU-27 average, however, does not reflect the significant differences between and within the EU Member States. Moreover, some of the experts interviewed indicated that Eurostat's current measure of housing affordability/housing cost overburden reflects the situation at national level and is therefore becoming less and less relevant, since housing affordability levels are becoming increasingly different *within* countries, e.g. between large cities, towns and rural areas, and from city to city within the same country.

There are a number of alternative definitions and measures of affordable housing. The European Investment Bank (EIB) defines housing affordability as "the 'gap' between social housing (the sector for low-income persons, typically eligible for housing allowances) and 'market rate housing'". This gap is identified through comprehensive local housing market analysis by the EIB^{10,11}. In other definitions, housing is affordable if it leaves a minimum income (according to a specific, national definition) for other expenses (such as food, health and education)¹². This relative definition is in contrast to a fixed ratio/benchmark of affordable housing.

Finally, in some cases the term 'affordable' (often used interchangeably with 'social') housing does not denote a single criterion/factor, but instead encompasses a complex range of factors that can make housing affordable. For example, HousingEurope (the European federation of Public, Cooperative and Social Housing) takes into account a range of affordable housing factors¹³, including: the impact of environmental policy and legislation (standards) on the cost of delivery of affordable housing; the effects of housing policy and practice on social exclusion; and financial mechanisms that enable the delivery of affordable housing, etc.

¹⁰ Rosenfeld, O. (2017), *Analysis of interpretations of the term affordable housing in the EU Urban Agenda Partnership for Housing*, a briefing note prepared for DG REGIO and the EU Urban Agenda Partnership for Housing, European Commission, DG REGIO, Brussels, available at: https://ec.europa.eu/futurium/en/system/files/ged/briefing_note_2017_interpreting_the_term_affordable_housing_-_march_2017.pdf.

¹¹ EIB, *Social and Affordable Housing with the EIB: Advanced Finance for a Basic Need*, 17 September 2019, available at: https://www.eib.org/attachments/thematic/social_and_affordable_housing_en.pdf.

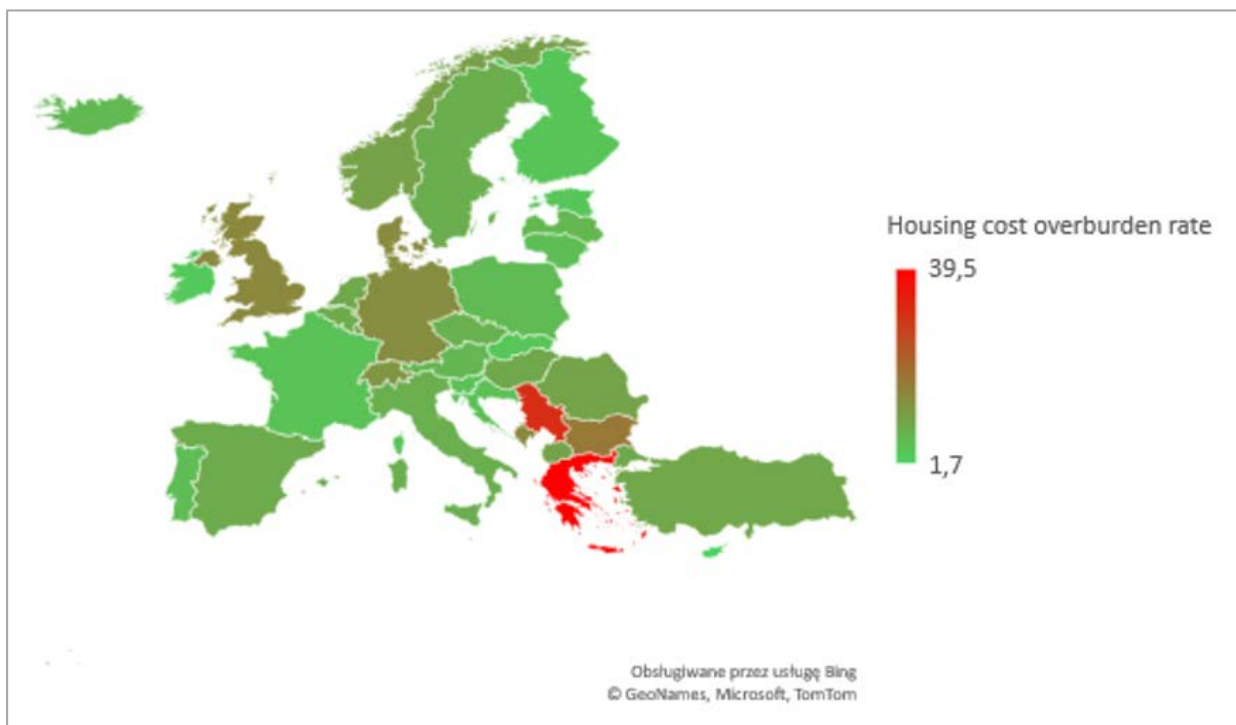
¹² Rosenfeld, O. (2017), *Analysis of interpretations of the term affordable housing in the EU Urban Agenda Partnership for Housing*, a briefing note prepared for DG REGIO and the EU Urban Agenda Partnership for Housing, European Commission, DG REGIO, Brussels, available at: https://ec.europa.eu/futurium/en/system/files/ged/briefing_note_2017_interpreting_the_term_affordable_housing_-_march_2017.pdf.

¹³ Ibid.

1.1.2. Housing cost overburden

One of the most pressing issues within the EU's housing sector is the high rates of housing cost overburden¹⁴ in many of the EU-27 countries (Figure 2)¹⁵. Between 2010 and 2018, the average housing cost overburden rate in the EU-27 countries remained stable at 10.2% of the population. However, there are **significant differences between the populations in EU Member States that spend more than 40% of their disposable income on housing**. Whereas housing cost overburden is relatively low in most of the Northern European and most of the Central and Eastern European (CEE) countries, it is higher in Germany, Denmark and Bulgaria, and is a particularly significant problem in Greece and some of the Balkan countries.

Figure 2: Housing cost overburden rate (% of total population)



Source: Authors' own elaboration based on Eurostat, EU-SILC survey (ilc_lvho07c).

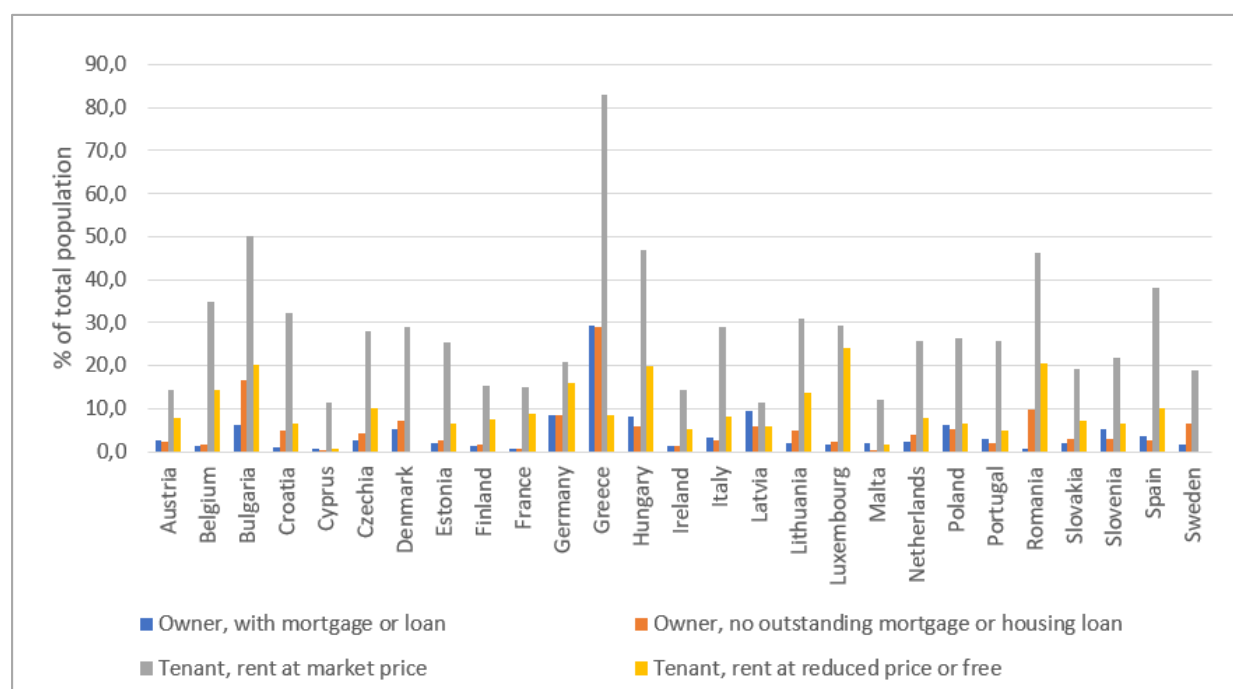
Housing cost overburden does not account for the differences between countries (incomes, taxes, prices, housing market), and does not allow for in-depth comparisons within the Member States. Housing cost overburden appears to be a particularly acute issue among **tenants renting houses at market prices** (Figure 3). Housing cost overburden is also quite prevalent among tenants renting at a reduced price (i.e. those living in social housing) in many countries, although the rates of overburden tend to be slightly lower. This is probably linked to the fact that housing cost overburden is significantly higher among the EU population at risk of poverty and low-income households. Almost 38% of households at risk of poverty spent more than 40% of their disposable income on housing, compared with 10.2% of the general population¹⁶. If housing costs are taken into account, 156 million people in the EU are at risk of poverty¹⁷.

¹⁴ Eurostat measures the housing cost overburden rate within a country as the percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).

¹⁵ Eurostat (online data code: tespm140), available at: <https://ec.europa.eu/eurostat/web/products-datasets/product?code=tespm140>.

¹⁶ Eurostat (online data codes: prc_hpi_a, prc_hpi_q, tipsho20, prc_hicp_aind, prc_hicp_midx).

Figure 3: Housing cost overburden rate by tenure status



Source: Authors' own elaboration based on Eurostat, EU-SILC survey (tessi164).

This is mostly due to a lack of control over rent prices¹⁸ in the vast majority of European countries. Gradually rising housing costs in almost all of the EU Member States are closely related to housing price overburden. Between 2007 and 2019, house prices increased in 22 EU Member States, with the highest rises being in Austria (+85.5%), Luxembourg (+80.6%) and Sweden (+80.3%). Rental cost increases in the EU over the last decade have been even more universal: prices have increased in 26 EU Member States, with the highest rises being in Lithuania (+101.1%), Czechia (+78.6%) and Hungary (+67.8%), and the only decreases being in Greece (-17.5%) and Cyprus (-0.3%)¹⁹.

It is still early to estimate the impacts of the Covid-19 crisis on the affordability of housing in the EU. However, the evidence collected from our expert interviews indicates that in the medium term, economic recession and the loss of jobs and income may further increase the housing cost overburden and homelessness rates in Europe. This will require national governments and the EU to invest more in social and affordable housing, particularly through supply-side measures.

¹⁷ *The State of Housing in the EU 2019*, Housing Europe, the European Federation of Public, Cooperative and Social Housing Brussels, September 2019, available at: <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>.

¹⁸ Mense, A., Michelsen, C., Chlodilin, K.A. (2017), *Empirics on the causal effects of rent control in Germany*, FAU Discussion Papers in Economics, No. 24/2017, Friedrich-Alexander-Universität Erlangen-Nürnberg, Institute for Economics, Nürnberg, available at: <https://www.econstor.eu/bitstream/10419/172460/1/1008784427.pdf>.

¹⁹ Eurostat (online data codes: prc_hpi_a, prc_hpi_q, tipsho20, prc_hipc_a, prc_hipc_midx).

1.1.3. Investment in affordable, decent and social housing

There is no common definition of social housing across the EU²⁰. However, there are three common elements in defining social housing across the EU²¹:

- A mission of public interest;
- The objective of increasing the supply of affordable housing; and
- Specific target groups defined in terms of their socio-economic status or the presence of vulnerabilities.

When talking about investment in affordable housing, two types of public investments should be distinguished:

- Public investments in affordable housing in general, including both supply-side measures (such as development of social housing stock) and demand-side measures (social welfare type payments) (for more on this distinction, see section 0); and
- Public investments in social housing in a narrow sense (supply-side measures only).

In terms of public investments in affordable housing in a wider sense, **the public investment gap in the EU stands at EUR 57 billion per year, and the overall public investment in the sector that could boost supply keeps falling**²². Governments often focus on offering incentives to private developers, while housing support for low income households is increasingly given in the form of social welfare-type payments²³. Moreover, public financing for affordable housing (both supply and demand side) differs very significantly between EU Member States. As of 2016, the highest overall public spending on housing (both supply side and demand side measures) was in Ireland, Denmark and France, whereas the lowest reported spend was in Austria, Czechia, Latvia, Lithuania, and Poland (for more details, see section 0).

In terms of investments in social housing in a narrower sense (supply-side measures), the difference between different EU Member States was even more noticeable. Relatively wealthy European welfare states (the Netherlands, Denmark and Austria) have a medium or high level of social housing. Countries with 'low' levels of social housing have traditionally supported owner-occupation (Spain, Italy) or are former communist countries (Hungary, Poland) (see Figure 4)²⁴.

²⁰ Hansson, A.G., Lundgren, B. (2019), *Defining Social Housing: A Discussion on the Suitable Criteria*, Housing, Theory and Society, 36:2, pp. 149-166, doi:10.1080/14036096.2018.1459826.

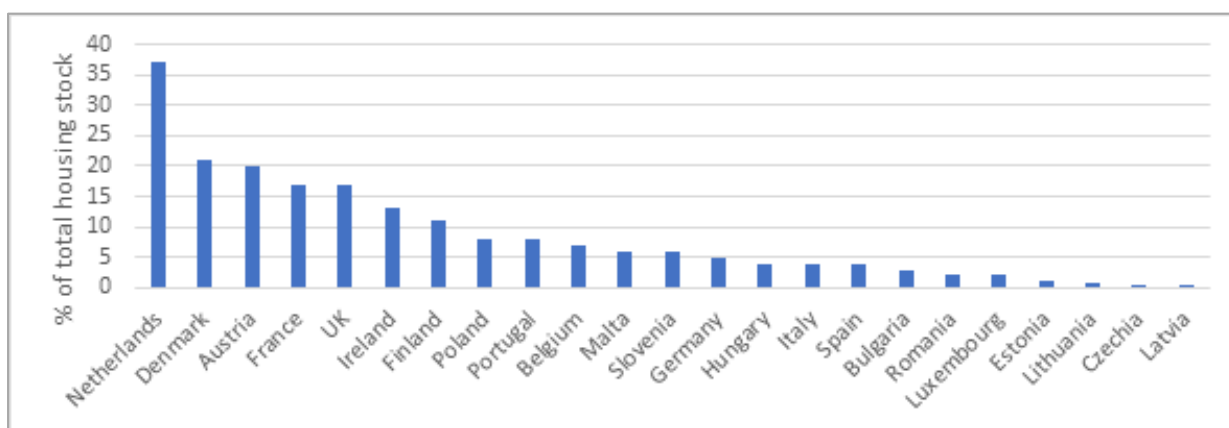
²¹ Braga, M., Palvarini, P., *Social Housing in the EU*, Study for the committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg, 2013, available at: [https://www.europarl.europa.eu/RegData/etudes/note/join/2013/492469/IPOL-EMPL_NT\(2013\)492469_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/note/join/2013/492469/IPOL-EMPL_NT(2013)492469_EN.pdf).

²² Franssen, L., Bufalo, G., Reviglio, E., *Boosting Investment in Social Infrastructure in Europe*. European Economy Discussion Paper 074, January 2018, Publications Office of the European Union, Luxembourg, available at: https://ec.europa.eu/info/sites/info/files/economy-finance/dp074_en.pdf.

²³ *The State of Housing in the EU 2019*, Housing Europe, the European Federation of Public, Cooperative and Social Housing Brussels, September 2019, available at: <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>.

²⁴ Scanlon, K., Fernández Arrigoitia, M., Whitehead, C.M.E. (2015), *Social housing in Europe*. *European Policy Analysis* (17), pp. 1-12, available at: http://eprints.lse.ac.uk/62938/1/Fernandez_Social%20housing%20in%20Europe_2015.pdf.

Figure 4: Social housing stock (% of total housing stock) in 2018 or latest available figures



Source: Authors' own elaboration based on *OECD Affordable Housing Database*, available at: <https://www.oecd.org/els/family/PH4-2-Social-rental-housing-stock.pdf>.

Over the last decade, the stock of social rental housing has increased in Austria and France. By contrast, Finland and Poland have experienced the most significant reductions in the relative size of the social housing sector. The sector also shrank in Germany and Denmark, and to a lesser extent in Estonia and Norway. According to an OECD report on affordable housing, the decline in the stock of social rental housing in a number of countries is partly related to a slowdown in new social housing construction, as well as policies towards the privatisation of social housing, as for instance in Germany, Poland and the United Kingdom²⁵.

