

# Consumer-oriented housing policy instruments – examples from eight European countries

*Proceedings from a seminar i Stockholm, October 20, 2009*



REGERINGSKANSLIET

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# Introduction

Housing policy within the EU is not harmonised. However, forms of cooperation between the Member States have been established for several years, for instance through recurrent informal meetings of the housing ministers of the member states. In the communiqué of the informal conference of housing ministers in Marseille in November 2008, the ministers stated:

*“Access to decent housing at an affordable price is an objective shared by all Member States of the European Union. It is recognised as a fundamental right by international treaties and by several Member States; decent housing is an important condition for the exercise of fundamental rights such as the right to privacy and family life, the right to education, to employment and to social security.*

*In many Member States, a considerable proportion of the population, and not only the most vulnerable, can no longer find housing under market conditions; the increasing costs of housing and the impact these will have on households, particularly vulnerable households, as well as the considerable levels of housing exclusion and homelessness in most Member States of the European Union are issues to be taken into account, especially in the current context linked to the financial and economic crisis.”*

The same communiqué states the following on the forms of cooperation:

*“As a conclusion, the housing ministers consider that this meeting was fruitful and constructive. They agree on the necessity of establishing more regular meetings to compare problems encountered and exchange information.*

*Taking into account the importance of the issues at stake, the impact of European Union policies on national housing policy should be a permanent item on the agenda of future European Union housing ministers’ meetings. In order to improve the follow-up of these meetings and to enable the further development of specific themes, the ministers suggest that working groups should be established under the initiative of a Member State.”*

Against this background, Sweden, during its EU Presidency, organised a seminar for Focal Points in Stockholm in October 2009 on the topic of consumer-oriented housing policy instruments. The choice of topic was primarily motivated by the shift in housing policy away from production subsidies made by many countries, including Sweden, in recent decades. The topic was explained as follows in the invitation to the seminar:

*The primary focus is on instruments/programmes used to facilitate access to the ordinary housing market, irrespective of tenure, for people/households who, for various reasons, need such help.*

*Social housing is a special sub-market, ordinarily distinct from the ordinary housing market, but, as the object of such models is to make decent housing accessible to households excluded from the ordinary housing market, they might also be of interest, especially if they are intended to be a stepping stone on the road to independent living on the ordinary housing market.*

*Although general programmes to enable households to afford housing costs are not the focus of this meeting, it is for each country to decide what instruments they feel could be of more general interest.*

Eight Member States held presentations at the meeting. These presentations had different levels of ambition. Some described the Member State's entire housing policy at national, regional and local levels, while others concentrated on one specific policy instrument. The differences reflected in part how the invitation had been interpreted, but it is also a fact that the housing policies in the different countries require different levels of contextualisation to make them comprehensible.

*The aim of the meeting in Stockholm, and of this report, is limited to transferring knowledge between the Member States. Therefore, the report contains neither normative conclusions nor recommendations. The attempts at summarising made in the report reflect its Swedish authors' perception of the presentations and available statistics and do not represent the position of the Swedish Government in any respect.*

# Background

Basic information on housing and housing costs is provided in each of the following sections to provide a context to the different Member States' descriptions of how they influence the housing market with policy instruments. All the statistics is taken from Eurostat, which bases its data on Member States' reporting in EU-SILC (EU statistics on income and living conditions). It collects, on an annual basis, up-to-date, comparable multidimensional micro-data on income, poverty, social exclusion and living conditions. The information reported is for 2008 in most cases.

In the charts below, the Member States that held presentations in Stockholm have been highlighted. Countries that we generally perceive as being fairly similar, such as the Nordic countries, also show big differences.

Of the eight countries, Norway has the highest proportion of detached or semi-detached houses and private ownership and the most rooms per person. Germany has the largest proportion of tenancies in multi-dwelling buildings and the highest housing costs, measured as a share of income.

Chart 1 shows the share of different tenures of the housing stock. The countries are sorted by the proportion of home ownership. The new Member States have the highest proportions of their population living in houses or flats that they own themselves.

Within the tenant group both tenants that pay market rent and subsidised rent is included.

**Chart 1** Tenure status; the countries making presentations in Stockholm are highlighted. Eurostat, table ilc\_lvho02.

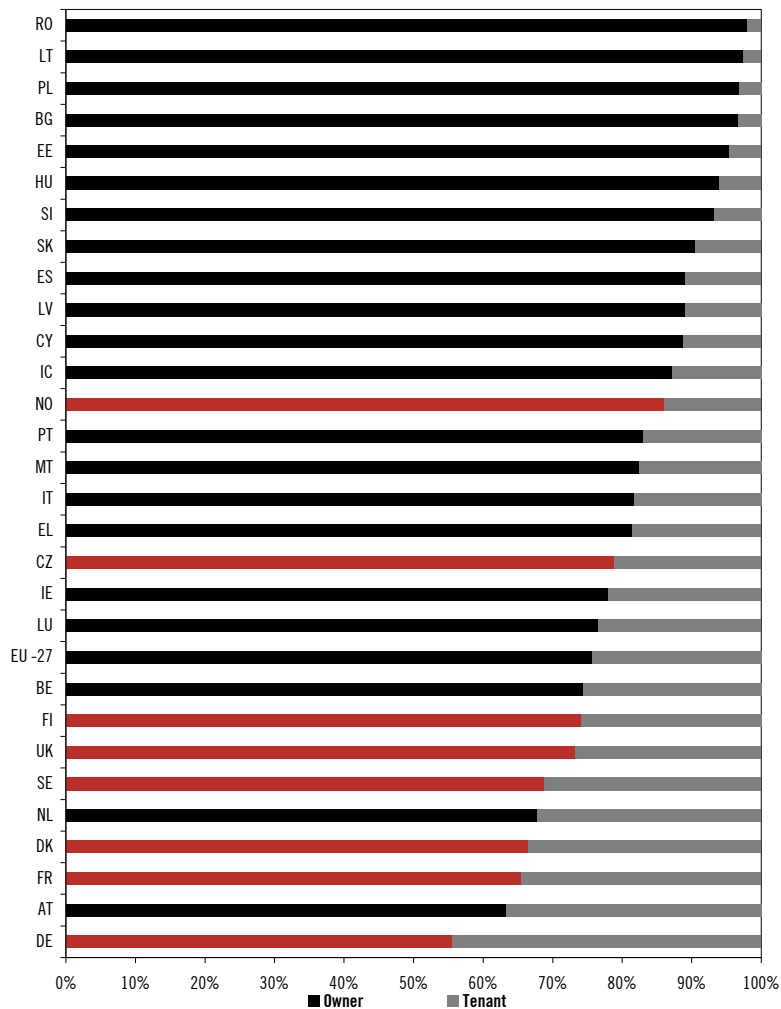


Chart 2 shows the share of dwellings in houses and flats respectively. The countries are sorted by the proportion of the



population living in houses (detached and semi-detached) in the housing stock.

**Chart 2** Type of dwelling; the countries making presentations in Stockholm are highlighted. Eurostat, table ilc\_lvho01.

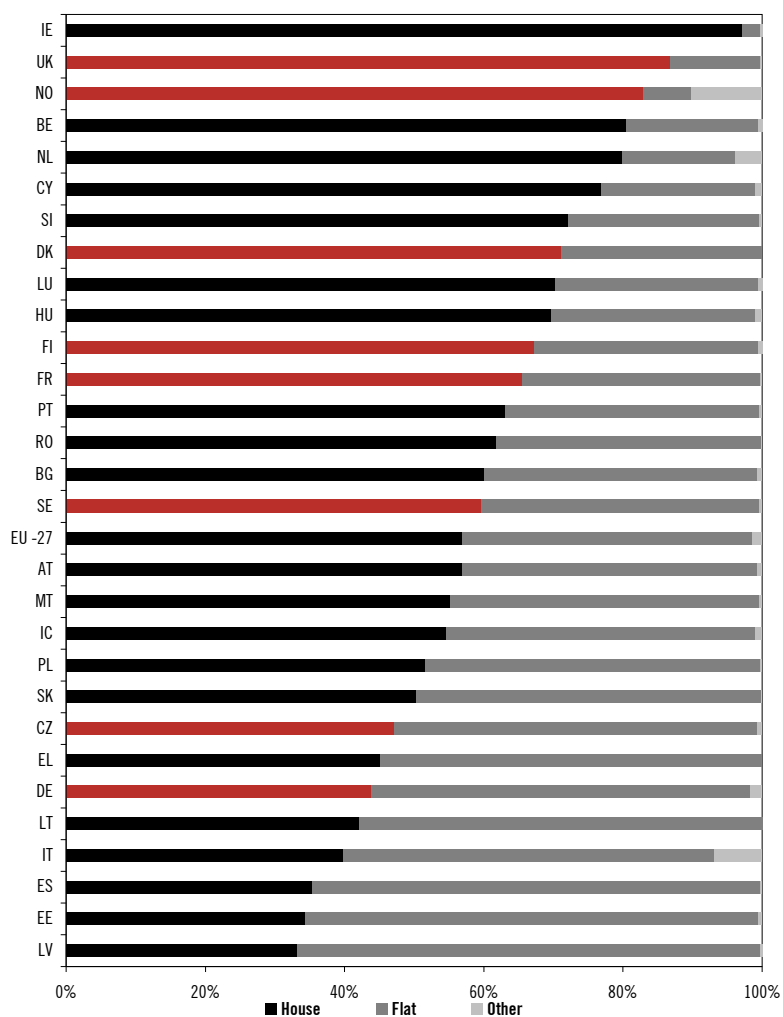


Chart 3 shows the number of persons making up households. The countries are sorted by the proportion of single-person households. In Denmark almost 50% of the households consist of one person.

