



AFFORDABLE LAND
AND HOUSING IN
**EUROPE AND NORTH
AMERICA**



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AFFORDABLE LAND AND HOUSING IN EUROPE AND NORTH AMERICA

Volume 4

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ADEQUATE HOUSING SERIES

In the vast majority of countries access to affordable land and housing is a critical contemporary challenge. While in different countries and regions the specificities of the challenge vary, the universal truism is that it is becoming increasingly difficult for the vast majority of urban residents to obtain and retain adequate and affordable land and housing.

The first four volumes in the Adequate Housing Series canvas the state of affordable land and housing in four regions facing major affordability difficulties: Latin America and the Caribbean, Asia, Africa, and Europe and North America (member countries of the United Nations Economic Commission for Europe).

Each volume firstly explores the major trends in housing conditions, availability, quality and tenure modalities. Following this, each volume analyses housing policy responses to address growing affordability problems and the improvement of substandard housing conditions. Lastly, key recommendations for local, national and international policy initiatives that can increase the provision of affordable housing in the respective regions is provided.

This flagship series is coordinated and produced by the Housing Policy Section of UN-HABITAT and to date the following volumes have been published:

Volume 1: Latin America and the Caribbean



Volume 2: Asia



Volume 3: Africa



Volume 4: Europe and North America



FOREWORD

The first four volumes in the Adequate Housing series respond to the urgent need for a global assessment of the state of land and housing. While countless studies, research projects, and reports have been undertaken on individual housing needs, projects, and programmes, no contemporary studies have compared and contrasted housing conditions, policies, and approaches on a regional or global scale.

This series fills this gap. The four volumes focus on the land and housing situation in four regions facing considerable challenges and affordability problems: Latin America and the Caribbean, Asia, Africa, and Europe and North America. They present a comparative documentation of the historical trajectory, major contemporary trends, and best practices in land and housing provision in each region.

Although the size and overall characteristics of the housing sector does vary markedly across these regions, and indeed their countries, common to all is the fact that obtaining and retaining housing that is adequate and affordable is a serious problem for a large proportion of the population.

Unfortunately housing affordability remains a challenge and it is worsening due to, among other factors, the economic effects of the global financial crisis and the increasing severity of disasters and conflicts, which both place an additional strain on already stretched land and housing resources. This series and its messages and recommendations are therefore timely.

These regional studies represent a significant step forward in investigating the state of the global housing challenge. A detailed examination and comparison of, as well as critical reflection on access to housing at the local, national and regional levels is the first and important step towards designing policies to improve access to

affordable housing opportunities and to bring solutions to scale. This will help in preventing city expansion on the basis of informal land development and informal housing supply. The four volumes represent a significant body of research, documentation, and critical review that I believe will be of value to those involved in the housing sector.

Dr. Joan Clos



Under-Secretary-General of the United Nations
and Executive Director, UN-HABITAT



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EXECUTIVE SUMMARY

Compared with the regions of Asia, Africa, and Latin America and the Caribbean (LAC), countries in Europe and North America present distinctive challenges for affordable land and housing provision. Many European and North American countries have a long history and considerable experience of affordable ‘social’ housing provision. Land and housing finance mechanisms are relatively well developed. Many of these countries are distinctly urban and urbanization rates are some of the lowest in the world. Population growth rates have peaked and most cities and countries are expected to have low growth in the coming decades. In many countries there is no sizeable housing deficit per se and the proportion of informal, un-serviced slums is small, if not zero in some European and North American countries.

Affordable land and housing problems in Europe and North America stem from dimensions of affordability that are less prevalent in Africa and Asia. Rising socio-economic inequalities are gentrifying and dividing cities and making housing increasingly unaffordable for low- and middle-income households. A near unanimous belief in homeownership has marginalised rental housing, and as a result drastically reduced rental housing stock, which is a vital tenure option for many households.

Governments in these countries have largely retreated from providing ‘social’ housing in favour of ‘enabling the market’, yet the market has not provided land and housing that is affordable to low-income households. There has been a general shift from property subsidies to subject subsidies. The housing stock in most Eastern European countries is comprised of low-cost multi-storied apartment blocks, built between the late-1950s and early-1980s, which are extensively deteriorated and poorly managed. While households have ownership of such units, many households cannot afford the ongoing service and maintenance expenses.

Left unaddressed these dimensions of housing affordability pose a serious problem for European and North American countries.

This report therefore provides an overview of progress achieved in the provision of affordable housing in the countries that comprise the United Nations Economic Commission for Europe (UNECE). Given the immense diversity of responses across these 56 countries, the emphasis is on practices that are conducive to the provision of affordable land and housing.

The report has three principal objectives. Firstly, it explores major regional trends in housing conditions with an emphasis on availability, quality, and tenure choice. Secondly, it analyses housing policy responses that address major challenges such as growing affordability problems, access to social housing and improvement of substandard housing conditions. Thirdly, the report provides recommendations for local, national and international policy initiatives that could contribute to the provision of affordable housing in the region.

KEY MESSAGES

Compared with Asia, Africa, and Latin America and the Caribbean, European and North American countries have distinctive land and housing challenges

Compared with those in Asia, Africa, and Latin America and the Caribbean, the housing sectors in European and North American countries function relatively well and many European and North American countries have a considerable experience of affordable 'social' housing. Urbanization and population growth will remain relatively low in the coming decades placing only moderate demand on new land and housing provision. In most European and North American countries there is no sizeable housing deficit per se and the proportion of informal un-serviced slums is very low.

Nevertheless, rising socio-economic inequalities are gentrifying and dividing European and North American cities and making adequate housing increasingly unaffordable for low- and middle-income households. A near unanimous belief in homeownership has drastically reduced rental housing stock which is a vital tenure option for many households. Many households in Eastern Europe live in deteriorated and poorly managed multi-storied apartment blocks and cannot afford the ongoing service and maintenance expenses. Governments in European and North American countries have largely retreated from providing 'social' housing in favour of 'enabling the market', yet the market has not provided land and housing that is affordable to low-income households.

Land and housing affordability remains the fastest growing and most pervasive housing sector challenge in European and North American countries

Housing costs have increased with significant implications for access to adequate and affordable housing, particularly for vulnerable groups. For instance, in four countries—**Belgium, Spain, Portugal and Greece**—a quarter of the households have significant financial difficulties due to housing costs; in **Italy** this share is 42 per cent. While the data are limited, it appears that countries with higher homeownership rates and limited tenure choice tend to have a higher share of households experiencing affordability problems. Furthermore, the situation appears to be more problematic in urban areas where higher prices for housing and concentration of poverty create cumulative disadvantages.

Homelessness across European and North American countries is a serious challenge and a sign of major failure of governments to ensure affordable housing for all

The current estimate of the homeless population in Europe is close to 600,000 with more than 60,000 people 'sleeping rough' and another 400,000 in homeless shelters. Asylum seekers are another disadvantaged group who account for over 105,000 in temporary shelters. Although the evidence for Central and Eastern Europe (CEE) countries suggests that homelessness is less significant in quantitative terms, several countries appear to have a growing number of homeless people and rising demand for overnight shelters, for example **Poland and Hungary**. In the **United States**, in 2006 more than 750,000 people were reported to be homeless. In the majority of European and North American countries, internal displacement continues to be a major problem directly related to housing. In the **Balkans, the Caucasus, Turkey and Cyprus** the number of internally displaced persons (IDPs) stands at 2.8 million. **Serbia and Montenegro** still host the largest number of refugees and IDPs in Europe, most of them living in substandard or informal housing.



The availability and quality of housing is relatively high, although there are significant intra-country disparities

Housing conditions in most European and North American countries have improved in the last decade. The general ratio of dwellings per thousand inhabitants—a crude indicator of the adequacy of housing provision—varies, with **Finland** and **France** having the highest number with over 500 units per 1,000 residents. Transition countries in Eastern Europe have slightly lower levels with **Albania** (254/1000) and **Poland** (314/1000) having the lowest. Housing shortages across most countries in the region are often associated with particular housing types, locations and qualities rather than with the absolute shortage of housing in general; second homes and vacation homes play a larger role in European and North American countries than other regions. In some countries, particularly in CEE there is a housing surplus, for example ranging from 786,000 units in **Romania** to 58,000 in **Albania**.

Access to water and adequate sanitation in Europe and North America is one of the highest in the world, although provision in many Eastern European countries is considerably lower

Access to water and adequate sanitation in Europe and North America is one of the highest in the world standing at 94 per cent on average for water and 93 per cent for sewer. Correspondingly, the share of housing serviced with piped water and sewer is reportedly much higher than in other global regions. However, the situation with Commonwealth of Independent States (CIS) countries is particularly problematic. For instance, only one-third of the housing stock in **Moldova** and **Uzbekistan** is served by potable water and only a limited share of the housing stock has bath/shower—for instance **Uzbekistan** (13 per cent), **Bosnia and Herzegovina** (22 per cent) and **Kyrgyzstan** (24 per cent). Although urban areas reportedly have higher levels of service, close to 3 million people in European cities lack access to piped water and 8 million to sewer. Furthermore, in countries in transition, high connection rates do not necessarily mean good quality of services.

Approximately ten per cent of the population lives in slums and informal settlements. In many Eastern and Transition countries this percentage is higher with informal settlements constituting a major housing problem

Estimates by UN-HABITAT indicate that about 10 per cent of the urban population lives in slum conditions without access to basic services and/or in overcrowded dwellings. In many Eastern countries the proportion of urban population living in slums is considerable, for example in **Kazakhstan** and neighbouring countries more than half of the urban population lives in slums. Elsewhere these rates are 30 per cent for **Moldova** and 19 per cent in **Romania**, **Bosnia and Herzegovina**, **Croatia** and **Macedonia**. Informal settlements have grown rapidly, particularly in the peri-urban areas of **Albania**, **Serbia**, **Georgia** and **Azerbaijan** which have become home to millions of new residents.



A near unanimous belief in homeownership has marginalised rental housing and as a result the rental housing stock has been drastically reduced.

Homeownership has grown steadily in most European and North American countries, particularly in those in transition. In most of the CEE and CIS countries, owner occupation exceeds 90 per cent, which is well above the 65 per cent average in Western Europe. In fact, some of the poorest countries in the region have the highest rates of homeownership. Analysis of house price dynamics indicates that access to owner occupation has become more expensive, even if it might lead to significant financial benefits over the long term. Tenure choices are much broader in **Finland, Sweden, Austria** and **Denmark** due to a balanced tenure structure offering a ladder of opportunities ranging from social to private renting to homeownership. In contrast, rental housing options are severely curtailed in several European countries, for instance **Spain, Greece** and **Italy**.

The quality, energy-efficiency and management of high-rise multi-household housing in Eastern European countries requires urgent attention

The management and rehabilitation of high-rise multi-household housing is potentially one of the largest problems facing municipalities in Eastern European countries in transition. The rapid and widespread privatisation since 1989 was not supported by adequate post-sale communal management and maintenance procedures. Consequently, buildings have significantly deteriorated and the failure to carry out repairs will result in massive structural problems in more than 40 per cent of the urban housing stock. Recently, most countries have introduced laws to regulate the operation of homeowners' associations, but the implementation has been very slow and inadequate. The management of privatised multi-household housing faces three major challenges: organisational, social and financial. These need to be systematically addressed alongside efforts to improve the operational energy efficiency of this housing typology, which can benefit occupant health, reduce national energy demand and occupant housing-related expenditure.

While in the majority of European and North American countries land is available, there is a shortage of obtainable and reasonably priced land for affordable housing

The irreversible trend of urbanization has affected housing affordability through placing significant pressure on land availability and prices. Land for new affordable housing construction is becoming increasingly difficult to obtain. Land for housing is mostly provided through the market with a variety of long-term urban planning strategies in place to ensure land supply for new housing. Many regions, however, especially high growth regions, need coordinated planning by all levels of government in cooperation with civil society and commercial interests to respond to a deepening shortage of land for affordable housing. A number of regional and local governments have experimented with density bonusing, inclusionary zoning, land trusts and land lease arrangements to increase the availability of land supply for affordable housing.



<p>Subsidy regimes either do not benefit low-income households or are inadequate in scale to meet demand</p>	<p>Under subsidy regimes, subsidies focus on owner-occupation. Mortgage interest tax relief exists in Ireland, the Netherlands, the United States (US), the United Kingdom and Spain. France offers subsidies on savings schemes for many newly-built and renovated properties and provides a quarter of a million zero-interest rate mortgages annually. Housing subsidies and tax breaks are common in Austria, Germany, Russia, Croatia, the Czech Republic, Hungary and Poland. The new subsidy schemes in CEE have been criticised for being particularly inefficient in targeting households in need and in supporting the most affluent housing consumers. Meanwhile, demand-based subsidies to low-income renters have failed to keep pace with the rising housing costs. In most transition countries, however, such assistance is non-existent and where it has been launched it is inadequate, for example the Czech Republic, Poland, Romania, Estonia and Latvia. There is a need to reduce fiscal support (which mainly reach high-income households, stimulate over-consumption and push prices up) and increase the adoption of income-related housing allowances.</p>
<p>There is a limited provision of social housing and although housing is increasingly unaffordable, rates of new social housing provision in most are European and North American countries are not increasing or are insufficient to meet demand</p>	<p>While affordability constraints are growing, less social housing is being provided for low-income households. In Canada and the United States a handful of local governments have had the political will to overcome some of the barriers to the development of affordable housing. The prospects, however, for a meaningful reduction in the number of households with growing affordability problems are dismal. In Western Europe, the data suggest that in countries where the sector is significant, there is a loose commitment to maintain adequate supply. Austria (30 per cent), Denmark (21 per cent) and Sweden (16 per cent) have the highest rates of new social housing production, followed by Finland, the UK and the Netherlands with rates in the range of 12 per cent. Several transition countries (Poland, the Czech Republic and Slovakia) have initiated new social housing programs in recognition of their importance for many groups in society.</p>
<p>In many Western European and North American cities the provision of affordable housing is being accomplished as part of ambitious urban regeneration projects</p>	<p>A number of countries in the region are addressing the provision of affordable and adequate housing through area-based urban renewal and regeneration programs. Local governments, working in partnership with non-profit housing providers and community groups, have experimented with inner city regeneration, brownfield, and waterfront redevelopment schemes. The search for effective strategies for urban regeneration to create a social mix, increase the supply of affordable housing and facilitate investment and improvement of existing infrastructure has promoted new models and a new repertoire of planning instruments to encourage with social inclusion.</p>

ACRONYMS

CAD	Canadian Dollar
CEB	Council of Europe Bank
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CMHC	Canadian Housing and Mortgage Corporation
ECE	Eastern and Central Europe
EU	European Union
GDP	Gross Domestic Product
IDP	Internally/Internationally Displaced Person
IFC	International Finance Corporation
JCHS	Joint Center for Housing Studies of Harvard University
JESSICA	Joint European Support for Sustainable Investment in City Areas
LAC	Latin America and the Caribbean
MoIR	Ministry of Infrastructure of the Italian Republic and Federcasa
RICS	Royal Institute of Chartered Surveyors (UK)
SEE	South-Eastern Europe
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
UN-HABITAT	United Nations Human Settlements Programme
USA	United States of America
USD	United States Dollar
ZhEKs	Housing and Communal Services Department, Azerbaijan

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This volume provides an overview of the state of affordable land and housing in

Europe and North America, countries that comprise the United Nations Economic Commission for Europe (UNECE).

