

TRENDS IN EUROPEAN HOUSING EXPERIENCE AND POLICY

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1. Introduction

The remit of this paper, to examine trends in European housing experience and policy, is very wide. Equally it is important to concentrate on lessons relevant to the situation in Spain, where the housing system is in many ways very different from that observed in the northern European countries where housing has been regarded as an integral part of government welfare policy for many decades. Thus, whilst the objective of this paper is to examine the ways in which housing policies have developed across Europe in order to understand the extent to which problems and policies are consistent across different styles of regime, the paper can only touch on a small number of relevant issues.

To this end we look at three main questions:

- how might we usefully describe the range of approaches to ensuring adequate and affordable housing across Europe;
- do these different approaches generate different outcomes in terms of tenure structures and relative housing costs; and
- to what extent are emerging trends and problems converging across Europe.

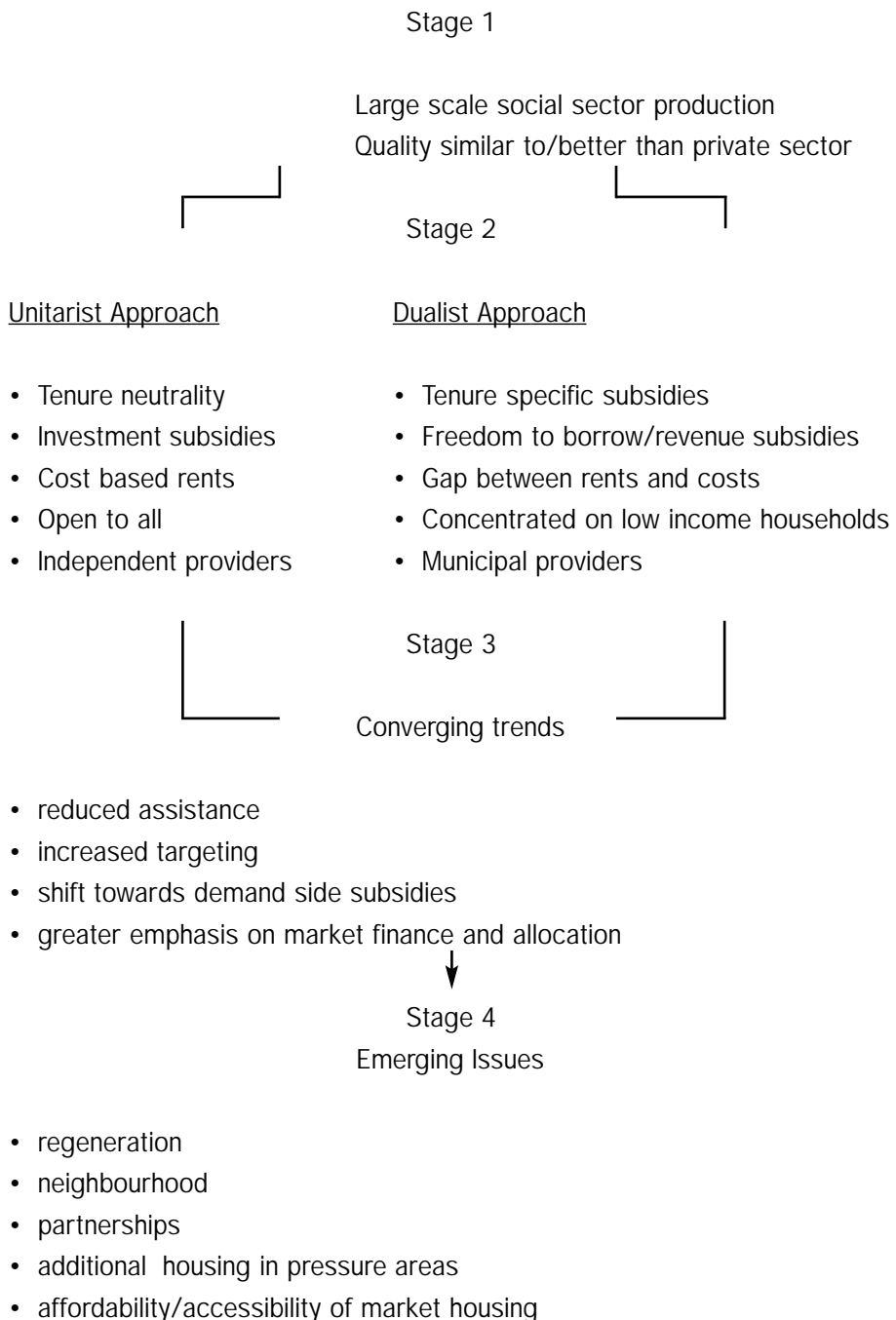
Finally we look at some of the implications for the Spanish housing system in the twenty first century.