**Chart 3** Household size; the countries making presentations in Stockholm are highlighted. Eurostat, table ilc\_lvph03.

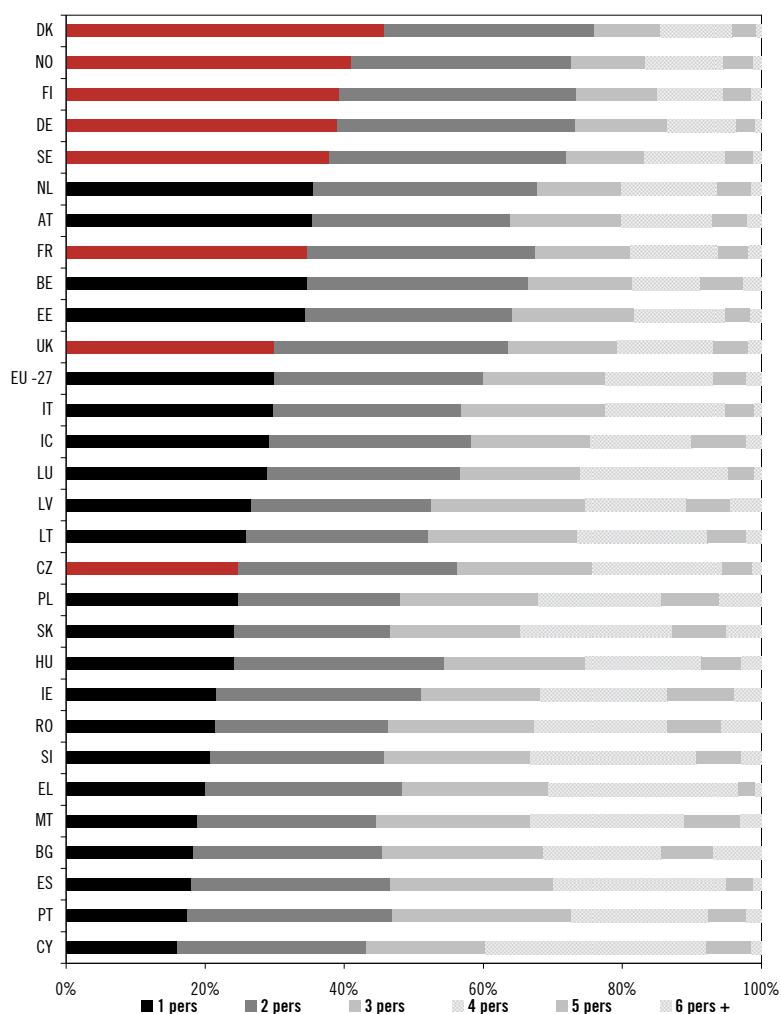


Chart 4 illustrates the supply of housing in the market by showing the (average) number of rooms per capita. The countries are sorted in order of decreasing number of rooms per person. The Romanians have fewest rooms to share among them, and the Belgians the most.

**Chart 4** Rooms per person; the countries making presentations in Stockholm are highlighted. Eurostat, table ilc\_lvho04.

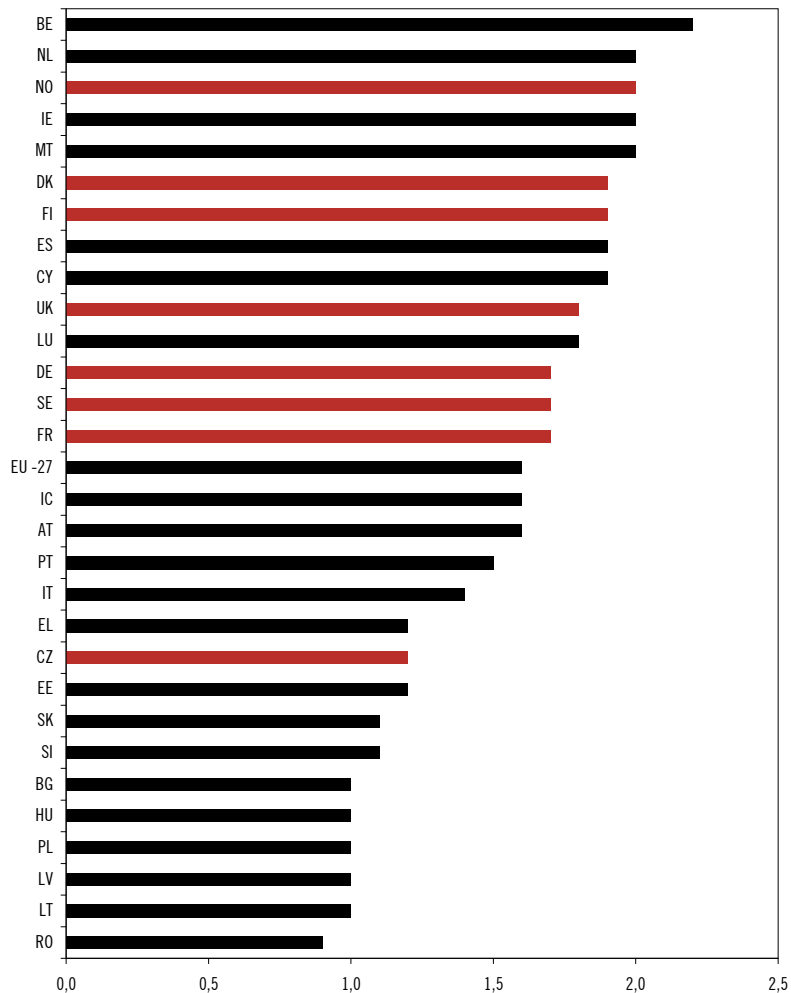
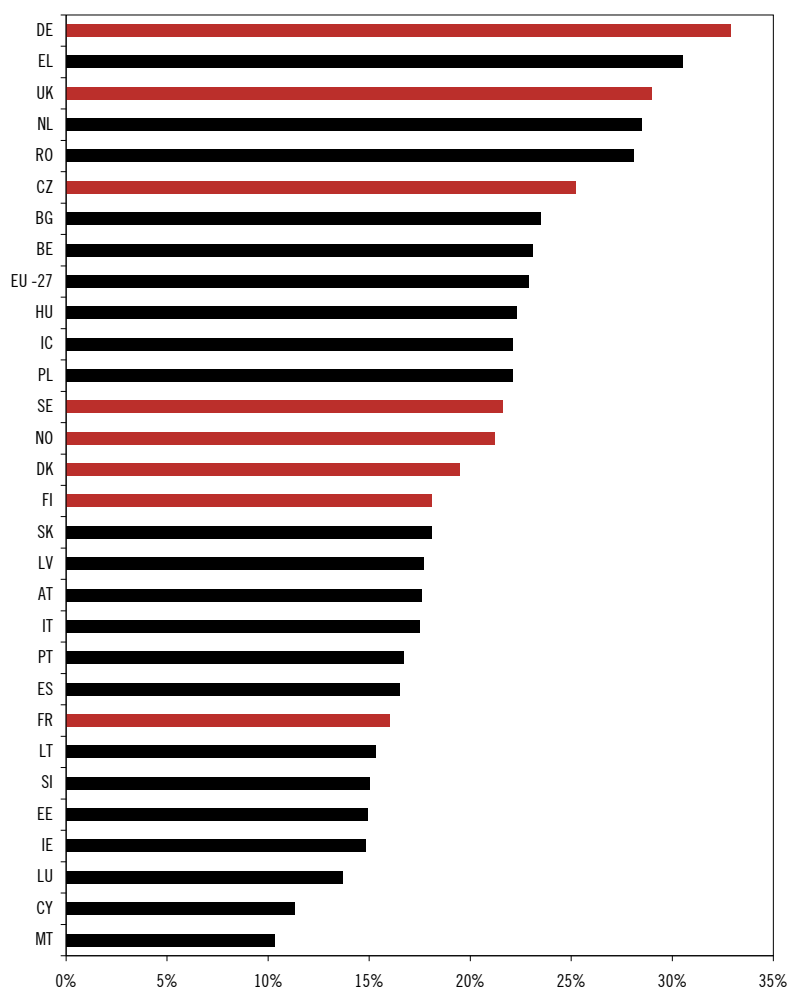


Chart 5 shows the housing cost as a share of household income. The countries are sorted in order of decreasing housing cost

**Chart 5** Housing cost, share of household income; the countries making presentations in Stockholm are highlighted. Eurostat, table ilc\_mded01.



The household income include:

- all income from work (employee wages and self-employment earnings)
- private income from investment and property
- transfers between households
- all social transfers received in cash including old-age pensions

The housing costs include water, electricity, gas & other fuels and furnishings, household equipment & routine maintenance of the house.

# Information for individual countries

Information from the eight countries that held presentations at the meeting in Stockholm is reported in the following. Each section begins with information on the country's housing market taken from Eurostat and based on reporting in EU-SILC. This information was not provided by the respective Member States in connection with the presentation in Stockholm; the sources are the same as in the previous pages. The authors have not tried to adjust the figures reported by Eurostat to comments given by individual Member States.

This is followed by a report based on the participant's presentation, in some cases with additional information obtained by contacting the country in question. Where the presentation contained general information, this is summarised by way of introduction. This is followed by descriptions of specific instruments.