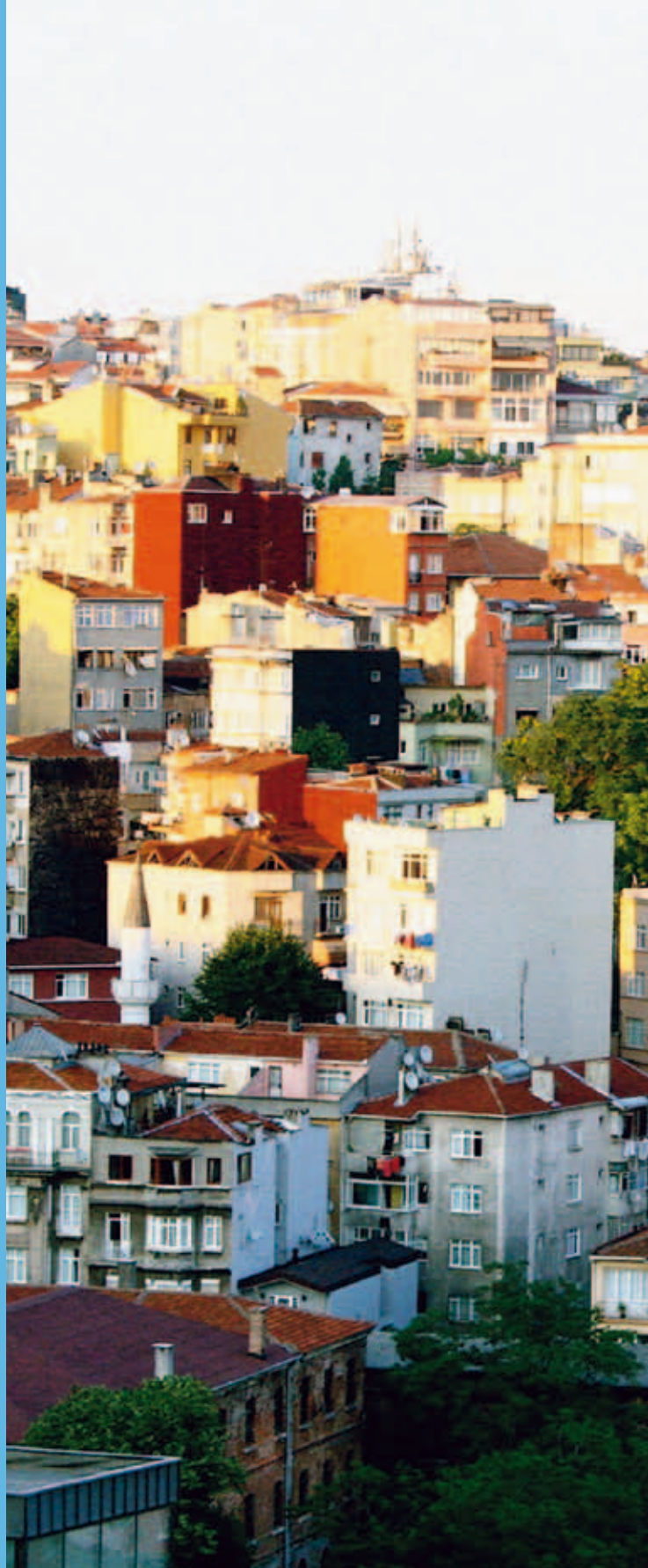




Figure 1: The housing landscape of Istanbul, Turkey.
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1

PART ONE

INTRODUCTION – AFFORDABLE LAND AND HOUSING IN THE REGIONAL CONTEXT

1. INTRODUCTION – AFFORDABLE LAND AND HOUSING IN THE REGIONAL CONTEXT

Affordability: a call for action

Ensuring universal access to affordable land and housing requires urgent global attention. While in different countries and regions the specificities of the challenge vary, the central issue remains: housing that is adequate and affordable is increasingly out of reach for a large proportion of the population in the vast majority of countries.

This volume provides an overview of the state of affordable land and housing in the region of the United Nations Economic Commission for Europe (UNECE), referred to in this publication as ‘Europe and North America’. This region is principally defined and united by geography: as the name suggests, it includes Western and Eastern European countries. It is also, in many ways, united socio-politically: it includes Western Europe’s traditional North American associates **Canada** and the **United States of America (US)**.

Compared with the regions of Asia, Africa, and Latin America and the Caribbean (LAC), Europe and North America presents distinctive challenges for affordable land and housing. As this volume highlights, housing affordability is an issue in all countries, not only in ‘developing

countries’ of the global south but also European and North American countries.

Volume focus and objectives

This volume therefore focuses on housing conditions and policy responses to major housing challenges in the 56 European and North American countries of the UNECE (Figure 2). Given the immense diversity of housing responses the emphasis is on practices that are conducive to the provision of affordable land and housing.

The volume has three principal objectives. Firstly, it explores major regional trends in housing conditions with an emphasis on availability, quality and tenure choice of housing in different housing systems. Secondly, it analyses housing policy responses to address major challenges such as growing affordability problems, access to social housing and improvement of substandard housing conditions. Particular emphasis is given to the urban dimension of affordability in the context of economic, social and political change. Thirdly, the volume provides some recommendations for local, national and international policy initiatives that could contribute to the provision of affordable housing.

As will be shown in Section 1.4, the historic trajectory of housing supply and consumption since 1945 varies considerably between countries. Their historic experiences largely configure contemporary housing conditions and access, yet, as will now be shown, so too does the rapid urban, social, and economic transformations that

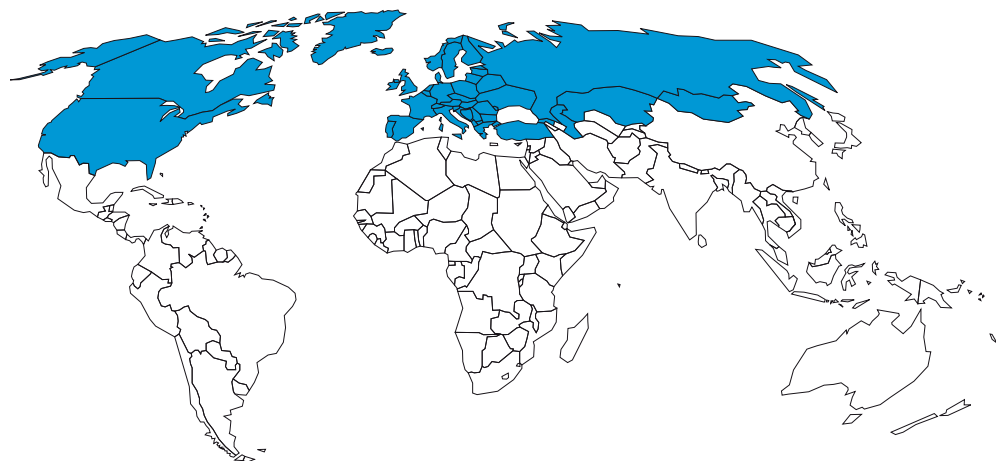


Figure 2: Map of European and North American countries (UNECE countries) included in this volume

have categorised European and North American countries in the last decade.

1.1 EUROPEAN AND NORTH AMERICAN COUNTRIES: DISPARITY AND SIMILARITY

Urban, social, and economic change

Unsurprisingly, given the economic, political and historic differences of countries that constitute this sizeable region, there is notable divergence in housing provision systems. Yet in comparison with Asia, Africa and Latin America, European and North American countries also share many urban, social and economic trends and characteristics.

Compared with other regions, Europe and North America is overwhelmingly urbanized, with more than 75 per cent of the population concentrated in urban areas (Figure 3). The level of urbanization in Western Europe is 80 per cent, with the **United Kingdom (UK)** and **Belgium** exceeding 90 per cent. In North America over 80 per cent of the population is urbanized. Countries in transition have an average rate of urbanization close to 61 per cent, which is considerably higher in the largest countries: the **Russian Federation** (73.3 per cent), **Poland** (62.0 per cent), the **Czech Republic** (74.5 per cent).

With the exception of seven megacities (**New York, Los Angeles, Paris, Istanbul, Moscow, London, and Chicago**) the main cities in the

region are mostly under 3 million with medium densities, and stable or low-growth population (growth rates under 1 per cent). Annual urban growth rates in **Italy, Portugal and Turkey** are comparable to those in the **United States and Canada**, between 1.1 and 1.4 per cent. However, the projected annual urban growth is higher than 2 per cent in less urbanized countries such as **Albania, Azerbaijan, Tajikistan and Uzbekistan**.

Such high levels of urbanization create significant challenges for the provision of affordable housing in large cities. Despite the notable economic success of major urban centres in European and North American countries, globalisation has exacerbated social polarisation and urban poverty. In the countries in transition, the reforms from centrally planned to market-based economies have added another layer of complexity.

In many of these places the decline in living conditions is accompanied by rapid deterioration of existing housing, homelessness, and formation of informal settlements in peri-urban areas.¹ The urban poor are especially vulnerable to economic shocks. They often lack access to services, safety nets and political representation. Cumulative disadvantages, often defined along the lines of gender, age, and ethnicity, create widening social differences between social groups, with low-income, single-parent or women-led households the worst affected by limited options to secure adequate and affordable housing.

Figure 3: European urbanization trends compared with other regions

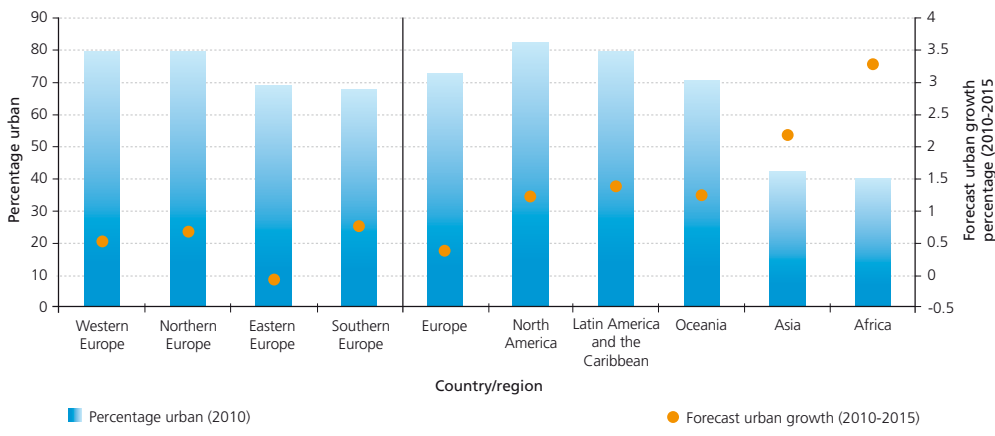


Figure 3: Regional percentage of the population living in urban areas and urbanization growth projections for 2010-2015. Source: © UN-HABITAT, 2009



COMPARED WITH OTHER REGIONS, EUROPEAN AND NORTH AMERICAN COUNTRIES ARE OVERWHELMINGLY URBANIZED, WITH MORE THAN 75 PER CENT OF THE POPULATION CONCENTRATED IN URBAN AREAS. SUCH HIGH LEVELS OF URBANIZATION CREATE SIGNIFICANT CHALLENGES FOR THE PROVISION OF AFFORDABLE HOUSING IN CITIES.

In addition to housing challenges associated with urbanization and poverty, many countries are affected by war or civil conflicts. Almost 7 million have become refugees or are internally displaced (IDPs). Military conflict and violence in the **Balkans** and **Northern Caucasus** has caused long-term stress for the housing systems of these countries. As a result of conflicts in **Bosnia and Herzegovina** displaced people are estimated to be 2.5 million and in **Serbia** and 1 million in **Montenegro** alone.

In the economic realm, countries with traditional market economies have experienced strong economic growth and major progress in their structural reform agenda in the past decade. The growth trajectory has been uneven but it has delivered better living standards in Western Europe, North America and some of the Central European countries.

The benefits of regional economic growth, however, have not been shared widely. Income polarisation has increased, perhaps more dramatically in countries in transition, and unemployment has remained high. In **Portugal**

the income of the top 20 per cent is 7 times higher than the income of the bottom 20 per cent. Likewise, in **Spain, Greece** and **Estonia**, the income of the top quintile is 6 times higher than the income of the bottom quintile. In contrast, this ratio is only 1 to 3 in **Slovenia, Sweden** and **Denmark**.² This is a major source of social inequality, which paralleled with unemployment creates major challenges for social cohesion and access to housing and basic services for low-income households.

Differences in economic growth and unemployment rates among countries have become more pronounced due to different structural adjustment policies.³ These policies and their associated economic restructuring have created significant challenges for particular groups such as the long-term unemployed, low-skilled workers and young people with limited work experience.⁴ The variable economic performance across Europe and North America affects the housing demand and interest rates but is perhaps most visible in the varying level of new housing provision in respective European and North American countries.

Population growth in the region has remained modest – less than 0.5 per cent in Western Europe and 3 per cent in North America, mostly attributed to immigration. Many countries in transition have experienced years of negative population growth, a result of emigration, lower reproduction rates, and responses to economic hardship.

While demographic changes are relatively modest across Europe and North America, poverty has increased. The reality is that over 74 million people in the European Union were at risk of poverty in 2005, with one in six people experiencing poverty.⁵ Groups at risk are the long-term unemployed, large or one-parent families, people with a low level of education; and increasingly ethnic minorities and Roma communities. Some of the common drivers are unemployment or jobless growth, but also regional inequalities and inadequacy of the social protection systems.^{6,7}

The dimensions of poverty in CIS are quite different. The sub-region accounts for the largest share of people living in absolute poverty. While at

the start of the reform process poverty in countries in transition did not exist, in the present sense of the concept, today more than 100 million people are now classified as poor.⁸ The share of people living on less than 1 USD per day is alarmingly high in the **Republic of Moldova** (22 per cent), **Uzbekistan** (21 per cent) and **Armenia** (12 per cent). The move towards a market economy and democracy has failed to deliver balanced benefits to all countries in transition and/or to all social groups. It is widely acknowledged that the second generation of policy reforms is driven by a more sober reflection that market failures need to be addressed more efficiently and that the social protection of vulnerable groups is perhaps the most important aspect of public policy intervention.⁹

The contemporary challenge of affordable land and housing provision

There is considerable contemporary divergence in housing patterns, typologies, and conditions in European and North American countries. Broadly speaking, housing quality and availability in longstanding European Union (EU) Western European member countries is higher than conditions in Central and Eastern European countries.¹⁰ Yet such simplified statements ignore the specificities and contradictions that prevail, which this volume explores.