The role of social housing has declined since the 1980s as pressures on public expenditure have increased, while liberalisation and privatisation have become increasingly important within housing markets. In most countries, the social rental sector is becoming more marginalised, both as a result of shifts in the nature of demand (notably increased demand from migrants and ethnic minority households) and of increasing concentrations of new entrants being placed in less desirable locations²⁶.

Although the proportion of social housing has been falling, the role of the sector continues to be an important topic of social and political debate in many European countries²⁷. On the one hand, government subsidies to support investment in new housing and regeneration have generally declined, as well as becoming more targeted (e.g. aimed at specific regeneration projects and the improvement of existing stock). On the other hand, investment in social housing presents an opportunity to alleviate the negative consequences of economic crises. For instance, during the 2008 economic crisis, non-profit social housing in Denmark worked as a stabiliser of the economy²⁸. Although most of the construction sector experienced a serious recession, the construction of social housing continued and was used as an alleviation strategy to boost the economy in Denmark and France. Thus, **investment in social housing may be perceived simultaneously as a burden on the public budget and as a way to bolster aggregate demand. Such an approach may be a viable response to the COVID-19 pandemic.**

²⁵ *OECD Affordable Housing Database*, available at: <https://www.oecd.org/els/family/PH4-2-Social-rental-housing-stock.pdf>.

²⁶ Scanlon, K, Fernández Arrigoitia, M., Whitehead, C.M.E. (2015), *Social housing in Europe*. *European Policy Analysis*, (17), pp. 1-12, available at: http://eprints.lse.ac.uk/62938/1/Fernandez_Social%20housing%20in%20Europe_2015.pdf.

²⁷ Poggio, T., Whitehead, C. (2017), *Social housing in Europe: legacies, new trends and the crisis*. *Critical Housing Analysis*, 4 (1), pp. 1-10, ISSN 2336-2839.

²⁸ Rogaczewska, N. (2017), *Danish non-profit social housing and mortgage institutes – a common stand on future financial regulation*, ECBC: European Covered Bond Fact Book, 2017, available at: <https://hypo.org/ecbc/publication-news/danish-non-profit-social-housing-mortgage-institutes-common-stand-future-financial-regulation/>.

Social segregation

Levels of social segregation and inequalities have grown over the last decade in Europe. Under the influence of transformations in welfare states, globalisation and migration flows, levels of socio-economic segregation are increasing. Extreme forms of segregation include gated communities for the wealthy, and 'ghettos' for the poorest. So-called 'no-go areas' in cities are disfavoured as places to live or run a business, which implies a serious limitation of access to essential services, and major negative impacts on citizens suffering from any form of deprivation²⁹. In some countries, investment in social housing is used to address the problem of social segregation. For example, in the Netherlands, following an informal principle to "put the best schools in the worst neighbourhoods", housing cooperatives strive to improve the quality of social services (especially education and schooling, e.g. by providing training for teachers) to tackle social segregation (for more details, see section 0.). Thus, investment in decent/affordable/social housing is a relevant mechanism for reducing social segregation³⁰.

Decent housing

The percentage of the population in cities, towns and suburbs, and rural areas living in severe housing deprivation³¹ has risen over the last decade. In recent years, the largest share of population living in severe housing deprivation has been in rural areas, followed by cities and then towns and suburbs (Figure 5).

In addition to the level of urbanisation, another important factor in severe housing deprivation is tenure status. More specifically, there is a negative association between the size of the rental sector and the prevalence of housing deprivation. In other words, an integrated, regulated rental sector that is inclusive of broad sections of the population, or which aims to provide decent housing for all, significantly reduces the risk of housing deprivation. In contrast, a highly privatised rental sector, and heavy dependence upon homeownership, as is the case in most Central and Eastern European states, is associated with higher rates of housing deprivation³².

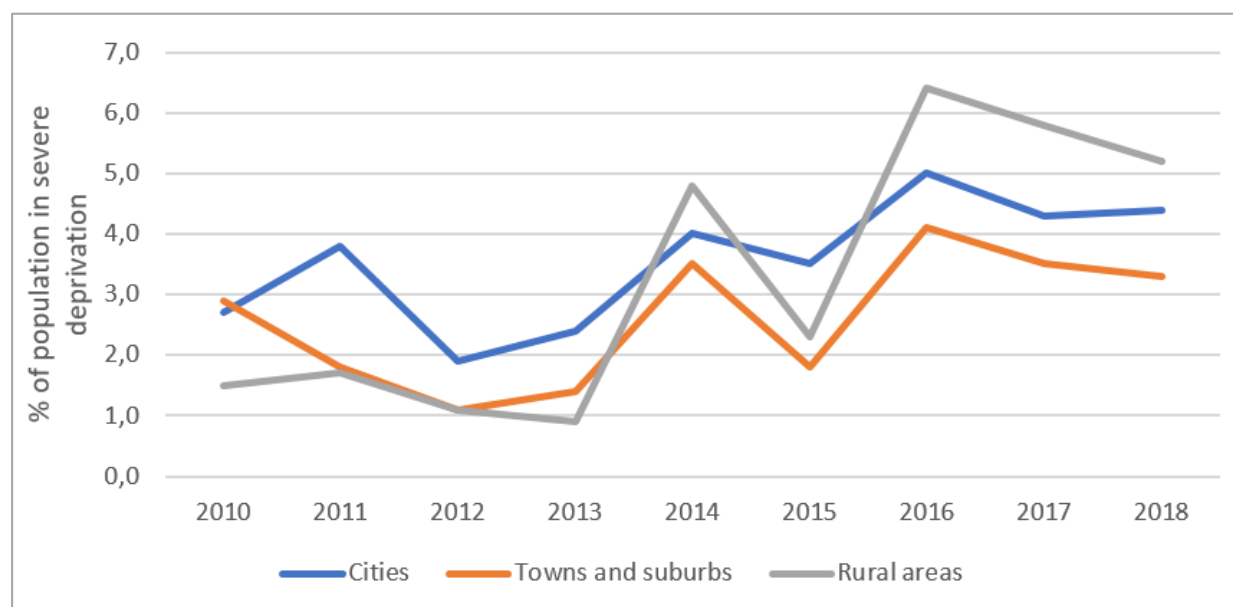
²⁹ Musterd, S., Marcińczak, S., Van Ham, M., Tammaru, T. (2017), *Socioeconomic segregation in European capital cities. Increasing separation between poor and rich*, *Urban Geography*, 38:7, pp. 1062-1083, doi: 10.1080/02723638.2016.1228371, available at: <http://ftp.iza.org/dp9603.pdf>.

³⁰ Dortland, Edwin (2010), *Corporaties in brede schoolontwikkeling: en onderzoek naar besluitvorming en verantwoording door corporaties bij het ontwikkelen van brede scholen*, MUAD and Woonstad Rotterdam, available at: <https://bouwstenen.nl/fileswijkplaats/Scriptie%20Corporaties%20in%20brede%20schoolontwikkeling,%20Edwin%20Dortland%202010.pdf>.

³¹ According to Eurostat, the rate of severe housing deprivation is defined as the percentage of the population living in dwellings that are considered as overcrowded, while also exhibiting at least one of the measures of housing deprivation. Housing deprivation is a measure of poor amenities, and is calculated by referring to those households with a leaking roof, no bath/shower and no indoor toilet, or a dwelling that is considered too dark. For more information, see: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Severe_housing_deprivation_rate.

³² Borg, I. (2015), *Housing Deprivation in Europe: On the Role of Rental Tenure Types*. *Housing, Theory and Society*, 32:1, pp. 73-93, doi:10.1080/14036096.2014.969443, available at: https://www.researchgate.net/publication/272499530_Housing_Deprivation_in_Europe_On_the_Role_of_Rental_Tenure_Types.

Figure 5: Severe housing deprivation rate in the EU by degree of urbanisation



Source: Authors' own elaboration based on Eurostat, EU-SILC survey (ilc_mdho06d).

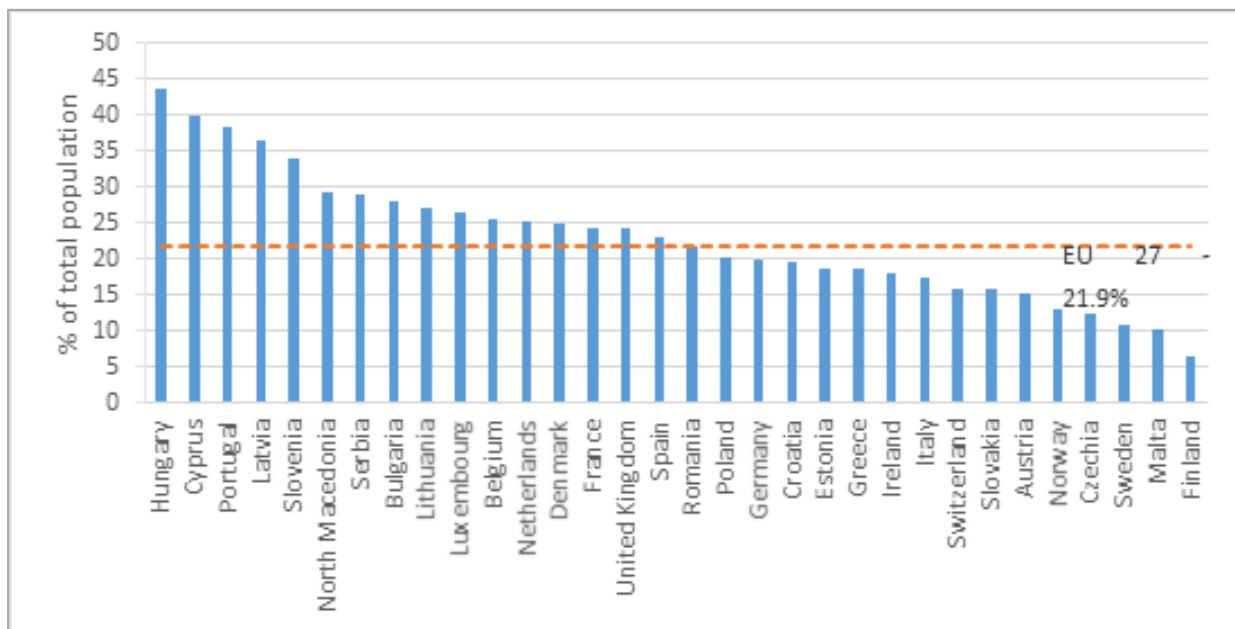
In addition, over recent years, the position of low-income owners and private renters in most countries has deteriorated over time. More specifically, **housing conditions/access to decent housing for low-income owners and renters have deteriorated in recent decades**. This is due to the level of financialisation of housing (rise in mortgage debts, mortgage securitisation³³ etc.), and decreases in the supply of private rental housing. Although this trend towards the reduced affordability of housing among low-income households (especially low-income private renters) in Europe has intensified since 2008, the observed trend does not originate from declining household incomes following the Great Financial Crisis (2008–2009). The affordability gap between low- and middle-income private renters had already grown significantly due to the increased financialisation of the housing sector during the period 1995–2007³⁴.

According to other recent data gathered by the EU-SILC (Survey of Income and Living Conditions) in 2018, over 21% of low-income earners in EU-27 experience housing deprivation (living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in the window frames or floor) (Figure 6). Furthermore, **housing quality problems among low-income earners are more widespread in Central and Eastern European states**. According to SILC data from 2012, cited by a recent OECD study, the lack of access to basic sanitary facilities among low-income households is comparatively low in Western, Southern and Northern European countries, but higher in Central and Eastern European countries. The proportion of low-income households lacking basic sanitary facilities is very low in Germany (1%), France (2%) and Portugal (2%), and as low as 0.5% in some northern European countries (Iceland, Norway, Sweden and the Netherlands) and southern European countries (Greece, Italy, Spain). In contrast, the proportion of low-income households lacking basic sanitary facilities in Poland, Estonia and Hungary is 2.5%, 17.6% and 24.7% respectively. In Slovakia and Czechia, the figure is around 5%³⁵.

³³ Mortgage securitisation – the practice of pooling many mortgages together, and then selling shares of that pool as bonds to investors. Bondarenko, Peter (2019) *Securitization*, Encyclopædia Britannica, available at: <https://www.britannica.com/topic/securitization>.

³⁴ Dewilde, C. & De Decker, P. (2016), *Changing Inequalities in Housing Outcomes across Western Europe*. *Housing, Theory and Society*, 33:2, pp. 121-161, doi:10.1080/14036096.2015.1109545, available at: https://www.researchgate.net/publication/284710011_Changing_Inequalities_in_Housing_Outcomes_across_Western_Europe.

³⁵ Salvi del Pero, A. et al. (2016), *Policies to promote access to good-quality affordable housing in OECD countries*, OECD Social, Employment and Migration Working Papers, No. 176, OECD Publishing, Paris, available at: <https://doi.org/10.1787/5im3p5ql4did-en>.

Figure 6: Low-income population³⁶ experiencing housing deprivation³⁷

Source: Authors' own elaboration, based on Eurostat, EU-SILC, 2018.

Energy poverty

The EU Energy Poverty Observatory defines energy poverty as the inability to adequately heat, cool, light and use power appliances within a household. Energy-poor households experience inadequate levels of these essential energy services, due to a combination of high energy expenditure, low household incomes, inefficient buildings and appliances, and specific household energy needs. It is estimated that more than 50 million households in the European Union experience energy poverty³⁸.

Homelessness

There is no single definition of homelessness in the EU. The as-yet-unsuccessful adoption of a single definition has made it difficult to assess the extent of homelessness across EU countries³⁹. Overall, people sleeping rough, staying in emergency/temporary accommodation services, and those living in inadequate living spaces or in places which cannot be considered "regular housing units" are the most common references used in existing official definitions of homelessness across Europe. However, the experts interviewed indicate that there is a pressing need to work towards a harmonised definition and to strengthen data collection mechanisms.

The availability and quality of data on homelessness varies widely between European countries. Figure 7 shows the countries that have witnessed a substantial increase or decrease in the population of homeless people in the last decade. According to a recent study⁴⁰, over the past decade, homelessness has increased in a number of EU Member States. The causes of such increases are a combination of rising housing costs, the impact of the economic crisis and the continued austerity-related measures

³⁶ Low-income is defined as below 60% of equivalised income.

³⁷ Housing deprivation: living in a low-quality dwelling with a leaking roof, damp walls, floors or foundation, or rot in the window frames or floor.

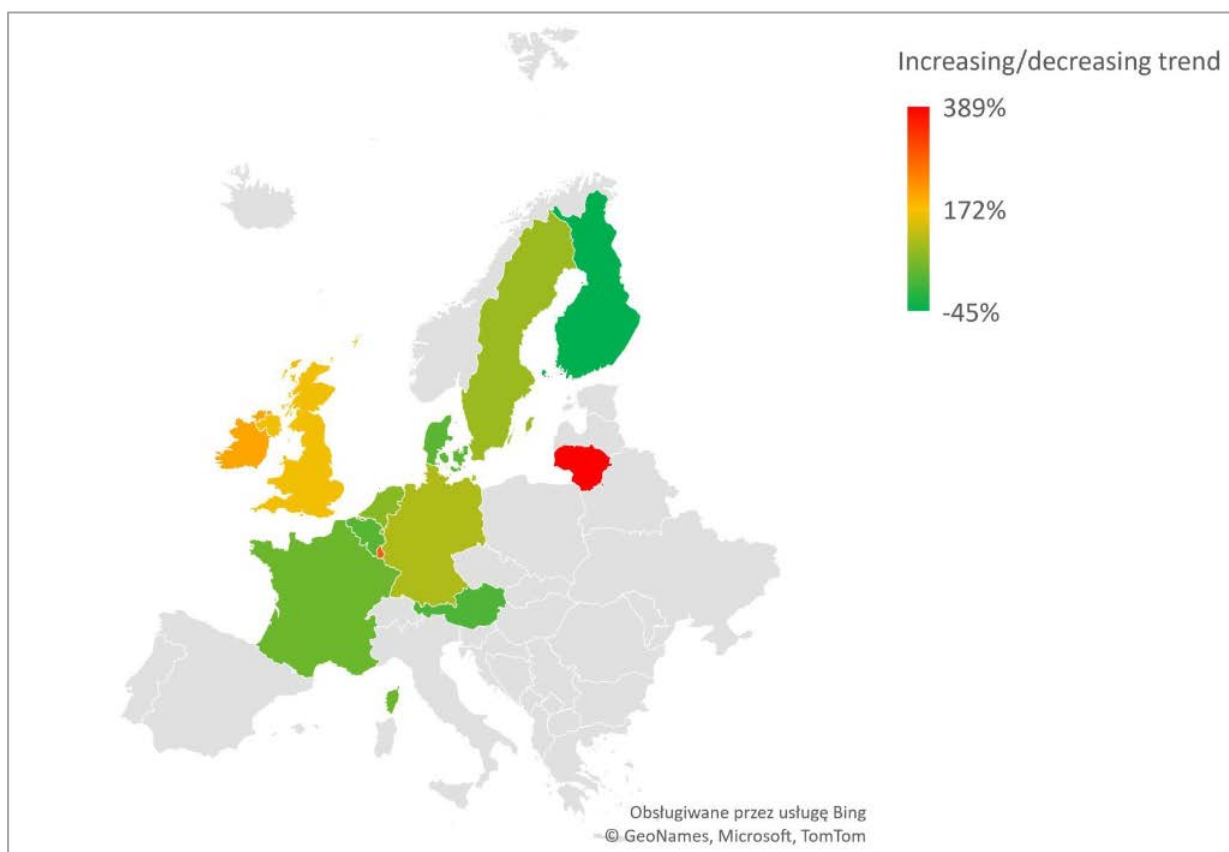
³⁸ *Energy poverty*, European Commission, 22 May 2019, available at: https://ec.europa.eu/energy/topics/markets-and-consumers/energy-consumer-rights/energy-poverty_en?redir=1.