2. Typologies of European Housing Policies

Housing is treated very differently across Europe, reflecting more general attitudes to the role of the state and the extent of government intervention in welfare provision as well as the development of housing specific policies since the Second World War.

A baseline typology for analysing different approaches to the provision of welfare was first set out by Esping-Andersen (1990). This distinguished three groups of countries- liberal (market oriented) – including particularly the UK, social democratic - notably Scandinavia and corporatist states including Germany and France. To this has since been added a fourth category the rudimentary welfare states of the Mediterranean (Leibfried, 2001) within which Spain clearly falls. Obviously these categories are changing rapidly and to some extent merging (Esping-Andersen, 1996). In this context, the new European transition economies can perhaps be distinguished for their historic approach to state corporatism now being translated into strongly market-oriented systems.

Looking specifically at housing within this general framework, Kemeny (1995a and 1995b) has suggested a two-fold classification of rental regimes – an Anglo-Saxon dualist system, which concentrates assistance in a non-market sector and a more Germanic based unitary system where the distinction between market provision and regulated/subsidised provision is more blurred. Under each typology some clear relationships can be distinguished – although in the main these concentrate on only one or two elements – notably ownership and rent determination rather than on all stages of land assembly, production, management and allocation of available stock

Figure 1: The Development of Housing Policy since 1945

Whitehead (2002 and 2003) has looked at the general principles which lie behind government intervention and particularly the provision of social housing. She has then extended this approach to look at the development of housing policy in northern Europe since 1945 concentrating on four stages of development – meeting the post-war housing shortage through government subsidy and provision through to the 1970s; managing, maintaining and allocating the resultant stock as levels of investment declined and targeting increased in the 1980s; the growing importance of privatisation with increasing emphasis on choice and reducing government direct involvement in housing for the majority of the population in the 1980s and 1990s; and the ‘re-involvement’ by government and its agencies as regeneration of both housing and other urban infrastructure comes to dominate the investment agenda.

The starting point for almost the whole of Europe after the second world war was a shortage of housing arising from the destruction of or damage to significant proportions of the existing housing stock and the lack of new investment throughout the war years. Except in the southern Mediterranean countries (where housing was seen as a lower priority housing was seen as an important element of social infrastructure and of political cohesion. The result was that large scale resources were mobilised for housing production but along three distinct lines: the dualist framework which concentrated on subsidising social rented housing, leaving the market with the support of a quite different system of tax reliefs to provide for those further up the income scale; the unitarist systems which subsidised investment across all types of provision and the state corporatist systems of Eastern Europe which provided government owned rental housing to the exclusion of market provision.

Figure 1 shows some of the most important distinctions between the unitarist and dualist approaches, reflecting how they generate different attitudes to tenure, types of providers and particularly to the targeting of subsidy.

The *unitarist* approach exemplified by Sweden and the Netherlands and with somewhat different parameters in Germany was applied with more or less consistency across much of continental Europe (Lundqvist, 1992). It concentrated on subsidising output and linked rents in the private and social sectors through rela-

tively flexible regulatory regimes, which have enabled choice between the two sectors in many contexts but only because of the large scale subsidies to investment.

As it became obvious that the vast majority of households were well housed, other priorities particularly health but also macro economic stability and the need to decrease public expenditures started to dominate in the 1980s (Turner and Whitehead, 1993). Greater emphasis began to be placed on targeting assistance towards lower income households and areas – although the ethos of neutrality between tenures within this new agenda has to some extent been maintained (Turner and Whitehead, 2002).

During the 1990s problems of low demand and particularly of obsolescent stock began to emerge in many of these unitary systems – in part as a result of changing economic conditions and the decline of manufacturing in some areas as well as of the withdrawal of state assistance to suppliers. Equally the idea of housing began to be more broadly defined to include not just the attributes of shelter and security but also a range of neighbourhood, environmental and service attributes. This is beginning to change the role of social landlords towards that of neighbourhood regeneration and management within a context of capital grants and private public partnerships.

The *dualist* approach on the other hand concentrated on targeting assistance through tenure specific subsidies to municipalities. Initially the resultant provision was available to a wide range of households who were unable to achieve adequate quality housing for themselves, Rent regulation in the private sector also provided low cost housing to those able to find such accommodation. As the physical shortfall in housing provision was overcome and financial deregulation enabled more households to buy into owner-occupation, the emphasis changed to targeting assistance on those on the lowest incomes through a wider range of providers but still within a strongly dualist structure, supported by income related assistance to tenants.

During the 1980s the UK led the move towards the withdrawal of the state from the provision of mainstream housing through their emphasis on privatisation and liberalisation as well as reduced public expenditure (Whitehead, 1993).