Unlike countries in Africa and Asia, many European and North American countries have no sizeable housing deficit per se and their

proportion of informal, un-serviced slums is relatively small. Many European and North American countries have a long history and considerable experience of affordable 'social' housing provision and their land and housing finance mechanisms are relatively well developed which facilitates and widens access to housing. As demonstrated above, compared with most Asian and African countries, projected urban and population growth in European and North American countries is low, and European and North American countries are predominantly urban.

Affordable land and housing problems in Europe and North America stem from dimensions of affordability that are less prevalent in Africa, Asia and LAC. Rising socio-economic inequalities are gentrifying and dividing UNECE cities and making housing increasingly unaffordable for low- and middle-income households. In South-Eastern Europe housing costs have increased significantly over the last two decades.¹¹ Western European cities in particular are suffering from increasing homelessness as vulnerable groups are financially excluded from home ownership and rental markets.¹² The sub-prime financial crisis that originated in the housing markets of the **United States** in 2008 has had severe repercussions on housing affordability both within North America and across the globe.

The transition to a market economy in post-Soviet countries has placed enormous pressure



Figure 4: The dense historic urban form of Florence, Italy. Photo © UN-HABITAT/Matthew French



on households to obtain, retain and maintain an adequate and affordable housing unit in the face of increasing housing-related service costs.¹³ The removal of government subsidies, the lack of commercial housing finance, the lack of new housing construction, the increase in construction costs, the lack of rental housing and the almost complete retraction of government involvement in the housing sector are some of the many factors that configure the lack of housing affordability in Eastern European countries.

The housing stock in most Eastern European countries is comprised of low-cost multi-storied apartment blocks, built between the late-1950s and early-1980s, which are extensively deteriorated and poorly managed. Such high-rise panel housing accounts for upwards of 25 per cent of housing in large cities, and even more in former industrial cities. The issue, therefore, is not one of a housing shortage but of insufficient maintenance where the adequacy, in terms of quality of housing and housing services is a problem.

A nearly unanimous belief in homeownership has marginalised rental housing and as a result drastically reduced rental housing stock, even though this modality is a vital tenure option for many households.¹⁴ This is especially the case in Eastern Europe where home ownership rates are well above those in Western Europe and where there is little government social housing. Governments in European and North American countries have largely retreated from providing social housing in favour of 'enabling the market', yet the market has not provided land and housing that is affordable to all.

Recent trends suggest that governments are taking a more active role in addressing the housing sector, in particular in supporting the production of social housing. For example, **Poland** recently launched a social housing programme alongside supporting non-profit organisations to provide housing for middle-income households. Likewise, in the **Czech Republic** a programme was launched in 2003 to provide subsidies for construction of new flats that are produced and supported by local municipalities.

In many European and North American countries urban land management and use is inefficient and is not available for affordable housing at


a scale that is required due to inappropriate regulations and zoning, private interests to maximise profits, and in many cases a lack of political will at municipal levels of government to support affordable housing provision. As will be shown, however, several Western European cities are demonstrating the opportunities for urban renewal and environmental rehabilitation projects where housing for households on low-incomes can be accommodated. Such projects are an example to Eastern and Southern Europe for how to maximise urban land utilisation, improve public spaces and transport, and develop inclusive cities with affordable housing provision as a key component.¹⁵

Although there is some evidence of affordable housing provision in European and North American countries, the dimensions outlined above combine to produce the challenge that this volume addresses: Adequate land and housing is becoming increasingly unaffordable for a vast proportion of the population in European and North American countries. Left unaddressed these dimensions of housing affordability pose a serious problem for these countries.¹⁶ The dimensions, however, have a history. They are the product of changing economic, political and social characteristics of national and international housing sector development. Therefore, before exploring affordability issues in greater depth, it is important to situate contemporary UNECE housing affordability dimensions within the regional historic context.

1.2 A BRIEF HISTORICAL SNAPSHOT OF HOUSING POLICY AND PRACTICE TRENDS SINCE 1945

In order to understand the contemporary situation of affordable land and housing in European and North American countries, it is important to be aware of the historical development of housing policy and practice. This section, therefore, provides a broad but brief overview of housing in the region since 1945, focusing primarily on Western and Eastern Europe.¹⁷

After World War Two (WWII) Western European governments played a fundamental role in shaping housing production. It was a radical departure from pre-WWII approaches



where governments had only a nominal role in housing provision, and during the war when housing production was negligible. The period from 1945 until the early 1960s is considered the ‘recovery phase’.¹⁸ The focus was on repairing war-damaged areas and alleviating the severe housing shortages. The dominant housing typology was large scale social housing, which was heavily subsidised, directed from public resources and motivated by the need for large quantities of housing at low-cost.

For the decades following WWII, Eastern European housing was also typified by centrally administered government housing provision and control. While there certainly were differences between countries, they can be broadly seen to be part of the ‘East European Housing Model’.¹⁹ Housing was viewed as a social right that was to be guaranteed by the government. It was not a commodity with economic dimensions but rather a social service and consequently, housing production, allocation and consumption was under direct control by governments.

Eastern European housing was low-rise, two-to three-storey wood and brick houses until the mid-1950s when high-rise housing blocks became the increasingly dominant housing typology. This change paralleled the move to high-rise housing forms in Western Europe and North America, which responded to new construction technologies and systems. Industrial technologies, notably prefabrication and pre-cast concrete components, facilitated housing on a larger scale while at the same time-it was argued-they reduced construction cost and time. Indeed between 1956 and 1960 housing production roughly doubled from the previous five years,²⁰ although, overall, housing remained costly, of low quality, and did not eliminate housing shortages.²¹

During the 1960s and early-1970s direct large-scale public housing provision was at its peak in most Western European countries. Housing supply had been significantly increased largely through high-rise housing developments. A large proportion of the housing stock was rental housing, often public, subsidised ‘social’ rental housing managed by municipalities and local councils.²² As a tenure modality, public rental

THE TRANSITION TO A MARKET ECONOMY IN POST-SOVIET COUNTRIES HAS PLACED ENORMOUS PRESSURE ON HOUSEHOLDS TO OBTAIN, RETAIN, AND MAINTAIN AN ADEQUATE AND AFFORDABLE HOUSING UNIT IN THE FACE OF INCREASING HOUSING-RELATED SERVICE COSTS.

housing thrived until the mid-1970s in the UK and into the 1980s in Sweden. By the mid- to late-1970s, however, the debate surrounding the benefits and disadvantages of rental versus homeownership intensified.

During the early-1980s a paradigm shift occurred in the Western European housing sector. The economic and social context was changing and the role of the government in direct housing provision was increasingly questioned. The governments’ role changed from that of provider of housing to enabler of the housing sector to function. Principally this involved a reduction in government expenditure on housing and removal of inefficient subsidies, especially rental and construction subsidies. Publicly-owned housing was sold to sitting tenants, for a low or nominal cost. Although some countries maintained relatively high levels of public involvement in housing, the majority adopted the neo-liberal reforms deemed necessary to enable a well-functioning private housing market. Rental housing was marginalised and private individual home-ownership rates increased.

While Western European housing markets were liberalising, Eastern Europe retained its focus on centrally planned and administrated

housing.²³ Eastern and Western Europe housing policy and practice therefore diverged the most during the decade from the mid-1980s to the mid-1990s.

The housing sector in Eastern European countries fundamentally changed as a result of economic, political and social changes during the early 1990s. Countries transitioned from centrally-planned housing sectors to market-orientated housing. The objective was to apply market principles, gradually but not slowly, to the housing sector. In some cases the liberalisation was even much more considerable than in some Western European countries.

The most significant change was the wide-scale and quick selling of public housing units. Houses were transferred to their occupants through various measures, often at reduced rates, through various schemes (for instance vouchers or cheques), or for free (apart from a nominal fee). For example, in **Armenia** in 1990, government and local authorities owned nearly half of all housing (49 per cent) but by 2001 they owned only 3.9 per cent.²⁴ The major problem in most post-Soviet countries was the non-existent or insufficient legal and institutional frameworks to support a well functioning housing sector and private ownership by individual households.

In shifting away from government provision and subsidy of housing to a market housing

where the costs of housing were to be borne by individual households, housing affordability became a serious issue.²⁵ Housing related costs increased significantly after the transition.²⁶ With the reforms, GDP and real household incomes plummeted, high inflation produced high interest rates, and the banks raised interest rates on new loans. Housing finance demand significantly lowered. For example, in **Hungary**, loans in 1993 were only 47 per cent of their 1990 level.²⁷ Downward mobility was common. Many households had to sell or move out of their house and take a smaller house to pay off debts, often for accumulated unpaid utility costs. As many households owned their units, the problem was energy and utility costs (water, services, garbage collection, district heating), which had risen considerably due to the deregulation and privatisation of these services. Overall, prices increased faster than household income.²⁸ While some countries experimented with housing allowance programmes, these were seldom effective due to a lack of institutional capacity and limited resources.

The socio-political changes led to a significant decline in housing production in most former Soviet Republics. People could not pay for new housing at market rates: only a select few at the upper-income level. Housing demand increased but supply did not match it, so house prices increased. For example in **Ukraine**, 179,000



Figure 5: Derelict unused accommodation in Dublin, Ireland. Photo © UN-HABITAT/Matthew French

public housing units were produced in 1990 but production fell to only 9,000 units in 2001. The private sector did not make up the balance and consequently total housing production fell from 279,000 units in 1990 to only 64,000 in 2001.²⁹ In most countries housing production halved compared with pre-transition levels.³⁰ Furthermore post-Soviet countries inherited considerable quantities of high-rise housing of dubious quality. The quality was a result of the decision to use the cheapest forms of construction materials and methods.³¹

Nevertheless, housing markets have gradually improved in many Eastern European countries after the shock of the initial transition period.

Policy responses and macroeconomic stability is improving housing supply (public and private), especially in the Baltic region, **Poland**, the **Czech Republic**, and **Hungary**.³² Housing production is increasing: it is now between 60 to 80 per cent of the level of production during the socialist era,³³ although the majority of this is private owner-occupier housing, indicating a low availability of rental housing remains an issue to be addressed.³⁴

As a result of the 2008 sub-prime housing crisis that originated in United States, affordability, especially in North America and Western European countries, has become an even more serious social and economic issue.

Housing finance is significantly harder for households to obtain, house prices have alarmingly shifted, and unemployment has risen to relatively unprecedented levels. Consequently, many households have lost their homes to foreclosure, and for others purchasing housing is increasingly difficult. Rents are often exorbitant resulting in households having to spend a considerable proportion of their budget on housing expenditure and social housing is increasingly difficult to access and its supply in many countries is now at historic lows.

Clearly there have been many ideological, theoretical, policy and practice shifts in the housing sector over the last 60 years. Even so, under all economic and political systems achieving universally affordable and adequate housing has remained elusive. Certainly progress is being made and the proportion of the population that lives in adequate housing

AFFORDABLE HOUSING IS BROADLY DEFINED AS THAT WHICH IS ADEQUATE IN QUALITY AND LOCATION AND DOES NOT COST SO MUCH THAT IT PROHIBITS ITS OCCUPANTS MEETING OTHER BASIC LIVING COSTS OR THREATENS THEIR ENJOYMENT OF BASIC HUMAN RIGHTS. HOUSING AFFORDABILITY, HOWEVER, IS MULTI-DIMENSIONAL AND INVOLVES MORE THAN THE OFTEN-USED SIMPLIFIED CONCEPTION OF THE RATIO OF HOUSE PURCHASE PRICE TO HOUSEHOLD INCOME.

is higher now than ever before, yet the historic changes illustrate the fact that the housing sector is fundamentally shaped by many actors-policy makers, local authorities, private enterprise, households, among others-and whether housing affordability improves or worsens depends on the many actors, in particular the political will of national governments and local and regional authorities.

1.3 HOUSING AFFORDABILITY: ITS COMPONENTS AND MEASURES

Affordable housing is broadly defined as that which is adequate in quality and location and does not cost so much that it prohibits its occupants meeting other basic living costs or threatens their enjoyment of basic human rights.³⁵

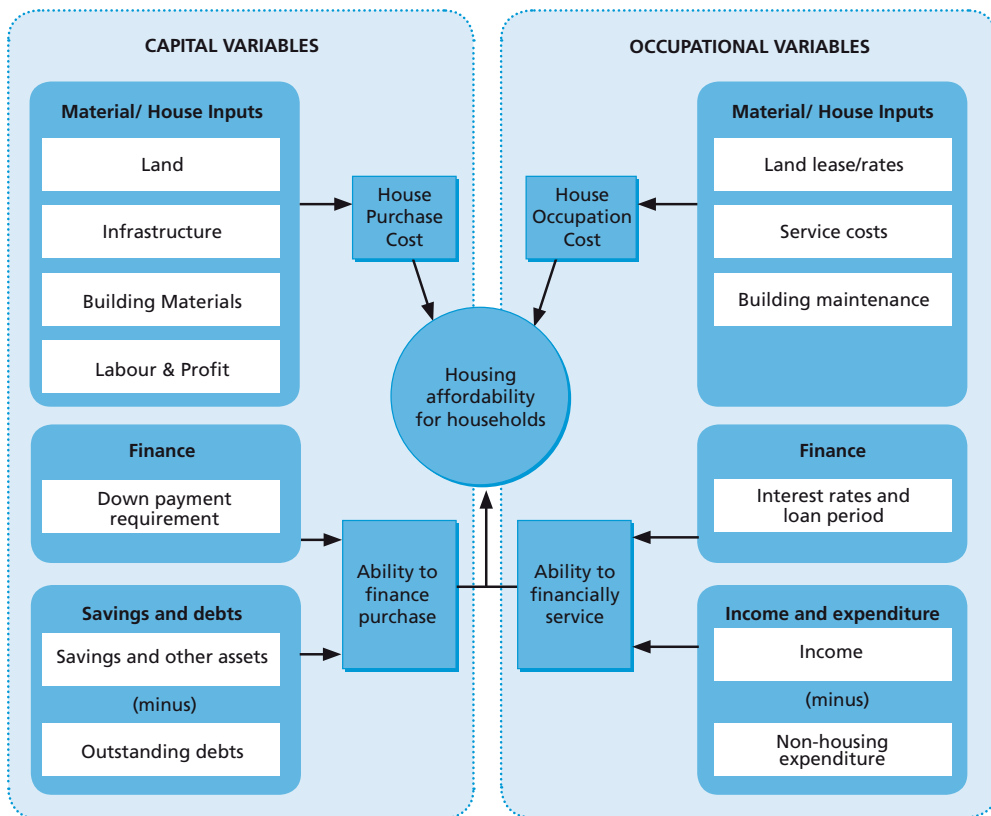


Figure 6: Basic components of housing affordability

Housing affordability is affected by many factors. Figure 6 outlines the basic components of housing affordability for households. Affordability is principally set by two main variables: capital variables (house purchase costs) and occupation variables (costs associated with keeping the house).