³⁹ Baptista, I., Marlier, E. (2019), *Fighting homelessness and housing exclusion in Europe: A study of national policies*, European Social Policy Network (ESPN), Brussels: European Commission, available at: <https://op.europa.eu/en/publication-detail/-/publication/2dd1bd61-d834-11e9-9c4e-01aa75ed71a1/language-en>.

⁴⁰ Ibid.

that followed, such as freezing or cutting social programmes or benefits.

Figure 7: Variation in homelessness⁴¹ (% change in number of homeless over past decade)



Source: Authors' own elaboration, based on Baptista, I. & Marlier, E. (2019), *Fighting homelessness and housing exclusion in Europe: A study of national policies*, European Social Policy Network (ESPN), Brussels: European Commission, available at: <https://op.europa.eu/en/publication-detail/-/publication/2dd1bd61-d834-11e9-9c4e-01aa75ed71a1/language-en>.

Integrated strategic responses to homelessness and housing exclusion are on the rise across the Member States, although evidence with regard to their effectiveness remains scarce. According to evidence from our expert interviews, one of the biggest drivers of the rise in homelessness is the inadequacy of policies to address the issue. Many policies and resources focus on managing homelessness rather than solving it. There is a tendency to accept homelessness and housing exclusion as a 'social fact', not as a problem that should be permanently solved. Denmark, Finland, France and Ireland provide the best examples of countries in which the implementation of strategies to prevent homelessness is being developed and monitored (for specific examples of good practice, see section 0 below). For example, Finland has substantially reduced its rate of homelessness over recent decades, thanks to determined action plans and innovative approaches. Finland was the pioneer of the Housing First approach, which has been the basis of the country's homelessness policy since 2008⁴². Similarly, although homelessness in Ireland rose quite significantly between 2014 and 2018 (see Figure 7) in 2018, the government implemented the Housing First National Implementation Plan 2018-2021, which

⁴¹ Collecting data on homelessness is very difficult, and therefore the time periods being compared differ between countries, e.g. figures for Latvia refer to the period 2009-2017; Finland, 1995-2018; Ireland, 2014-2018; Germany, 2012-2017; Austria, 2008-2017; Luxembourg, 2007-2014; France, 2002-2012; Belgium, 2007-2014; Netherlands, 2009-2016; England, 2010-2018; Denmark, 2009-2017. All data are based on ESPN national reports.

⁴² *Housing First Europe Hub: Finland*, available at: <https://housingfirsteurope.eu/countries/finland/>.

aims to reduce and eliminate rough sleeping and long-term homelessness. It commits to the rollout of Housing First in every county in Ireland, and sets annual targets for each local authority.

1.2. Financialisation of housing – a financial asset, not a common right

One of the key factors behind rising housing costs and the decreasing affordability of housing in Europe is the so-called 'financialisation' of housing, which is generally defined as the transformation of housing into a financial asset or commodity for secure investment and/or profit making, rather than a social good/human right⁴³.

Because research on the financialisation of housing in Europe has only emerged relatively recently, there is no common agreement as to what specific elements constitute the financialisation of housing markets, or what the universal indicators of this phenomenon are. However, the literature on the financialisation of housing often identifies several aspects that are usually associated with this process.

The integration with and increasing dependence of housing on the general financial markets, especially the financial markets for mortgages, over recent decades is one of these key aspects linked to the financialisation of housing⁴⁴. Although the more liberal economies, especially those of the English-speaking countries, experienced this process earlier, other economies, including other EU Member States, have followed the general trend towards the financialisation of housing markets over recent decades. All national models experienced a shift from regulated mortgage and capital markets, limited cross-border capital flows and a low private-debt-to-GDP-ratio (gross domestic product), towards higher levels of private debt and an increasingly 'liberalised' financial environment in the field of housing^{45,46}.

The population's dependence on finance/mortgages for housing purposes varies substantially between EU Member States. In some countries (the Scandinavian countries, the Netherlands, Belgium, Luxembourg), 40-60% of the population belong to the group of owners with a mortgage or loan. Meanwhile, in most Member States in Central and Eastern Europe (CEE), and in some Southern European countries (Italy, Greece), this share of population is less than 15% (see Figure 8).

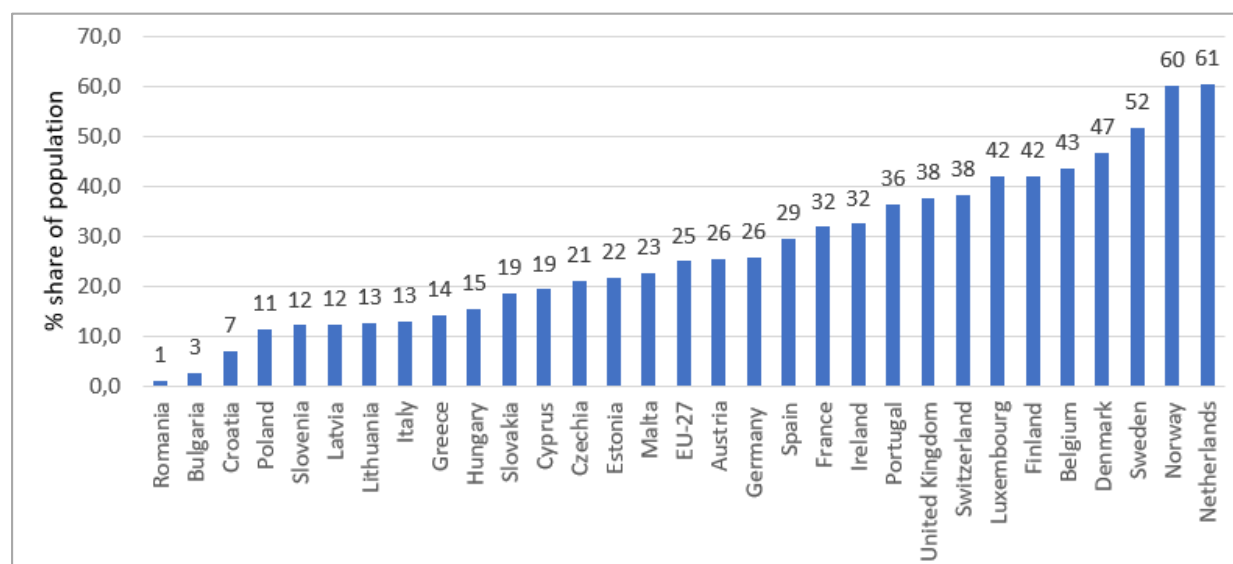
⁴³ United Nations Human Rights, *Financialization of housing*. available at: <https://www.ohchr.org/EN/Issues/Housing/Pages/FinancializationHousing.aspx>.

⁴⁴ Aalbers, M. (2017), *The Variegated Financialization of Housing*, International Journal of Urban and Regional Research, 41(2), doi:10.1111/1468-2427.12522, available at: https://www.researchgate.net/publication/319969118_The_Variegated_Financialization_of_Housing.

⁴⁵ Fernandez, R., Aalbers, M. (2016), *Financialization and housing: Between globalization and Varieties of Capitalism*. Competition & Change 20, doi:10.1177/1024529415623916, available at: https://www.researchgate.net/publication/292337862_Financialization_and_housing_Between_globalization_and_Varieties_of_Capitalism.

⁴⁶ Aalbers, M. (2015), *The Great Moderation, the Great Excess and the global housing crisis*, International Journal of Housing Policy 15, pp. 43-60, doi:10.1080/14616718.2014.997431, available at: https://www.researchgate.net/publication/272390549_The_Great_Moderation_the_Great_Excess_and_the_global_housing_crisis.

Figure 8: % share of population by tenure status – owner, with mortgage or loan (2018)



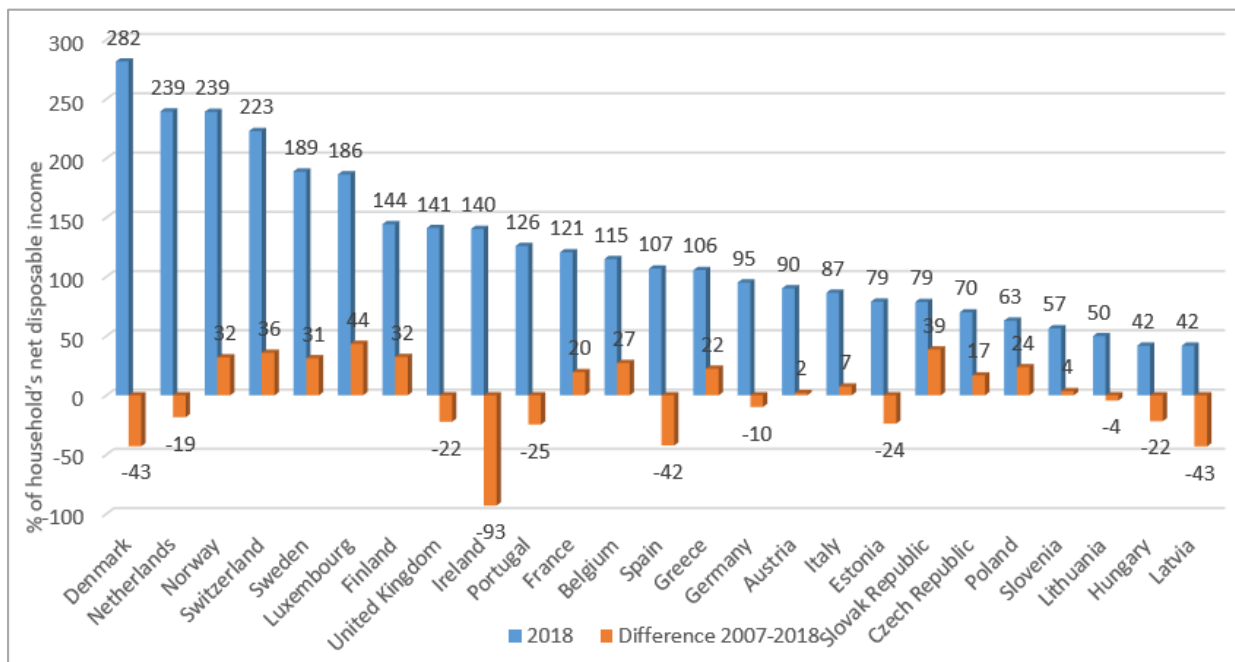
Source: Authors' own elaboration based on Eurostat, EU-SILC (ilc_lvho02).

The countries that depend mostly on mortgages/loans in their housing supply to a large extent corresponded to those EU Member States with the highest household debt. According to OECD statistics, the Scandinavian countries, Luxembourg and the Netherlands had the highest household debt of all the European countries included in the statistics, whereas the CEE countries had the lowest household debt (see Figure 9). According to a recent study⁴⁷, variation in household debt between European countries can be explained by the intersection of two domestic institutions: (1) labour market institutions/the welfare state that enable households to withstand negative employment/income shocks, and (2) mortgage finance institutions that govern households' access to credit. The study⁴⁸ revealed positive links between strong collective bargaining institutions (and generous welfare states), which protect borrowers from income and employment insecurity, and higher household indebtedness. This was the case, however, only if housing finance institutions that encourage mortgage lending are present (e.g. in Scandinavia and the Netherlands). In contrast, liberal (financialised) economies with weaker and means-tested welfare states (such as the United Kingdom or Ireland before the euro crisis) exhibit comparatively lower household indebtedness because precarious income and employment conditions make it difficult for (lower income) households to secure loans⁴⁹.

⁴⁷ Johnston, A., Fuller, G.W. & Regan, A. (2020), *It takes two to tango: mortgage markets, labor markets and rising household debt in Europe*, Review of International Political Economy, doi:10.1080/09692290.2020.1745868. Available at: http://www.aidanregan.com/1/146/resources/publication_2945_1.pdf.

⁴⁸ Ibid.

⁴⁹ Ibid.

Figure 9: Household debt⁵⁰ (average levels and growth, 2007–2018)⁵¹

Source: Authors' own elaboration based on OECD, available at: <https://data.oecd.org/hha/household-debt.htm>.

Although the current research associates high levels of debt with well-functioning welfare systems, **over the past decade (especially before and during the Great Recession of 2008), increasing debt taken on by individual households** was often associated with unprecedented housing precarity, making people vulnerable to predatory lending practices and the volatility of markets. Over recent decades, financialised housing markets have caused **displacement and evictions** on an unparalleled scale in Europe. This was especially the case in those countries where widespread mortgage lending was combined with weak welfare state institutions that normally enable households to withstand negative employment/income shocks. In some countries that were particularly affected by the housing crisis and the bursting of the property bubble (such as Spain, Ireland and Portugal⁵²), increases in the housing vacancy rate were due to banks repossessing a portion of the housing stock⁵³. Individual households were affected by predatory lending practices that often resulted in foreclosures for mortgage default. In Spain, for instance, more than half a million foreclosures between 2008 and 2013 resulted in over 300,000 evictions. Similarly, there were almost one million foreclosures in Hungary between 2009 and 2012⁵⁴.

Another way to measure the financialisation of housing is to look at the amount of **secondary property ownership (SPO)**. While SPO is often a result of intergenerational solidarity (e.g. buying a

⁵⁰ Household debt is defined as all liabilities of households (including non-profit institutions serving households) that require payments of interest or principal by households to the creditors at a fixed date in the future. Debt is calculated as the sum of the following liability categories: loans (primarily mortgage loans and consumer credit) and other accounts payable.

⁵¹ The indicator is measured as a percentage of net household disposable income.

⁵² In the countries mentioned, households have adjusted debt to pre-crisis levels. e.g. during the peak debt period (2007) in Spain and Portugal, households debts were over 80% of disposable income. Household debt in countries such as Spain, Ireland and Portugal has decreased significantly since the Great Economic Recession of 2008 (see Figure 9).

⁵³ Tosics, I. (2019), *The housing paradox: more financing, less affordability?* AEIDL, available at: <https://www.aeidl.eu/images/stories/pdf/housing-en.pdf>.

⁵⁴ UN General Assembly, Human Rights Council: *Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context*, available at: <http://unhousingrapp.org/user/pages/04.resources/Thematic-Report-3-The-Financialization-of-Housing.pdf>.

home for the children)⁵⁵ or the ownership of holiday homes, secondary property ownership is also recognised as a form of investment. Investments in rental housing may be a strategy to supplement absent or low second-tier pension arrangements by those who are inadequately covered by such arrangements. Alternatively, investments in rental housing may also be a strategy to diversify the wealth portfolio of those who are relatively wealthy anyway, and well covered by second-tier pension arrangements^{56,57}.

A recent study⁵⁸ on SPO in Europe, which focused mainly on residential properties used as rental investments in 20 EU Member States, found that a considerable amount of wealth is held in the form of SPO, while the total varies considerably from country to country. Wealth from SPO ownership (measured as a percentage of total net property wealth) was particularly high in Ireland, Portugal and Cyprus, and comparatively low in the Netherlands, Slovakia and Poland (see Figure 10).

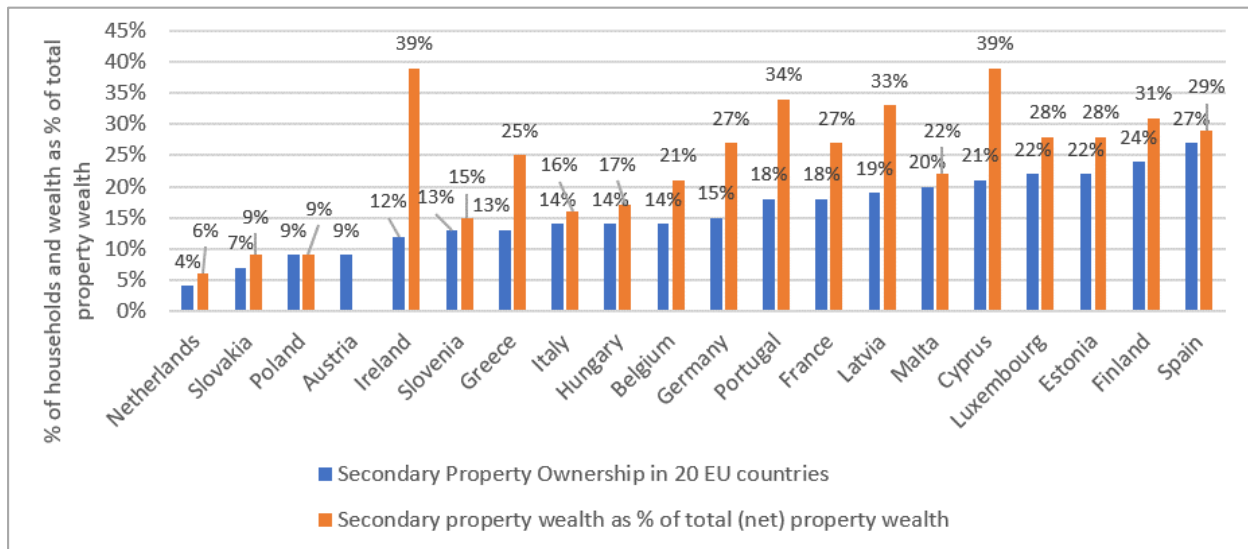
⁵⁵ Burrows, V., Lennartz, C. (2018), *The timing of intergenerational transfers and household wealth: Too little, too late?* Retrieved February 8, 2019 from <http://www.iariv.org/copenhagen/burrows.pdf>.

