

New Cracks in the European Housing Market

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As the cost of housing soars throughout Europe, bringing occupants to their knees, the same cry can be heard everywhere, exceeding the typical indignation of associations. All over, the ultimate consequences of the uncontrolled disturbances in the streets, the shacks, the destitute squats, will not fade by a few charitable deeds. At best, housing displacement is stagnating. As different social housing models are afflicted everywhere, public policies on regulation seem too old-fashioned to even be considered. We are verging on paralysis.

The extent of the crisis is urging a growing range of analysts and decision-makers across Europe to consider now the time to intervene on the structural causes of substandard housing. The stopgap public spending taking place in order to alleviate the social fever is not stopping the diseased systems, endangering not only basic individual needs, but also the collective organization of cities, social stability, and the already shaky economic health of European countries.

The problem is at least a European one, and it is on this scale that it will have to be resolved. The volatility of capital, the monetary and fiscal strategies, and the scope of public intervention are imposing measures of continental dimensions. And yet, European countries do not have the same history, the same relationship with housing, the same corrective measures for markets, or the same relations with housing displacement. Seen from this angle, the crisis may seem somewhat of a luxury in France when compared to other European countries.

In 18 European countries, a large majority, the social housing market makes up less than 10% of primary homes (1). Most often it is targeted to audiences who are not necessarily the most vulnerable, and does not play a truly structural role in public intervention.

France has the highest ratio of housing per thousand habitants in Europe: 513 versus 332 in Poland. As was the case in other countries, mainly in the former People's Republics, French tenants have not seen their legal rights diminish since 1986 (before the *Loi Boutin* was adopted).

Traditional immigrant countries do not have a history of public intervention in housing, and are, therefore playing catch-up, resulting in serious consequences. Spain has 1% of social housing at its disposal, almost exclusively through housing associations. It should be noted that almost nine out of ten Spanish homes are owner-occupied. This is inconsistent with the need for mobility, with reversing migratory patterns, and above all, with the financial means of households.

The portion of household budgets devoted to housing is clearly larger in Eastern countries, in Spain and in the United Kingdom than it is in France. The effect of the current credit crisis in the United Kingdom is a real estate crisis fraught with social consequences. This development poses problems of access to housing, particularly for young people. In Spain, prices have exploded more than elsewhere; the government has eased restrictions and lifted the "administrative shackles that weigh down the economy". For three years, the miracle of Spain's new construction caused all of Europe to be overcome with deregulation; but the speculative bubble linked to construction for tourist facilities has burst, dragging the economy down with it, and without social needs being resolved.

In Eastern countries, problems of quality dominate the largely shared inability of households to meet the costs of maintaining property. In Latvia, where rent has increased by 50% per year for the

last several years, one lawmaker concluded that “when households give all of their income to their landlord, saving only what they need, only to go and work some more, it is a way of going back to slavery”. In Slovenia, until 10 years ago, the only grounds for eviction were unpaid rent. Since then, there have been new justifications added each year.

In the United Kingdom, the myth of “a nation of homeowners” is in a bad way. Of the 16 million homeowners, 11 million currently have loans. Among them, the number of people who defaulted on payment increased by 29% in one year (2) and the number of bank foreclosures rose by 75%. Individual ownership is turning out to merely be a risk of permanent indebtedness to a bank.

In this disparity, it is important to identify the structural elements of the crisis, from which it will be possible to draw public policies useful for all, without envisioning a unique, and unsustainable model.

In Europe, there seem to be four determining elements in the housing crisis and the public policies concerning housing conditions.

First, the cumulative effect between socio-economic instability and housing difficulties is growing. Until the early 1980s, the poor were elderly, rural, and owned substandard housing. Since then, like all countries around the world, poverty has migrated toward urban centres. The poor are now younger and more susceptible to variations in the housing system, largely those of the market. Poor homeowners are less aware of price trends than are poor tenants or the homeless.

And justifiably so, thanks to deregulation, tax incentives that occurred throughout Europe in order to boost prices in a sector that generates employment, and housing costs that have risen very rapidly over the last 10 years, whether buying or renting. This leads to the second structural phenomenon. In a context of exhausting town and country planning policies, the urban sprawl became more pronounced, thus favoring societal specializations—in other words, segregation. It is the result of mechanics: the more space there is, the more specialized the areas are. The crisis that is strongly felt in all countries is this crisis of market prices, of residential mobility, and of social integration.