The ability of a household to purchase a house is affected by the purchase cost (which is the sum cost of land, infrastructure, building materials and labour and profit) and the ability to finance the purchase (principally set by the mortgage down payment requirement and the balance of household savings).

Once a house is purchased, the ability of a household to occupy and pay for the house is influenced by material inputs (land lease and rates, services costs, and building maintenance) and finance inputs (loan repayment period and interest rates (which are influenced by fiscal policy, etc), and household income minus non-housing expenditure).

Housing affordability, therefore, involves more than the often-used simplified conception of house purchase price to household income. Affordability is multi-dimensional and it is the dimensions outlined in Figure 6 that this volume focuses on. For example, housing affordability problems in many Eastern European countries stem from the occupation dimensions of the affordability diagram. High service and building maintenance costs make adequate housing unaffordable. Another example is the ability of North American households to purchase a house is constrained by the increasingly unavailable or restrictive housing finance, in particular higher down-payment requirements since in the 2008 economic crisis.

Measures of affordability

While there is no universally agreed measure of what constitutes ‘affordable housing’, there are three common measures, which are associated with two components: housing costs and household income (Table 1).³⁶ The first is house

price to income ratio. The ratio is calculated by dividing the median house price by the median household income. It shows the number of annual median salaries it takes to buy a median-priced house. Countries that have particularly high house price-to-income ratios are typically those with high land prices and construction costs.³⁷ The second measure is house rent-to-income ratio. This ratio is calculated by dividing the median annual rent by the median annual renter household income.

While there is no universally agreed ratio or percentage at which owner-occupied or rental housing is deemed unaffordable, these two measures enable cross-country comparisons as well as the ability to track housing affordability within a country over time, as incomes and house prices rise and/or fall.

The third measure of affordability is the residual income assessment. It is represented as a percentage of household income spent on housing-related expenses and demonstrates a

household's ability to financially service housing without compromising on necessary non-housing expenditure.³⁸ Although there is no universally agreed percentage, housing is generally deemed affordable when a household spends less than 30 per cent of their income on housing related expenses, such as mortgage repayments (for owner-occupiers), rent payments (for tenants), and direct operational expenses such as taxes, insurance and service payments.^{39, 40}

1.4 STRUCTURE AND CONTENT OF THE VOLUME

Definitions: regional and country groupings

This volume uses the analytical framework of the United Nations Economic Commission for Europe (UNECE) membership countries to define 'Europe and North America'. While the report is not specifically addressing the UNECE region per se, it focuses on the 56 countries that comprise the UNECE. UNECE member countries include some of the richest economies

Table 1: Measuring housing affordability

	House-Price-to-Income Ratio	House-Rent-to-Income Ratio	Housing-related expenditure as a percentage of income
Measure	Median house price divided by median household income. The ratio of the median free-market price of a dwelling unit and the median annual household income.	Median annual rent divided by median annual renter household income. Incomes are median gross incomes of private and public renter households.	Annual median household income divided by annual median housing expenditure (mortgage payments, rent, services, taxes, insurance, etc).
Warning Trend	Very high or rising ratios imply that either there is no effective housing market or that land is extremely scarce, generally owing to regulatory inefficiencies or restrictions.	High values imply that supply is not keeping up with demand and affordability is low. Low values usually imply controlled tenancies or a high proportion of public housing.	A high percentage indicates housing is negatively impacting on meeting non-housing basic needs and the housing market is not functioning properly.
Significance	A key measure of housing affordability. Also generally regarded as the single indicator that gives the greatest amount of information about housing markets.	A key measure of housing affordability, especially for low-income households who may be unable to purchase housing.	It can account for essential non-housing expenditure such as food, water, clothing, schooling, transport, etc and the decisions households make regarding housing and non-housing expenditures.

▶ Box : UNECE Country Housing Profiles

Since 1996 the UNECE has undertaken country housing sector reviews and published these as 'Country Housing Profiles'. The country housing profile is a process-oriented exercise. At its core is an analytical study on the housing sector, drafted by independent international experts. The profiles represents a tool for Governments to analyse their housing policies, strategies, institutional and financial frameworks for the housing sector and to compare the progress made internationally and provide recommendations for improving policies and practices.

The Profiles constitute a strategic analysis of a country's entire housing sector. Each profile covers five major areas: (i) the framework for the housing sector transition; (ii) the existing housing stock and new housing construction; (iii) the institutional framework; (iv) the legal framework; and (v) the financial framework.

As a voluntary exercise, the Country Profile study is undertaken only at the request of the country

itself. The project starts with a compilation of relevant data on the housing sector of the country to be reviewed. An international team of experts from all over Europe, including countries in transition, is then formed. The findings from the study is published in English and translated to the national languages for distribution to interested parties.

To date the following Housing Profiles have been prepared and published: Bulgaria (1996), Poland (1998), Slovakia (1999), Lithuania (2000), Romania (2001), the Republic of Moldova (2002), Albania (2002), Armenia, and the Russian Federation (2004), Serbia and Montenegro (2006), Georgia (2007), Belarus (2008), Kyrgyzstan (2010) and Azerbaijan (2010). The reader is referred to these publications for more in-depth analysis on the housing sector in these countries than can be presented in this volume.

Source: UNECE (2011) <http://live.unece.org/hlm/prgm/cph/welcome.html>

in the world and some of the poorest; countries with long and strong democratic traditions and others with newly emerging democratic regimes; countries with some of the highest levels of housing provision and other with the most significant housing problems mirrored in housing deprivation and homelessness.

These immense differences have a profound effect on the housing systems in these countries, making such comparative evaluations difficult. Nevertheless, where possible, housing challenges and policy responses are reviewed on a subregional basis using four clusters:

Western Europe

Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Greece, Iceland, Ireland, Israel, Italy, Germany, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Turkey, United Kingdom.

North America:

Canada and the United States.

Central and Eastern Europe (CEE):

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Latvia,

Hungary, Republic of Macedonia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia.

The Commonwealth of Independent States (CIS):

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation,⁴¹ Tajikistan, Turkmenistan, Ukraine.

Data sources and analysis

Efforts have been made to reflect the enormous heterogeneity in the UNECE as this has implications for the significant differences in the provision of housing and the types of housing policy responses. The analytical assessment is based on existing information from reports, such as the most recent UN-HABITAT Global Reports on Human Settlements and Government of the World Cities Reports. The analysis draws on comparative evaluations on the topic carried out by major international organisations and research institutes, as well as Land Reviews, country specific assessments of affordable housing alternatives, and UNECE Housing Profiles (see Box 1). It incorporates statistics and housing indicators from officially published sources of information and international databases.^{42, 43}



It should be noted that most countries in Central and Eastern Europe have only census-based information with limited indicators; Information on the affordability of housing is non-existent and data on house prices and rents are unreliable. The situation in the Commonwealth of Independent States (CIS) is even more challenging since the official statistics on housing include only a handful of monitoring indicators. Therefore, it should be recognised that access to reliable and up-to-date data is problematic and poses challenges for comparative analysis on all dimensions of affordability.

Volume structure

Part One has provided the introductory, historical and conceptual setting for the study of affordable housing in Europe and North America. It has highlighted the major urban, economic, social, and historic factors in the region underlying differences in housing provision and country specific housing challenges.

Part Two canvases the state of affordable land and housing in Europe and North America. It systematically reviews trends in housing

conditions with respect to housing needs, quality, affordability, tenure modalities, and dominant building types. The emphasis is on differences and similarities in housing conditions and on persisting problems with housing deficits, substandard housing and informal settlements.

Part Three explores the critical linkages between housing challenges and policy responses. It focuses on new housing construction approaches, new subsidy regimes, responses to homelessness and the refugee crisis, provision of social housing, land shortages for affordable housing, and the provision of affordable housing through area-based renewal and social inclusion. The analysis highlights major achievements and challenges in addressing the multiple dimensions of affordable housing provision.

Part Four outlines the key lessons learnt, particularly over the last two decades. It provides succinct recommendations for how to increase the regional supply of affordable land and housing. Finally, the conclusion recaps the major themes and draws attention to ways forward for local, national and global action.

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- 41 Although some information on housing conditions in the Russian Federation is included for comparative purposes, the overview of housing policy excludes Russian reforms are to be covered in a separate study as well as issues pertaining to housing finance.
- 42 In Canada, for example, in addition to the Census, Starts & Completions Survey, Market Absorption and Rental Market Surveys are carried out on an annual basis in urban areas.
- 43 For example, national censuses are carried out in countries, typically every ten years although Germany and the Netherlands have a census every four years, Canada and the United States every five. Within the EU, Ministries collaborate to produce an annual edition of Housing Statistics in the European Union. Data are provided by national ministries responsible for housing well as by the European Mortgage Federation and Eurostat. These reports are a major source of the comparative data used in this study.



Figure 7: Multi-storied housing dominates the housing stock in Malta Photo © UN-HABITAT/Matthew French

Differences in housing conditions across countries reflect the legacy of past policies, institutional division of responsibilities for the provision of land and housing as well as housing preferences and choices.





Figure 8: Multi-storied housing in Marseille, France.
Photo © UN-HABITAT/Matthew French

2

PART TWO

THE STATE OF AFFORDABLE LAND AND HOUSING

2. THE STATE OF AFFORDABLE LAND AND HOUSING

Differences in housing conditions across countries reflect the legacy of past policies, institutional division of responsibilities for the provision of affordable housing as well as housing preferences and choices.⁴⁴ This section provides a quantitative and qualitative overview of major characteristics of the existing housing systems based on recent data. A particular emphasis is placed on differences and similarities in housing distribution, level of service provision (water, sewer, central heating), dominant building types (single family, multi-household, high-rise, etc.), and tenure choice.

The quantitative and qualitative indicators are related to recent data on housing market performance demonstrated by dynamics in house prices and rents. A special section provides insights into critical housing problems such as substandard housing, slums and informal settlements.

2.1 QUANTITY, QUALITY, AND DISTRIBUTION OF EXISTING HOUSING STOCK

2.1.1 Availability of housing

Housing conditions in most European and North American countries have improved in the last decade.⁴⁵ The general ratio of dwellings per thousand inhabitants is normally used as a crude indicator of the adequacy of housing provision. The distribution varies, with **Finland** and **France** having the highest number of over 500 units per 1,000 residents, followed very closely by **Greece, Sweden** and **Portugal**. The prevalence of second homes and vacation homes are one reason why these countries have high housing unit to population ratios. Countries in transition have lower levels, which, despite their lower level of economic development, are nevertheless comparable to those in Western Europe. The number of dwellings per 1,000 people is lowest in **Albania** (254/1000) followed by **Poland** (314/1000) and **Slovakia** (318/1000).

Although average dwelling floor area in CEE countries tend to be 25 per cent smaller than in Western Europe, the average distribution in terms of persons per dwelling is similar. Overall, the legacy of the socialist housing provision system has ensured a relatively higher availability of housing than could be expected given the present level of economic development. Presently, the GDP per capita in the sub-region is one third of the GDP average in the European Union (EU), which affects the amount of investment available for improvement in housing conditions.

2.1.2 Housing deficit and surplus

A deficit of certain housing types

Housing shortages across most countries in Europe and North America are often associated with particular housing types, locations and qualities rather than the absolute shortage of housing in general. The question of housing deficits, particularly in Central and Eastern Europe, has become less relevant to market realities. Declining population, emigration and changing consumer preferences as well as ability to pay have shaped housing demand in the last fifteen years.

Studies point to a disproportionate supply of one type of housing, such as small, old-style, poorly located flats, whilst other housing types, particularly single-family housing in good locations, are in chronic shortage.^{46, 47} Often there is a mismatch between the location of jobs and housing units in and around cities. The existence of such housing submarkets and the expansive urban geography of larger countries such as **Poland, Russia, Ukraine** and **Romania** can make reliance on aggregate average housing indicators misleading in understanding real housing experiences.

Housing deficits in Eastern European and Central Asian UNECE countries

There are, however, severe housing deficits in some Eastern European countries. In countries such as **Kazakhstan, Kyrgyzstan, Turkmenistan**, and **Uzbekistan** (defined as 'Central Asian countries' but members of UNECE) there is evidence of absolute housing shortages at the national level and also in particular in the capital cities. These countries experienced delayed urbanization with

a recent rapid influx from rural areas, which has contributed to much stronger urbanization growth rates and exacerbating the pressure on local housing markets.

In **Tajikistan**, for example, population growth from 1998 to 2005 was 16.5 per cent, while the growth in housing stock was only 9 per cent. Housing area per capita at the end of 2005 was 8.7 square meters, which is 27.5 per cent less than the norm of 12 square meters per capita established by the government. Similarly in **Kyrgyzstan** the population has grown from 4.7 million in 1997 to 5.1 million in 2005. The capital city, **Bishkek**, has over 200,000 migrants from rural areas reportedly experiencing acute housing shortages. In **Dushanbe**, the capital of **Tajikistan**, the city's population has reached close to 1 million due to rapid migration creating a deficit of 100,000 dwellings.⁴⁸

A quantitative housing surplus

Many countries in the region have a surplus of housing. For example, close to 1 million dwellings in the eastern part of **Germany**, extensively renovated after unification, are vacant. Neighbourhood upgrading programmes in some countries are demolishing unoccupied or unpopular housing, for instance in the **Netherlands**, **Denmark** and the **United Kingdom**.⁴⁹

In Central and Eastern Europe, despite the popular myths of housing deficits, the housing surplus ranges from 786,000 units in **Romania** to 58,000 in **Albania**. In terms of its share of the total stock, most countries in South-Eastern Europe have a surplus in the range of 12 to 14 per cent with **Montenegro** (24 per cent) being an extreme case.⁵⁰

Local housing market mismatches pose an additional and often neglected quantitative problem. Despite an overall surplus of housing, the census data indicate that many capital cities in the region experience housing shortages and overcrowding. Dwellings on average tend to be small, often accommodate more than one household, and the ratio of persons per room is higher than one. For example, in **Serbia** 18 per cent of the households (about 284,000) are classified as overcrowded. There are many countries with more than 3 occupants per room. Evidence from the census data in **Albania**, **Bulgaria**, **Latvia**, **Ukraine** and **Romania** indicate similar problems.^{51, 52}

Underpinnings of the supply and demand mismatch

Part of the mismatch is related to migration, especially the deficit of affordable housing in high growth urban areas. Locations that have the most dynamic labour markets typically have the



Figure 9: A housing block in Warsaw, Poland. Photo © UN-HABITAT/Claudio Acioly

greatest housing affordability problems because people migrate to them in pursuit of employment opportunities.