⁵⁶ Soaita, A.M., Searle, B.A., McKee, K., Moore, T. (2017), *Becoming a landlord: Strategies of property-based welfare in the private rental sector in Great Britain*, *Housing Studies*, 32(5), pp. 613–637, doi:10.1080/02673037.2016.1228855. Available at: https://www.researchgate.net/publication/306379751_Becoming_a_landlord_property-based_welfare_strategies_in_the_private_rental_market_in_Great_Britain.

⁵⁷ Arundel, R. (2017), *Equity inequity: Housing wealth inequality, inter and intra-generational divergences, and the rise of private landlordism*. *Housing, Theory and Society*, 34(2), pp. 1–25, available at: https://pure.uva.nl/ws/files/15016083/Equity_inequity.pdf.

⁵⁸ Wind, B., Dewilde, C., Doling, J. (2020), *Secondary property ownership in Europe: contributing to asset-based welfare strategies and the 'really big trade-off'*, *International Journal of Housing Policy*, 20:1, pp. 25-52, doi:10.1080/19491247.2019.1573961. Available at: https://www.ruq.nl/research/portal/files/120243928/Secondary_property_ownership_in_Europe_contributing_to_asset_based_welfare_strategies_and_the_really_big_trade_off.pdf.

Figure 10: Secondary property ownership by country



Source: Wind, B., Dewilde, C. & Doling, J. (2020), *Secondary property ownership in Europe: contributing to asset-based welfare strategies and the 'really big trade-off'*, International Journal of Housing Policy, 20:1, pp. 25-52, doi:10.1080/19491247.2019.1573961, available at:

https://www.ruq.nl/research/portal/files/120243928/Secondary_property_ownership_in_Europe_contributing_to_asset_based_welfare_strategies_and_the_really_big_trade_off.pdf.

In order to distinguish between SPO for the purpose of consumption, and SPO for investment purposes, the study measured the incidence of landlordism among secondary property owners (i.e. ownership of two or more housing units, with the household being in receipt of rental income), using data from the Household Finance and Consumption Survey (HFCS). **The highest share of landlords among secondary property owners was in Belgium, Germany, France Luxembourg (conservative-corporatist welfare regimes) as well as in the United Kingdom and Ireland (liberal welfare).** In contrast to these two groups, in all other countries with medium rates of secondary property ownership but lower levels of landlordism, secondary properties are predominantly vacant or used by the family as holiday homes or to house other members of the extended family (this includes Scandinavian, Southern and CEE countries). Thus, the study concludes that **the welfare regime was the key determinant in the choice to use secondary property as an investment.** Welfare states do not protect different social and occupational groups equally well against the risks of income loss in old age. As a consequence, in the conservative-corporatist countries, SPO can be seen as a long-established, proactive, asset-based welfare strategy that compensates for the limitations of fragmented pension systems, particularly among the self-employed. In liberal welfare states, the recent upswing in buy-to-let landlordism is a manifestation of the concentration of housing wealth and limited access to homeownership for starters, which makes SPO an increasingly attractive investment. **Although the financial crisis of 2008 resulted in a number of regulations that restricted access to mortgages to lower income and especially younger populations, evidence suggests that in general, it did not stop the process of housing financialisation in Europe: instead, credit has seemingly been refocused on those who are already most successful,** i.e. the emerging landlord class in some housing markets^{59,60}.

In addition to the use by local residents of housing as an asset to compensate for the shortfalls in pension systems, another cause of the financialisation of housing in Europe is **the inflow of foreign**

⁵⁹ Kemp, P.A. (2015), *Private renting after the global financial crisis*. Housing Studies. 2015; 30(4): pp. 1–20, available at: https://www.researchgate.net/publication/275247513_Private_Renting_After_the_Global_Financial_Crisis.

investment into European residential property, either from emerging economies that accumulate trade surpluses, or from accumulated profits of transnational corporations in tax havens which amount to roughly 30% of global GDP⁶¹. The available empirical evidence from research on the effects of foreign investments on housing markets in England and Wales⁶² shows that **foreign investment increases local house prices and reduces the rate of home ownership in the area**: an increase of one percentage point in the share of residential transactions registered to overseas companies leads to an increase of around 2.1% in house prices. This effect is present at different percentiles of the distribution of house prices, and is stronger in places where the supply of housing stock doesn't react or reacts more slowly to changes in housing prices. Although these findings are specific to England and Wales and not the EU as a whole, they provide some insights into the potential impact of foreign investment on housing affordability in general.

Desk research and expert interviews show that, in general, **data on the financialisation of housing in the EU or the levels of speculative foreign investments in EU housing markets are not systematically collected and monitored at EU level**. This makes it difficult to track and identify the extent of the phenomenon, as there are only isolated studies and surveys based on the expectations/opinions of stakeholders in the housing market.

According to survey data from PricewaterhouseCoopers (PwC)⁶³, the overwhelming majority (70%) of industry experts (including investors, fund managers, developers, property companies, lenders, brokers, advisers and consultants) thought that cross-border capital from the Asia-Pacific region into European real estate would increase in 2020. In comparison, these expectations were lower with regard to capital inflows from the Americas (with 37% of experts expecting increased inflows), from other European countries (36%), or from the Middle East and Africa (45%) (Figure 11). Between 2015 and 2020 experts generally expected an increase in cross-border capital from the Asia-Pacific region into European real estate: around 60% to 80% of experts surveyed expected an increase in these capital inflows during the period 2015-2020⁶⁴.

⁶⁰ Arundel, R., Doling, J. (2017). *The end of mass homeownership? Changes in labour markets and housing tenure opportunities across Europe*. *J Hous Built Environ*, 2017;32(4): pp. 649-672, doi:10.1007/s10901-017-9551-8, available at: <https://link.springer.com/article/10.1007/s10901-017-9551-8>.

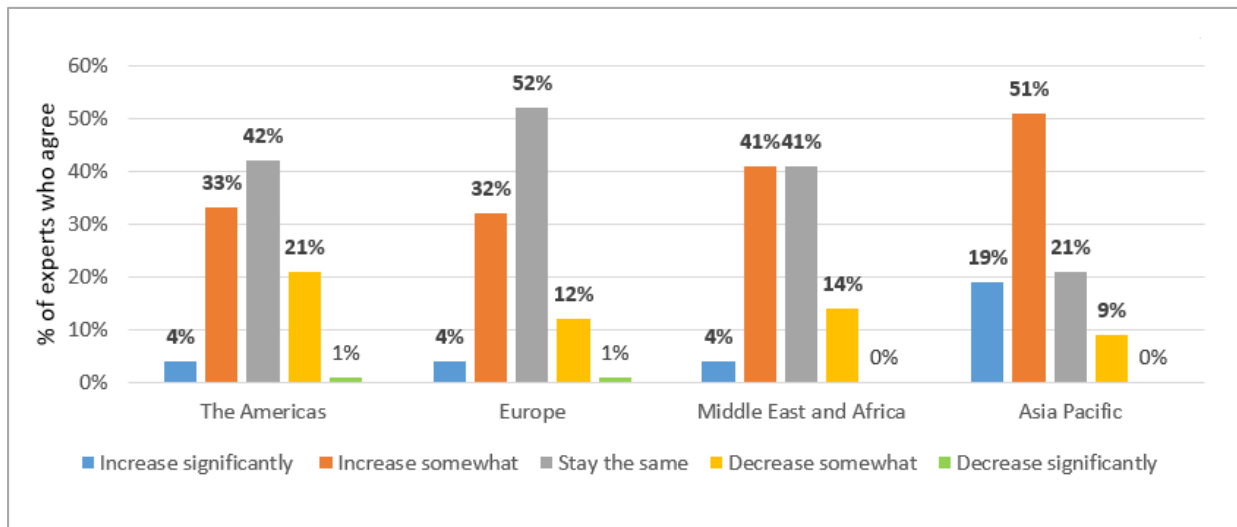
⁶¹ Fernandez, R., Aalbers, M. (2016), *Financialization and housing: Between globalization and Varieties of Capitalism*. *Competition & Change*, 20, doi:10.1177/1024529415623916, available at: https://www.researchgate.net/publication/292337862_Financialization_and_housing_Between_globalization_and_Varieties_of_Capitalism.

⁶² Sa, F. (2016), *The effect of foreign investors on local housing markets: evidence from the UK*, CFM discussion paper series (CFM-DP2016-39), Centre for Macroeconomics, London, UK, available at: <http://eprints.lse.ac.uk/86173/>.

⁶³ PwC and the Urban Land Institute. *Emerging Trends in Real Estate® Europe 2020*, London: PwC and the Urban Land Institute, 2019, available at: www.pwc.com/emerging-trends-real-estate/europe-2020.

⁶⁴ PwC *Emerging Trends in Real Estate Europe* reports 2015-2020, available at: <https://www.pwc.com/gx/en/industries/financial-services/asset-management/emerging-trends-real-estate/europe-2020.html>.

Figure 11: Expert expectations of cross-border capital flows into European real estate in 2020



Source: Authors' own elaboration based on PwC and the Urban Land Institute. *Emerging Trends in Real Estate® Europe 2020*. London: PwC and the Urban Land Institute, 2019, available at: www.pwc.com/emerging-trends-real-estate/europe-2020.

Financialisation and property speculation has **particularly affected housing prices and housing affordability in some large urban areas of Europe** (the so-called 'hedge cities' such as London, Paris, Barcelona, Amsterdam, Munich and Stockholm). This has created vast assets for the wealthy, while making housing unaffordable for most households who have not already invested in the market. As a consequence, moderate- and low-income households are pushed from these key urban areas to peri-urban areas with scant employment and services⁶⁵. According to the 2019 Future of Cities Report, following the recent scaling-up of foreign and corporate investments in residential urban property, some of Europe's most in-demand cities have seen sharp increases in housing prices over recent years⁶⁶.

Similarly, according to the 2019 UBS Global Real Estate Bubble Index⁶⁷, over recent years **some major EU cities have witnessed an unprecedented decoupling of house prices from local incomes**, thus increasing the risk of housing bubbles forming. Between 2018 and 2019 alone, with the exception of Milan, the major cities in the Eurozone exhibited the strongest growth in housing prices of all the major world cities covered in the study, driven by strong economic growth and low interest rate rises in the previous year. Consequently, **as of 2019, out of seven world cities with the highest housing bubble risk index⁶⁸ four were in the EU: Munich, Amsterdam, Frankfurt and Paris**. In addition, Stockholm and Madrid were also assigned to the moderate bubble-risk category.

Another recent trend that affects housing prices and access to affordable housing in the EU is the **rise of collaborative economy platforms for short-term accommodation** (Airbnb, HomeAway etc.). According to the most recent data from Eurostat, in the EU-27 countries, the percentage of individuals who used dedicated websites or apps to arrange accommodation from another individual increased from 12% in 2017 to 17% in 2019. While this average increase was reflected in nearly all European countries, in some the rise was particularly steep – e.g. Ireland (from 17% in 2017 to 31% in 2019), Luxembourg (from 18% to 37%) or France (from 17% to 23%). In general, the use of collaborative economy platforms for short-term accommodation varied significantly between EU Member States⁶⁹.

As of March 2020, **out of the five countries in the world with the most Airbnb listings, four were European countries**: France (in second place with 485,000 listings); Italy (third, with 340,000 listings); Spain (fourth, with 245,000 listings); and the United Kingdom (fifth, with 175,000 listings)⁷⁰. A recent

mapping of Airbnb in European cities showed that the number of Airbnb offers is positively related to the size of the city and its importance as a leisure tourism destination. In addition, the study showed that in major tourist destinations, particularly in the coastal and historic cities of the Mediterranean countries, Airbnb offers more second homes and apartments exclusively used for tourist purposes. Hence the platform not only creates a new form of accommodation, **but also enables the commercialisation of private second homes, and serves as a new distribution channel for existing commercial accommodation**⁷¹. Finally, the evidence shows that the majority of Airbnb listings in most cities are entire homes, many of which are rented out all year round⁷².

Recently, there has been an increase in literature and research exploring the potential negative impacts on European cities of short-term rentals. These include:

- **Negative impact on housing affordability for the local population.** According to critics of these platforms, they restrict the availability of affordable housing to locals, and help to push up rental prices, thereby displacing local communities⁷³. A recent study by the Economic Policy Institute has concluded that the costs of Airbnb expansion to renters and local jurisdictions are likely to exceed the benefits to travellers and property owners⁷⁴. The largest cost of Airbnb expansion is the reduced supply of housing, as properties shift from serving local residents to serving Airbnb travellers, which hurts local residents by raising housing costs. Similarly, a study in Barcelona has shown that the estimated impact in neighbourhoods with high Airbnb activity is substantial. For neighbourhoods in the top decile of the distribution of Airbnb activity, rents are estimated to have increased by 7%, while increases in transaction (posted) prices are estimated at 19% (14%)⁷⁵;
- **Gentrification of European cities.** Since the number of long-term rentals on offer to local population is reduced and the price of housing increases, the areas most affected by short-term rental platforms encourage the relocation of residents to another district and thus encourage the processes of gentrification and segregation^{76,77}. Those who dwell in such areas struggle to find long-term rentals or affordable housing solutions, and are in addition confronted with

⁶⁵ Tosics, I., *The housing paradox: more financing, less affordability?* AEIDL, 2019, available at: <https://www.aeidl.eu/images/stories/pdf/housing-en.pdf>.

⁶⁶ Vandecasteele, I. et al. (2019), *The Future of Cities – Opportunities, challenges and the way forward*, EUR 29752 EN, Publications Office, Luxembourg, ISBN 978-92-76-03848-1, doi:10.2760/364135, JRC116711, available at: <https://op.europa.eu/en/publication-detail/-/publication/a55c1af0-8e52-11e9-9369-01aa75ed71a1/language-en>.

⁶⁷ UBS (2019), *Global Real Estate Bubble Index 2019*, available at: <https://www.ubs.com/content/dam/static/emailer/2019/sept/BR-108576/global-real-estate-bubble-index-2019-global-version.pdf>.

⁶⁸ The UBS Global Real Estate Bubble Index traces the fundamental valuation of housing markets, the valuation of cities in relation to their country and economic distortions (lending and building booms). Tracking current values, the Index uses the following risk-based classifications: depressed (score below -1.5), undervalued (-1.5 to -0.5), fair-valued (-0.5 to 0.5), overvalued (0.5 to 1.5) and bubble risk (above 1.5). This classification is aligned with historical bubble episodes.

⁶⁹ Eurostat, *Individuals – use of collaborative economy* (until 2019) (internet code: isoc_ci_ce_i), available at: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ci_ce_i&lang=en.

⁷⁰ *Statistics on Airbnb*, iProperty Management, March 2020, available at: <https://ipropertymanagement.com/research/airbnb-statistics>.

⁷¹ Adamiak, C. (2018), *Mapping Airbnb supply in European cities*. *Annals of Tourism Research*, 71, pp. 67–71, available at: https://www.researchgate.net/publication/324476731_Mapping_Airbnb_supply_in_European_cities.

⁷² According to data from InsideAirbnb, available at: <http://insideairbnb.com/>.

⁷³ Haar, K. (2018), *UnFairbnb: How online rental platforms use the EU to defeat cities' affordable housing measures*, Corporate Europe Observatory, May 2018, available at: <https://corporateeurope.org/sites/default/files/unfairbnb.pdf>.

⁷⁴ Bivens, J. (2019), *The economic costs and benefits of Airbnb*, Economic Policy Institute, 30 January 2019, available at: <https://www.epi.org/files/pdf/157766.pdf>.

⁷⁵ García-López, M.Á., Jofre-Monseny, J., Mazza, R., Segú, M. (2019), *Do Short-Term Rental Platforms Affect Housing Markets? Evidence from Airbnb in Barcelona*. *SSRN Electronic Journal*, doi:10.2139/ssrn.3428237, available at: <https://ssrn.com/abstract=3428237>.

⁷⁶ Bernardi, M. (2018), *The impact of AirBnB on our cities: Gentrification and 'disneyfication' 2.0*, The Urban Media Lab, 2018, available at: <https://labgov.city/theurbanmedialab/the-impact-of-airbnb-on-our-cities-gentrification-and-disneyfication-2-0/>.