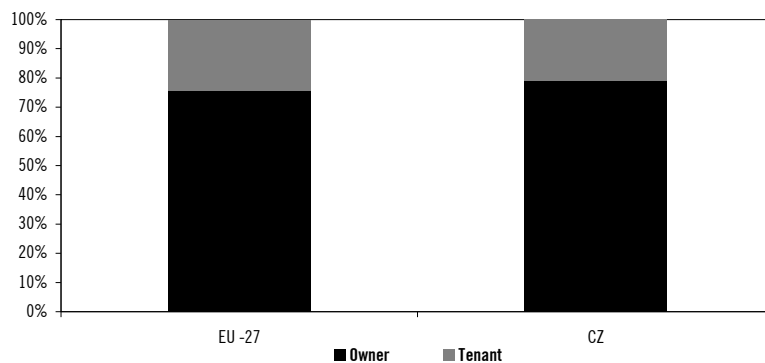
# Czech Republic

**Population: 10.5 mill.**  
**mill.**

**Households: 4.2**

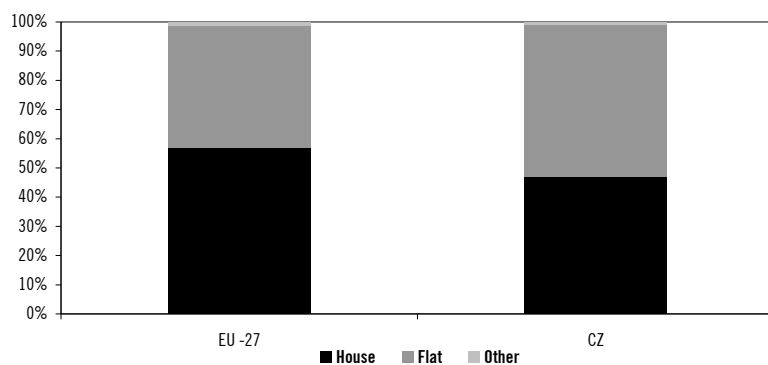
Like many of the new Member States, the Czech Republic has a wide-spread income distribution and a relatively small public sector. Dwellings formerly owned by the state have been privatised and the resources for building cheap rented dwellings for people on low incomes are limited.

**Chart 6.1 Tenure, share of population**



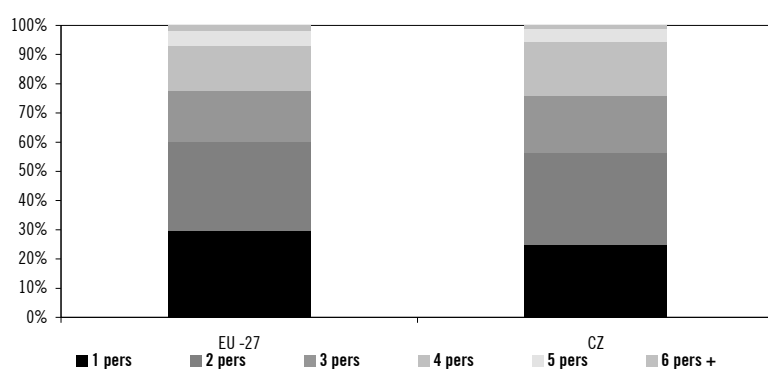
The rental market in the Czech Republic is limited and mostly regulated.

**Chart 6.2 Type of Dwelling, share of population**



A large proportion of the housing stock in the Czech Republic consists of multi-dwelling buildings.

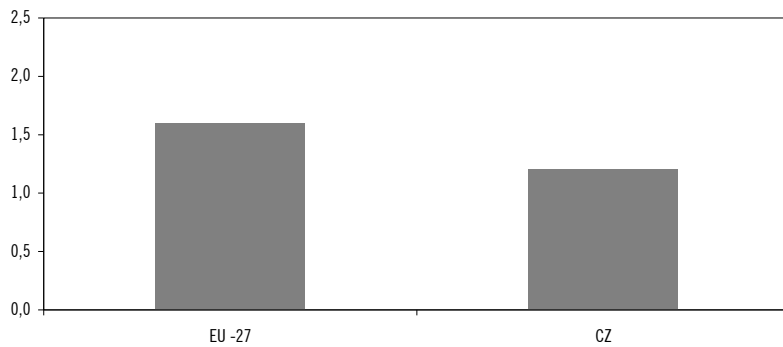
**Chart 6.3 Household sizes**



The Czechs have a larger proportion of multi-person households than the EU average.

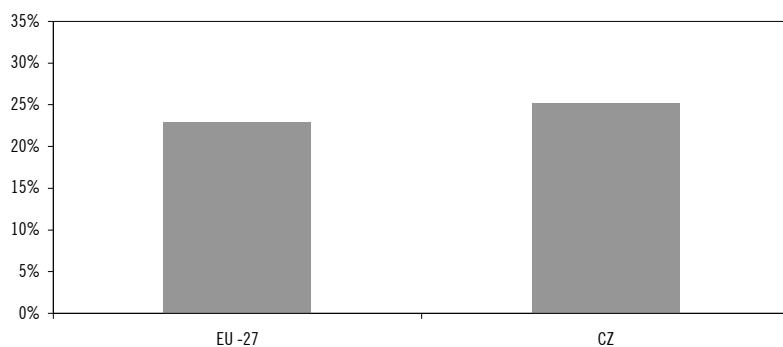


**Chart 6.4 Rooms per person**



The households in the Czech Republic share less space than Europeans on average

**Chart 6.5 Share of income spent on housing**



The Czechs pay in average almost the same for housing as the average in Europe

### **The presentation in Stockholm**

The Czech Republic has a very small unregulated rental market. Old tenancy agreements with controlled rent are replaced with regular market rents when a new tenant moves in. The construction

of new dwellings on the market is directed at affluent households. Special category dwellings are built by local authorities with state support. These are let as social housing, depending on income and size of household. European regional development funds are used to renovate older residential areas and for special initiatives relating to the housing situation of Roma people. Roughly 0.9% of GNP is spent on housing supply measures.

## **Policy instruments**

In 2009, the Czech Republic decided to grant an investment subsidy for the construction of temporary new social rented housing. In return, the property owner commits to let the new dwellings for 10 years to people who meet the requirements for receiving social housing.

Eligible beneficiaries can be any persons (physical or legal) in a EU member state. Grants are provided to these persons (who are developers and landlords) for the construction of new housing, for the adaptation of existing buildings with the aim of creating rented flats, or for the renovation of extremely dilapidated flats (i.e. technically unfit for permanent habitation). Therefore, there are several levels of subsidy, depending on the specific form of a given investment – i.e. about EUR 250 per square metre (of floor space of a flat), but no more than EUR 19,300 per subsidised flat. For renovated flats, it is less (EUR 211 and EUR 16,150, respectively). If a given rented flat is constructed as an ‘adaptable’ flat (which means a layout and some other assumptions allowing future arrangement of this flat for a disabled person), there is an extra ‘bonus’ of EUR 2,000 per flat. In comparison with the overall investment framework, the total construction cost of a new flat (in a multi-dwelling building) is, on average, about EUR 1,000 per square metre.

The only eligible ‘social tenants’ for these subsidised ‘social rented flats’ are people and households with limited incomes. This means

that there are some income ceilings: 0.4 times the average national salary for one person, 0.6 for two people in a household, 0.8 for three people or 0.9 for four people. For five or more people, the ceiling is equal to the average income of one person. In addition such 'social tenants' must not own any real property. The tenancy agreement (the contract between the 'social landlord' and 'social tenant') may not cover more than two years. Rents are also limited to the level of 'cost rent' – i.e. the rent may not exceed about EUR 1.7 per square metre per month; it is possible to increase it only by the Consumer Price Index (according to the Czech Statistical Office). The potential target group is estimated by the Ministry of Labour and Social Affairs at about 50,000 people. These are people receiving social 'material poverty' allowances or people with some other handicap in relation to access to housing. In general, such people are not able to meet their housing needs on a free market. The group of potential 'social tenants' for the above 'social rented flats' represents about 0.5% of the total Czech population.

Budget funds have been set aside to build 2,000 flats per annum with an investment subsidy. Interest in the investment subsidy seems to be high but it is still too early to evaluate the effects.

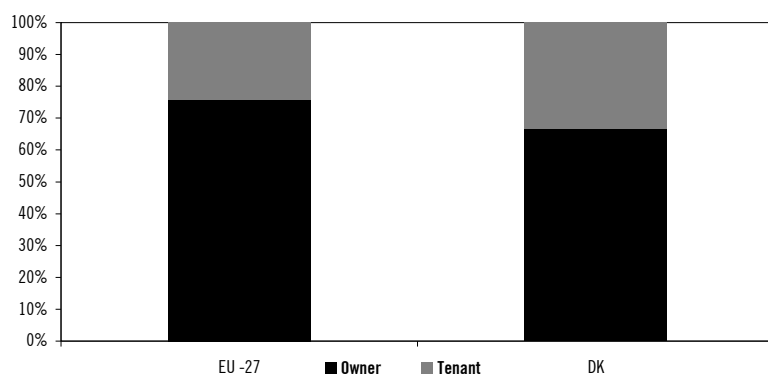
A similar subsidy is still only at the proposal stage. It involves property owners getting a subsidy to let their dwellings, for a period of ten years, to people who meet the requirements for receiving social housing. This is regarded as an activity in the public economic interest that does not require notification. It is hoped to achieve a volume of 2,000 – 5,000 dwellings but, as no decision has yet been made, the figures are uncertain.

# Denmark

**Population: 5.5 mill.      Households: 2.4 mill.**

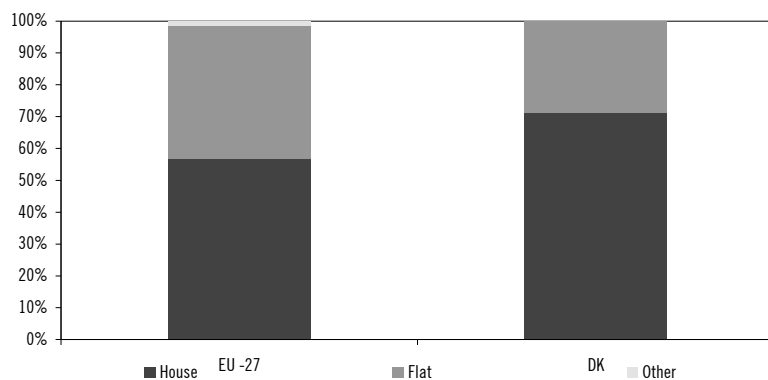
Denmark is a rich welfare state in which housing policy consists of many different components.