From a position in 1979 when around a third of all housing was provided by municipalities at subsidised rents the UK moved to a position at the turn of the century when less than 15% of housing was municipally owned and owner-occupation had risen from around 55% to almost 70%. This was achieved by financial deregulation and a generous tax regime as well as by pro-active policies of the Right to Buy and the transfer of municipal housing to independent social landlords. Latterly, subsidies have become more closely targeted on lower income households as well as on deprived areas often dominated by social housing provision and economic decline. This has led to a growth in area and neighbourhood specific policies aimed at increasing both individual opportunity and the incentive from the private sector to invest in regeneration.

Thus in most European countries where there has been significant government intervention we can observe three stages. In the first stage, governments concentrated on new construction to alleviate absolute shortages of housing by a range of direct provision and investment subsidies. In the second, the pressure was on reducing public expenditure and government involvement – and particularly on improving the management and maintenance of the existing stock, on increasing individual choice and on greater targeting of assistance. In the main this was accompanied by a range of deregulation policies aimed both at rented housing and at housing finance regimes as well as a shift from supply to demand side subsidies. In the third stage – in part as a result of the large-scale building programmes of the post war period - we are now entering a phase of upgrading housing provision within a broader programme of improving infrastructure and local services. We are now appear to be moving into a fourth stage where housing plays a central role in ensuring the maintenance of sustainable communities into the twenty first century.

There is thus general agreement that it is possible to identify general patterns in the development of housing systems over time and a typology of government approaches to housing problems as discussed above. Equally, it is also recognised both that all national systems are complex and mix elements of the different approaches (Boelhouwer and van der Heijden, 1992; Allen et al 2004) and that at a detailed level there are great differences even between systems that to the outsider look very similar (Lujanen, 2004).

3. Tenure Patterns and Housing Costs across Europe

Patterns of ownership across Europe depend on the many factors – demographic, social, economic and financial as well as on government regulation and subsidy policy – and therefore the opportunities available to different types of household. Historically, countries with large proportions of households living in rural areas tended to have relatively high levels of owner-occupation as did those with well developed legal frameworks which help to define clear property rights and, particularly since the 1970s, those with liberalised financial systems which make it possible for individuals to borrow effectively against the value of their properties.

General government policies, notably with respect to social security and insurance as well as the specifics of housing subsidies and regulation are similarly important. Countries tend to have large social sectors only where governments have supported municipalities and/or independent social landlords through supply side subsidies. Equally, private rented sectors in many countries have been reduced by the regulation of rents below the opportunity cost of provision. At one extreme owner-occupation may dominate because other opportunities have simply not been available to the majority of households. At the other, as in transition economies, high levels of owner occupation are the result of positive government intervention to transfer state owned assets to individuals.

Important in determining tenure choice is the relative cost to the individual household of accommodation in different tenures – which is dependent not only on the tax and subsidy framework but also on the quality of finance and insurance markets and on administrative rules about access and price determination.

In this section we look first at tenure patterns, then at relative costs between tenures and finally at evidence on changes in government subsidy and tax frameworks.

Tenure Patterns

Table 1 draws on a new publication for the Council of Mortgage Lenders in the UK (Scanlon and Whitehead, 2004) to provide some evidence on general trends

in tenure patterns across a range of European countries. It does not permit precise comparisons because of widely differing definitions and methods of data collection but gives a general flavour of how European systems are changing¹.

Owner occupation

Table 1
All households by tenure (%)

Country	Year	Owner occupation	Social renting	Private renting	Others
Austria	2001	57.0	23.0	17.0	3.0
Belgium	1999	74.2	6.6	16.4	2.8
Czech Republic	2001	46.8	18.6	10.0	24.1
Denmark	1999	53.3	19.3	18.3	9.1
Finland	2001	64.0	17.0	15.0	4.0
France	2002	56.0	17.2	20.7	6.1
Germany	2001	40.5	6.0	49.0	4.5
Greece	2001	80.0	0.0	20.0	0.0
Hungary	2003	92.2	3.9	3.0	0.9
Iceland	2003	78.2	1.8	4.5	15.6
Lithuania	2002	84.0	4.0	5.0	7.2
Netherlands	1998	53.0	35.0	12.0	0.0
Portugal	1999	76.0	7.0	15.0	2.0
Slovenia	2002	82.3	6.5	2.6	8.7
Sweden	1997	55.0	21.0	24.0	0.0
UK	2001/02	70.0	20.0	10.0	0.0

Source: All tables are compilations of data from tables in the country chapters of the Appendix in Scanlon and Whitehead, 2004. For explanations of definitions, unusual or missing data, refer to the accompanying footnotes in that Appendix.

¹ The author is grateful for the CML's permission to quote from this report. The research report itself is available on the CML website at www.cml.org.uk

In all countries studied except Germany, owner occupation is the largest single tenure category. Overall percentages of owner occupation range from Germany (40.5%) to Hungary (92.2%). These figures suggest that on average around two thirds of all European households are owner-occupiers.