The deficit of affordable housing in certain urban areas also relates to inefficient use of the existing housing stock. For example, as data on vacancy rates in Figure 10 shows, more than a third of the housing stock in **Greece** is vacant. This figure is close to a quarter in **Cyprus** and **Bulgaria**. Vacancy rates in most CEE countries are higher than those in Western Europe, ranging on average between 10 to 14 per cent. Possible explanations as to why so many houses are vacant are the poor quality of such housing and the lack of housing demand in rural areas.

In some countries—**Albania**, **Bulgaria** and **Romania**—high vacancy rates are reportedly due to migration patterns. Absentee homeowners often do not rent out these units, even in urban areas where demand is high. In countries affected by war, massive displacement of the population has resulted in higher vacancies in areas where

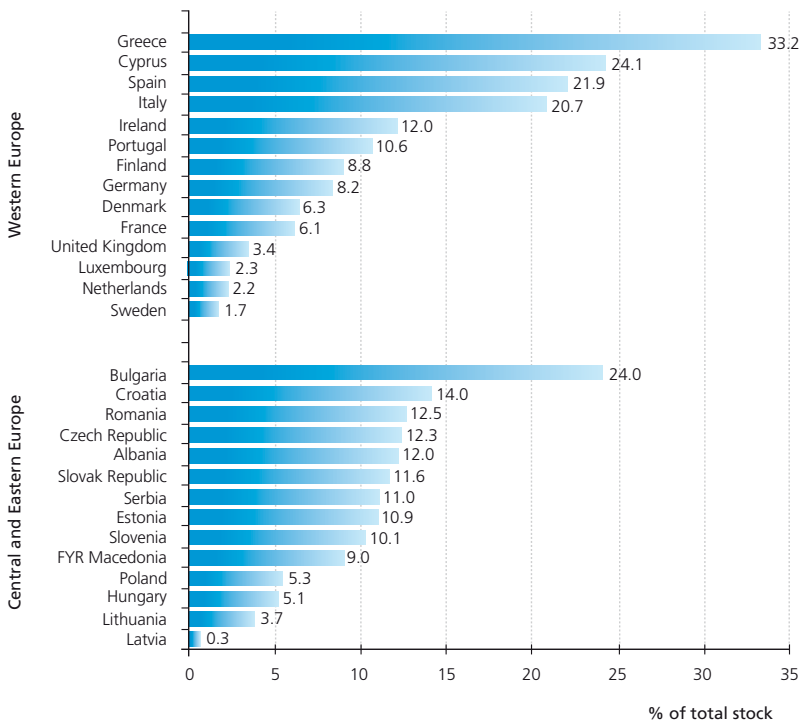
people are reluctant to return.⁵³ Last but not least, second homes and tourism houses, which are not used for permanent habitation, are a very important element of the housing markets in **Croatia**, **Montenegro** and **Bulgaria**, explaining the high vacancy rate and the surplus of housing in these countries. In fact, in **Greece**, **Italy**, **France** and **Spain** between 10 and 15 per cent of all dwellings are second homes.⁵⁴

2.1.3 Housing quality

Water, sanitation, electricity and heating systems

Access to improved water and adequate sanitation in European and North American countries is one of the highest in the world. It stands at 94 per cent on average for water and 93 per cent for sewer and therefore the share of housing serviced with piped water and sewer is much higher than in other regions. Even allowing for definitional changes over time, the available data indicate overall housing improvement over the last three decades.⁵⁵

Figure 10: Housing vacancy rates in selected European and North American countries



Source: Mollr, 2006 and Tsenkova, 2005

However, the situation with piped water supply in the housing stock in CIS countries is particularly problematic, especially in **Moldova** and **Uzbekistan** with services available in only one third of the housing stock. In CEE, **Albania** and **Romania** stand out with half of the housing lacking piped water. Although urban areas

reportedly have higher levels of service, close to 3 million people in European cities lack access to piped water and 8 million to sewer.⁵⁶ In countries in transition, high connection rates do not necessarily mean good quality of piped water since drinking water frequently fails to meet basic chemical standards.⁵⁷

Table 2: Dwellings with basic services

Country	Year	Bath/ Shower	Piped water	Central heating
Western Europe and North America				
Austria	2003	98.3	100.0	90.0
Belgium	2001	96.0	100.0	73.0
Cyprus ^c	2001	99.0	na	27.3
Denmark	2005	95.0	100.0	98.2
Finland	2002	99.0	100.0	92.3
France	2002	98.0	92.0	91.0
Germany	2002	na	100.0	90.8
Greece	2001	97.8	na	62.0
Ireland	2002	94.0	na	89.0
Italy	2004	99.2	99.6	94.7
Luxembourg	2001	94.2	98.0	92.3
Malta	2000	100.0	92.9	3.3
Netherlands	2002	100.0	na	90.0
Portugal	2001	65.6	na	3.8
Spain	1999	99.0	39.7 ^a	9.4 ^a
Sweden	2005	100.0	100.0	100.0
United Kingdom ^d	2001	99.0	100.0	94.0
Canada	2001	97.0	100.0	na
United States	2001	96.0	100.0	na
Central and Eastern Europe				
Albania	2002	55.1	55.1	1.0
Bosnia & Herzegovina	2002	22.0	73.7	3.3
Bulgaria	2001	81.1	81.1	16.8
Croatia	2001	92.8	93.7	3.6
Czech Republic ^b	2001	95.5	95.1	81.7
Estonia	2002	67.1	na	59.0
Hungary	2001	87.2	88.0	52.9
Latvia	2003	67.3	75.2 ^a	65.2
Lithuania	2003	69.6	58.4	71.6
FYR Macedonia	2001	59.8	85.6	8.6
Poland ^c	2002	87.0	83.0	77.8

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Country	Year	Bath/ Shower	Piped water	Central heating
Romania	2001	53.0	53.0	25.9
Slovak Republic ^f	2001	92.8	90.5	74.3
Slovenia	2004	92.3	na	79.1
Serbia	2001	85.0	89.4	21.2
Commonwealth of Independent States				
Armenia	2002	86.0	98.0	81.0
Azerbaijan	2000	na	78.0	na
Belarus	2000	na	100.0	na
Georgia	2000	na	78.0	na
Kazakhstan	2000	na	90.0	na
Kyrgyzstan	2001	24.0	40.0	29.1
R. Moldova	2002	30.9	36.5	30.8
Russian Federation	2001	64.0	74.0	75.0
Tajikistan	2000	na	60.0	na
Turkmenistan	1999	30.0	53.0	30.5
Ukraine	2000	na	98.0	15.4
Uzbekistan	1997	13.3	36.5	19.5

NOTES: a. 2001 b. Permanently occupied dwellings only, Population and Housing Census 1/3/2001 c. Occupied dwellings only, National Census of Population and Dwellings 2002 d. The figures only refer to England, not the whole UK e. Occupied conventional dwellings (excl. not stated) f. Permanently occupied dwellings only, Population and Housing Census 1/5/2001

Source: Mollr (2006); Data for CIS countries from UNECE Housing database; Data for SEE from Tsenkova (2005).

In the case of water supply, sewer services are most problematic in **Albania, Romania** and CIS countries. The data indicate that a limited share of the housing has bath/shower—**Uzbekistan** (13.3 per cent), **Bosnia and Herzegovina** (22 per cent), **Kyrgyzstan** (24 per cent), **Moldova** and **Turkmenistan** (30 per cent).

Urban-rural inequalities in sanitation are much more pronounced, particularly in South-Eastern Europe and CIS countries. Cumulative shortages of financing for infrastructure development in rural areas during the last 50 years, coupled with scarcity of public resources in the last decade, have resulted in widening differences in access to basic infrastructure between urban and rural areas. Despite the growing rates of housing construction in rural communities, mostly through self-help, public and private investment has been unable to close the gap.

Figure 12 presents the pattern of urban-rural inequalities in nine select countries in South-Eastern Europe illustrating the difference in

housing quality standards in rural and urban areas. While the majority of the urban housing (80 to 98 per cent) has piped water, two thirds of the dwellings in rural **Moldova, Albania** and **Romania** lack modern water and sewerage facilities.

The comparative data suggests a backlog in the provision of sewer for close to 70 to 80 per cent of the dwellings in **Moldova** and **Bosnia and Herzegovina**. In **Albania** and **Romania** 60 per cent of dwellings lack these essential services. Furthermore, the scarcity of resources for much-needed upgrades in the technical infrastructure has led to deterioration of existing networks and frequent disruption of services.

The provision of safe ('improved') drinking water and adequate sanitation in the housing stock is therefore an important issue in many countries. It also requires an explicit emphasis on quality. The problems are complicated by the inability of national governments, municipalities and municipal companies to ensure maintenance



Figure 11: Second homes and tourism houses, which are not used for permanent habitation, are a very important element of the European housing markets, for example in Paros, Greece. Photo © UN-HABITAT/Matthew French

and investment in the existing systems. On the demand side, declining incomes and increasing poverty have prevented price adjustments to achieve cost recovery and to provide needed revenue for reinvestment.⁵⁸

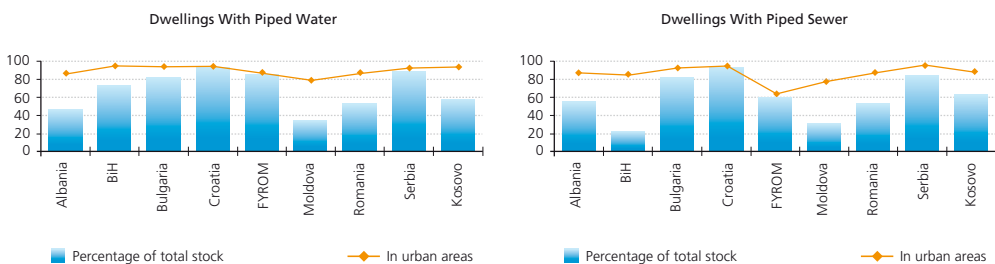
Another indicator that reflects the level of services in the housing stock is modern heating systems. District heating is widespread in Western Europe and also in a fair number of CEE countries where close to two thirds of the housing stock has access. Across the CIS as well as in South-Eastern Europe, this share is much lower ranging between 16 to 30 per cent. Overall access to centralised heating systems across the region is concentrated in the capital cities and some of largest urban centers.

Age of housing and housing types

Closely related to housing quality is the age of the housing stock. The available data indicate the majority of the housing in the region was built after the Second World War, coinciding with urbanization and the growing affluence in these nations as outlined in Section 1.2. The oldest portion of the housing stock, built before 1919 in Western Europe constitutes close to 18 per cent of the total housing stock, while in most transition countries it constitutes only about 4 to 5 per cent. **Greece, Finland and Spain** have half of the average pre-1919 housing stock as Western Europe.

Investment in housing provision during communism across the Soviet Union and Eastern

Figure 12: Dwellings serviced by water and sewer in select countries in 2002



(FYROM: Former Yugoslav Republic of Macedonia; BiH: Bosnia and Herzegovina) Source: Tsenkova, 2005; Council of Europe, 2004



Figure 13: Public social housing in Minsk, Belarus. Photo © UN-HABITAT/Claudio Acioly

Europe has resulted in waves of new construction, particularly in urban areas since the 1970s. A principal feature of the Soviet housing system was the large-scale multi-storied housing typology in urban areas and single-household self-built housing in rural areas. Nevertheless, a large majority of the housing stock that exists today in Eastern Europe was built between 1960 and the mid-1980s. The exceptions are **Poland, Slovenia, Romania** and the **Czech Republic** where a larger share of current housing stock was built between 1946 and 1970.⁵⁹ Housing production in the post-transition years added less than 10 per

cent to the housing stock in most countries in transition. Elsewhere in Europe countries such as **Spain, Ireland** and **Cyprus** stand out with high rates of construction adding more than 15 per cent to the housing stock since 1990.

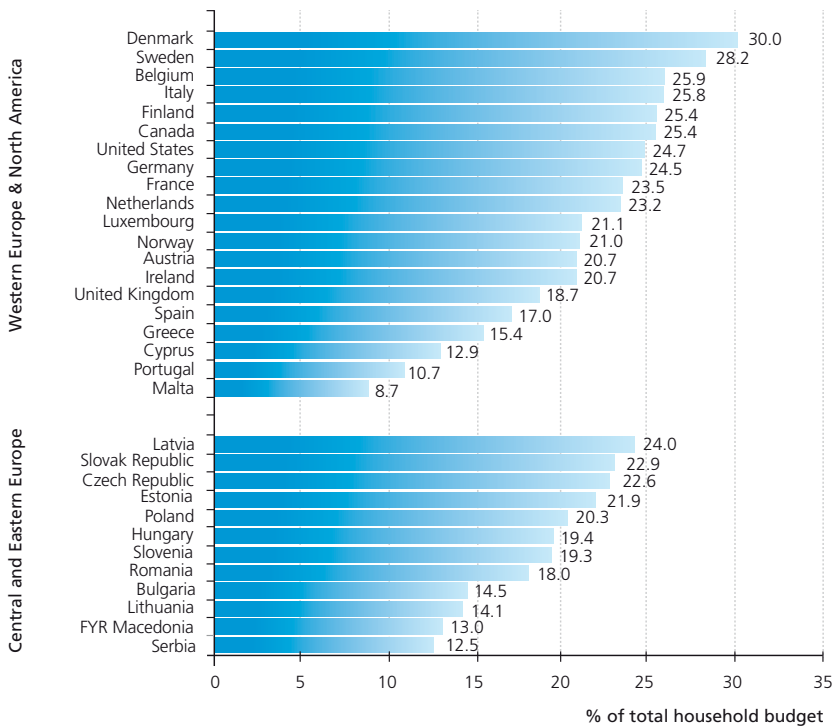
Premature ageing and the dominance of multi-household apartment housing

Several studies on housing in transition countries have pointed out two important aspects related to housing quality: the premature ageing of the housing stock and the dominance of multi-household panel apartment blocks in urban



Figure 14: Deteriorated multi-household housing in Bulgaria. Photo © UN-HABITAT/Claudio Acioly

Figure 15: Housing-related expenditure in select European and North American countries in 2004