⁷⁷ Roelofs, M. (2018), *Exploring the Socio-Spatial Inequalities of Airbnb in Sofia, Bulgaria*. *Erdkunde* 72, no. 4 (2018): pp. 313-28. Accessed May 27, 2020, doi:10.2307/26554736, available at: <https://pdfs.semanticscholar.org/5092/6b0e6d945fb9b86c3280bf18f76e2bc901f3.pdf>.

significant increases in the cost of services, due to the growing presence of tourists that leads business owners to raise prices⁷⁸; and

- **Platforms such as Airbnb have proved to be detrimental to lower- and middle-grade hotel businesses** in European cities⁷⁹.

Finally, money laundering via investments in real estate, which integrates illegal funds into the legal economy while providing a safe investment, is another phenomenon that is often associated with increasing housing costs, and has received increasing attention in Europe over recent years. According to a recent European Parliament briefing, the reporting of suspicious transactions in real estate in Europe is limited. The same briefing concluded that among other negative societal effects, money laundering via real estate transactions results in increases in real estate prices, thus pricing people with legal sources of funds out of the market. This impacts not only those people who are rendered unable to purchase housing, but also renters. In both cases, this can affect decisions about where to live, among other factors, resulting in changes in neighbourhoods and the related displacement of less affluent households⁸⁰. According to an investigation launched in September 2015 by the French public prosecutor's office and coordinated by Eurojust and Europol, a vast and complex money-laundering network was revealed in six Member States (Denmark, Germany, Estonia, Spain, Latvia and Lithuania) and in offshore financial centres outside Europe (Hong Kong and Singapore). This included the purchase of a number of properties with the laundered proceeds of illegal activity⁸¹.

⁷⁸ Cocola-Gant, A. (2016), *Holiday Rentals: The New Gentrification Battlefront*. *Sociological Research Online*, 21 (3), doi:10.5153/sro.4071, available at: <https://ideas.repec.org/a/sro/srosro/2016-43-3.html>.

⁷⁹ Ytreberg, N.S. (2016), *Competitive effects of Airbnb on the Norwegian hotel market*, Master's thesis, University of Bergen, Department of Economics, December 2016, available at: http://beccle.no/files/2016/12/Masteroppgave_NS2.pdf.

⁸⁰ Remeur, R. (2019), *Understanding money laundering through real estate transactions*, Briefing for the European Parliament, European Parliamentary Research Service, Brussels, available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/633154/EPRS_BRI\(2019\)633154_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/633154/EPRS_BRI(2019)633154_EN.pdf).

⁸¹ Europol, *Successful action against international money laundering network: France*, Europol and Eurojust, Press Release, 17 March 2017, available at: <https://www.europol.europa.eu/newsroom/news/successful-action-against-international-money-laundering-network-france-europol-and-eurojust>.

2. HOUSING POLICY IN THE EU MEMBER STATES

2.1. Recent trends and main models of national and local housing policy

A wide variety of housing market models exists in Europe. In some countries, over 90% of the housing stock belongs to owner-occupiers, whereas in others it is predominantly rented. Due to this variety in housing markets, EU Member States have implemented correspondingly different models and levels of public policies to address the shortage of affordable and social housing.

Broadly speaking, two housing system models can be identified in Europe, based on the way in which countries organise the supply of housing⁸²:

- The **dualist rental system** relies mostly on private markets/market-oriented policies regarding the rental and housing markets. This model is characterised by a free market, and a profit-driven housing/rental market and state-controlled housing/rental sector that are not in competition with each other. Providers of social housing do not compete with for-profit housing providers, and simply act as a safety net for low-income households. This type of system encourages home ownership because non-private housing alternatives are very limited. This model is prevalent in English-speaking countries and in most of the CEE countries that underwent rapid privatisation of the housing stock in the 1990s; and
- The **unitary rental market or 'social market' model** (advocated in Germanic and Nordic countries) is characterised by a larger non-profit/limited profit housing organisation/association sector, which focuses more on rental tenancy. In this model, social/non-profit housing providers compete with private housing providers. Non-profit housing providers are integrated into the market through public subsidies (which may be phased out as landlords become financially mature)⁸³.

Affordable/social housing schemes can be broadly divided into two types:

- **Housing supply-side measures**, i.e. schemes aiming at the development of social/affordable housing; and
- **Housing demand-side measures**, i.e. social welfare type payments – housing allowances (interventions by public authorities to help households meet the cost of housing).

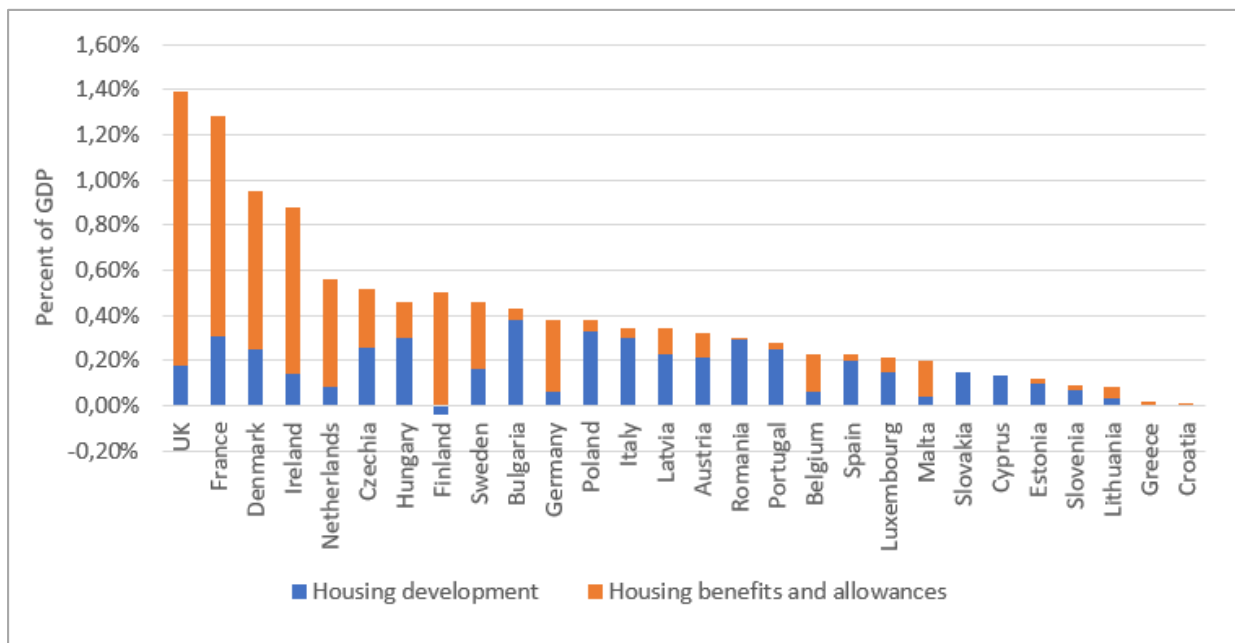
As shown in the Figure 12 below, the level of public funding for both of these types of public intervention differs significantly from country to country in Europe, depending on the policy priorities and the historical context of the country. CEE countries, for instance, saw the rapid privatisation of a large share of their housing stock, which left the majority of these countries with an impoverished social housing sector and therefore little opportunity to house the most vulnerable groups⁸⁴.

⁸² Omic, E. (2017), *Housing inequality in Europe: Tackling inequalities in Europe: the role of social investment*, CEB, available at: https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf.

⁸³ Ibid.

⁸⁴ Mandič, S., Filipovič Hrast, M. (2015), *Alternatives to Social Housing: Applicants' Views of Various Policy Options*, *Urbani Izziv* 26, no. 1 (2015): pp. 69-81, available at: www.istor.org/stable/24920965.

Figure 12: Composition of spending on housing programmes, 2016



Source: Authors' own elaboration, based on Inchauste, G., Karver, J., Kim, Y. S. & Abdel Jelil, M. (2018). *Living and Leaving: Housing, Mobility and Welfare in the European Union*, World Bank, available at: <http://documents1.worldbank.org/curated/en/947981541623732950/pdf/131876-WP-P168272-PUBLIC-LL-Final-online.pdf>.

In general, the latest research shows the following key trends in European countries' housing policies:

- In many European countries, **affordable housing is becoming a more distinct field of policy and decision making**, in parallel with developments in social housing. The emerging affordable housing sector is generally characterised by policies (on different scales) **aimed at helping middle- and low-income households to rent housing at below-market prices**. Due to worsening housing affordability mainly in large metropolitan cities (but in some cases small cities and towns as well), affordable housing policies usually target households with temporary incomes (e.g. young people without a stable income, who are just starting their careers, freelancers, seasonal workers) and/or precarious incomes (including families and single people) and mobile workers, whereas social housing usually accommodates people on very low incomes and those with special needs⁸⁵;
- In recent years, the general trend has been towards **a reduction in public expenditures on housing supply-side measures** (i.e. the development of social/affordable housing). Total public expenditure on housing development in the EU has declined by 44%, from EUR 48.2 billion in 2009 to EUR 27.5 billion in 2015. In parallel, over the same period of time there was an **increase in public expenditure on demand-side housing measures** (social welfare-type payments), such as housing allowances, which increased from EUR 54.5bn to EUR 80.8 billion⁸⁶ (for more details, see Figure 13). For example, in Finland low-income households are eligible for general housing allowance to help with their housing costs, which includes heating costs. In Greece, a rent benefit to homeowners on behalf of their tenants (worth EUR 160 per month

⁸⁵ Czischke, D., Van Bortel, G. (2018), *An exploration of concepts and policies on 'affordable housing' in England, Italy, Poland and The Netherlands*, J Hous and the Built Environ (2018), available at: <https://doi.org/10.1007/s10901-018-9598-1>.

⁸⁶ *The State of Housing in the EU 2019*, Housing Europe, the European Federation of Public, Cooperative and Social Housing Brussels, September 2019, available at: <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>.

for a couple with two children) was introduced in 2015 as part of the so-called Humanitarian Crisis Bill adopted by the Greek Parliament. In Sweden, the housing supplement for pensioners was increased in 2015 to cover 95% of housing costs (it previously covered 93%)⁸⁷. Thus, there is an overall trend away from governments investing in social housing on the supply side, and instead using demand-side support policies (subsidies, guarantees, etc.) to encourage a private sector supply of homes⁸⁸;

- **Over the last few years, mortgage interest tax reliefs have been phased out or abolished in a number of European countries**, although they still remain in many others. In 2013, mortgage tax relief was abolished in Greece, while in 2016, extraordinary expenditures (including mortgage interest payments) were no longer eligible for tax deductions in Austria. In the Netherlands, mortgage interest deductibility on new loans has been gradually reduced by 0.5% every year since 2014, from 52% until it reaches 38% in 2041⁸⁹;
- A large share of public spending policies across European countries **still focus on home ownership**. According to a recent overview, as of 2018, programmes for home buyers and homeowners made up most of the housing programmes in the EU (90 programmes across 26 countries). Housing allowances (cash transfers, aimed at either homeowners or tenants) amounted to 60 programmes across 28 countries. Programmes for tenants, which include social housing, incentives for housing development, and other programmes aimed at reducing housing costs for tenants, also amounted to 60 programmes across 27 countries⁹⁰;
- As a consequence of the increasing focus on demand-side measures and decreasing focus on supply-side measures, the traditional role of the state as a provider of housing **has increasingly shifted away from central to local levels of government and, still further, to the private sector, non-profit organisations and housing associations**^{91, 92};
- With governments withdrawing from direct supply side financial support, **access to private funding through banks or through capital markets (often through financial intermediaries with government guarantees) is becoming increasingly important in all EU countries**. The financing of housing associations across Europe is increasingly becoming a mix of traditional financing (through intermediary structures supported by government) and access to capital markets/private investors⁹³; and
- Yet another recent trend in European housing policy is the aim of achieving a **social mix in housing policy**, i.e. housing as a policy tool for social inclusion and the prevention of segregation. For example, in France, under the lead of the ANRU (National Agency for Urban

⁸⁷ Figari, F. et al. (2019). *Recent changes in housing policies and their distributional impact across Europe*, European Commission, Euromondo Working Paper Series, June 2019, available at: <https://www.euromod.ac.uk/sites/default/files/working-papers/em12-19.pdf>.

⁸⁸ Omic, E. (2017), *Housing inequality in Europe: Tackling inequalities in Europe: the role of social investment*, CEB, available at: https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf.

⁸⁹ Figari, F. et al. (2019), *Recent changes in housing policies and their distributional impact across Europe*, European Commission, Euromondo Working Paper Series, June 2019, available at: <https://www.euromod.ac.uk/sites/default/files/working-papers/em12-19.pdf>.

⁹⁰ Inchauste, G., Karver, J., Kim, Y.S. and Abdel Jelil, M. (2018), *Living and Leaving: Housing, Mobility and Welfare in the European Union*, World Bank, available at: <http://documents1.worldbank.org/curated/en/947981541623732950/pdf/131876-WP-P168272-PUBLIC-LL-Final-online.pdf>.

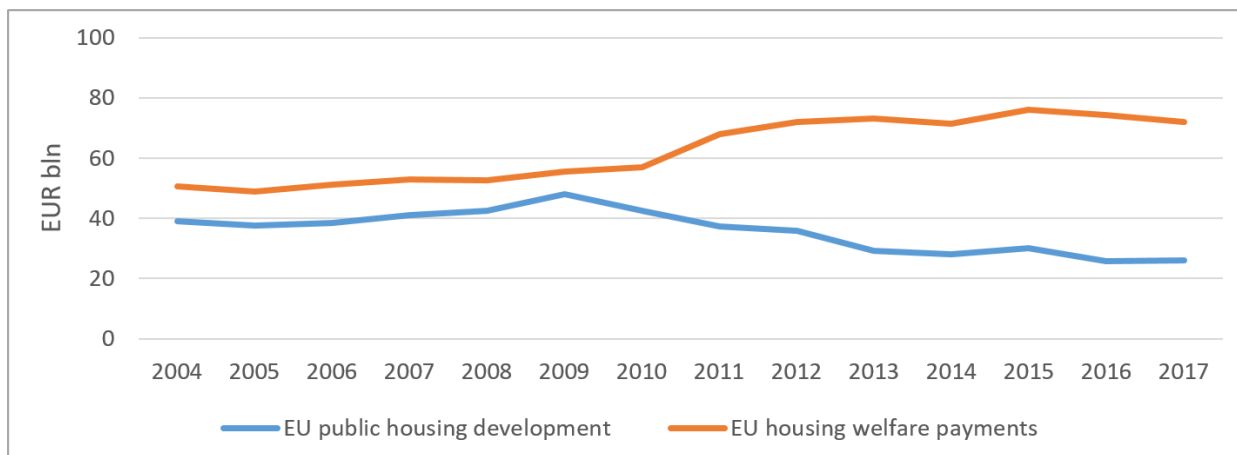
⁹¹ Omic, E. (2017), *Housing inequality in Europe: Tackling inequalities in Europe: the role of social investment*, CEB, available at: https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf.

⁹² Blessing, A. (2015), *Public, Private, or In-Between? The Legitimacy of Social Enterprises in the Housing Market*, *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 26, no. 1 (2015): pp. 198-221, available at: https://www.researchgate.net/publication/273314387_Public_Private_or_In-Between_The_Legitimacy_of_Social_Enterprises_in_the_Housing_Market.

⁹³ Hereijgers, A. (2016), *Financing Affordable Housing in Europe*, EFL working group Finance & Investment, November 2016, available at: https://www.efl.eu/wp-content/files_mf/1478782067FinancingAffordableHousinginEuropeNovember2016.pdf.

Renewal), *Peuplement* (populating) has been actively used as a tool for spatially reorganising social groups in the vast public housing estates around the country. Similarly, in some municipalities in Germany, the proportion of foreign residents in public housing in some areas was limited to no more than 30%, to prevent social segregation⁹⁴. In the Netherlands, following the migrant crisis, a pilot project was launched in 2016 to house over 500 young adults, half of them refugees and half Dutch, together in temporary housing. Preliminary findings showed that this project was effective in the gradual formation of social connections such as social bonds, social bridges and social links between different groups⁹⁵.

Figure 13: Public expenditures on housing over time in the EU (by type of intervention)



Source: Authors' own elaboration, based on *The State of Housing in the EU 2019*, Housing Europe, the European Federation of Public, Cooperative and Social Housing Brussels, September 2019, available at: <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>.

Interviews with key experts in the field have shown that the current focus of spending policies across the EU on demand-side measures (such as housing allowance, mortgage tax reliefs etc.) is often viewed as controversial in terms of housing affordability. According to a number of experts, **demand-side policies, instead of improving housing affordability for households with lower and middle income, often result in an increase in local housing prices** (sometimes by the magnitude of demand-side policy measures). In doing so, these measures often benefit landlords, landowners and private developers more than the households in need of affordable housing. Demand-side measures are usually oriented towards the supply of housing by the private sector (landlords, housing developers etc.), which is highly responsive to increases in demand. As a consequence, increases in funding for demand-side measures is often met by increasing housing prices that eliminate the desired policy outcome, i.e. improved affordability.