An earlier study in 1996 (Freeman et al, 1996) identified three groups of countries in terms of their percentage of owner-occupiers. Spain and Finland at that time appeared to have the highest proportions of owner occupation at over 75%; a second group led by the UK had 60–70% of households in owner occupation; and the remainder had fewer than 60% of households in owner occupation. This last group included France, the Netherlands, Sweden, and Germany.

The pattern observed in our current study is similar to that obtaining in 1999 in that three groups can still be distinguished:

- *Low Owner Occupation:* Germany, Czech Republic, the Netherlands, Denmark, Sweden, France and Austria still have levels of owner occupation below 60%. These countries (except for Germany) are characterised by rather large social rented sectors.
- *Mid-level Owner Occupation:* Finland, the UK, and Belgium have levels of owner occupation between 60 and 75% - as do most English-speaking countries outside Europe such as the USA, Canada and Australia. These are characterised by their liberal finance systems and market orientation.
- *High Owner Occupation:* Portugal, Greece, Iceland, Slovenia, Lithuania and Hungary all have owner-occupation levels of 75% or above. The first three are former Eastern bloc countries, where the post-communist economic changes included a mass transfer of state housing to the private sector. Greece and Portugal are examples of Mediterranean minimalist intervention – Spain is a further example. (Greece is unique in having no social rented sector at all). Iceland, to which could be added Ireland – are examples of countries where government policy has been concentrated on assisting owner-occupation. Thus this group, unlike the other

two, reflects three distinct policy approaches - direct assistance, asset restructuring and minimal intervention.

Table 2
Change in owner occupation in the last decade, all households

Country	Previous	(year)	Latest	(year)	annual % change
Denmark	54.5	1990	53.3	1999	-0.13
Finland	71.0	1992	64.0	2001	-0.78
France	54.4	1990	56.0	2002	0.13
Germany	38.0	1987	40.5	2001	0.18
Netherlands	47.3	1993	53.0	1998	1.14
Slovenia	68.0	1991	82.3	2002	1.30
Sweden	55.0	1991	55.0	1997	0.00
United Kingdom	67.6	1994/95	70.0	2001/02	0.34

Table 2 shows the change in levels of owner occupation in seven countries over roughly the last decade. The time period covered ranged from 5 to 14 years, depending on the data sources in the country in question. The figures still reflect the general trend over the last decades of the proportion of owner-occupiers continuing to increase – however that proportion is tending to stabilise in many countries, although at significantly different levels.

The observed trends in owner occupation across countries over the last few years can generally be traced to one or more of the following factors:

- government policy support (increased tax breaks, grants to buyers, transfer of housing formerly owned by the government into private hands);
- demographic and lifestyle changes (baby-boom age cohort reaching property-buying age; rise of two-income households);

- falling money interest rates, and
- increased access to mortgage finance.

The property market cycle also affects levels of owner occupation, but its effects are not always straightforward. On the one hand, during a period of generally rising property prices, some buyers bring forward purchases in order to buy before prices rise further. On the other hand, a rising property market also can take prices beyond the range of many potential buyers, leading to a fall in owner occupation. Similarly, falling property prices can lead potential buyers to delay in the hope of further falls (resulting in lower owner occupation levels) but can also make home ownership affordable for more households (resulting in higher owner occupation levels).

In two countries - Denmark and Finland - the proportion of owner occupiers fell during the period studied. Both countries experienced strong cyclical downward movement in house prices during the period between 1980 and 2000, causing owner occupation rates to fall. Owner occupation rates are expected to rise again if current conditions continue to prevail. In both Germany and Austria, temporary government policies were put in place during the 1990s to increase the supply of rental housing. These policies destabilised the housing markets in these countries; again, owner occupation rates will probably recover in future.

Overall therefore there is evidence of continued growth in owner-occupation as well, of course, of countries with higher than average levels of owner occupation because of policies in socialist states and their transition into mainstream Europe. Yet it is also clear that the average rate of growth of owner-occupation is at the least stabilising and in some cases reversing.

Social renting versus private renting

Table 3 shows changes in the proportion of social as compared to private renting over the period studied. The second and fourth columns show social renting as a percentage of all renting (which is 100%). Over the period stud-

ied, social renting as a percentage of all renting fell in seven of the ten countries. The fall was most marked in Slovenia, where 97% of renting households were in social rental in 1991, and only 71% in 1992.

Even excluding Slovenia as atypical, the data show a trend towards a fall in the percentage of renting households in social rental. A widespread trend towards more market-orientated provision of social housing has seen a move away from publicly-owned dwellings, and increased use of vouchers and allowances that can be spent on privately owned accommodation. While the ultimate goal of such policies is still to ensure that the most needy are adequately housed, they result in a fall in the provision of public and not for profit housing. In a number of countries, including the UK and the Netherlands (and, of course, the former communist countries), dwellings that had been rented from social landlords have been sold or given to their occupants, moving them to the category of owner occupation.

