

**Providing cheap housing in  
expensive cities:  
is social housing the answer?**

**ETH Forum Wohnungsbau  
Zurich, 14 April 2016**

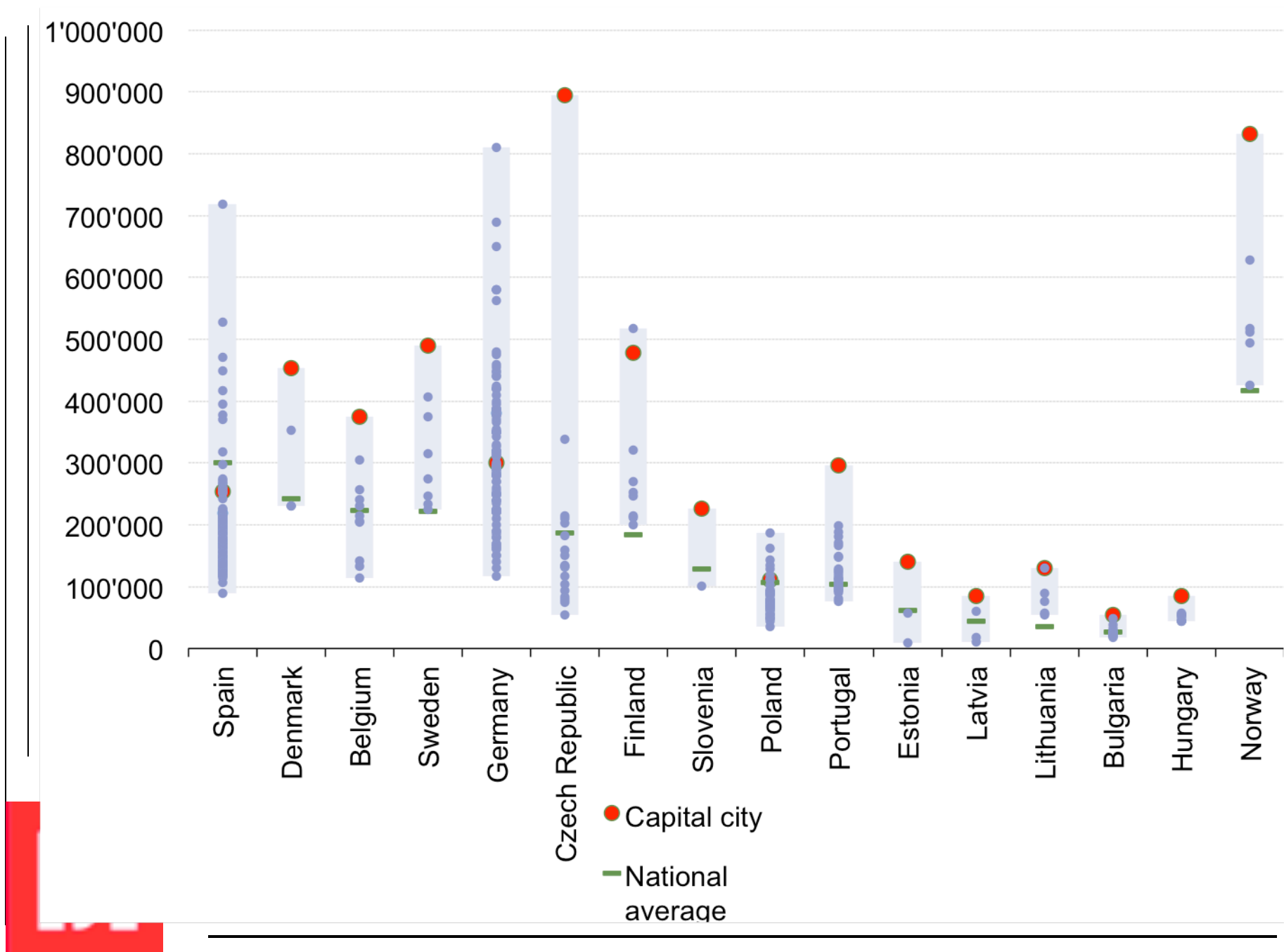
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The LSE logo consists of the letters 'LSE' in white, bold, sans-serif font, centered within a solid red square. A thin black horizontal line is positioned below the logo.

**LSE**

**‘Tackling the housing crisis is  
Labour’s number one priority  
in London’...**

and there is also talk of a  
‘housing crisis’ in Madrid,  
Stockholm, Munich...



# Is social housing the solution?

- *Historically* social housing was for low-income working households
- *Now* it often houses those in most need—*who may not be in work*
- Affordability for them can require deep subsidy
- The contribution of social housing depends partly on the size of the sector, and whether it is growing

# Social housing as % of all housing

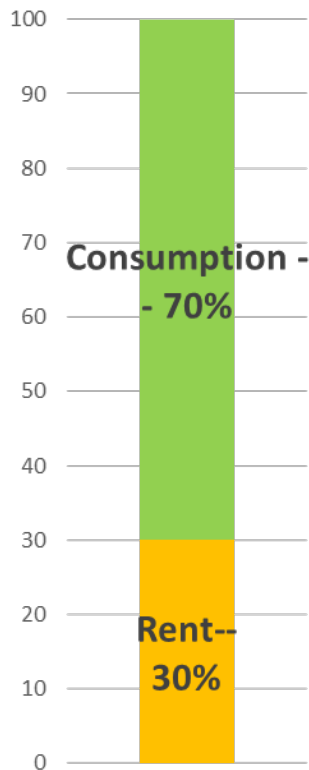
Country	%	Change in last decade
Netherlands	32	-4
Scotland	24	-6
Austria	24	+1
Denmark	19	+1
Sweden	18	-3
England	18	-2
France	16	-1
Ireland	9	+1
Czech Republic	8	-0
Germany	5	-3
Hungary	3	-1
Spain	2	+1