Source: Eurostat, 2007; CMHC, 2007; JCHS, 2007

housing markets. While there is a lack of data for all of the countries, recent censuses reveal that multi-household panel apartment blocks account for nearly half of the urban housing stock in **Bulgaria, Romania, the Czech Republic and Moldova.**

Owing to industrialisation and urbanization policies, prefabricated housing dominates the residential landscape of post-communist cities. It makes up 70 per cent of all housing in **Bucharest**, 45 per cent in **Sofia** and 20 per cent in **Ljubljana**.⁶⁰ Some countries in Western Europe also have a large share of high-rise prefabricated panel housing, mostly a legacy of post war renewal and reconstruction efforts. Although the quality of such housing in Western Europe is substantially better, today this housing typology is often the first to be marked for demolition and urban regeneration projects.⁶¹

Multi-household housing is the predominant typology across Western Europe and constitutes on average more than 47 per cent of the total

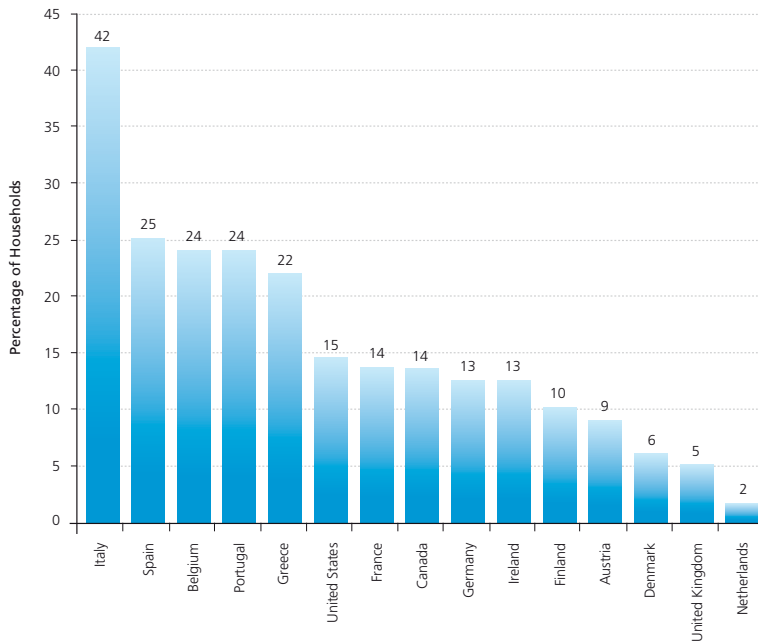
stock. The **United Kingdom, Ireland and Belgium** are notable exceptions with less than 25 per cent of their housing classified as multi-household. In **Canada**, multi-household housing constitutes less than 12 per cent and is concentrated in five large metropolitan areas. Some estimates, based on aggregated data of Western Europe from 2004, suggest that the share of dwellings in high-rise housing with more than four storeys is significant only in **Spain** (30 per cent), **Italy** (22.7 per cent) and **Portugal** (22 per cent). By contrast, in CEE countries the share of high-rise housing exceeds 35 per cent in **Poland, Hungary and Slovakia**.⁶²

2.2 AFFORDABILITY

2.2.1 Housing costs and expenditure

Affordability of housing remains the fastest-growing and most pervasive housing challenge in Europe and North America. Housing costs have increased with significant implications for access to adequate and affordable housing,

Figure 16: Households experiencing financial difficulties in select countries due to housing costs



Source: Eurostat, 2007; CMHC, 2007; JCHS, 2007

particularly for marginalised vulnerable groups. For the majority of households in most Western European countries it is not that incomes are too low, rather housing is too expensive.

Housing-related expenditure

Housing-related expenditure, the proportion of household expenditure devoted to housing, varies

widely across European and North American countries (Figure 15). Housing expenditure comprises such aspects as water, electricity and gas as well as mortgage finance repayments, insurance, municipal rates and land leases.

Denmark has the highest percentage (30 per cent), followed by **Sweden** (28.6 per cent).



Figure 17: New housing construction in the United States. Photo © UN-HABITAT

Malta has the lowest percentage (8.5 per cent) followed by **Portugal** (10.7 per cent). Therefore, households in **Denmark** spend 3.4 times as much as households in **Malta** on housing related expenses. Most CEE countries have comparable rates of household expenditure as Western European countries, with **Latvia**, **Slovakia** and the **Czech Republic** exceeding 22 per cent.

Financial affordability difficulties

A large proportion of households in European and North American countries are experiencing

significant financial difficulties due to housing costs across the region. In four countries—**Belgium**, **Spain**, **Portugal** and **Greece**—a quarter of households are financially stressed due to housing (Figure 16). In **Italy** this share is exceptionally high reaching 42 per cent.

While the data is limited, it appears that countries with higher homeownership rates and limited tenure choice tend to have a higher share of households experiencing affordability problems. Furthermore, the situation appears to be more problematic in urban areas where higher prices

▶ Box 1: Affordability constraints and the housing crisis in the United States

By 2006 the number of households in the **United States** spending more than half their incomes on housing was rising rapidly, reaching 17 million (one in seven US households). Moreover, 2.1 million households were living in severely inadequate housing while about three-quarters of a million people are homeless on any given night. Nearly half of all low-income households—a total of 8.2 million renters and 5.0 million homeowners—have severe housing related financial burdens.

To cope with the high costs of housing, some households resort to living in small quarters or sharing space with others. While only three per cent of households live in such conditions, the largest metro markets, such as Los Angeles, San Diego, San Jose, and New York, have an overcrowding rate twice the national average. Immigrants are more than seven times as likely to live in overcrowded conditions

From 2006 the housing situation deteriorated rapidly. The **United States** subprime mortgage market crisis played a central role in the global financial crisis that surfaced in 2008. The subprime crisis was fuelled by a considerable increase in housing finance credit and an associated rapid increase in house prices.

Following a typical 'boom and bust' cycle, house prices fell and interest rates rose leading many households to be unable to pay and resulting in high rates of foreclosures (loan providers taking possession of the house and reselling it to recover unmet loans). The boom and bust cycle was similar to that of the late-1980s in the **United States** and the Asian financial crisis of the 1990s.⁶⁵ From 2000 onwards land and house prices soared, households borrowed a significant proportion to finance house purchase (sometimes even more than the value of the

property purchase cost), and mortgage finance was widely available—and some argue under-regulated—even to households who could not realistically sustain such financial commitments in the long term.

House price appreciation was dramatic, especially between 2003 and 2005, which masked the financial instability problems.⁶⁶ Many houses were purchased as investments, second homes or as rental properties rather than primary residences.

The unsustainable borrowing was fuelled by an unflinching belief in the continued rise in house prices. However, by late 2007 the housing bubble had burst. House prices fell dramatically and foreclosures increased considerably. Indeed, the quality of housing loans deteriorated from the late-2000s until the height of the crisis in 2007.

The crisis has severely impacted on the American economy and housing market. For example, house prices have continued to drop, consumption and investment is shrinking, there has been a slow-down in employment. The structural causes of the crisis, such as loose monetary policies of central banks, lack of regulation, and excess liquidity in financial markets produced unbalanced and ultimately unsustainable economic growth.⁶⁷

Part of problem lay with the role of mortgage securitisation as a mechanism for allocating risks from real estate investments but more widely there were major flaws in structural design of the financial system, which must be addressed—rather than individual household incentives—at the national and international level to avoid a repeat and improve the economic outlook.^{68, 69}

Source: JCHS, 2007; Mah-Hui, 2008; Zandi, 2008; Hellwig, 2009; Demyanyk and Hemert, 2009.



THE MAJORITY OF HOUSING IN THE REGION WAS BUILT AFTER THE SECOND WORLD WAR COINCIDING WITH INCREASING URBANIZATION. IN EASTERN EUROPE, THE DOMINANT HOUSING TYPOLOGY WAS LARGE-SCALE MULTI-HOUSEHOLD HOUSING IN URBAN AREAS AND TODAY SUCH HOUSING IS IN URGENT NEED OF UPGRADING.

for housing and concentration of poverty create cumulative disadvantages. The general incidence of basic unmet housing needs in immigrant households, regardless of their time of arrival in **Canada**, is over 18 per cent, a level higher than the average for all Canadians (13.8 per cent).⁶³ ⁶⁴ Likewise, in the **United States** housing unaffordability is reaching unprecedented levels (Box 1).

2.2.2 House price dynamics

The performance of the housing market varies considerably across countries in the region. Prior to the 2008 financial crisis, relatively high levels of employment and income growth, as well as low interest rates contributed to strong housing

markets. This economic growth, however, contributed to increases in house price and overall housing demand for owner-occupier housing. Despite growing affordability concerns, housing markets showed few signs of cooling.

Prior to 2008, house price inflation was relatively high although a handful of countries experienced only moderate price growth—**Spain** (5 per cent less), **France** (3 per cent less) and **Finland** (2 per cent less). Three countries actually had notable increases in their house price inflation rates—**Denmark**, **Greece** and **Norway**. The Mediterranean islands of **Malta** and **Cyprus** had substantial price rises, reflecting their attractiveness as tourist/second home destinations. Only **Germany** and **Portugal** faced prolonged housing market stagnation. In several CEE countries price increases were at double-digit levels, although growth was slower in the **Czech Republic** and **Hungary**. **Poland** led the rapid growth in house prices.

In North America, the housing sector has undergone significant change. After setting records for home sales, single-family starts, and house price appreciation in 2005, the **United States** housing markets abruptly reversed from 2006 onwards (Box 1). Total home sales fell 10 per cent, single-family starts tumbled by 13 per cent, and inventories of unsold vacant homes reached a record 500,000. Foreclosures increased rapidly, particularly in the sub-prime mortgage market.^{70, 71} In **Canada**, however, both housing starts and sales reached record high levels with house price inflation in the range of 10 per cent per year since 2002.⁷²

Information on house prices in the capital cities of CIS countries suggests they rapidly increased during the first half of the last decade. Prices per square metre in **Baku**, **Azerbaijan** and **Almaty**, **Kazakhstan** have reached USD 1,500 to 2,000,

▶ Box 2: Housing inequalities: Renters' net worth declines

The real net worth of the average Canadian household increased 30 per cent, reaching 383,000 CAD in 2005 (392,000 USD). Differences in net worth by tenure are substantial indicating that homeowners are generally much wealthier than renters. From 1999 to 2005, the real median net worth of renter households dropped 5 per cent while that of owners rose 27 per cent. In

2005, owner households had a median net worth of 327,000 CAD, renters just 14,000 CAD (335,000 and 14,360 USD respectively). The typical, or median, homeowner went from being 18 times wealthier than the typical renter household in 1999 to 24 times wealthier in 2005.

Source: CMHC, 2007.

whereas in **Bishkek, Kyrgyzstan** and **Dushanbe, Tajikistan** they range from USD 250 to 700.⁷³ With increasing real wages, better job prospects and mortgage lending becoming available, the demand for housing is likely to increase even further in CIS countries, particularly in cities with significant housing shortages and rapid urbanization.

Rental housing affordability

Rental housing prices have experienced more moderate growth compared with house sale/purchase prices. Still, rent increases are in the double-digit figures for most countries in Western and Eastern Europe with a very dramatic increase in **Poland, Slovakia** and **Latvia**. The data presented in Figure 18 measures rents in 2003 compared to 1996, taken as a basis of 100. It should be noted that rents in post-socialist countries accounted for a low share of the household budget in 1996 (less than 10 per cent).

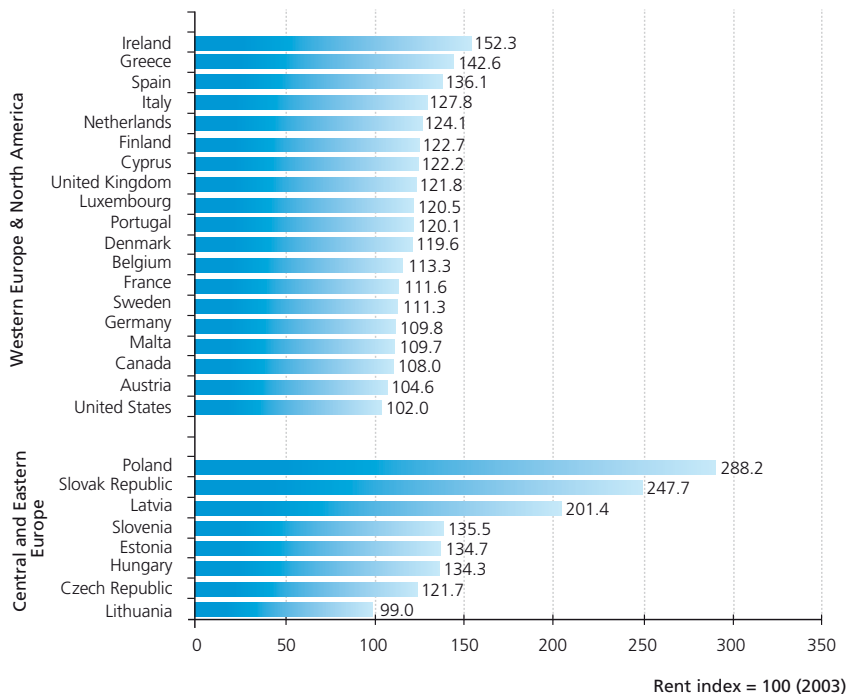
The rental sector in most European countries is subject to a fair amount of regulation and rent control. Rents are regulated both by broad

central government rules and by the policies of municipalities. The broad principle is one of ‘softening’ market rental movements. Rents are freely negotiated at the time when a household rents a dwelling. After that, however, rent controls apply. They may be linked to inflation or to rent levels in comparable dwellings. In **Germany**, for example, a rent increase can only be implemented up to a maximum of 20 per cent over three years. The national rent index rose one per cent annually between 2001 and 2005, which is less than the general rate of inflation. Unlike homeowners, in many European and North American countries households that rent have not been able to capitalise on rising house prices to accumulate household wealth, which has contributed to the inequalities between homeowners and tenants (Box 2).