Table 3
Change in social renting as a percentage of all renting,
all households
 (All renting = 100%)

<i>Country</i>	<i>Social as % of all rental</i>	<i>(year)</i>	<i>Social as % of all rental</i>	<i>(year)</i>	<i>annual % change</i>
Denmark	48	1990	51	1999	0.33
Finland	58	1992	53	2001	-0.56
France	38	1990	45	2002	0.58
Germany	26	1987	11	2001	-1.07
Netherlands	78	1993	74	1998	-0.80
Slovenia	97	1991	71	2002	-2.36
Sweden	49	1991	47	1997	-0.33
United Kingdom	70	1994/95	67	2001/02	-0.43

Tenure choices among typical young and middle-aged households

Partly resulting from this trend away from social provision and towards greater deregulation there has been growing concern about the capacity of younger households to access housing.

Table 4
Young Entrant and Mid-life households by tenure (%),
most recent year

Country	Year	Young Entrant households			Mid-life households		
		Owner occupation	Social renting	Private renting	Owner occupation	Social renting	Private renting
Austria	1999	48	26	26	64	18	17
Belgium	1999	33	1	64	89	2	7
Czech Republic	2001	29	22	13	48	14	8
Denmark	1999	20	80		64	36	
Finland	2001	39	20	37	85	6	7
France	2002	17	23	53	71	15	11
Germany	2001	49	5	45	49	7	44
Hungary	2003	95	3	3	96	3	1
Iceland	2003	70	5	10	90	3	4
Lithuania	2002	61	9	30	90	5	5
Netherlands	1998	44	41	16	77	20	3
Slovenia	1994	46	10		78	10	
Sweden	1997	46	39	15	85	8	7
UK	2001/02	61	17	22	71	24	4

Table 4 gives the tenure breakdown for typical young entrant and mid-life households in the most recent year for which data were available. In almost every country, the proportion of owner-occupiers is higher amongst mid-life than young entrant households. The range of owner-occupation rates among

young entrant households is very broad, from 17% in France to 95% in Hungary. The spread is far narrower for mid-life households, ranging from 48% in Czech Republic to 96% in Hungary.

The clearest patterns relate to the extent to which younger households find accommodation in the private rented sector - but it is also interesting to note that there are often relatively large proportions of younger households in social housing – reflecting both need and the incapacity of younger households to afford market prices.

Table 5 shows the change in tenure of young entrant households over the period studied. Data were available only for six European countries, spanning periods from three to twelve years. In half of these countries, owner occupation levels among young households have fallen over the period studied, and in two they have been little more than stable. There seems to be a fairly clear trend towards falling rates of owner occupation among younger households, as a result of affordability problems for first-time buyers as well perhaps of greater availability of market rented housing. It should also be noted that these figures mask the apparent trend towards younger people forming separate households rather later in life than in the 1990s.

Table 5
Change in tenure of Young Entrant households, last decade

Country	Previous year		Latest year		Direction of change for owner occupation	Years of data sources
	Owner occupation	All rental	Owner occupation	All rental		
Denmark	23	77	20	80	Down	1990; 1999
Finland	41	54	39	57	Down	1992; 1995
France	21	72	17	76	Down	1990; 2002
Netherlands	43	55	44	57	Stable	1993; 1998
Sweden	45	55	46	54	Stable	1991; 1997
UK	74	26	61	39	Down	1994/95; 2001/02

Thus while *overall* levels of owner occupation increased in most countries over the period studied, levels of owner occupation among young entrants tended to fall. The general increased levels of owner occupation are coming mainly from other household types – notably single people - or by the cohort effects among older age groups.

Expenditure on housing among typical households

In comparing the expenditure on housing in different countries, we compared payment for housing across tenures *within each country*, calculating the ratios of the expenditures on housing in the private and social rental sectors relative to owner-occupation, which was set to 100% (Table 6). This allows comparisons of the relative costs of different tenures *within* each country to be made *between* countries. It is not meaningful to compare absolute costs between countries, because different data sources use different definitions of housing costs—some include only rent or mortgage payments, while others include heating, local taxes, and/or utilities. Here we examine actual average housing expenditures in the most recent years for which data were available, and compare them with expenditure patterns in the early 1990s.

Expenditure among young entrant households

For young entrant households, private renting is cheaper than owner occupation everywhere but in the UK. Young households pay more to rent in the private sector than in the social sector in all countries except Sweden (where rents for privately owned rental units still tend to be set in relation to municipally owned units, and there is no “social rented sector” in the strictest sense).

On average across countries, housing costs in the social sector are about 60% of costs in the owner-occupied sector, reflecting both subsidies and rent control policies. Private rents on the other hand are about 80% of owner-occupation costs. This might be predicted on the grounds that the tenants are only purchasing occupancy rights rather than an asset. It is often also associated with smaller and perhaps poorer quality housing.