**Chart 7.1      Tenure, share of population**



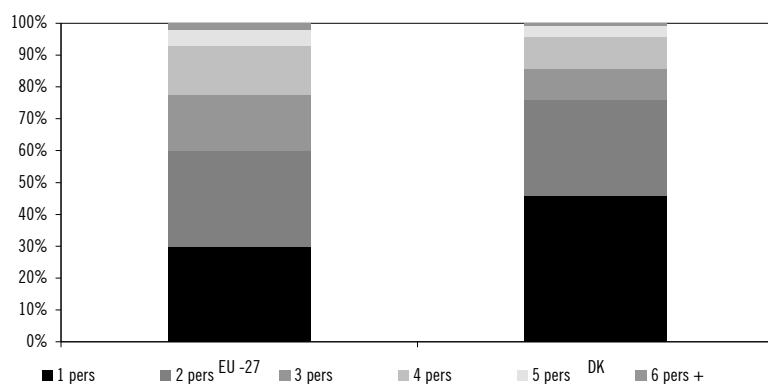
At the seminar, roughly half the rental market was described as subsidised to different degrees.

**Chart 7.2 Type of Dwelling, share of population**



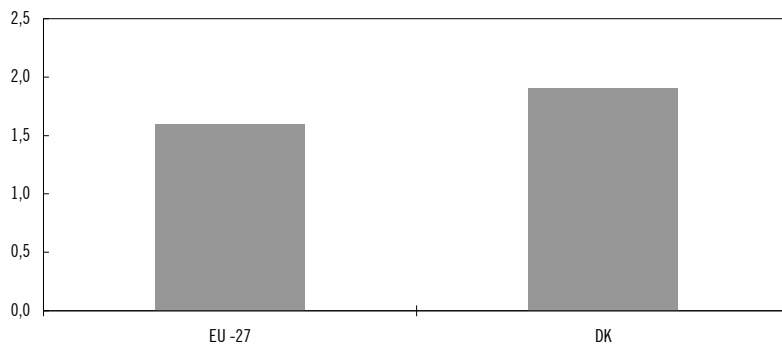
Danes live in detached or semi-detached houses to a higher degree than the European average.

**Chart 7.3 Household sizes**



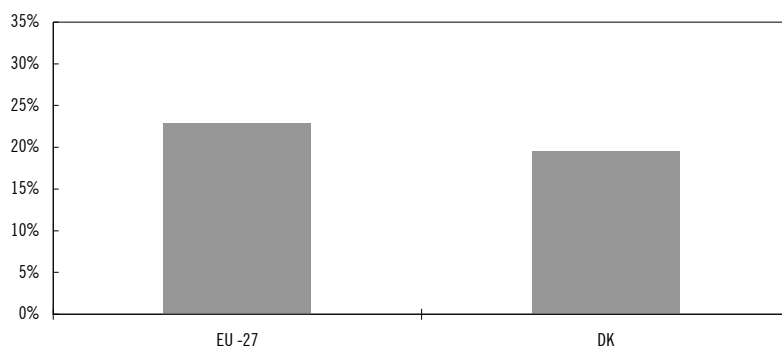
As in other Nordic countries, a higher proportion of Danes live in small households than in average in Europe.

**Chart 7.4 Rooms per person**



In Denmark, each person has more space than the average within the EU.

**Chart 7.5 Share of income spent on housing**



Housing takes a smaller part of the income in Denmark than the average in Europe.

### **The presentation in Stockholm**

The Danish housing market contains approximately 2,700,000 dwellings, of which roughly one million are rented dwellings. Of these, more than half are, by definition, social housing dwellings

that are allocated according to need. There are also nearly 100,000 category dwellings for students and the elderly.

On the rental market, there are dwellings at market price that are freely advertised, and also a regulated rental market with long waiting lists. A third type of rented dwellings is the social dwellings owned either by non-profit housing societies or by the municipalities. They are allocated via waiting list rules in each society. However, the municipality is always entitled to allocate 25% of all social housing dwellings according to need. In Denmark, social housing dwellings are built with the help of state loans at low interest rates and with municipal subsidies (14% of the production cost).

On the Danish market for purchased housing, there is also the option to buy shares in housing societies as well as to own housing outright.

The municipalities have far-reaching responsibility for ensuring that all residents have somewhere to live.

### **Policy instruments**

Primarily to reduce segregation in some residential areas, residents, and in some cases others, have the option of buying dwellings in buildings currently let as social housing. The municipality and the housing company apply to the state for permission to sell, and consent is given if a sale is estimated to cover the loans for which the buildings are security. The tenants are then balloted to find out whether they want a purchase offer to be made to each individual tenant. However, this does not mean that all tenants must buy their dwelling. Only those who want, or can afford, to buy their flat will do so, while the others remain tenants. After a purchase offer has been made, the proportion of tenants and home-owners in such a building will differ depending on the individual choices made by the tenants. A tenant who chooses to buy his or her dwelling receives

an interest-free, installment-free loan of 30% of the purchase price, which need not be repaid until the dwelling is sold.

Since 2005 approximately 950 tenants have been given the opportunity to purchase their flats, and 45 have closed a deal under the conditions described above.

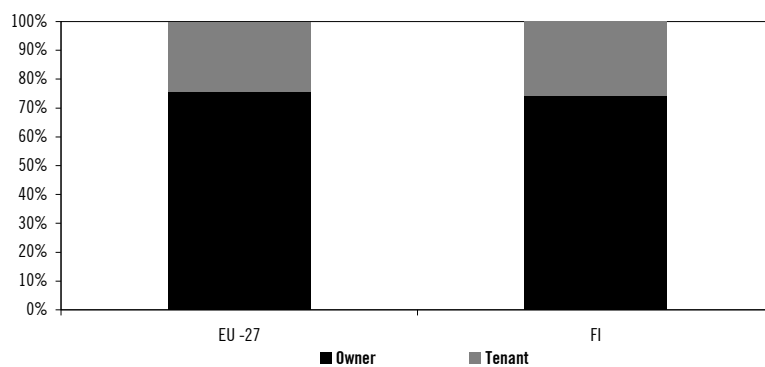


# Finland

**Population: 5.4 mill.      Households: 2.4 mill.**

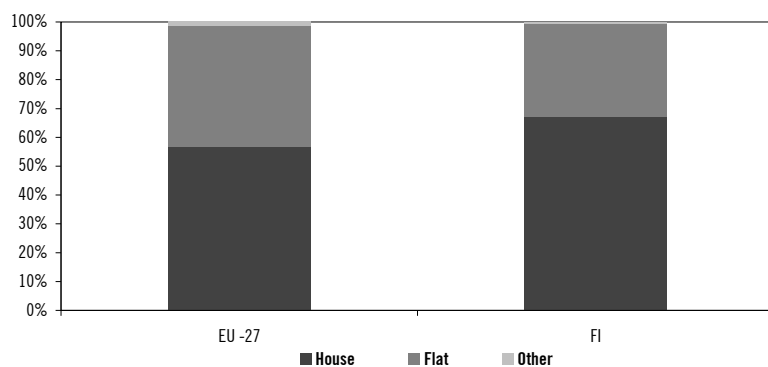
Finland is also a developed welfare state with a wealth of different instruments for handling housing issues.

**Chart 8.1      Tenure, share of population**



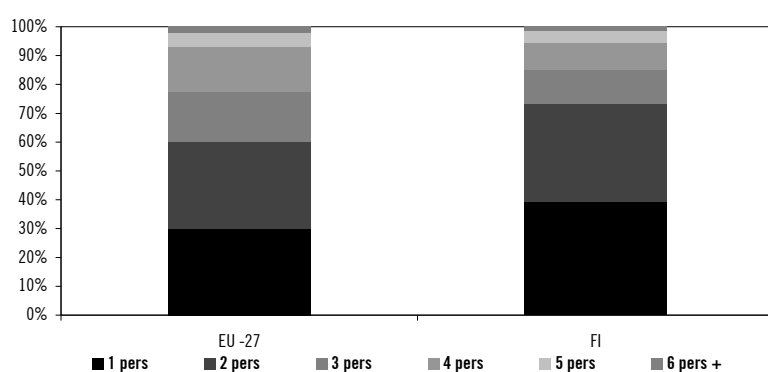
Finland is close to the European average for home ownership. The rental market is largely regulated.

**Chart 8.2 Type of Dwelling, share of population**



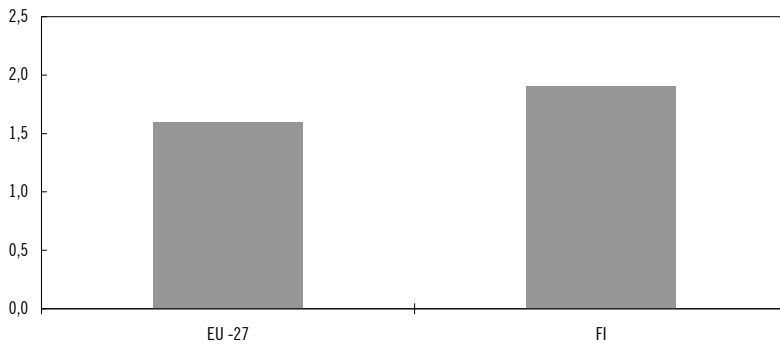
There is a slightly higher proportion of people living in detached or semi-detached houses in Finland than the EU average.