Recent literature confirms the above observations. For instance, one reason why EU governments began to phase-out mortgage tax relief policies over the last few years is that mortgage tax relief often encourages borrowing within households, thereby increasing house prices and decreasing affordability in the long term, rather than improving it⁹⁶. This negative effect of demand side measures

⁹⁴ Bricocoli, M., Cucca, R. (2016), *Social mix and housing policy: Local effects of a misleading rhetoric. The case of Milan*, Urban Studies, Urban Studies Journal Limited, vol. 53(1), pp. 77-91, January, available at: https://www.researchgate.net/publication/268807262_Social_mix_and_housing_policy_Local_effects_of_a_misleading_rhetoric_The_case_of_Milan_in_Urban_Studies.

⁹⁵ Czischke, D., Huisman, C. (2018), *Integration through Collaborative Housing? Dutch Starters and Refugees Forming Self-Managing Communities in Amsterdam*, Urban Planning 3, pp. 2183-7635, doi:10.17645/up.v3i4.1727, available at: <https://www.cogitatiopress.com/urbanplanning/article/view/1727>.

⁹⁶ Figari, F. et al. (2019), *Recent changes in housing policies and their distributional impact across Europe*, European Commission, Euromondo Working Paper Series, June 2019, available at: <https://www.euromod.ac.uk/sites/default/files/working-papers/em12-19.pdf>.

can, however, be mitigated by an adequate supply of housing units into the market. If responses in supply are restricted, benefits will be absorbed by rising prices in certain price-inelastic submarkets (where the supply of housing reacts more slowly to the increasing demand/price of housing), thus leading to harmful price dynamics and the uncontrollable cost of benefits⁹⁷. Notably, mortgage tax relief and the favourable taxation of residential property tend to favour better-off households, distort incentives to invest in other tenures and/or assets, and often put pressure on housing prices. Similarly, housing allowances may be less effective in providing access to good-quality rental housing, especially for vulnerable households, and may have perverse effects on rental prices⁹⁸.

Public authorities often provide affordable and social housing through various legal entities such as **cooperatives and housing associations**. One of the unique aspects of Germany's affordable housing market is the use of **cooperative housing models**. A housing cooperative is a legal entity, usually a cooperative or a corporation, which owns real estate, consisting of one or more residential buildings. Such housing can take many different forms, ranging from for-profit cooperative owner-occupied housing to affordable cooperative housing to co-housing. In Germany, approximately 2.2 million cooperative housing units serve 4.6 million residents. Usually, groups of people take out low-interest mortgages subsidised by the government to build or refurbish houses, with members buying shares in the cooperative and enjoying security of tenure through a perpetual lease (see section 0 for more information). During the period 2012-2016 alone, 29,759 new units were added to the total number of existing housing cooperative dwellings in Germany⁹⁹.

Similarly, in Poland, there are house building associations funded by the National Housing Fund, TBS (*Towarzystwa Budownictwa Społecznego*), the purpose of which is the construction of apartments for rent with moderate rents for people on average incomes¹⁰⁰. In Ireland and the United Kingdom, housing associations are private, non-profit organisations that provide low-cost social housing for people in need of a home. Whereas housing associations fund their day-to-day business from rents, the development of new properties by housing associations is funded by government agencies, local or central authorities.

Recently, housing policies in Europe have been increasingly combined with other programmes aimed at helping particularly vulnerable groups, tackling homelessness and the risk of housing exclusion. More specifically, in recent years, a number of **European countries have increasingly turned to housing-led/'Housing First' types of services**. The prevailing staircase model of service provision requires people to demonstrate an ability to move from one level of accommodation to another by addressing lifestyle issues, particularly problematic alcohol use, and views a permanent home as a 'reward' earned via positive behavioural changes. By contrast, in programmes led by the 'Housing First' principle, more intensive services for homeless persons are provided together with access to permanent accommodation from the very beginning. According to a 2019 study by FEANTSA (the European Federation of National Organisations Working with the Homeless), the introduction/development of **Housing First services** is, by far, the most-cited innovation in the last five years: ESPN experts in 14 EU countries considered Housing First to be the most important recent

⁹⁷ Mundt A. (2018), *Housing benefits and minimum income schemes in Austria – an application of the residual income approach to housing affordability of welfare recipients*, International Journal of Housing Policy, 18:3, 383-411, doi:10.1080/19491247.2017.1306992, available at: https://www.researchgate.net/publication/316867305_Housing_benefits_and_minimum_income_schemes_in_Austria_-_an_application_of_the_residual_income_approach_to_housing_affordability_of_welfare_recipients.

⁹⁸ Salvi del Pero, A. et al. (2016), *Policies to promote access to good-quality affordable housing in OECD countries*, OECD Social, Employment and Migration Working Papers, No. 176, OECD Publishing, Paris, available at: <https://doi.org/10.1787/5im3p5ql4did-en>.

⁹⁹ Co-operative Housing International (COOP). 2018. *About Germany*, available at: <http://www.housinginternational.coop/co-ops/germany/>.

¹⁰⁰ Czychke, D., Van Bortel, G. (2018), *An exploration of concepts and policies on 'affordable housing' in England, Italy, Poland and The Netherlands*, Journal of Housing and the Built Environment (2018), available at: <https://doi.org/10.1007/s10901-018-9598-1>.

innovation in homelessness service provision¹⁰¹. Housing First¹⁰² is an evidence-based approach that uses independent, stable housing as a platform to enable individuals with multiple and complex needs to begin recovery and move away from homelessness. It uses housing as the starting point for the integration process, not the end result (for more details on specific schemes and examples of good practice, see section 0).

In some cases, Member States use the regulation of markets to ensure the affordability of housing. Some of the most popular measures in this area are **Security of Tenure**¹⁰³ and **Rent Stabilisation and Control**¹⁰⁴.

These two essential pillars are closely interconnected. In case of weak security of tenure, laws and rules on rent protection will not work in practice. This also works the other way around: without strong legislation on rent stabilisation and control, legislation on security of tenure will not work¹⁰⁵. A number of examples both of security of tenure and rent stabilisation and control exist in EU Member States. In Germany, for example, permanent leases are the norm, whereas temporary contracts are only permitted subject to certain legal requirements. In Austria, the fixed term in the regulated sector has to be at least three years. If the parties agreed to a shorter period, this would be an unlawful fixed term and the lease would, most often, be indefinite by law. Mechanisms exist within Europe to control various aspects of rent:

- Control over the initial level of rent, whether the initial rents are freely negotiated between the landlord and tenants, or there are specific rules determining the amount of rent landlords are allowed to demand; and
- Control over rent increases, whether the rent increases within a tenancy contract are freely agreed upon, or are determined through some mechanism established by law¹⁰⁶.

In the EU, only a limited number of countries regulate initial rent levels in the private sector, although **control over rent increases is a common practice** (Table 1). Rent stabilisation and control laws in Europe are also often aimed at protecting tenants from so called '**renovictions**', i.e. an unaffordable increase in rental cost after renovation. In Denmark, rent caps apply when a landlord renovates a building, whereby the landlord can only charge the same amount as any energy savings (gross rent neutrality). Similarly, in the Netherlands, renovations can only be carried out if at least 70% of tenants agree on the plan and the rent increase.

In the EU, 11 Member States have a **national housing strategy and/or a national homelessness strategy**. Only a limited number of countries regulate rents in the private sector, although **controls on rent increases** is a common practice (Table 1).

¹⁰¹ Baptista, I., Marlier, E. (2019), *Fighting homelessness and housing exclusion in Europe: A study of national policies*, European Social Policy Network (ESPN), Brussels: European Commission, available at: <https://op.europa.eu/en/publication-detail/-/publication/2dd1bd61-d834-11e9-9c4e-01aa75ed71a1/language-en>.

¹⁰² *Housing First Europe Hub, About the Hub*, available at: <https://housingfirsteurope.eu/about-the-hub/>.

¹⁰³ Security of tenure – establishing an indefinite duration of occupancy as well as limitations on reasons for the eviction of tenants.

¹⁰⁴ Rent stabilisation and control – controls over the level and frequency of rent increases and caps on rents for new contracts, intended to preserve affordability, preclude *de facto* economic eviction, and safeguard the accessibility of affordable housing as well as mobility in changing labour markets.

¹⁰⁵ *IUT Position Paper Delivered to the EU Urban Agenda Partnership for Affordable Housing* Lisbon 22. March 2018, The International Union of Tenants, available at: https://ec.europa.eu/futurium/en/system/files/ged/briefing_note_on_security_of_tenure_and_rent_stabilisation_and_rent_control_iut_2018.pdf.

¹⁰⁶ OECD Affordable Housing Database (2019), *PH6.1 Rental Regulation*, available at: <https://www.oecd.org/els/family/PH6-1-Rental-regulation.pdf>.

Table 1: Summary of housing policies in the EU Member States

	National housing strategy	Rents control in the private rental sector				Control of rent increases	Regulations to ensure minimum level of housing quality	National homelessness strategy
		Control of initial rent levels						
		Free	Regulated	Free & regulated (mix)				
Austria	*			X	X		*	
Belgium	*	X			X	X	*	
Bulgaria	+	X					*	
Croatia	-						*	
Cyprus	-						*	
Czechia	+	X			X		+	
Denmark	+			X	X	X	+	
Estonia	-	X			X	X	*	
Finland	-	X				X	+	
France	+			X	X	X	+	
Germany	+			X	X	X	*	
Greece	-						+	
Hungary	-						*	
Ireland	-			X	X	X	+	
Italy	-						+	
Latvia	-	X				X	*	
Lithuania	-						*	
Luxembourg	+		X				+	
Malta	-	X					*	

Netherlands	+			X	X	X	+
Poland	+	X			X		*
Portugal	+	X			X		+
Romania	-						*
Slovakia	+	X					*
Slovenia	-						*
Spain	+	X			X	X	+
Sweden	-		X			X	*

Note: ("+", in place) / ("-", no strategy) / ("*", policy objectives set out in regional strategies/other documents).

Source: OECD Affordable Housing Database (2019), *PH6.1 Rental Regulation*, available at: <https://www.oecd.org/els/family/PH6-1-Rental-regulation.pdf>. Authors' own elaboration based on desk research.

Another very recent type of public intervention addressing affordable housing is the **cost-rental housing model**. This refers to housing for rent, where the rent charged covers only the costs incurred in delivering, managing and maintaining the homes, usually independently of the private housing market¹⁰⁷. Generally, the key objective of cost rental is to make housing affordable for moderate-income households experiencing financial difficulty in accessing housing, or in meeting the ongoing cost of accommodation (for more specific good practice examples, see section 0).

In some EU Member States, governments and local authorities aim to increase the supply of affordable housing by **rehabilitating vacant and derelict properties**. In France, for example, since 2015 under the MULTILOC' scheme¹⁰⁸, the City of Paris signed a partnership agreement with real estate professionals and accredited service providers. Real estate service providers find and manage properties, and Paris City Council pays a flat-rate bonus for each new property found and put into service. The landlord, who agrees to the measure by signing a three-year management mandate with a real estate professional, receives cumulative bonuses directly from Paris City Council. Similarly, in Italy, legislation was passed in the Lazio region in 1998, authorising a community to set itself up in a vacant public building, on condition that it is transformed into a cooperative (with the community becoming a legally recognised body). The owner remains the public body granting usage rights to the property. Cooperative members take charge of sharing the space and renovating it, if necessary. The cooperative signs an occupancy agreement with the owner, specifying the arrangements of the tenure¹⁰⁹.

Taxation of land/real estate properties is another popular policy measure among EU Member States. This policy aims to prevent the hoarding of properties, and to increase the affordability of housing for lower- and middle-income households. A recent study showed that over the past 10 years a number of EU Member States have seen an increasing contribution from taxes on immovable property (mostly

¹⁰⁷ *Delivering an affordable, sustainable rental sector through Cost Rental*, Housing Practitioners' Conference, 4 July 2019, available at: <http://www.housingagency.ie/sites/default/files/Affordability%20-%20Cost%20Rental%20Model%20-%20Daragh%20McCarthy%20and%20Jim%20Baneham%2C%20Housing%20Agency.pdf>.

¹⁰⁸ Je loue MULTILOC', available at: <https://www.paris.fr/pages/louez-sans-crainte-avec-multiloc-2984>.

¹⁰⁹ *Filling Vacancies: Vacant Real Estate: Seizing the Opportunity to Find Affordable Housing Solutions in Europe*, 2016, available at: https://ec.europa.eu/futurium/sites/futurium/files/long_version_en.pdf.pdf.

recurrent taxes). A rising share of taxes on immovable property (driven by tax reforms) was observed in Belgium, Denmark, Finland, France, Greece, Ireland, Italy, Portugal, the Czech Republic, Slovenia and Hungary. In particular, Greece re-introduced a progressive tax on immovable property, and Slovenia adopted a new real estate tax¹¹⁰. In some cases, real-estate property taxes work as anti-speculation measures: according to Lithuanian law, if immovable property has been owned by the seller for less than 10 years, the profit that a seller makes from selling the home is subject to a 15% income tax rate.

According to our expert interviews, recurrent immovable property taxes (e.g. annual taxes on a certain value of property) are an increasingly popular measure, because they provide one of the best instruments to address speculation in housing market, increase the supply of housing in the market, and decrease the share of vacant properties:

- More specifically, under the conditions of a recurrent immovable property tax, the person who owns the property is motivated to rent (or sell) it rather than keeping it vacant, in order to benefit from general housing price increases over time. In this way, recurrent immovable property taxes result in increased housing supply, which in turn, reduces prices and improves housing affordability;
- In addition to recurrent property taxes based on the property value, another good practice identified by the experts was the taxation of secondary properties/properties that are not the primary residence. Such measures also address speculative activities and increase the supply of housing in the market; and
- Furthermore, revenues produced by increased immovable property taxes can be used to create public housing, i.e. supply-side measures to develop affordable housing.

¹¹⁰ Godar, S., Truger, A. (2017), *Shifting priorities in EU tax policies: A stock-taking exercise over three decades*, IMK Study, No. 55, Hans-Böckler-Stiftung, Institut für Makroökonomie und Konjunkturforschung (IMK), Düsseldorf, available at: <http://nbn-resolving.de/urn:nbn:de:101:1-201707123557>.

2.2. Examples of effective and replicable practices

Table 2: Good practice example No. 1 – Ireland

	Cost rental public housing in Ireland
Country/region	Ireland
Type of good practice policy	The cost-rental housing pilot programme in Ireland is a supply-side housing measure that involves the development of public housing (two-bedroom apartments).
Description of good practice example	In Ireland, a cost-rental scheme was introduced in 2019 by a number of local authorities and national housing agencies. According to the plans, the construction of 50 cost-rental homes on the outskirts of Dublin by 2021 will be financed by local authorities and housing agencies. Rents for cost-rental homes will only cover the provision of the homes (construction costs, fees etc.) and ongoing management and maintenance costs, i.e. there will be no profit margin within the rental costs. Conditions included in the land transfer ensure that the homes in the scheme must be used for social housing and cost rental for at least 70 years. Rent increases for the cost rental homes will be linked to general consumer inflation only. Properties will be professionally managed by housing associations. Funding for the pilot programme is provided the Irish Department of Housing, Planning & Local Government and the Housing Finance Agency (long-term finance) ¹¹¹ .
Why is it a good practice? (Results)	The cost rental model offers the following advantages: <ul style="list-style-type: none"> • It provides affordable, stable rents at below-market price; • It ensures secure tenancies; and • It represents a sustainable funding model for providing homes.
Replicability of the good practice in other countries/EU	The practice is easily replicable in other countries if sufficient funding is provided and the institutions that ensure control over rent costs are in place.

Source: *Delivering an affordable, sustainable rental sector through Cost Rental*, Housing Practitioners' Conference, 4th July 2019, see: <http://www.housingagency.ie/sites/default/files/Affordability%20-%20Cost%20Rental%20Model%20-%20Daragh%20McCarthy%20and%20Jim%20Baneham%2C%20Housing%20Agency.pdf>.

¹¹¹ Delivering an affordable, sustainable rental sector through Cost Rental, Housing Practitioners' Conference, 4 July 2019, available at: <http://www.housingagency.ie/sites/default/files/Affordability%20-%20Cost%20Rental%20Model%20-%20Daragh%20McCarthy%20and%20Jim%20Baneham%2C%20Housing%20Agency.pdf>.