Table 6
Relative expenditures on housing in latest year
 (owner-occupation = 100)

	Year	Young Entrant		Mid-life	
		Social renting	Private renting	Social renting	Private renting
Belgium	1999	n/a	73.7	88.2	110.2
Czech Republic	2001	77.1	78.0	114.3	101.2
Finland	2001	63.5		96.7	
France	2002	65.4	87.9	71.3	108.3
Germany	2001	74.5	84.1	50.3	56.5
Hungary	2003	n/a	n/a	94.7	103.5
Netherlands	1998	65.8	66.7	94.7	104.4
Sweden	1997	74.6	72.7	79.2	90.0
United Kingdom	2000/01	70.5	123.9	80.5	N/A
<i>Average from 1996 Report</i>		51.6	74.0	64.8	88.9

What is also clear is that the costs of renting for the typical younger household have increased as compared to the averages in the early 1990s – reflecting changes in government policy with respect to social sector rents and regulation of private rents as well as the lower money interest rates faced by owner occupiers. This is not to make any assessment of what has happened to the overall costs of housing to individual households (which would require a far more detailed study).

Expenditure among typical mid-life households

Relative expenditure on private and social renting is higher on average for typical mid-life than young entrant households. The social sector tends still to

be the least expensive, while private rents in most countries now exceed the cost of owner-occupation for these older households. This is because mid-life owner occupiers have often purchased homes many years ago, so their financial outgoings reflect historic prices, while private rents in most cases reflect current prices. Equally, many owner occupiers have large equity shares by this time in their lives so there are imputed costs which are not included here.

For the typical mid-life household again the most important change over the last decade has been the declining differential in cost between owner occupation and renting - in particular the difference between the cost of owner occupation and social rental. There are two main reasons – declining nominal interest rates in the owner occupied sector and increasing pressure by government to liberalise the rented sectors and to reduce government subsidies to social renting.

Taxes and subsidies

An important factor determining tenure patterns is the extent to which governments assist one tenure or another through subsidy and tax reliefs. There have been considerable changes in the pattern of such assistance over the last decade, notably in the UK with the removal of mortgage tax relief, which can be expected to have impacted on both actual tenure patterns and expenditures and on attitudes to different tenures (Holmans et al, 2002).

Owner occupation

In most of the countries studied, government policies generally still favour owner occupation. The most valuable right for most households is the ability to deduct from their income, for tax purposes, all or part of the interest paid on their mortgage. Most countries still allow this; Belgium also permits deduction of part of the principal. Iceland's tax treatment is notably generous.

In many Western European countries however there have been changes over the last ten years that have tended to lessen the favourable tax treatment of owner occupation. The UK, Finland and France have changed the tax treatment of mortgage payments; reducing benefits to owner occupiers. France and the UK have abolished tax relief on mortgages for owner-occupiers more directly to first-time buyers and families with children. Denmark in 1998 reduced the tax rate at which mortgage interest can be deducted, and Greece in 2002 limited full mortgage-interest tax relief to dwellings under a certain size.

In the former Communist countries studied, on the other hand, tax treatment of owner occupiers has grown more favourable over the last ten years. Hungary made tax deductibility for owner occupiers significantly more generous in 2001 and 2002, and Lithuania introduced mortgage-interest deductibility in 2002.

In almost all these countries, sales of owner-occupied housing are free from capital gains tax if certain criteria are met. These may include value ceilings and minimum holding periods (Germany for instance increased the holding period from two to ten years in 1998). Greece is the exception here, charging capital gains tax against which the owner-occupier can claim depreciation.

The most common form of subsidy to owner occupiers remains that of mortgage interest rate subsidies, often following the German *Bausparen* model. (Under the Slovenian scheme, for example, savers contract to save a set amount monthly for five or ten years. They are paid below-market interest rates, but their deposit is topped up by a state-funded premium. At the end of the savings period, the saver is entitled to a loan with a below-market interest rate, which must be spent on housing.) Eligibility for such schemes is often limited to buyers of new homes, young people, and/or first-time buyers (as in Finland). Some countries, such as France and Portugal, have recently tightened regulations on the use of house-savings accounts to ensure that they are in fact used to purchase housing. Others such as Sweden and Lithuania did have subsidised-interest schemes, but have abolished them.

Social and private renting

Private rental property continues to be treated as an investment good in most countries. Expenses (including mortgage interest) are generally deductible from rental income for tax purposes. Capital gains are taxed in most countries; Finland is an exception. Social landlords generally receive more favourable tax treatment than private landlords, and often benefit from government grants for construction of social housing or other subsidies.

Recent changes with respect to private renting have been, in general, relatively minor. The most important changes have been in Germany, which has made its depreciation allowances for private landlords less generous, and has extended the holding period for capital-gains-tax-free sales of rental properties from two to ten years.