**Chart 8.3 Household sizes**



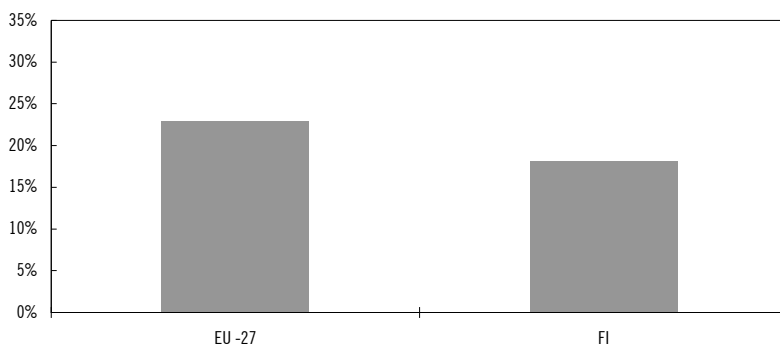
As in other Nordic countries, Finnish households are small.

**Chart 8.4 Rooms per person**



The statistics show that Finnish housing is spacious.

**Chart 8.5 Share of income spent on housing**



In Finland, housing is relatively cheap, with regard to income.

### **The presentation in Stockholm**

Finland's housing stock has grown fast in recent decades and both housing companies, in which residents own a share in a multi-dwelling building, and social housing have increased their shares of the housing market. Finland has set itself the target of maintaining

production of new housing at approximately 30,000 dwellings per annum.

Public subsidies for housing have been split three ways for nearly 20 years. Housing subsidies for approximately 500,000 students and pensioners account for half of the subsidies, equivalent to approximately 0.5% of GNP. Interest relief for households accounts for approximately 0.4% of GNP and production subsidies for new dwellings account for approximately 0.1% of GNP.

A Finnish initiative to counter homelessness was also reported.

### **Policy instruments**

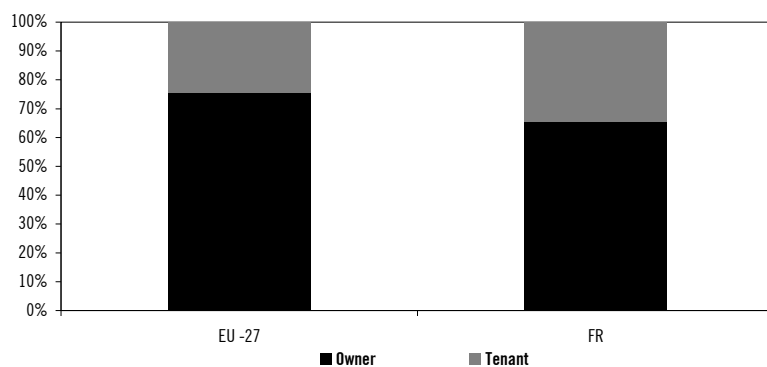
The production subsidy for the production of new dwellings in Finland involves the state paying the interest on the loan above a predefined reference level. The subsidy is calculated on the assumption that the loan has a repayment period of 40 years and that the interest is fixed in relation to an established index throughout the term of the loan. The subsidy is gradually reduced over 23 years. According to Finnish assessments, which are to some extent reflected in the statistics, the investment subsidies help compensate for economic fluctuations. In times of recession, a larger proportion of housing is built with state subsidies and production volumes are kept up.

# France

**Population: 64.7 mill.    Households: 26.7 mill.**

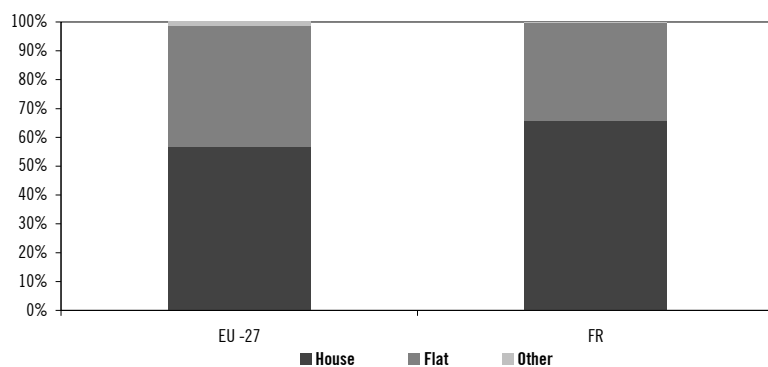
France has a long history of housing policy on several levels in society. Many policy instruments remain in parallel, which makes it difficult to gain an overview of their total effects.

**Chart 9.1    Tenure, share of population**



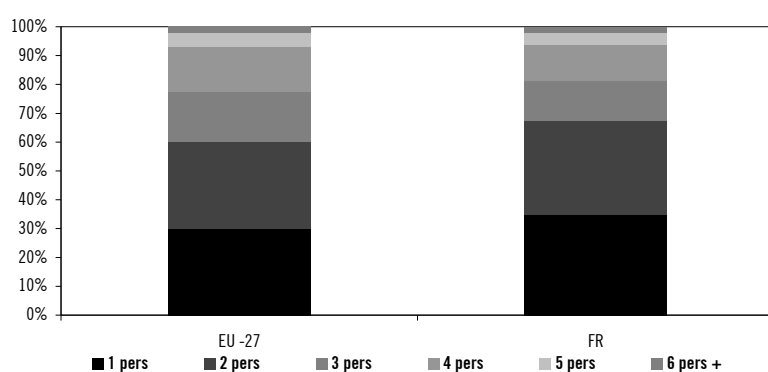
Within the tenant group a relatively high proportion of the households in France live in subsidised dwellings.

**Chart 9.2 Type of Dwelling, share of population**



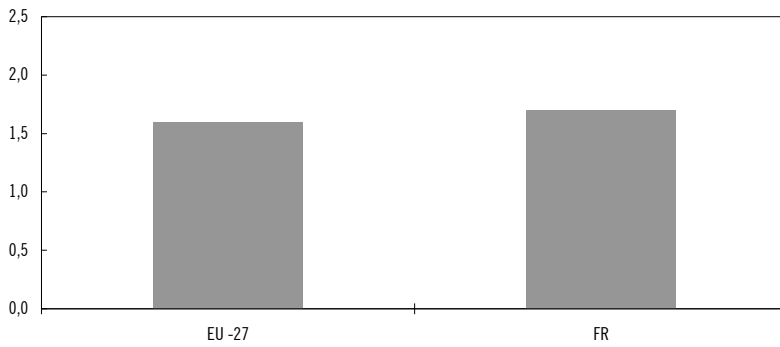
A larger proportion of French people live in detached or semi-detached houses than the European average.

**Chart 9.3 Household sizes**



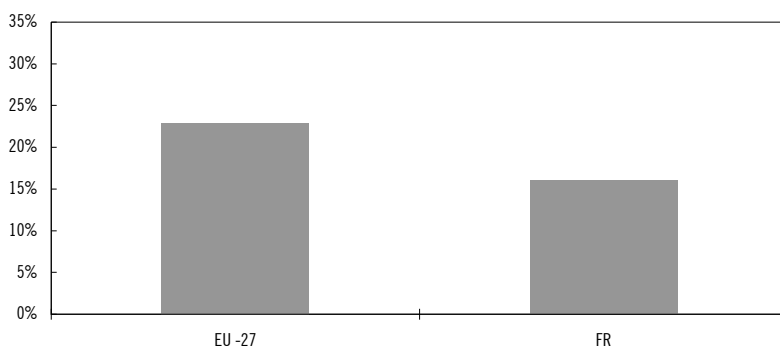
In France, there are a larger proportion of small households than the average for Europe.

**Chart 9.4 Rooms per person**



The French have slightly more space than the average within the EU.

**Chart 9.5 Share of income spent on housing**



The French spend a considerably smaller share of their income on housing than the average European.

### **The presentation in Stockholm**

In France, there is extensive state subsidy for the housing sector, a total of nearly EUR 35 billion or 1.7% of GNP, divided into

production subsidies (approximately 15%), subsidies to individuals (approximately 45%) and tax relief (40%).

## **Policy instruments**

Roughly 5 million French people receive some form of individual housing subsidy. The subsidies are based on the size of the rent and inversely related to the household income. There is also a cap on the subsidy that a person or a household can receive. There are differences according to the geographical region and the size of the household, i.e. the subsidy increases with the size of the household. The absolute majority of these subsidies is given to tenants, even though subsidies are also paid to owners of houses and other dwellings.

Approximately EUR 2.5 billion of the total tax relief of EUR 11.2 billion is paid to individuals in the form of interest relief on loans, loans with discounted interest rates and tax-exempt savings for housing. Roughly EUR 600 million consists of interest subsidies to private landlords. Social housing companies receive approximately EUR 1.8 billion in tax relief and the greater part of the tax discounts consists of lower VAT on works in dwellings.

For a family who want to buy their house, there are direct subsidies that are determined by the same parameters as the housing subsidies (above). These subsidies can be combined with interest-free loans and interest relief for the loans raised with banks.

Public subsidies are financed through a combination of taxes and employer's contributions.