Table 3: Good practice example No.2 – Germany

	Cooperative housing in Germany
Country/region	Germany
Type of good practice policy	Cooperative housing in Germany is a supply-side measure.
Description of good practice example	<p>German housing cooperatives are legally recognised organisations established by private firms, small organisations or simply self-formed groups of people. The operation of these entities is governed by a set of bylaws. Usually, the establishment of housing cooperatives in Germany is financed by low-interest loans that are used to purchase, build, or renovate an existing building. Funding is provided by a government-owned development bank, KfW (<i>Kreditanstalt für Wiederaufbau</i>), which offers attractive financing with low-interest rates for the new construction, purchase, and renovation of housing for self-use¹¹².</p> <p>German housing cooperatives are characterised by the following key features:</p> <ul style="list-style-type: none"> • Shares in the cooperative are bought by its members, with the amount varying from one cooperative to another. When a member leaves the cooperative, the initial amount is reimbursed to him/her at nominal value by the cooperative; • As long as they comply with the terms of the occupancy contract, members enjoy security of tenure through a perpetual lease; • Cooperatives control rents, which can increase only within prescribed limits; • Wider social services such as kindergartens and services for the elderly are developed and available in some housing cooperatives; and • A non-profit principle is included in the bylaws of cooperatives, and the use of surpluses is decided on by the General Assembly¹¹³.
Why is it a good practice? (Results)	<p>German housing cooperatives are viewed as good practice examples because they offer their members a life-long right to occupancy, in combination with the means for self-governance, self-help, and the financial development of residents. Indirect benefits of German housing cooperatives include the revitalisation of empty or underused building stock, and the provision of housing ownership to groups often underserved by traditional financial markets. In addition, residents own a share in the building and must be committed to the project to see it to fruition, which leads to stability and quality of affordable housing¹¹⁴.</p>
Replicability of the good practice in other countries/EU	<p>The practice can be easily replicated in other countries, on condition that sufficient funding is provided. Start-up costs for residents in terms of finances, and also investment of time and energy, can be high.</p>

Source: *About Germany*, available at: <https://www.housinginternational.coop/co-ops/germany/>; Reynolds, K. (2018) *Creating Permanent Housing Affordability: Lessons From German Cooperative Housing Models*, *Cityscape*, Vol. 20, No. 2, The Housing-Health Connection, pp. 263-276, available at: <https://www.jstor.org/stable/10.2307/26472178>.

¹¹² Reynolds, K. (2018), *Creating Permanent Housing Affordability: Lessons From German Cooperative Housing Models*, *Cityscape*, Vol. 20, No. 2, The Housing-Health Connection, pp. 263-276, available at: <https://www.jstor.org/stable/10.2307/26472178>.

¹¹³ *About Germany*, available at: <https://www.housinginternational.coop/co-ops/germany/>.

¹¹⁴ Reynolds, K. (2018), *Creating Permanent Housing Affordability: Lessons From German Cooperative Housing Models*, *Cityscape*, Vol. 20, No. 2, The Housing-Health Connection, pp. 263-276, available at: <https://www.jstor.org/stable/10.2307/26472178>.

Table 4: Good practice example No. 3 – Belgium

	Housing First Belgium
Country/region	Belgium
Type of good practice policy	The core of the 'Housing First' approach is that housing is the starting point for the integration process, not the end result. In other words, unlike other supported housing models, individuals are not required to prove they are ready for independent housing, or to progress through a series of accommodation and treatment services ¹¹⁵ . Housing first in Belgium was a supply-side measure in which homeless people were supported by programme teams in gaining a housing contract (usually from private market) with no additional clauses compared to any other tenant.
Description of good practice example	Housing First Belgium was an experiment lasting around 3 years. Between September 2013 and June 2016, the Housing First model was tested in Antwerp, Ghent, Hasselt, Brussels, Molenbeek, Liège, Charleroi and Namur ¹¹⁶ . During the experiment, programme support teams were deployed in those areas. Tenants agreed to be supported by the team, but the rental contract took precedence. No conditions were placed on persons being rehoused, except for a willingness to undertake a tenancy agreement. In the majority of the cases, the accommodation finder was the mediator between the lessor and the lessee. The main target group were homeless persons in Belgium, i.e. persons from the streets, often vulnerable in many aspects of their lives (physical/mental health and/or addiction). Many had been homeless for prolonged periods of time ¹¹⁷ .
Why is it a good practice? (Results)	From September 2013 to March 2016, a longitudinal assessment of participants supported by Housing First teams (n=141) was carried out. Beneficiaries of the programme were compared with homeless people relying on the traditional support system in Belgium (n=237). The evaluation revealed that after two years of follow-up, the Housing First programme demonstrated efficacy, with particularly high housing retention rates after three years (93%) ¹¹⁸ .
Replicability of the good practice in other countries/EU	Housing First is an increasingly popular approach that has been replicated across a number of different EU countries.

Source: *Housing First Belgium: On the ground*, available at: <http://www.housingfirstbelgium.be/en/pages/on-the-field/>.
Buxant, C. (2018), *The Challenge of Implementing the Housing First Model: How Belgium Tries to Connect Fidelity and Reality*. *European Journal of Homelessness*, Volume 12, No. 3.

¹¹⁵ *Housing First Europe Hub, About the Hub*, available at: <https://housingfirsteurope.eu/about-the-hub/>.

¹¹⁶ *Housing First Belgium: On the ground*, available at: <http://www.housingfirstbelgium.be/en/pages/on-the-field/>.

¹¹⁷ *Ibid.*

¹¹⁸ Buxant, C. (2018), *The Challenge of Implementing the Housing First Model: How Belgium Tries to Connect Fidelity and Reality*, *European Journal of Homelessness*, Volume 12, No. 3.

Table 5: Good practice example No.4 – Finland

	Housing First Finland
Country/region	Finland
Type of good practice policy	Homelessness reduction through the adoption of a 'Housing First' approach in the national strategy aimed at eliminating long-term homelessness
Description of good practice example	In Finland, the government decided to make a huge strategic investment to build social housing specifically for the homeless and to focus on the strategic prevention of homelessness. The most important aspects of Finnish homelessness policy are the principles of the Housing First philosophy, which are: permanence of housing, the principle of harm reduction, and the right of the customers to make choices with regard to support services.
Why is it a good practice? (Results)	Between 2008 and 2013, the number of long-term homeless fell by 25%. Broadly speaking, Finland is the only EU Member State reporting a significant reduction in homelessness over the last two to three decades
Replicability of the good practice in other countries/EU	The policy is replicable – Housing First services are very successful in reducing homelessness in various Member States.

Source: Authors' own elaboration based on *Housing First Europe Hub: Finland*, available at: <https://housingfirsteurope.eu/countries/finland/>.

Table 6: Good practice example No.5 – the Netherlands

	Dutch social housing organisations (<i>Woning corporaties</i>)
Country/region	The Netherlands
Type of good practice policy	Social housing organisations build, maintain, sell and rent social housing stock and provide other services related to the use of social dwellings.
Description of good practice example	Registered social housing organisations (<i>Woning corporaties</i>) are private non-profit organisations with the legal objective of giving priority to housing households with lower incomes. They operate on the basis of a registration, and are supervised by the national government. There are currently around 425 such registered social housing organisations. These organisations are managed by boards consisting of local community members which ensure efficient decision-making.
Why it is a good practice? (Results)	Social housing organisations ensure an adequate supply of affordable, good-quality homes. Energy saving is a high priority, as it can lower the total housing costs of tenants. Surveys show that tenants are satisfied with the services provided ¹¹⁹ . In addition, following an informal principle to "put the best schools in the worst neighbourhoods", the housing cooperatives strive to improve the quality of social services (especially education and schooling, e.g. by providing training for teachers) to tackle social segregation ¹²⁰ .
Replicability of the good practice in other countries/EU	The scheme has been applied in other countries (Denmark, Ireland, Poland etc.) and is deemed replicable.

Source: Authors' own elaboration, based on: *Housing associations*, Government of the Netherlands, available at: <https://www.government.nl/topics/housing/housing-associations>.

¹¹⁹ *Dutch Social Housing in a Nutshell: Examples of Social Innovation for People and Communities*, AEEDES, 2016, available at: <https://dkvwq750av2j6.cloudfront.net/m/6c2c81c93f5a9522/original/Brochure-Aedes-Dutch-social-housing-in-a-nutshell-examples-of-social-innovation-for-people-and-communities-2016.pdf>.

¹²⁰ Dortland, Edwin (2010), *Corporaties in brede schoolontwikkeling: en onderzoek naar besluitvorming en verantwoording door corporaties bij het ontwikkelen van brede scholen*, MUAD and Woonstad Rotterdam, available at: <https://bouwstenen.nl/files/wijkplaats/Scriptie%20Corporaties%20in%20brede%20schoolontwikkeling,%20Edwin%20Dortland%202010.pdf>.

Table 7: Good practice example No.6 – Germany

	Rent control mechanism in Germany
Country/region	Germany
Type of good practice policy	Rent ceiling (<i>Mietpreisbremse</i>) imposed on new rental contracts in Germany.
Description of good practice example	The regulation is valid only in markets that are characterised by a substantial excess of housing demand. The cap on rents is only binding in areas where previous annual rent growth exceeded a threshold of 3.9% p.a.
Why it is a good practice? (Results)	While in public debates the rent cap is perceived as an ineffective housing policy, it has been proven that rents and house prices in the regulated sector dropped.
Replicability of the good practice in other countries/EU	Easy to replicate in other countries, but may face strong political opposition.

Source: Authors' own elaboration based on Mense, A., Michelsen, C. & Cholodilin, K.A. (2017), *Empirics on the causal effects of rent control in Germany*, FAU Discussion Papers in Economics, No. 24/2017, Friedrich-Alexander-Universität Erlangen-Nürnberg, Institute for Economics, Nürnberg, available at: <https://www.econstor.eu/bitstream/10419/172460/1/1008784427.pdf>.

Table 8: Good practice example No.7 – Poland

	Stop Smog (Energy poverty)
Country/region	Poland
Type of good practice policy	Energy-poor households receive full financing for thermal-retrofitting and/or installation of a new, effective heat source.
Description of good practice example	The programme aims to reduce energy poverty and air pollution from individual, inefficient heating sources. Co-financing under the programme is based on two components: subsidies from the state budget (70%), and a 30% contribution by the local authority self-government. Part of programme's funds (up to 5% of the value of the agreement concluded with the local government) can be transferred to the service of the programme (including the education of residents).
Why it is a good practice? (Results)	Energy-poor households are usually excluded from investment support programmes due to contribution requirements, as their disposable income is relatively low. They usually cannot afford any involvement in financing the investment, therefore a full subsidy is required.
Replicability of the good practice in other countries/EU	The programme is at an early stage in its development (only a couple of <i>gmina</i> – local communities in Poland – are engaged in the instrument). As such, it is still too early to discuss its replicability.

Source: Authors' own elaboration based on Polish Ministry of Development data.

3. HOUSING AFFORDABILITY AS AN EU POLICY PRIORITY – PAST ACHIEVEMENTS AND PROPOSALS FOR FUTURE ACTION

3.1. EU housing policy via state aid law, fiscal law and competition law

The EU has no direct competence in housing policy. It does, however, have competences in areas that directly and indirectly affect housing conditions in the Member States, such as state aid law, fiscal law and competition law¹²¹. EU-level market harmonisation and integration measures (regulations and laws) can, for instance, constrain public spending on affordable housing policies, as well as the forms of public intervention that may be undertaken in the private housing market¹²². For example, the EU could indirectly affect European housing market by revising the rules of the **Stability and Growth Pact**¹²³, which regulates the fiscal policies of the Member States.

State aid is defined by the EU (and in general) as "an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities"¹²⁴. State aid can affect trade and competition in the internal market and – in principle – runs counter to the rules and principles of the internal market set by the EU. **Services of general economic interest (SGEIs)** are defined by the European Commission as "economic activities that public authorities identify as being of particular importance to citizens and that would not be supplied (or would be supplied under different conditions) if there were no public intervention"¹²⁵. The legal basis for the regulation of SGEI and State aid is set out in the Treaty on the Functioning of the European Union (TFEU), Articles 106, 107, and 108. TFEU Article 106 states that public authorities (be they local, regional, or national) can entrust the operation of an SGEI to a service provider who is then only subject to the internal market and competition rules insofar as the application of these rules do not hinder the performance of the task assigned.

Social housing is defined as an SGEI under the current 2012 SGEI package, and is therefore exempt from State aid regulation, meaning that Member States are not required to notify the Commission with respect to compensation for social housing. However, **this exemption is limited to housing for "disadvantaged citizens or socially less advantaged groups", which has led to some controversy regarding how such groups should be defined and to what extent this restriction aligns with the right to social housing as guaranteed by the Charter of Fundamental Rights.**

According to the 2009 Commission Decision on Dutch social housing (E2/2005 and N642/2009), the **European Commission's role is limited to verifying that Member States do not make manifest errors in the definition of social housing as an SGEI, and that they comply with the basic conditions of the SGEI State aid rules** – notably the necessity to avoid overcompensation, and accounting separation. In exercising this role, the European Commission does not impose on Member States a specific notion of social housing that can constitute an SGEI, but rather verifies the definition

¹²¹ Korthals Altes, W.K. (2015), *Housing and Positive European Integration: Permissible State Aid for Improving the Urban Environment*, *Journal of Housing and the Built Environment* 30, no. 2 (2015), pp. 341-53, available at: https://www.researchgate.net/publication/271921214_Housing_and_positive_European_integration_permmissible_state_aid_for_improving_the_urban_environment.

¹²² Vidal, L. (2019), *Promoting the Right To Housing At EU Level*, CIDOB Policy Brief, 2019, available at: https://www.cidob.org/es/publicaciones/serie_de_publicacion/cidob_briefings/promoting_the_right_to_housing_at_eu_level.

¹²³ *Applying the rules of the stability and growth pact: How and why the stability and growth pact is applied*, European Commission, available at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/applying-rules-stability-and-growth-pact_en.

¹²⁴ *State aid control*, European Commission, available at: https://ec.europa.eu/competition/state_aid/overview/index_en.html.

¹²⁵ *Services of general economic interest (public services)*, European Commission, available at: https://ec.europa.eu/competition/state_aid/overview/public_services_en.html.

proposed by the national authorities¹²⁶.

The definition of "disadvantaged citizens or socially less advantaged groups" similarly leaves room for interpretation by Member States, although in some cases a national government's interpretation has been subject to challenge by private developers. Formal complaints have been lodged against the use of subsidies for social housing within some Member States by private landlords and developers (prominent examples include Sweden, the Netherlands and France), who believe that subsidies are being extended to housing provision for citizens who are not socially disadvantaged, and that this distorts the market in favour of public sector housing. One of the most famous cases is *Stichting Woonpunt v European Commission*, which has some significant implications for SGEIs and social housing in Europe. In 2007, an official complaint was filed by private sector landlords, who alleged that the social housing associations were becoming increasingly commercial in their approach and were, in fact, in competition with private providers for high-income tenants. In its final ruling, the European General Court decided that the Dutch government had not been precise enough in its definition of who would be the recipient of public assistance, which allowed the distortion of competition in the housing market¹²⁷.

Following the Commission Decision on housing corporations in the Netherlands, the Dutch authorities were required to make commitments to bring the measures into line with EU State aid rules. This included **acceptance of the definition of a clearly defined target group of disadvantaged citizens or socially less advantaged groups**, as provided for in the SGEI Decision. The Dutch social housing definition included socially disadvantaged households, defined as individuals with an income not exceeding EUR 33,000. Similarly, after complaints were received by the Commission regarding the incompatibility of financial support from the State with the EU's State aid rules, Sweden gradually liberalised its housing market, initially by removing the utility value principle, which previously allowed the municipal housing companies to set the benchmark for all rents in the market, and then abolishing public service compensation for municipal housing companies¹²⁸.

In its letter to the Commissioner for Competition, Margrethe Vestager, Housing Europe noted that the limitation of social housing to "disadvantaged citizens or socially less advantaged groups" clashes with the subsidiarity principles mentioned in article 1 of the SGEI Protocol to the Treaty, and **restricts the provision of social and affordable housing and the ability to ensure socially diverse communities and cities**, while examples such as the Dutch court case show its implications for cities, regions and national housing systems¹²⁹. Therefore, Housing Europe called for the EC not to link the current exemption for social housing under the SGEI Decision to a target group defined by the Commission as "disadvantaged citizens or socially less advantaged groups". Interviews with experts confirmed that loosening of the definition of the target group linked to the exemption for social housing under the SGEI Decision would facilitate the implementation of social housing policies at national/local level that target broader sections of the population (e.g. the lower-middle classes).

¹²⁶ *Revision of the SGEI-package*, available at: <https://build.europa.eu/wp-content/uploads/2019/01/dd664ab4802fe0daf280b61e8ea3d83f.pdf>.

¹²⁷ *Commission Staff Working Document accompanying the Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Report on Competition Policy 2017*. Brussels, 18.6.2018 SWD(2018) 349 final, available at: https://ec.europa.eu/competition/publications/annual_report/2017/part2_en.pdf.

¹²⁸ Thana, E. (2018), *Housing policy and EU State Aid Law: Legal implications of policy choices in Sweden and The Netherlands*, Lund University, Faculty of Law, 2018, available at: <http://lup.lub.lu.se/luur/download?func=downloadFile&recordId=8957961&fileId=8957964>.

¹²⁹ *Better EU rules for better services of general interest in housing*, Housing Europe letter to Commissioner for Competition, Margrethe Vestager, Brussels, 7 March 2016, available at: <https://www.housingeurope.eu/resource-657/better-eu-rules-for-better-services-of-general-interest-in-housing>.