Overall therefore the picture across Europe is one of continuing attempts to reduce government involvement – both by reducing the size of the social sector and by reducing subsidies and therefore increasing rents. Private rented sectors appear, if anything, to be becoming rather more healthy, but more as a result of changes in other tenures than because of changes directed at the tenure itself.

4. Cross National Patterns and Emerging Trends

There are some clear general economic and social trends across Europe, which are impacting on housing systems operate. These include on the positive side:

- the fact that the massive post war numerical shortage of housing has been addressed at least at the national level in most European countries – usually with significant assistance from governments especially in Northern Europe;

- average standards of living have risen in all the major countries, enabling the vast majority of people to pay for higher quality housing and to pay a lower proportion of their incomes for the basics of shelter and security. This has however not been the case in some of the transition economies which have suffered large scale medium term reductions in GNP that have adversely affected the capacity to invest in housing and the maintenance of infrastructure more generally;
- continued liberalisation of finance markets and the near extinction in many countries of special circuits of housing finance – which has both helped to reduce the market price of funding; to extend the range of mortgage and savings instruments available; and to provide access to finance for a much wider range of households in most European countries - although at the expense of increasing housing costs for those who traditionally benefited from the special circuit of finance;
- in many countries there have been significant reductions in rent regulation on the private rented sector which has helped improve access to housing for those entering the market or moving to another area. However again this has often been at the cost of reduced security of tenure for those who were able to obtain rent controlled properties;
- lower nominal interest rates, as inflation has come under control in many European countries and markets have built in expectations of a low interest rate regime continuing into the medium term. This helps overcome the problems of high initial costs of mortgages but at the expense of the weight of debt continuing for much longer periods.

Thus the supply of housing has undoubtedly increased across the continent and better meets household requirements for those with reasonable incomes; access to market housing has been expanded meaning that even those further down the market are able better to obtain accommodation; housing standards have improved as incomes and wealth increase; finance markets allow a better match between lifetime earnings and lifetime housing requirements;

and financing costs in nominal terms have declined improving the affordability of market housing.

However by no means all cross-national trends are inherently positive. Among those that generate significant challenges to ensuring adequate and affordable housing for all include:

- demographic and social changes which increase household fission and fusion and generate larger demands on the housing system – notably the continuing move towards smaller households; the impact of increasing divorce and separation; and most fundamentally the aging population which leads to different types of housing and housing services requirements as well as major problems of affordability. Some of these can be addressed via improved financial instruments which enable owner-occupiers to realise housing wealth – but many others will have inadequate resources to meet their needs;
- increased migration into Europe, within Europe, within the countries of Europe and even sometimes within particular regions and cities. These pressures tend to increase the overall demand; to increase the mismatch between the location of demand and supply; to increase the need to flexible housing markets and easy access housing; and to generate areas of social exclusion and deprivation which have important implications for the management and maintenance of existing housing as well as for new and regeneration investment;
- continuing reductions in government commitment to housing together with greater targeting of assistance at the lowest income groups. This reduces overall investment in housing especially as there is growing evidence that demand side subsidies do not produce as much additional housing output as do direct supply side subsidies (Yates and Whitehead, 1998);
- the adverse impact of deregulation on housing costs for those who traditionally had been protected from the full extent of market forces – which

worsens affordability for more marginal households who have now to find accommodation on the market, and more generally a worsening distribution of income and wealth which makes it difficult for those further down the system to compete effectively for adequate accommodation;

- the increasing financial risks associated with deregulation of finance markets – by which many more households across Europe are open to interest rate risk and to risks associated with loss of income and unemployment;
- environmental and other sustainability requirements which are both directly increasing the costs of housing provision- although not necessarily the overall costs to society - and tending to generate increasing constraints on new building because of growing NIMBYism among those who are already well housed;
- more fundamental increases in the costs of housing provision land associated with increasing demands for better located land, higher basic standards and a relatively poor productivity in much of the housebuilding industry;
- stock market uncertainties which are tending to bring housing more into the mainstream of portfolio investment and probably increasing the volatility of demand for housing for investment purposes – as well as increasing vacancy rates as owners keep housing off the market especially in countries where there is still rent regulation and significant security of tenure for private tenants.