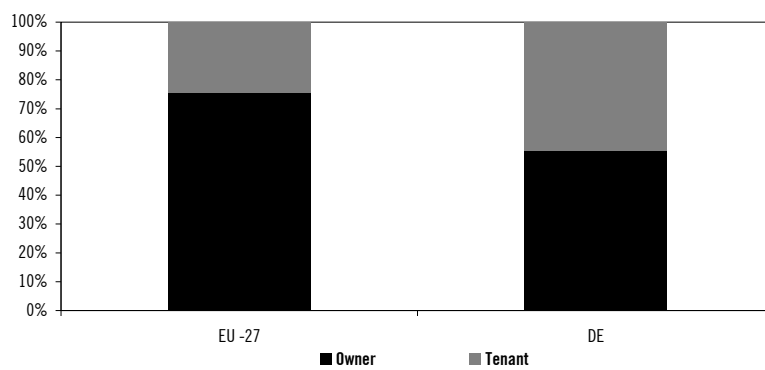


# Germany

**Population: 81.8 mill. Households: 39.3 mill.**

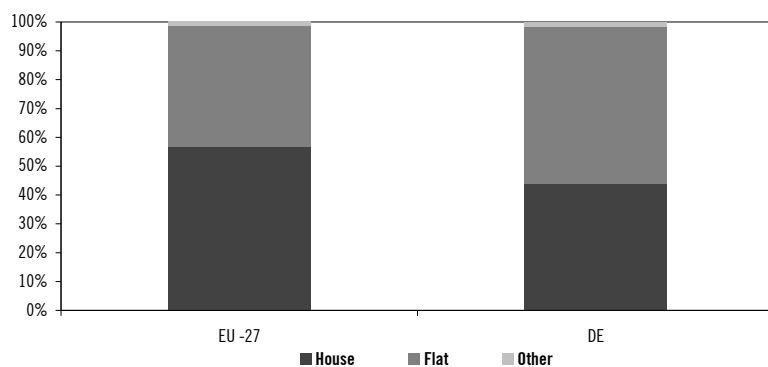
Germany is the housing market in Europe that seems to be in balance and where tenancies have a strong position as an adequate alternative to home ownership.

**Chart 10.1 Tenure, share of population**



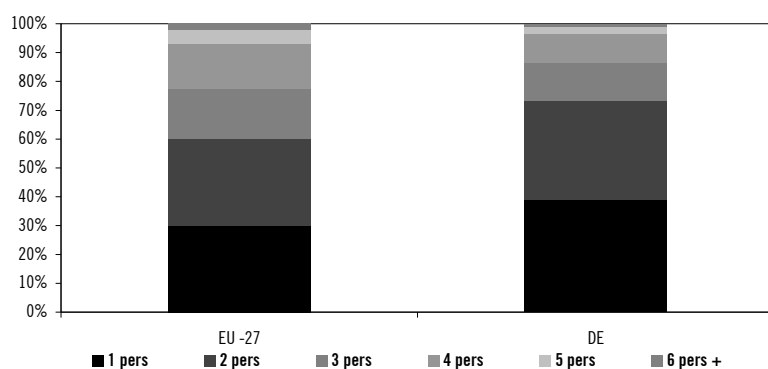
Germany has Europe's largest rental market in proportion to the total housing market.

**Chart 10.2 Type of Dwelling, share of population**



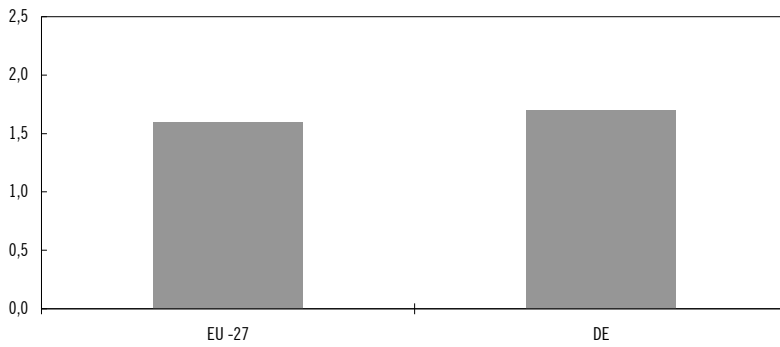
A very large proportion of German dwellings are in multi-dwelling buildings.

**Chart 10.3 Household sizes**



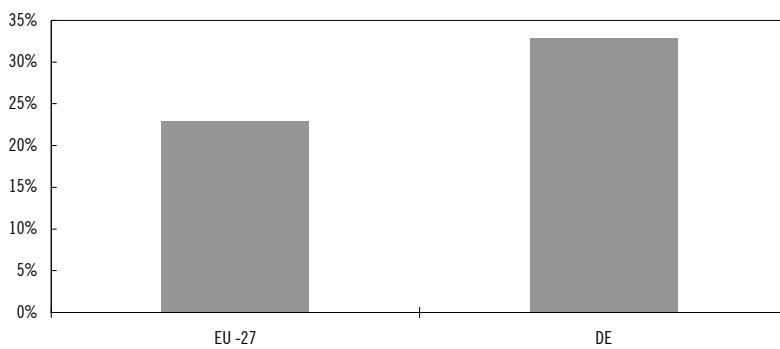
Single-person and two-person households are relatively speaking, considerably more common in Germany than in the EU on average.

**Chart 10.4 Rooms per person**



Germans have slightly more space than Europeans in general.

**Chart 10.5 Share of income spent on housing**



Housing costs in Germany are high, measured as a share of income.

### **The presentation in Stockholm**

The German housing market is unique with its large proportion of rented dwellings (24 million or 56% of all dwellings). Two million or 8% of these consist of social housing. However, the share of social housing is falling, if anything, as the housing market is in

balance and offers dwellings to households with relatively low incomes as well.

Unlike other countries in Europe, ownership of rented dwellings is distributed between large numbers of private individuals. Owning your own dwelling as a capital investment, which is a dominant issue in several other European countries, is in Germany partially replaced by owning a small rented building as a capital investment in Germany.

### **Policy instruments**

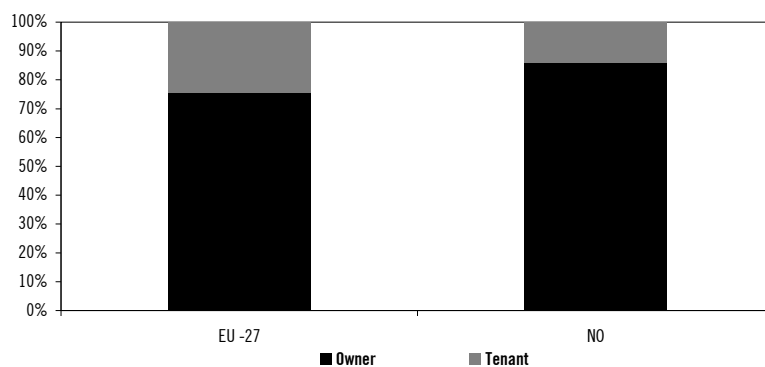
Housing subsidies are paid to approximately 2% of households in Germany. The size of the subsidy depends on income, housing cost and the composition of the household. The proportion of recipients is kept down by the fact that just over 10% of households receive other forms of support, above all unemployment benefit, which covers housing costs and excludes recipients from receiving housing subsidies. The present model for subsidizing housing is considered expensive for the public, as well as keeping the rents up. The challenge for the future is to coordinate the various support systems.

# Norway

**Population: 4.9 mill.      Households: 2.2 mill.**

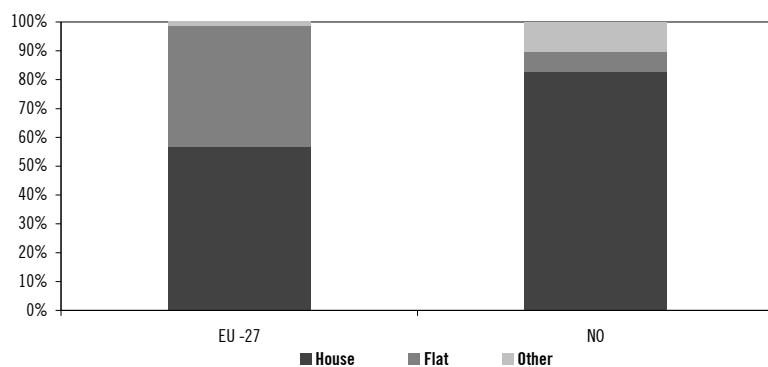
Norway is a welfare state with very strong public finances and a variety of housing policies tailored to handle different types of need.

**Chart 11.1      Tenure, share of population**



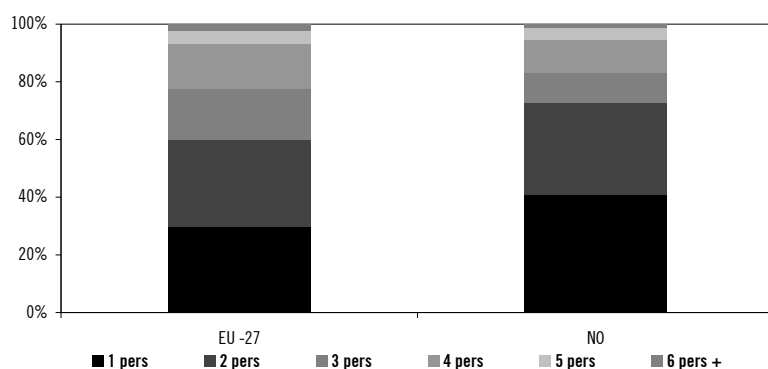
A high proportion of Norwegians own their home. Roughly 4% live in special social housing dwellings.