Another key piece of EU legislation that has a significant influence on housing in the Member States is **the Energy Efficiency Directive** (2012/27/EU)¹³⁰, which established a set of binding measures to help the EU achieve its energy efficiency target of 20% by 2020. In 2018, as part of the 'Clean energy for all Europeans package', the new amending Directive on Energy Efficiency (2018/2002) was agreed to update the policy framework to 2030 and beyond with a new headline energy efficiency target for 2030 of at least 32.5%. According to critics, while setting ambitious energy efficiency targets for housing construction may be a perfectly adequate and very beneficial goal in some regions, for the less developed parts of Europe it might make good-quality or newly constructed housing even less affordable, not only for low-income groups, but for the majority of the population, thus contributing to inequalities¹³¹.

3.2. EU housing policy through 'soft' measures and financial instruments

In terms of direct policy making in the area of affordable housing and rights to housing, the **EU has largely employed 'soft power'** – administrative measures, recommendations, general principles and guidelines for national/local policy makers, communications, and other instruments that are not strictly binding and enforceable. Although housing policy is a prerogative of national and local policy makers, over the last few years there have been a number of EU level policy initiatives of this nature, addressing the accessibility of affordable housing.

Principle 19 of the **European Pillar of Social Rights** includes "Housing and assistance for the homeless", envisaging that: a) Access to social housing or housing assistance of good quality shall be provided for those in need; b) Vulnerable people have the right to appropriate assistance and protection against forced eviction; and c) Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion¹³². Based on the contributions received by the end of November 2020, the Commission will present in early 2021 an Action Plan to implement the European Pillar of Social Rights that reflects contributions received throughout the consultation period¹³³.

One of the 'soft power' mechanisms the EU can use to enhance the affordability of housing in the EU is **the European Semester process**, which enables EU Member States to coordinate their economic policies throughout the year and to address the economic challenges facing the EU. Each year, the Commission undertakes a detailed analysis of each country's plans for budgetary, macroeconomic and structural reforms, and provides Member State governments with country-specific recommendations (CSRs) for the next 12-18 months. Since 2011, these European Semester CSRs have addressed issues relating to housing in the Member States. As was revealed by our analysis of the topic of housing within the CSRs, while there is an overview of the housing affordability situation in nearly all of the Member States, only few receive CSRs that explicitly focus on housing affordability¹³⁴. Providing each Member State with European Semester CSRs focusing on specific housing-related challenges would probably

¹³⁰ Energy efficiency directive, available at:

https://ec.europa.eu/energy/topics/energy-efficiency/targets-directive-and-rules/energy-efficiency-directive_en#content-heading-0.

¹³¹ Hegedüs, J., Elsinga, M., Horváth, V. (2016), *Policy Discussion Brief for the European Commission on housing in EU member states*, Habitat for Humanity International Europe, Middle East and Africa, June 2016, available at:

https://www.habitat.org/sites/default/files/EMEA%20Policy%20Brief%20on%20Housing%20in%20EU_24112016.pdf.

¹³² *European Pillar of Social Rights*, available at:

https://ec.europa.eu/commission/sites/beta-political/files/social-summit-european-pillar-social-rights-booklet_en.pdf.

¹³³ *A Strong Social Europe for Just Transitions* (2020), European Commission - questions and answers, available at:

https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_20.

¹³⁴ Bauer, S. (2018), *Country Specific Recommendations*, European Commission, Brussels, 2018, available at:

https://ec.europa.eu/futurium/en/system/files/ged/analysis_of_the_country_specific_recommendations_and_housing.pdf.

help countries to address their housing problems in a more informed and systematic manner.

A similar soft regulation measure is the **Housing Partnership Action Plan**, which was established within the framework of the Urban Agenda for the European Union. It comprises representatives of selected EU Member States, cities, housing providers and tenant organisations, as well as EU institutions and programmes. The action plan, presented at the 'Housing for All' conference in Vienna in 2018, proposed 13 substantial actions and recommendations at EU level, focusing on affordable public housing, State aid rules and general housing policy to achieve better regulation, better funding and improved knowledge in this area¹³⁵. The action plan also includes a monitoring framework for the implementation of the Housing Partnership's actions and recommendations, including the responsible bodies and deadlines. According to this framework, some of the actions/recommendations proposed had already been implemented by 2018¹³⁶.

An international conference at the European Parliament in Strasbourg on 17-18 January 2019 resulted in the creation of the **Action Plan for Affordable Housing in the EU**¹³⁷ – an action plan suggesting a roadmap for EU institutions, MEPs and national and local authorities to collectively address housing needs within the EU. Among other things, the plan proposed the creation of a European Investment Platform dedicated to affordable housing within the framework of the future Cohesion Policy 2021-2027.

The EU implements housing affordability policies through its financial instruments, first and foremost the **European Social Fund (ESF)** and **European Regional Development Fund (ERDF)**. A recent EURO CITIES study¹³⁸ showed that **ESF has tangible impacts on European cities, including impacts on better access to housing of vulnerable groups through various projects, e.g. helping homeless people to move into social housing**. The study found that in some projects, European cities combine ERDF measures for refurbishing buildings with social inclusion interventions funded through ESF, such as social work and social services. In this way, they provide support for disadvantaged people to help them move into new housing in the refurbished buildings. At the same time, in some cases, the narrow thematic focus of ESF Operational Programmes (OPs) left key local challenges unaddressed, including support for the homeless and elderly, and social housing.

Similarly, the available evidence on the impacts of the **ERDF** shows that, with a strong focus on climate change mitigation and adaptation measures, the most obvious impacts on housing of projects funded by the ERDF were in improving the quality and energy efficiency of the housing stock in the Member States by supporting, among other things, refurbishment/renovations and extending building life^{139,140}.

Over the past two years, the **European Investment Bank (EIB)** has been investing increasingly in social and affordable housing. The EIB is taking an increasing role in investing in affordable housing at both national and local levels. Between 2011 and 2015, EIB lending for social housing in the EU amounted

¹³⁵ *The Housing Partnership Action Plan*, Urban Agenda for the EU, December 2018, available at: https://ec.europa.eu/futurium/en/system/files/ged/final_action_plan_euua_housing_partnership_december_2018_1.pdf.

¹³⁶ Ibid.

¹³⁷ *The Action Plan for Affordable Housing in the EU*, City of Strasbourg, Housing Europe and Union Sociale pour l'Habitat, January 2019, available at: www.housingeurope.eu/resource-1227/an-action-plan-for-affordable-housing-in-the-eu.

¹³⁸ EURO CITIES, February 2018. *Boosting employment and social inclusion in EU cities: Lessons learned from cities experiences with the European Social Fund in 2014-2017*, available at: http://nws.eurocities.eu/MediaShell/media/EUROCITIES_report_on_ESF_and_cities_FINAL.pdf.

¹³⁹ *A Mid-Term Analysis of the Impact of Structural Funds on Public, Cooperative and Social Housing in 2014-2020*. Housing Europe, Brussels, 19 February 2018, available at: <http://www.housingeurope.eu/resource-1075/a-mid-term-analysis-of-the-impact-of-structural-funds-on-public-cooperative-and-social-housing-in-2014-2020>.

¹⁴⁰ Dodd, J., Fox, T., Güntner, S., Provan, B., Tosics, I. (2013), *Housing investments supported by the European Regional Development Fund 2007-2013 Housing in sustainable urban regeneration*, European Commission, Luxembourg, 2013, available at: https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/housing/2013_housing_study.pdf.

to a total of EUR 13.8 billion¹⁴¹, significantly more than in other sectors of social infrastructure. Typically, EIB finances social housing and affordable housing for rent, refugee accommodation and reception centres, and associated infrastructure and start-up costs, student accommodation and accommodation for apprentices, care homes and assisted living facilities. The EIB financed social housing projects via various instruments such as investment loans for housing associations, direct investment framework loans, etc.¹⁴². Besides financing, the EIB provides advice on social and affordable housing topics linked to investment in the sector – in particular, through the URBIS (Urban Investment Support) instrument developed together with the European Commission¹⁴³. Furthermore, the EIB will also manage the future investment fund, InvestEU, discussed below.

Similarly, **the Council of Europe Development Bank (CEB)** has also been active in lending to the housing sector, in particular by financing sustainable and affordable housing for particularly vulnerable populations: it estimates that housing represents around 20% of the share of total loans under the credit line for 'sustainable and inclusive growth'. Over the period 2010-17, the bank financed 13 projects totalling EUR 700 million, benefitting 30,000 families¹⁴⁴.

Some critics have, however, called for a more coordinated approach between housing investment policies at EU level (structural funds, EIB) and national level. It has been suggested that such a coordinated housing policy should be made a pre-condition for the use of EU structural funds and EIB loans. This would allow the EC and EIB to play a greater role in addressing the most pressing housing problems in some EU regions, e.g. dealing with the material housing deprivation in CEE-countries, and the refugee issue across the whole of Europe¹⁴⁵.

One promising future EU-level initiative to address housing affordability in Europe is the **InvestEU Programme**¹⁴⁶, which will bring together under one roof the multitude of EU financial instruments currently available, and expands the successful model of the Investment Plan for Europe, the Juncker Plan. Between 2021 and 2027, the Commission plans via InvestEU to further boost investment, innovation and job creation, triggering at least EUR 650 billion in additional investment. Investments in social housing (including energy-efficient social housing) projects are one of the areas addressed by the programme. The programme is further enhanced by Next Generation EU, an instrument intended to contribute to Member States' economic and social resilience and their sustainable recovery from the COVID-19 crisis¹⁴⁷.

Several peer to-peer learning initiatives are also facilitating the exchange of knowledge, lessons and policy recommendation between European cities and local authorities. Examples of such initiatives include **URBACT**¹⁴⁸ and **Urban Innovative Actions (UIA)**¹⁴⁹, both financed by the ERDF. UIA also finances projects that help European cities to test-pilot new and as-yet-unproven solutions to address

¹⁴¹ Colantonio, A. (2018), *EIB Financing for Social and Affordable Housing*. Presentation at the Housing Partnership event 'Affordable housing for inclusive cities', 16 May 2018, Brussels, available at: https://ec.europa.eu/futurium/en/system/files/ged/colantonio_affordable_housing_for_inclusive_cities_may_2018.pdf.

¹⁴² EIB, *Social and Affordable Housing with the EIB: Advanced Finance for a Basic Need*, 17 September 2019, available at: https://www.eib.org/attachments/thematic/social_and_affordable_housing_en.pdf.

¹⁴³ European Investment Bank, *Social and affordable housing Overview 2020*, 29 January 2020, available at: <https://www.eib.org/en/publications/social-and-affordable-housing-overview-2019>.

¹⁴⁴ Kulenovic, S. (2017), *Social and Affordable Housing*, Technical Brief, CEB, October 2017, available at: https://coebank.org/media/documents/Technical-Brief_1_Social_and_affordable_housing.pdf.

¹⁴⁵ Hegedüs, J., Elsinga, M., Horváth, V. (2016), *Policy Discussion Brief for the European Commission on housing in EU member states*, Habitat for Humanity International Europe, Middle East and Africa, June, available at: https://www.habitat.org/sites/default/files/EMEA%20Policy%20Brief%20on%20Housing%20in%20EU_24112016.pdf.

¹⁴⁶ *InvestEU Programme*, available at: https://ec.europa.eu/commission/publications/investeu-programme_en.

¹⁴⁷ *Q&A The proposed InvestEU Programme*, available at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_947.

¹⁴⁸ *URBACT at a Glance*, URBACT initiative website, <https://urbact.eu/urbact-glance>.

¹⁴⁹ *Urban Innovative Actions Initiative website*, <https://uia-initiative.eu/>.

urban challenges, including innovative measures addressing housing affordability. UIA and URBACT are currently implementing a joint activity, 'Cities engaging in the right to housing'¹⁵⁰, which will result in recommendations for further EU actions to improve housing affordability in the Member States. Another measure is the **Urban Agenda for the EU**, which was launched in May 2016 with the Pact of Amsterdam¹⁵¹. Housing is one of the priority themes of the Agenda, whereas the key delivery mechanisms within the Urban Agenda for the EU are thematic partnerships representing various governmental levels and stakeholders. One of these thematic partnerships focuses on housing.

¹⁵⁰ *Cities engaging in the right to housing* (2020), UIA Article, available at: <https://www.uia-initiative.eu/en/news/cities-engaging-right-housing>.

¹⁵¹ *Urban Agenda for the EU: Pact of Amsterdam*, 2016, available at: https://ec.europa.eu/futurium/en/system/files/ged/pact-of-amsterdam_en.pdf.

RECOMMENDATIONS

The analysis above, based on desk research and expert interviews, has informed a number of recommendations for policy makers and stakeholders at local, national and EU levels:

- Evidence shows that countries with well-structured and highly developed social housing systems offer their citizens accessible and affordable housing. At the same time, evidence indicates that demand-side spending policies are often counterproductive, in that they tend to inflate local housing prices instead of improving the affordability of housing for households. It is recommended, therefore, that local and national governments **re-prioritise supply-side housing measures** (e.g. the development of affordable public housing, support for housing associations and cooperatives). The available EU financial instruments (ESIF, EIB and others) should also be used to support supply-side affordable housing projects. This may be especially important in the context of the COVID-19 pandemic, which may well be followed by a financial crisis. Government-funded and administered investment in increasing social housing stock may provide a viable recovery scenario for countries vulnerable to a housing crisis. The proposed recovery instrument 'Next Generation EU', offering EUR 750 billion to be channelled to Member States, represents a great opportunity to invest in supply-side housing measures and at the same time alleviate the effects of the pandemic;
- **Support for recurrent immovable property taxes** (e.g. annual taxes on a certain value of property, or taxes on secondary property) should be encouraged among Member States. Evidence indicates that recurrent immovable property taxes is an effective instrument to increase local housing supply, improve affordability and alleviate the negative effects of speculation in housing markets;
- Our analysis shows that data on speculative investing in European housing markets is not systematically monitored at European level, and there is a lack of quantitative evidence about the financialisation of European housing markets (e.g. the level of foreign investments in European real estate by private funds/persons, rates of secondary property ownership and landlordism, etc.) that could allow for the ensuing problems to be better addressed. European and national statistics offices should, therefore, consider the possibility of **systematically monitoring speculative activities in their housing markets**;
- It is also recommended that **a single definition of homelessness in the EU** should be developed, which would enable the systematic comparison and assessment of the extent of homelessness across different EU countries. **Homelessness rates should then be systematically monitored at EU level** via institutions such as Eurostat;
- According to some stakeholders, the current limitation of social housing to "disadvantaged citizens or socially less advantaged groups", under the terms of the current SGEI package, restricts the provision of social and affordable housing to a very limited target group. It is therefore recommended that the European Commission **consider the possibility of not linking the current exemption for social housing under the SGEI Decision to a specific target group**. This would facilitate support for the provision of social and affordable housing for wider groups of the population (e.g. lower-middle classes) whose housing needs are not met by private housing market. It would also encourage more socially diverse communities and help tackle the problem of social segregation;

- The European Commission should aim to **provide each Member State with European Semester country-specific recommendations (CSRs) focusing on specific housing-related challenges** (currently only a few countries receive such CSRs on a regular basis). This would help Member States to address the most pressing housing-related challenges during the current housing crisis; and
- The **exchange of good practices in affordable housing policy and peer-to-peer learning activities should be encouraged among various levels of European authorities** (cities, regional and national authorities), including via existing EU-level platforms and networks (URBACT, Urban Innovative Actions, the Urban Agenda for the EU, Housing Europe and others). The European Commission should provide support and coordination in this process.

ANNEX: COMPLETED INTERVIEWS

Table 9: List of completed interviews

No.	Organisation name	Name of interviewee(s)	Interview date
1.	URBACT	Nuala Morgan (Head of Unit - Capitalisation and Communication) Laura Colini (Programme expert)	15 June 2020
2.	EIB (1)	Grzegorz Gajda (Senior Urban Sector Specialist)	15 June 2020
3.	EIB (2)	Andrea Colantonio (senior economist) David Morgant (Senior specialist) Gerry Muscat (Head of Division, Regional and Urban Development) Lorenzo Squintani (Communication Officer)	16 June 2020
4.	Housing Europe	Alice Pittini (Research Director) Dara Turnbull (Research Coordinator)	15 June 2020
5.	FEANTSA	Ruth Owen (Deputy Director)	15 June 2020
6.	European Anti-Poverty Network (EAPN)	Sian Jones (Policy Coordinator)	10 June 2020
7.	European Commission, DGEFIN	Borek Vasicek (Economist)	2 July 2020
8.	Urban Innovative Actions (UIA) Initiative	Amélie Cousin (Project and Dissemination Officer) Nasko Vangelov (Project Officer)	2 July 2020

Source: Authors' own elaboration.

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This study analyses the current situation and key challenges in terms of housing affordability in the EU, as well as the policies to ensure access to affordable housing at national and EU levels. After assessing key trends, the authors provide recommendations for policy makers and stakeholders on improving the affordability of housing.

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