In France, the turnover in social housing is slow and the annual construction of new housing is insufficient. The combination of these two factors do not help new families who are entering the social housing market and looking to rent. At the heart of the matter, this is what leaves people vulnerable to homelessness. The urgent policy measures that are the subject of the political attention of the day will only barely bail out this sinking ship.

During this time, the United Kingdom experienced a significant population migration from the industry-devastated towns of the northwest to the southwest in the urban sprawl that has become the mouth of the River Thames. The cosmetic remodeling policies of procedures for land grants and for the marginal production of social housing are not enough to properly deal with the issue. Realizing this, the government of Gordon Brown announced the creation of ten new cities in July 2007, in an attempt to manage the dangerous trend, as the market is beginning to feel similar effects to those of the American subprime mortgage crisis. The United Kingdom is experiencing a new public and political interest for public intervention in regards to housing conditions; following the mass sale of social housing, an effort emerged to limit the trend.

The third phenomenon: the regression of legal protection. In western countries, it is the progressive abandonment of the particularities of social housing that is resulting in the regression of rental statutes. In the twelve countries of Central and Eastern Europe, it is the legal and jurisprudential reforms that are jeopardizing the protections that occupants have had, whether in terms of housing

costs, statutory protections, or quality standards. Yet Germany, the country that has suffered the least, is where rental protections are the strongest (even if the situation of many renters has worsened because of social housing reforms): in the private housing stock, leases last indeterminately and are transferable through inheritance. Prices are regulated and returns on rental properties are fixed at the maximum rate, an excess of which leads to penalties. The other countries that are coming out unscathed from the crisis are also those who afford the most protection, such as Denmark, Finland, etc. The idea that diminishing protections would boost construction is not based on any research; insurance mechanisms exist. It is an ideological position dressed up as pragmatism. In any case, there is a need to work collectively on the question of the relationship between fundamental rights and markets. This is true for housing, for basic needs, for education. And from now on it is a collective necessity (the Bolkestein Directive) that separates services of general interest, from market services, but without specifying what those services of general interest are. Herein lies a crucial issue with which civil society must grapple.

The last structural element of the recent period is the development of public intervention from residential construction subsidies to personal subsidies. Rather than tying up large amounts in building, the authorities prefer to leave production to the market and help out individuals in need. All evaluations of these policies indicate the loss of control over the effectiveness of public spending. What is built and when it is built is no longer aimed at meeting social demand, but at creditworthy demand. This policy proved to be a bottomless pit for the authorities that must increasingly help households pay their rent. In France, spending on individual aid for housing (AL, APL) rises from between 500 million to 1 billion Euros each year, reaching 14 billion in 2007. This is divided equally between social and private housing stock, whereas social housing aid is only 3 billion. The United Kingdom, Italy, Germany, and the countries of Northern Europe are affected by this syndrome of personal subsidies, which allows independent money for construction to be brought in, thus, limiting spending. But the market rose and spending had to follow suit, to avoid smothering tenants. As emphasized in the Bloch-Lainé report (a French Planning), since 1981, three years after having changed the model, "The state still pays but isn't creating more housing". But it is very difficult to go back; tenants are not in a position to do so in the face of a rental market that is inconsistent with the creditworthiness of the demand. With the public budget strained by this need for spending, the only room to maneuver lies in the deferred expenses that are measures for tax exemption. However, states are now helping the rich more than ever, without anything in return, in the hope that it will benefit the poor.

The Council of Europe has criticized France for their mediocre public policies on housing conditions (Art.31 of the revised Social Charter): on social housing; combating insalubrious conditions; emergency housing, and discrimination.

Why is has France been criticized? Because in this case, it isn't a question of trends without consequences. The lack of inspiration in France's policies on housing conditions, and the inability to see the structural problems and allocate the necessary resources to respond, result in unacceptable situations across Europe: unacceptable on an ethical level and dangerous on social and political levels.

Housing is one of the most relevant government indicators for particularities or the problems between individual rights and market logic, between respect for the individual and community protections. The current crisis, which is occurring across Europe with both collective and individual elements, encourages us to find common solutions that respect domestic realities. We have the opportunity to regenerate our socio-economic organization and to invent a European built model.

An exhilarating perspective!

To work then...

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