These tensions have generated some clear cross-national patterns - whether the country's housing system is market oriented, social democratic, corporatist or minimalist. The most important general trends, not all of which apply to all countries, but which resonate with both empirical evidence and the views of many housing commentators across Europe (Scanlon and Whitehead, 2004) include:

- rising house prices, especially in urban centres and regions where the economy is expanding relatively rapidly. A significant reason for the very rapid rises observed in the later 1990s – notable particularly in Dublin and London, although now much more widely across many European countries – has been the decline in nominal interest rates and therefore in the user costs of owner-occupation. Other important reasons for both house price rises and increasing variations between areas include expectations of largely untaxed capital gains, investment demand and changing patterns of migration;
- growing regional imbalances leading to low demand in some areas at the same time as increasing pressure in others. This can often be traced to changes in the pattern of economic activity, particularly de-industrialisation and away from labour intensive manufacturing towards capital and technology based industry as well as personal services. These concentrate productivity in a smaller number of areas where education and skills also tend to be concentrated leading to a worsening distribution of income both between people and between areas;
- increasing problems of access to adequate housing because of rising costs associated with both increases in house prices (which have offset the benefits of lower interest rates for those entering the market for the first time) and the withdrawal of government assistance to social housing;
- to some extent these problems are being alleviated by an increasing role for the private rented sector even in countries that have traditionally regarded such provision as inferior to social housing and owner-occupation. Deregulation has helped to make private renting more profitable while volatility on wider stock and bond markets have increased the potential benefits of holding housing in investment portfolios. On the demand side the shift towards more flexible requirements has helped to sustain returns. However there remain major issues of affordability, especially in countries with limited demand side subsidies as well as

increasing problems of poor quality and overcrowding among those at the lower end of the market;

- the maturation of the owner-occupied sector in many countries – which implies that the relative size of the sector is likely to stabilise or even decline unless governments increase incentives to own by proactive measures. Another area of concern is how the need for many older owner-occupiers to try to realise some of their housing assets in order to fund their old age government policy;
- an emerging need for additional new housing especially in pressure areas – arising from the growing problems of responsiveness in the market and the lack of direct government investment. Restrictions on overall government assistance and the shift towards demand side subsidies which means that more of that demand is satisfied in the existing stock has reduced output levels in many countries even though the demographics suggest a need for additional housing. These problems are often exacerbated by the increasing emphasis on environmental sustainability and pressures from existing households to maintain their property values and limit external costs – often reflected in restrictive land use planning systems. These needs are heavily concentrated among lower income households and is beginning to result in a range of special government initiatives to improve supply and concentrate assistance among new entrants to the housing system;
- a growing emphasis on regeneration arising both from industrial restructuring and the increasing obsolescence of much of the stock built in the post-war period to lower as against the expectation of households in the twenty first century.

5. Conclusions and Implications

Housing systems across Europe are clearly showing increasing signs of pressure as a result of increases in demand; changes in the pattern of that

demand; difficulties in adjusting supply; and major changes in the ways in which governments are intervening in the provision and allocation of housing across Europe. They are also showing signs of increasing volatility as the housing market becomes more open to global pressures at the same time as labour markets become more cross national and migration becomes a more important source of demand for housing. Finally while affordability overall has probably improved as a result of both increasing affluence and better operating markets, the capacities of those at the bottom end of the (usually worsening) income distribution to access good quality accommodation is often worsening. Similarly, while more mature owner-occupiers have usually gained considerably from being able to purchase newly forming households are finding it increasing difficult to enter the property market – resulting in inter-generational inequities as well as increasing problems of access to adequate accommodation and a growing mismatch between aspirations and reality.

Spain has clearly been quite minimalist in terms of government direct intervention in the housing market – except, on the one hand, with respect to rent regulation and on the other with respect to developing new financial instruments in the context of deregulation of housing finance markets (Alderdi in Turner and Whitehead, 1993; Ball, 1991 and later years; Nasare-Asner 2004; and Trullo and Serret, 2004). Unlike much of the rest of Europe land use planning systems support large scale private sector output which has helped to keep Spain at the top of the league for new investment over the last few years. This has allowed the demand from many households across Europe for a second home in the sun to be realised but at the cost of urban sprawl and potentially unsustainable impacts on the environment and local services. On the other hand the lack of social housing and or demand side allowances makes affordability a major issue for those near the bottom of the system. Structurally, difficulties in accessing affordable market has led to many younger people remaining in the parental home for much longer than is general across Europe and this tendency has been increased significantly by rising house prices in the last few years.

Thus Spain has many attributes which are specific to the history and culture of the country – notably the reliance on owner-occupation and on personal

equity to finance that owner-occupation, together with limited government involvement. However Spain is also experiencing many of the same pressures as can be identified across Europe, exacerbated by its particular position with respect to in-migration and of continued regulation of a poorly operating private rented housing – which means that a large proportion of newly built accommodation tends to be held vacant for investment purposes – or as second homes – rather than going to alleviate the problems of affordability among mainstream households and potential households.

Like much of the rest of Europe, Spain is looking for solutions in improvements in market mechanisms, notably with respect to housing finance. One way forward must be to ensure that the private rented sector can play a more direct role in meeting housing requirements. However this is unlikely to be effective until the expectation of both speculative owners and younger households are brought more into line with underlying fundamentals. Equally importantly means have to be found to free up the equity of owner-occupiers as life expectation increases and the need to realise wealth to pay for the needs of older households expand. This problem is not specific to Spain but are perhaps inherent in the general move towards market oriented housing systems across Europe.

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