# *In principle, who can live in social housing?*

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

# What is 'affordable housing'?

'rent or mortgage payment that a household can pay without difficulty'



- This is implicitly the definition in most countries—30-35% rule of thumb
- Only *Ireland* explicitly links social rents to individual tenant incomes

# Social housing = affordable housing?

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

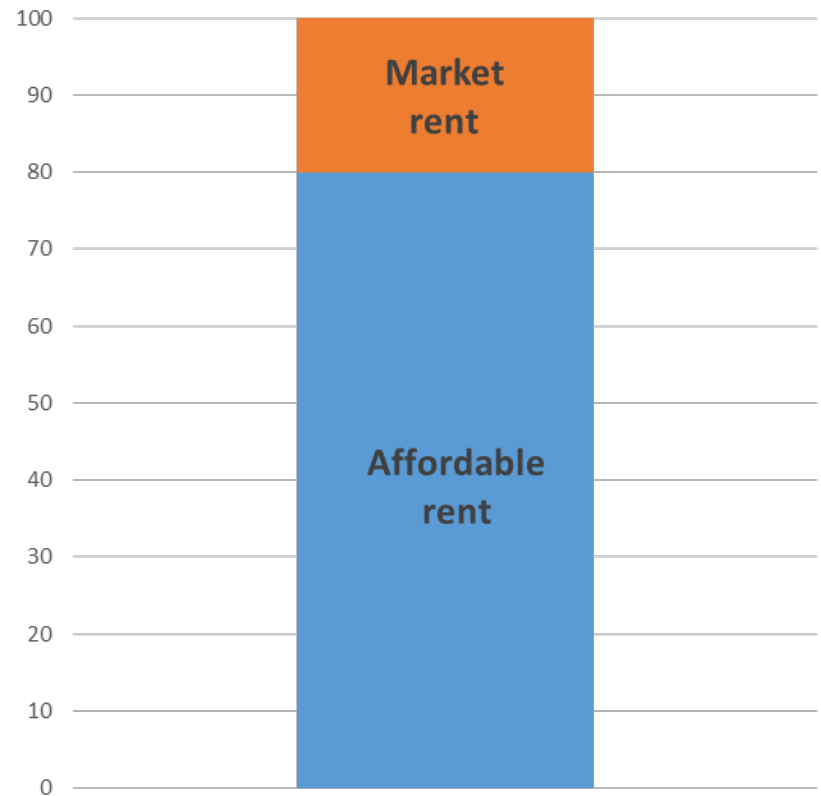


# Income-related housing subsidies

- **Private tenants:** all 12 countries
- **Social tenants:** all countries *except* Ireland and Spain
- **Owner-occupiers** (some): most countries
- **Eligibility:** household income, household size, housing size and rent
- **Amount:** Some countries cover full rent; others require households to make a modest minimum payment
- **Rent ceiling** usually applies

# Affordability in comparison with market prices

- Approach used in the UK, where so-called affordable rents are up to 80% of market. In central London these are 'affordable' only to households on high incomes.



# Who are the providers?

## Most countries

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

## Exceptions

- ***Spain:*** mostly *vivienda de protección oficial* housing (social owner-occupation)
- ***Germany:*** time-limited subsidies to private landlords

# Financing *new* social housing

## In principle 3 ways of funding

- Using rental income from current tenants
- Borrowing
- Using payments from others
  - Other tenants
  - Owners of housing or land
  - Employers
  - ***Government (subsidy)***

## Choice depends on

- Legal ownership of housing
- How rents are determined
- Regulatory constraints
- Political commitment to social housing

# Trends in financing

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

# European Union rules

## EU competition law: 'State Aids'

- Cases brought by private landlords against social landlords in Sweden, Netherlands
- Ruling that housing in receipt of state subsidies can *only* go to low-income households
- Affected countries have restructured social housing systems to bring them into compliance

# Netherlands

- Housing associations financially independent
- European Union rules have forced them to 'fence off' subsidised units
- Housing associations also provide market housing
- Generally no stigma about living in social housing



## Netherlands

(note bicycles)



# France

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



## France

New construction in St Jean de Luz

# Spain

- Small amount of social rented housing provided by municipalities
- Most social housing in the form of subsidised owner-occupied units
- Generous income ceilings and no restriction on re-sale means subsidy leaks away



## Spain

Owner-occupied social housing in outskirts of Madrid

# UK

- About 60% of social housing owned by housing associations, the rest by local authorities
- ‘Right to Buy’ for council tenants instituted in 1980; now to be extended to housing association tenants
- ‘Pay to Stay’ and ‘Bedroom Tax’





## South London

The Brandon Estate, Kennington

1956-61

First towers over 15 storeys to be built by London County Council

# Challenges

- Needs is greatest in high-cost areas—where housing costs most to provide
- ‘Affordability crisis’ affects young professionals and low/middle income families—but allocation procedures often mean they have little chance of getting into traditional social housing

# Conclusions

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



# ...and finally

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