**Chart 11.2 Type of Dwelling, share of population**



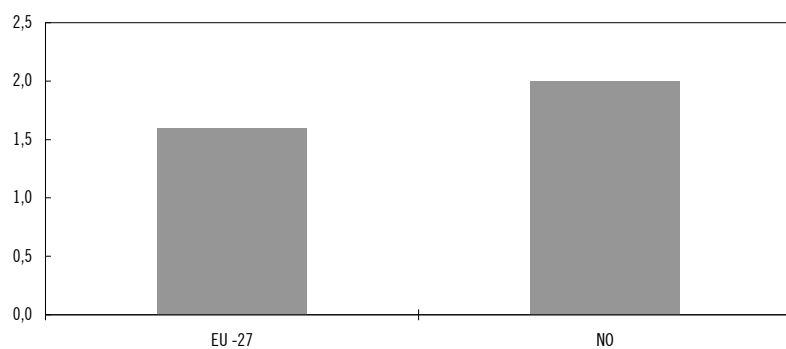
Norway is the country in the comparison with the highest proportion of people living in detached or semi-detached houses. The category “other” include lodging.

**Chart 11.3 Household sizes**



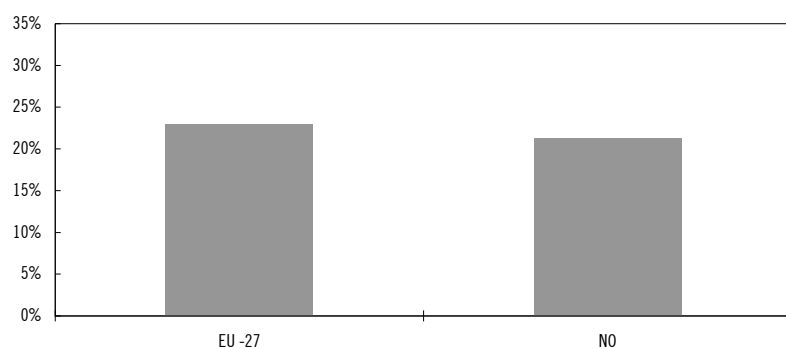
Like other Nordic countries, Norway has a high proportion of small households.

**Chart 11.4 Rooms per person**



The spacious living conditions reflects the combination of a high proportion of detached and semi-detached houses and a large share of small households.

**Chart 11.5 Share of income spent on housing**



Housing in Norway is somewhat cheaper in relation to income than the European average.

### **The presentation in Stockholm**

Norwegian housing policy works through many different instruments and is mainly organised in such a way that the state

distributes funds to the municipalities, which then distribute subsidies to individuals and for the construction of certain types of housing. To receive indications of a lack of supply on the market, the policy is to avoid controlling rents. Instead, subsidies are given to the groups who need them.

However, the largest amounts, approximately EUR 10 billion, consist of tax relief on home loans, which explains why the proportion of home ownership is so high in Norway. Investing money in a house carries clear tax benefits. By way of comparison, housing subsidies are approximately EUR 450 million and investment subsidies for the construction of social housing approximately EUR 90 million.

### **Policy instruments**

A start loan is a loan that a municipality can give to people who want to get onto the housing market but cannot get all or part of their investment covered by a bank loan. The municipality decides who is to be offered a start loan. The municipality has to apply for funds for start loans from the state every year. These funds are lent on terms determined by the state, and the municipality's loan terms for the borrower may not be worse than those received from the state, apart from a certain administrative surcharge. In fact, the municipality can offer better terms and cover the cost from the local budget.

The households that are offered start loans must be able to afford to pay the loan costs and the dwelling for which the loan is granted must be suitable for the resident's needs. If the residents are unable to repay the loan, the municipality is liable for up to 25% of losses. The state covers the remaining losses. However, the municipalities may apply for a state subsidy to cover any losses (!). On a total of NOK 16 billion outstanding, the municipalities had losses of approximately NOK 9 million in 2009. The same year the state lost a total of less than NOK 1 million.



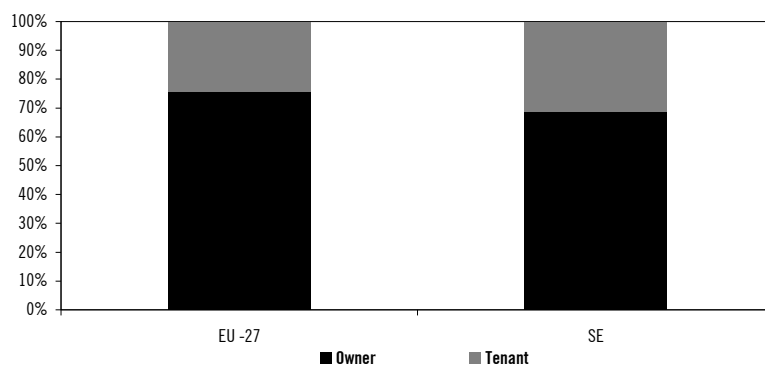
Every year, approximately 5,000 – 6,000 start loans are granted, half of which to ordinary young people buying their first home, while the rest are to various groups with a weak financial position. On average, a start loan covers just over half the cost of the dwelling for which the loan is granted.

# Sweden

**Population: 9.3 mill.      Households: 4.4 mill.**

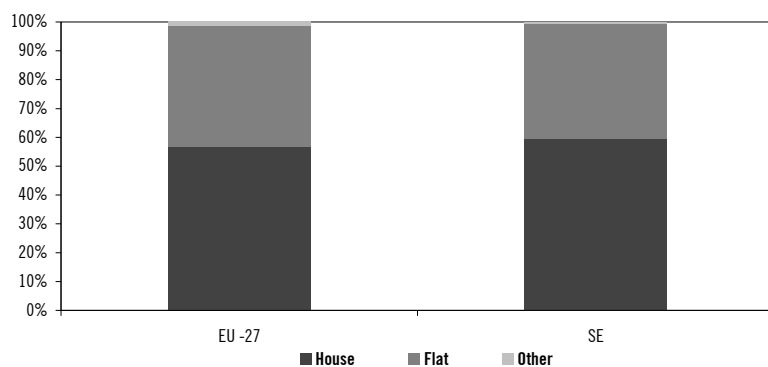
The Swedish housing market is characterised by a large rental market but no distinct social housing.

**Chart 12.1      Tenure, share of population**



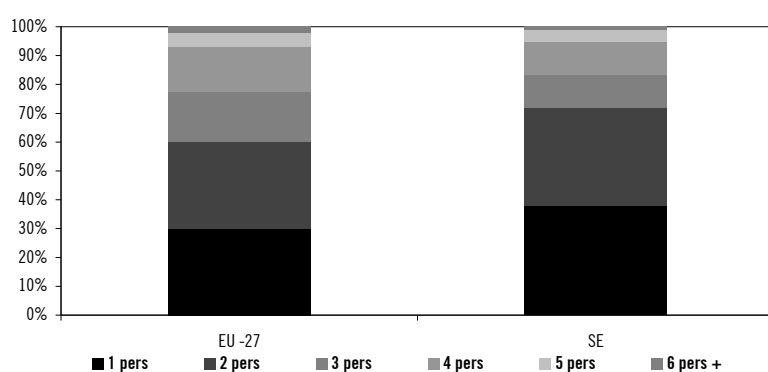
The Swedish housing market has a relatively high proportion of tenancies. There is no separate social housing market.

**Chart 12.2 Type of Dwelling, share of population**



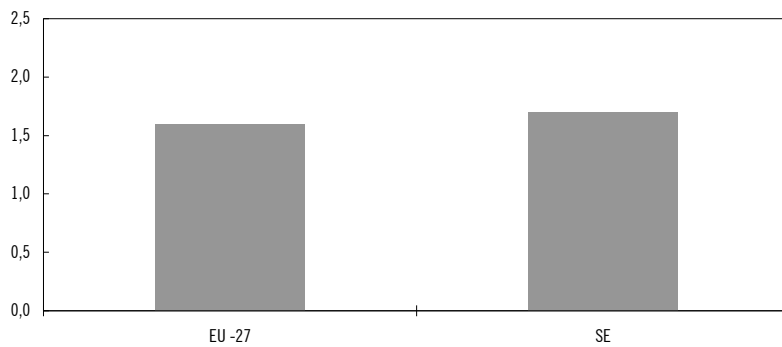
Sweden has almost the same proportion of the population living in flats as the European Union.

**Chart 12.3 Household sizes**



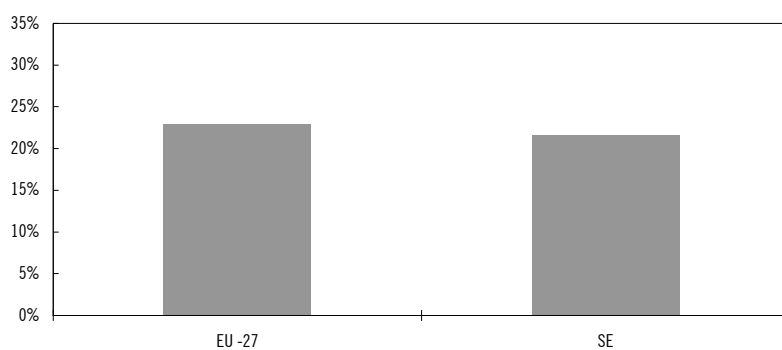
The household sizes are small, as in the other Nordic countries.

**Chart 12.4 Rooms per person**



Swedes have somewhat more space than the average European.

**Chart 12.5 Share of income spent on housing**



In Sweden housing costs in relation to income are close to the European average.

### **The presentation in Stockholm**

Swedish housing policy has gradually shifted focus from supply side subsidies towards measure on the demand side. The last production subsidies will be phased out in 2012. As in several other countries, interest relief for home buyers constitutes the largest state subsidy

to the housing sector, for which reason home ownership is increasing its share of the market.

Rent is fixed in Sweden by way of collective negotiations in which the publicly owned companies that own roughly half of all rented dwellings negotiate first. The resulting rents are then normative for the rest of the market, which has a moderating effect on price rises. However, the normative role of dwellings owned by municipal housing companies will be abolished from 1 January 2011.