2.3 TENURE MODALITIES

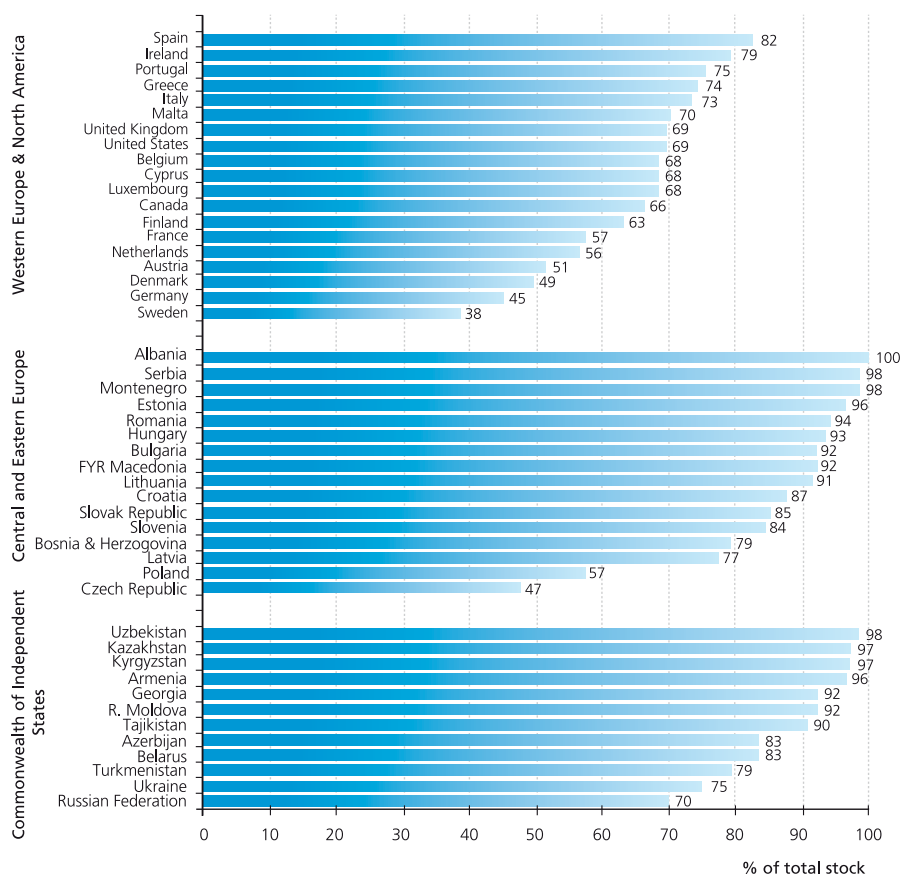
Cross country comparisons on housing tenure are normally criticised for their broad brush approach which does not take into account differences concealed under the tenure label. This is certainly a concern of the countries in Europe

Figure 18: Rent inflation in Europe and North America



Source: Mollr, 2006

Figure 19: Home ownership trends in European and North American countries in 2004



Source: Estimates based on data from: MollIRC for EU-25, Tsenkova (2005) for SEE, UNECE database and Duncan, 2005 for CIS

and North America where the historical evolution of different housing provision systems has mapped a diverse tapestry of tenure patterns.^{74, 75}

However, on the basis of processes and agencies related to the production, access, financing and consumption of housing, several broad tenure forms can be identified: public and private rental, private owner-occupied (single family, condominium/equity cooperatives), and other categories related to housing owned by government institutions, tenant cooperatives, under restitution, etc. With the risk of simplifying a very complicated matter the analysis will focus on the main characteristics and common features of different forms of tenure.

There are wide ranging differences across the region with respect to ownership of housing. As explained in Section 1.2, homeownership has

grown steadily in most countries, particularly in those in transition (Table 3). In most of the CEE and CIS countries, owner occupation exceeds 90 per cent, which is well above the 65 per cent average in Western Europe (Figure 19). In fact, some of the poorest countries in Europe and North America have the highest rates of homeownership.

Although some of this housing might actually function as private rental, responding to pressures from migration and labour market adjustment, the tenure structure in the post-communist block is quite polarized leaving only a small and residual sector of publicly owned social housing.

Social or non-profit rental housing

Social housing is owned by local governments or social housing providers. Its share is significant in several countries in Western Europe (**Austria,**



Finland, Sweden, and the Netherlands), while in **Germany** social housing constitutes only 6 per cent of the total stock and is declining gradually through government transfers.

In most transition countries, social housing is not really defined in the legislation; however, public rental housing gradually assumes this function. Public housing is owned by local governments and is concentrated in urban areas. It is often funded with municipal or government/public enterprise funds and managed by municipal maintenance companies, which collect rents and handle tenant agreements.

Rents are generally controlled and determined at the local level with some direction from central government.⁷⁶ **Bulgaria** and **Bosnia and Herzegovina** have a share close to 9 per cent of the national stock, while in the **Czech Republic, Latvia, Poland, Russia** and **Ukraine** this share tends to be higher than 20 per cent.⁷⁷ Ongoing privatisation continues to diminish the public rental sector in all four countries, in addition to the conversion of old-style housing cooperatives into condominiums.

Privatisation of social housing in several countries in Western Europe has supported the transfer of units to sitting tenants. Although the scale of this tenure transformation and pricing policies differ, the outcome in quantitative terms is most

PRIVATISATION OF HOUSING TRANSFERRED SUBSTANTIAL PUBLIC ASSETS TO LOW-INCOME OWNERS WITHOUT THE NECESSARY RESOURCES OR INSTITUTIONAL FRAMEWORKS TO DEAL WITH THE RENOVATION BACKLOG AS WELL AS WITH RAPIDLY ESCALATING MAINTENANCE COSTS.

significant in the **United Kingdom**, where 2.16 million units have been privatised since 1989, the **Netherlands** (286,000 units) and **Italy** (130,000 units).⁷⁸ In transition countries the privatisation of housing was the flagship of the reform process leading to significant transfers of public housing over the same period: **Poland** (1.4 million units), **Latvia** (410,000 units), and the **Slovak Republic** (327,500 units).



Figure 20: Brussels, Belgium, a city with a range of housing tenure options Photo © UN-HABITAT/Matthew French

THE NATURE OF CONDOMINIUM OWNERSHIP REQUIRES A COORDINATED APPROACH TO THE MANAGEMENT AND SYSTEMATIC MOBILISATION OF FINANCIAL CONTRIBUTIONS FOR MAINTENANCE OVER THE LIFECYCLE OF BUILDINGS, YET IN MANY EASTERN EUROPEAN COUNTRIES SUCH COORDINATION DOES NOT EXIST.

Reform strategies in transition countries mainly differ with respect to the price at which dwellings were sold to existing tenants. They can be grouped into the following categories: voucher privatisation (**Bosnia and Herzegovina, Latvia, and Lithuania**), privatisation free of charge (**Albania, Armenia, Moldova, Georgia, Kazakhstan, and Russia**), and low-price privatisation typically at 10 to 15 per cent of market value (**Bulgaria, Romania, and Serbia and Montenegro**).

Although the extent of sales varied considerably both within and between countries, three common and serious problems emerged. Firstly, privatisation progressed rapidly without the necessary institutional and legal framework for the effective management of multi-household housing. Secondly, the transfer of ownership rights in most countries was limited to the dwelling unit itself without the necessary provisions for the transfer of corresponding shares of common areas: land, building envelope, stairs, servicing areas. Thirdly, privatisation policies transferred substantial public assets to low-income owners without the necessary resources to deal with the renovation backlog as well as with rapidly escalating maintenance costs.^{79, 80}

Private rental housing

Private rental housing is a significant tenure modality in **Canada** and the **United States** where it constitutes close to 30 per cent of the housing stock. In **Germany**, private renting is around the same size as owner occupation (around 45 per cent), by far the highest share in Western Europe. The size of the private rental stock in **Finland** and **Sweden** is also significant, due to the tenure neutral housing policies pursued in these countries.

Private renting has increased significantly in Central and Eastern Europe largely as a result of rent control elimination, privatisation and restitution of public housing. Its share is particularly significant in **Croatia** and the Former Yugoslav **Republic of Macedonia** (close to 11 and 9 per cent respectively). The **Czech Republic** (7 per cent) and **Latvia** (6 per cent) have acquired a notable share due to restitution policies.

Private renting is much more common in Eastern European capital cities, though mainly on an informal basis. For example, 28 per cent of housing in **Warsaw** is privately rented, close to 15 per cent in **Vilnius**, and 5 per cent in **Bucharest**. Rents in the sector are determined by the market. Rental market pressures are considerably higher in the capital cities and large urban centers where foreign diplomats, businesses and expatriates often seek rental housing.

Despite these demand trends, in most European and North American countries private investors are still reluctant to undertake new rental housing provision. Rental agreements, security of tenure and eviction procedures are specified in various legal acts.

In North America and Western Europe, the private rental sector often provides a much-needed supply of affordable housing, particularly in the older parts of large urban centers. Low-income renters in **Canada**, the **United States**, the **United Kingdom**, **Finland**, **Sweden** and **Germany** are eligible to receive housing allowances. In Central and Eastern Europe, the sector is considered to be larger than official estimates as it functions, to a large extent, as part of the informal economy. Informality is motivated by the owners' aim to avoid rent regulations and landlord taxation.⁸¹

Table 3: Housing tenure change, 1990 to 2004

Country	1990				2004			
	Rent	Owner Occupied	Cooperative	Other	Rent	Owner Occupied	Cooperative	Other
Western Europe and North America								
Austria ^a	41	55	na	4	41	51	na	9
Belgium ^{a,b}	33	67	na	0	32	38	na	2
Cyprus ^b	13	64	na	23	14	68	na	18
Denmark ^b	40	54	5	1	38	49	7	6
Finland	25	72	0	3	33	63	0	4
France ^b	39	54	na	7	40	57	0	3
Germany ^b	58	42	na	0	55	45	na	0
Greece	20	76	na	4	20	74	na	6
Ireland ^{a,b}	18	79	na	3	21	79	na	na
Italy	25	68		6	19	73		9
Luxembourg	30	64	na	6	29	68	na	3
Malta ^b	na	na	na	na	26	70	na	4
Netherlands	55	45	na	0	44	56	na	0
Portugal ^b	28	67	na	5	21	75	na	4
Spain	15	78	na	7	11	82	na	7
Sweden ^b	44	39	17	0	45	38	17	0
United Kingdom	35	65	na	0	31	69	na	0
Central and Eastern Europe								
Czech Republic ^b	40	38	19	3	29	47	17	7
Estonia ^b	na	na	na	na	4	96	0	0
Hungary	36	74	na	0	6	93	na	1
Latvia	79	21	na	0	19	77	4	na
Lithuania	na	na	na	na	7	91	na	na
Poland	na	na	na	na	25	57	18	0
Slovak Republic	28	49	22	1	8	85	7	3
Slovenia	na	61	na	39	9	84	na	7

NOTES: a. Belgium and Ireland: occupied dwellings; Austria: annual average, principal dwellings b. Belgium: 1991, 2002; Cyprus 1992, 2001; Czech Republic: 1991, 2001; Denmark: 1993, 2002; Estonia: 1991, 2003; Ex-GDR 1993, 2002; Germany, 1991, 2001; France: 1996, 2002; Ireland: 1997; Malta: 2002; Portugal: 1991, 2001; Sweden: 2001.

Source: Mollr (2006)

Owner-occupied housing

Owner-occupied housing is dominant across the region, although its share in urban areas is

much lower. While this might be the general rule, as noted above a distinguishing feature of housing markets in post-communist cities is the

PARTICULAR ETHNIC OR SOCIAL GROUPS OFTEN SUFFER THE HARSHTEST DOMESTIC LIVING CONDITIONS AND ARE SYSTEMATICALLY EXCLUDED FROM ACCESSING ADEQUATE AND AFFORDABLE LAND AND HOUSING.

high rate of homeownership, often exceeding 90 per cent.⁸² In most capitals in CEE and CIS countries this tenure structure is the outcome of mass privatisation,⁸³ while in others (**Sofia, Budapest, and Belgrade**) it simply reinforced existing patterns under Government socialism.

In contrast, capital cities in Western Europe have considerably lower rates of homeownership, for instance **Vienna** (17 per cent), **Paris** (28 per cent), **Helsinki** (45 per cent), and **London** (58 per cent).⁸⁴ Homeownership rates also differ by dwelling type in different countries. For example, in **Canada, Latvia, the Czech Republic, Hungary, Lithuania and Austria**, ownership of single-household homes is higher than ownership of units in multi-household housing.

Single-household owner-occupied housing is dominant in smaller cities and rural areas. Sometimes referred to as 'self-help housing',

this form of housing provision has a long tradition in Southern Europe. In a number of Western European countries (**Germany, France, Greece, Spain**) households acts as developers or promoters of their own housing, thus reducing the entry costs and controlling the quality of the final product. In **Canada, the United States** and the **United Kingdom**, the owner-occupied market for single-household homes is controlled by large developers, operating on a regional and even international basis.

Condominiums and equity cooperatives are another option for owner-occupation. Owners have individual rights over their dwelling unit but costs are lowered through collective ownership over the land, common elements and shared maintenance. There are significant variations in the quality, structure and type of condominiums.⁸⁵ Some are built using traditional construction methods with greater involvement of homeowners through "building cooperatives" (**Bulgaria, Croatia, and Serbia**). Other condominiums have been developed by private or public construction enterprises in multi-household structures.

In some countries, equity cooperatives were often formed with some subsidies, but members' rights can be bought and sold in the marketplace, for example in **Sweden, the Netherlands, and Slovakia**. In the **Czech Republic**, equity cooperative ownership accounts for 17 per cent of the housing stock.

The nature of condominium development and ownership requires a coordinated approach to management and systematic mobilisation of financial contributions for maintenance over the lifecycle of buildings. While in Western Europe and the **United States**, condominiums are often

▶ Box 3: Housing exclusion: the case of Roma communities

Roma communities in **Serbia and Montenegro** often live in unsafe and impoverished areas. They build housing by themselves using non-durable materials or employing old, unused railway cars, buses, etc. The majority of their housing units are, in fact huts, shacks or so-called tent settlements. In a number of these settlements connections to water tend to be illegal; there is no waste collection, no sewerage systems and no indoor plumbing.

In **Serbia** around 70 per cent of Roma households reportedly live in dwellings with no water connection, over 80 per cent with no sewerage, and 65 per cent in illegally built settlements. In **Montenegro**, 32 per cent of Roma live in collective centres and 47 per cent live in barracks, while 45 per cent lack plumbing and tap water at home.

Source: World Bank, 2005.

managed by professional organisations with a strong emphasis on quality of maintenance and services, in transition countries the lack of management experience, structural defects and poor services often plague the condominium segment of the housing market. Studies often refer to socially segregated homeowners in problematic housing estates of **Budapest, Sofia, Bucharest** and **Chisinau**.⁸⁶

Tenant cooperatives

Tenant cooperatives are a hybrid between owning and renting. They often operate with government subsidies and can be allocated to a range of income groups: from people living in high quality inner city new built housing, to very poor people coming together to build houses by self help or mutual aid. Cooperative housing is neither rental housing nor individual ownership. Members of a cooperative have the right of occupancy of a particular unit. The housing cooperative is a legal entity that owns the housing project, the land and improvement on it.

Each tenant member pays rent corresponding to the share of use of the common space. A 'right of occupancy' agreement is signed between tenants and the management board of the cooperative. It specifies financial contributions, rights and responsibilities, and the procedure that members will follow if they leave the cooperative. Tenants participate in the decision-making process and often contribute to housing management.