## **Policy instruments**

Two consumer-oriented policy instruments have been introduced in Sweden in recent years; rent guarantees and purchase guarantees for first-time buyers. Both policy instruments essentially have the same narrow target group, solvent people who, for some reason, are unable to rent a dwelling or raise a loan from a bank. The instruments are designed to make the other party, a landlord or bank, more interested in entering into a contract or granting a loan respectively.

Rent guarantees are something that a municipality can issue for the benefit of a person who is solvent but, for some other reason, is unable to rent a dwelling. The guarantee entails an undertaking to the property owner to pay unpaid rent during a two-year period. There is nothing to force a landlord to enter into a contract and there is no requirement from the state for municipalities to provide a guarantee. Nor does an individual have any right to receive a guarantee. Entitlement must be examined on a case by case basis. The state gives the municipality a subsidy of SEK 5,000 for each guarantee issued. Fewer than 200 guarantees have been issued after almost two years. One reason for the little success might be that neither the government authorities nor the individual can identify who is eligible to use the guarantee, as it's regulated today.

Purchase guarantees are issued by the state for the benefit of a lender and cover unpaid interest payments on loans secured on a dwelling of up to SEK 100,000. The lender decides whether a loan is granted and a guarantee is affected. Banks may not issue loans to persons who are not considered creditworthy, and few banks have wanted to lend to persons who could use the guarantee. Individuals have no legal *right* to demand a guaranteed loan. Only one purchase guarantee has been issued.

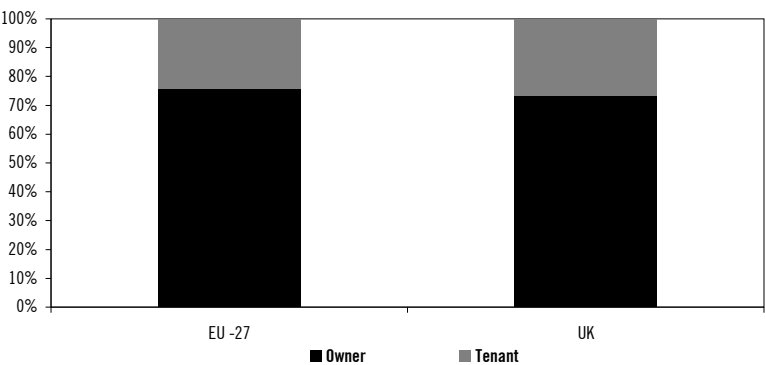
Both of these policy instruments will be evaluated during 2010.

# United Kingdom

**Population: 62.0 mill.**    **Households: 26.7 mill.**

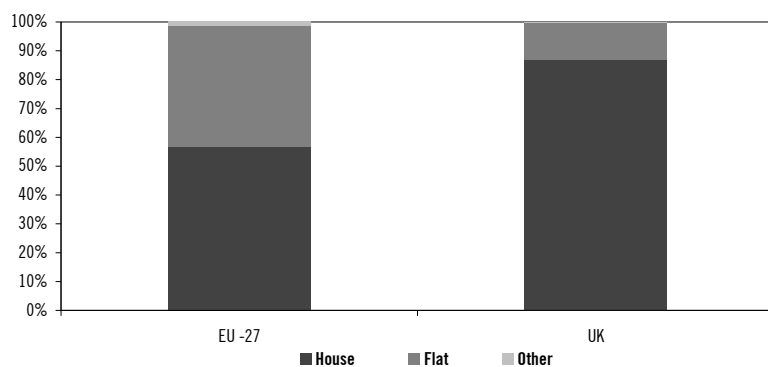
In the United Kingdom, policy in recent decades has been focusing on supporting individual ownership. The effects of home ownership on the individual and on society at large have been difficult to document scientifically.

**Chart 13.1    Tenure, share of population**



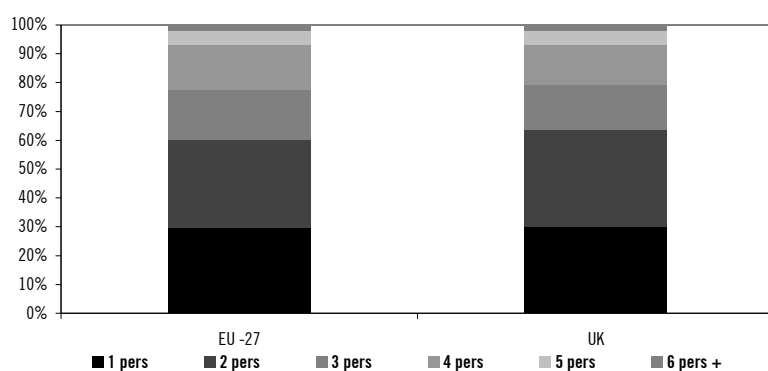
A high proportion of UK citizens own their home. The unregulated rental market is small compared with other European countries.

**Chart 13.2 Type of Dwelling, share of population**



The United Kingdom is the home of the terraced house.

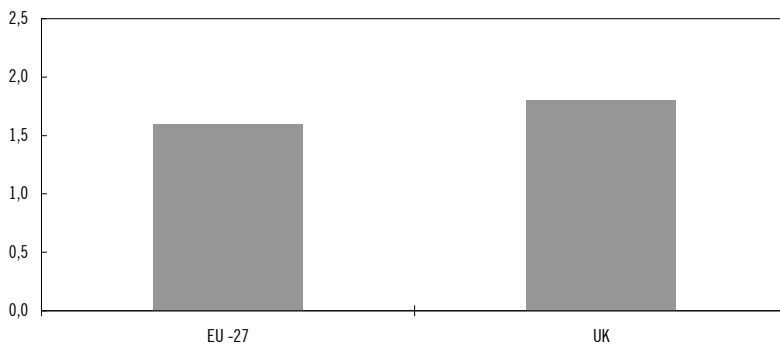
**Chart 13.3 Household sizes**



Household sizes do not deviate much from the EU average.

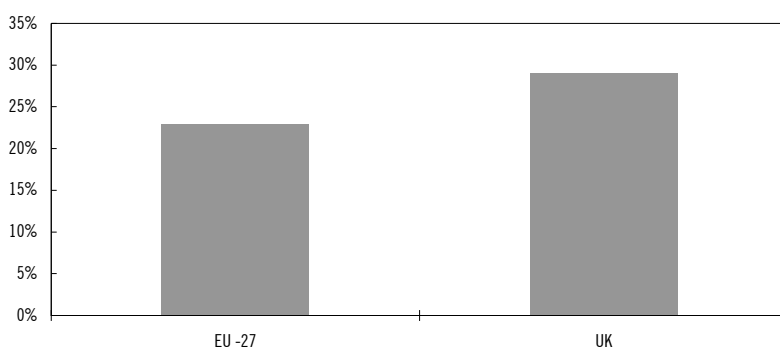


**Chart 13.4 Rooms per person**



UK citizens have somewhat more space than the EU average.

**Chart 13.5 Share of income spent on housing**



Housing in the United Kingdom is more expensive with regard to income than in the EU on average.

### **The presentation in Stockholm**

The presentation concerned rules that apply in England only, as the rules in Scotland, Wales and Northern Ireland are different. In England there is a strong conviction that home ownership has positive effects on both the individual and on society at large. This

is related to the strong position enjoyed by ownership in UK society in general, and also the flexibility a home owner has in respect of adapting maintenance costs. An argument which is slightly more surprising, was that home owners are more mobile on the housing market.

## **Policy instruments**

There are two kinds of Low Cost Home Ownership schemes - statutory rights and voluntary schemes. The most wellknown, the Right to Buy, typifies the first - if someone meets the qualifying criteria and can raise the money, no-one can stop them from buying. But the qualifying criteria for voluntary schemes include being able to demonstrate that they can sustain home ownership over time. If someone doesn't appear able to do that, the landlord can decline to sell to them.

It is clear that some people cannot afford outright ownership. So the Government has introduced shared ownership and shared equity schemes.

Shared ownership means that purchasers buy a share of 25% or more in a newly built property, generally one provided by a housing association. For the remaining share, which is still owned by the landlord or developer, a rent is paid, but the share-owning tenants may buy further shares until they own the property outright (a process called 'staircasing up').

Shared equity loans give key workers and certain other groups with a household income below GBP 60,000 an opportunity to borrow up to 50% of the purchase price of a new dwelling with a low, fixed interest rate that gradually increases slightly. The loan is directly linked to the dwelling and must be repaid if the dwelling is sold. The increase in value in proportion to the loan's share of the purchase price is then paid to the lender. The state and the construction companies function as joint lenders.

While 110,000 people have taken up the Government's shared ownership and shared equity schemes since 1997, nearly 600,000 others have bought their homes under Right to Buy during the same period. But there is some evidence that fewer people can now afford outright ownership.

# Concluding remarks

Housing policy differs from all other policy areas because the benefit intended to be provided, housing, is so long-term. In each country, the scope and orientation of housing policy depend on the inherited stock of existing dwellings available, as well as established institutions, and tradition. Housing policy today therefore reflects history just as much as the current situation. It would be possible to go much further in terms of comparability on the European housing market, but imagining having a coordinated housing policy, except at a very general level, is much less conceivable. Thus, housing policy is basically characterized by national responsibility.

## **A few observations from the seminar in Stockholm.**

- All countries seem to have a proportion of the population of at least 10% who require support on the housing market.
- It is not possible to see any link between the situation on the housing market and the policy instruments used.
- Consumer-oriented instruments have been used as the sole policy instruments in none of the countries reported here. In any comparison or evaluation, it is necessary to take account of the production subsidies, tax rules and rent controls that exist in some form in all countries.