TENURE CHOICES ARE MUCH BROADER IN FINLAND, SWEDEN, AUSTRIA AND DENMARK DUE TO A BALANCED TENURE STRUCTURE OFFERING A CONTINUUM OF OPPORTUNITIES RANGING FROM SOCIAL HOUSING TO PRIVATE RENTING TO HOME OWNERSHIP.

The share of tenant cooperatives is relatively high in **Poland** (18 per cent), **Slovakia** (7 per cent), **Denmark** (6 per cent), and **Latvia** (4 per cent), although in **Slovakia** cooperatives are closer to the equity type of housing cooperative. In **Germany** tenant cooperatives account for 6 per cent of the national stock with 40 per cent of this in the East and the remaining 60 per cent in the West.

Tenant cooperatives have been an obvious target for privatisation in most transition countries. The privatisation process has also progressed in Western Europe. These trends have been



Figure 21: Occupant additions and modifications to multi-household housing in Tajikistan
Photo © UN-HABITAT/Claudio Acioly

AMONG OTHER CAUSES, THE FLOW OF MIGRANTS FROM RURAL AREAS AND THE INFLUX OF REFUGEES AND INTERNALLY DISPLACED PEOPLE HAVE CONTRIBUTED TO ILLEGAL, INFORMAL HOUSING CONSTRUCTION IN INFORMAL SETTLEMENTS ON THE PERIPHERY OF LARGER CITIES, PARTICULARLY IN EASTERN EUROPE.

significant as indicated by the number of dwellings transferred into private ownership since 1989, for instance in **The Netherlands** (169,000), **Sweden** (11,614), and **Finland** (4,300).⁸⁷

The importance of tenure choice

Tenure choice is important for long-term housing market stability and access to adequate and affordable housing. Most countries in the region have a polarised tenure structure with extremely high share of owner occupation. Entry into owner occupation is expensive, even if it might lead to significant financial benefits over the long term. Households, particularly in the CIS, have limited resources to sustain their homeownership status acquired through privatisation or during government socialism under a universal subsidy regime. With few alternative options, new households may be pushed into rental housing when financially stretched.

In a number of countries like **France, Germany, Canada** and the **United States** a large share of private rental housing provides options for labour mobility. Tenure choices are much broader in **Finland, Sweden, Austria** and **Denmark** due to a balanced tenure structure offering a continuum of opportunities ranging from social to private renting to homeownership.

In contrast, in several European countries the rental option is severely curtailed (for example in **Spain, Greece, Italy**). Households have to rely almost solely on access to affordable housing finance, intergenerational transfer of wealth and often delayed entry to homeownership and the opportunity for a decent rental home. The rental sector in some CIS countries is non-existent and in many CEE countries ongoing privatisation continues to reduce its share.

2.4 SUBSTANDARD HOUSING AND INFORMAL SETTLEMENTS

Substandard housing

Substandard housing is defined as housing with at least one of the following characteristics: housing built for temporary use; housing units not fulfilling the minimal regulatory requirements specified in building codes; housing without basic utility services (indoor toilet and bathroom); housing in structurally unsound buildings with bad physical conditions. Unfortunately, however, there is little systematic data on the share of substandard housing in different countries and its distribution across tenure. Furthermore, countries also have different definitions, which makes the comparison particularly difficult. Nevertheless, substandard housing in Europe and North America is an important economic, political and health issue that needs urgent attention.

In Western Europe the proportion of people facing at least one problem in terms of housing conditions (dampness, darkness, a lack of indoor facilities) shows some variation across countries. Several countries tend to have a higher share of people living in this type of substandard housing, for example it is close to 25 per cent in **Belgium, Greece, Spain, France**, and **Luxembourg**. In Portugal this share is as high as 40 per cent.

In transition countries, anecdotal evidence points to a growing share of housing in unsafe conditions in both rural and urban areas as well as in multi-household buildings due to a systematic lack of investment and deferral of maintenance during the last decades. Some estimates by UN-HABITAT indicate that about 10 per cent of the urban population lives in slum conditions without access to basic services and/or in overcrowded dwellings. In countries referred to as 'Central Asia', more than half of the urban



lives in slums (56 per cent in **Tajikistan**, 52 per cent in **Kyrgyzstan** and 51 per cent in **Uzbekistan**). Elsewhere in the sub-region these rates are 30 per cent for **Moldova** and **Kazakhstan** and 19 per cent in **Romania, Bosnia and Herzegovina, Croatia and Macedonia**.

Many ethnic or social groups often suffer the harshest domestic living conditions. Studies have highlighted the housing deprivation of Roma communities who often live in city slums (Box 3). **Romania** has the highest absolute number of Roma in Europe (between one and two million), while the share tends to be lower in **Hungary, Bulgaria, and Slovak Republic**. In Western Europe, the largest Roma populations live in **Spain** (around 600,000), **France** (around 300,000), **Italy** (around 100,000) and **Germany** (around 70,000). Roma communities often live in 'mahalas', inner city slum housing dating back to the 19th century. Throughout Europe and North America, housing challenges for minority groups are indeed complex, multifaceted and require special attention.

Informal settlements

The challenge substandard housing and slums - as defined according to UN-HABITAT's operational definition - is directly related to the proliferation of informal settlements. Their typology is diverse. They vary in terms of standard (from slums to lavish residences), location (from protected areas to suburbs and city cores) and size (from several small units to settlements with over 50,000 residents).

Among other causes, the flow of migrants from rural areas and the influx of refugees and internally displaced people have contributed to such illegal, informal construction in larger cities. Apart from addressing urgent housing needs, illegal investment in real estate has been used by many households as a 'shield' against instability and hyperinflation. Often these areas lack roads, basic infrastructure and social facilities such as schools and hospitals, and pose a challenge to the public health of large urban centres in the region.

For example, **Skopje**, the capital of the Former Yugoslav **Republic of Macedonia**, has 27 illegally constructed neighbourhoods that date back to the earthquake in the 1980s. Informal settlements in **Belgrade**, the capital of **Serbia**,

occupy 22 per cent of the land for construction, and in **Tirana** the capital of **Albania**, 45 per cent of the population lives in informal settlements on the outskirts of the city.

In **Turkey**, haphazard and rapid population movement to urban areas has created problems with informal settlements. Such problems are manifested in the lack of affordable housing, inadequate infrastructure, shortages in water and electricity supply, and limited access to services such as education and health. In **Kyrgyzstan** rural poverty has pushed people to cities in search of jobs and better livelihoods. In the past five years 150,000 to 200,000 people have migrated to **Bishkek** from the provinces. **Osh**, the country's second largest city, has experienced a similar influx resulting in informal substandard housing on the periphery.

Legalising informal settlements entails the provision of infrastructure such as roads, water, sewerage and electricity, and requires significant investments. The presence of informal settlements along the coastal areas, often for recreational purposes, also points to the unresolved complexity of access to urban land and housing in **Greece, Portugal and Cyprus**.

HOUSING SHORTAGES ACROSS MOST COUNTRIES IN EUROPE AND NORTH AMERICA ARE OFTEN ASSOCIATED WITH PARTICULAR HOUSING TYPES, LOCATIONS AND QUALITIES RATHER THAN THE ABSOLUTE SHORTAGE OF HOUSING. THERE ARE, HOWEVER, SEVERE HOUSING DEFICITS IN SOME EASTERN EUROPEAN COUNTRIES.

War damaged housing

The share of substandard housing has increased dramatically in countries that have been, or still are affected by war. For example, in Bosnia and **Herzegovina** these challenges are particularly significant. Some 445,000 homes in the country have been partially or totally destroyed, which is more than a 37 per cent of pre-war housing stock. According to the Ministry of Refugees and Human Rights the level of reconstruction in housing is some 37 per cent, with close to 164,000 housing units reconstructed as of 2004.

Of the housing units that need reconstruction, almost half (44 per cent) have over 75 per cent of their built fabric damaged beyond easy repair. In such countries repairing these buildings is a significant challenge.

In **Kosovo**, 30 per cent of the housing stock was damaged and in some cases whole villages were totally destroyed. According to the Ministry of Public Construction in **Croatia** the damaged and demolished housing stock is over 200,000 dwelling units, representing close to 13 per cent of the total national housing stock.



Figure 22: Renovation and extension of housing in Berlin, Germany. Photo © UN-HABITAT/Matthew French

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Figure 23: The regular yet incrementally-developed form of residential areas in Athens, Greece.
Photo © UN-HABITAT/Matthew French



Figure 24: Partly-refurbished panel housing in Czech Republic. Photo © UN-HABITAT/Matthew French

The provision of new housing in European and North American countries is dominated by private sector investment and output. Over 80 per cent of new housing is produced by private developers, with a significant share of this output single-household detached housing, particularly in Central and Eastern Europe.





Figure 25: New housing development in Tajikistan
Photo © UN-HABITAT/Claudio Acioly

3

PART THREE

ADDRESSING THE CHALLENGE: AFFORDABLE LAND AND HOUSING DELIVERY TRENDS AND PATTERNS

3. ADDRESSING THE CHALLENGE: AFFORDABLE LAND AND HOUSING DELIVERY TRENDS AND PATTERNS

Having outlined key dimensions of affordable land and housing in European and North American countries in the Part Two, this part explores several dominant policy and market mechanisms that countries are undertaking to improve land and housing affordability. It covers such mechanisms as new housing construction, subsidy regimes, responses to homelessness and the refugee crisis, the provision of social housing, the challenge of increasing land supply for new housing developments and the integration of affordable housing through urban regeneration projects. Each mechanism alone is unlikely to be a panacea to the problem. Yet they demonstrate opportunities for action to tackle the increasing housing affordability challenges in European and North American countries.

3.1 NEW HOUSING CONSTRUCTION

The provision of new housing in European and North American countries is dominated by private sector investment and output. Over 80 per cent of new housing is produced by private developers, with a significant share of this output single-household detached housing, particularly in Central and Eastern Europe. For example, in **Latvia**, single-household houses account for 99 per cent of new construction. For **Slovenia** the figure is 68 per cent. The dominance of this housing typology is likely to reflect pent-up consumer demand and increasing economic wealth that increase the demand and ability to pay for such housing, as well as a resurgence in self-developed/self-help housing in many countries.

The shift from publicly dominated housing supply in transition countries to a housing provision system based on demand and actual costs to consumers has affected new construction in the last fifteen years. On the one hand, new actors

and institutions have emerged. Public/private partnerships have become more prominent and a robust private sector has continued to be the main mechanism for the provision of housing and housing - related services. On the other hand, rates of housing construction have reached historic low levels with considerable loss of residential capital due to subsidy cuts and macroeconomic adjustment.

Construction rates-measured in numbers of dwellings per 1,000 residents-in 1990 and 2004 indicate that new housing construction in Western Europe has remained stable in most countries with the exception of **Ireland** and **Spain**, where rates doubled over the last decade. A decline in the range of 20 to 25 per cent is observed in **Sweden, Italy, Finland** and the **Netherlands**, although these may just be temporary adjustments rather than indicative of continuing long-term trends. Although data is limited, since the beginning of the global financial crisis housing construction rates have decreased in many countries, especially the **United States**.

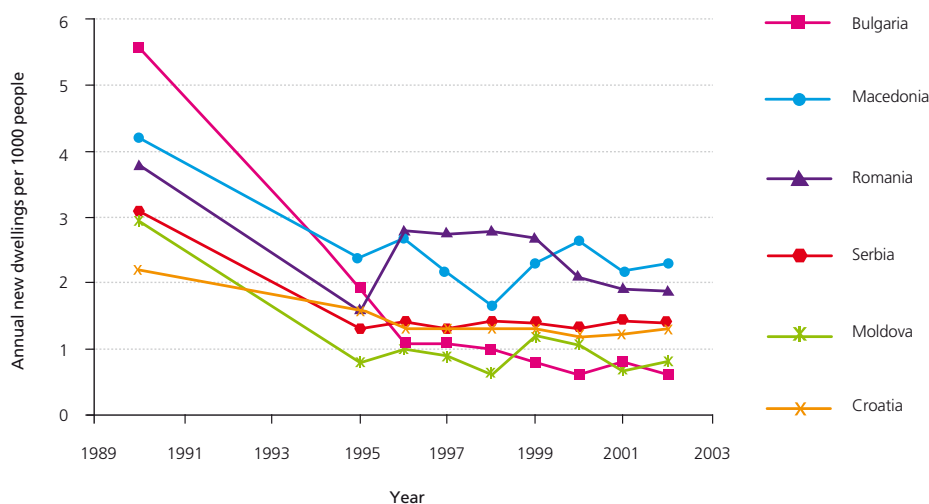
An important feature of European and North American housing sectors is the shift from new housing construction to renovation and rehabilitation of existing housing. Although production and investment in housing has declined, evidence from **Canada**, the **Netherlands**, the **United Kingdom, France** and **Germany** suggests that private investment in improvement of existing housing has increased (most of the lending activity refers to these types of loans), which may be offsetting declining new construction to a considerable degree.

Subregional patterns: post-1989 signs of recovery

In transition countries different subregional patterns emerge. Housing construction is showing signs of recovery, particularly in CEE reflecting macroeconomic stability, rising consumer confidence and availability of mortgage credit.

In South-Eastern Europe, the level of new production is around half of the level in the 1990s, although between 1995 and 2002 rates of housing production were relatively stable across the sub-region (Figure 26). Private developers continue to face financial difficulties, high inflation and a lack of adequate credit supply.

Figure 26: Rates of new dwelling construction (per 1000 people) in South-Eastern Europe, 1989-2002



Source: Tsenkova, 2005; Council of Europe, 2004

With a few exceptions, mortgage lenders have been reluctant to introduce alternative mortgage instruments more suitable to inflationary environments, although recent developments in **Bulgaria** and **Romania** suggest a rapid growth in mortgage lending and greater diversity of mortgage products.

In CIS countries the impact of the turbulent economic and social transition on housing output is much greater. Lower GDP growth, persistently high inflation and low levels of public investment have reduced housing output to half of its early-1990 level. For example, new housing construction output in 2002 in **Azerbaijan** was only 50 per cent of the 1993 level. In **Georgia** it was 40 per cent, **Ukraine** and **Moldova** 35 per cent and Kazakhstan 23 per cent.⁹⁴

The situation, however, has been improving. In countries located in ‘Central Asia’ (which are part of the UNECE) the volume of new housing construction has tripled since 2003, albeit from a very low level. For example, in **Azerbaijan** new housing construction has increased from 560,000 square meters in 2001 to about 1.4 million square meters in 2005, with half of that concentrated in **Baku**. In 2005 alone, new housing completions led to an increase of 1.5 per cent in the housing stock. In **Kazakhstan** new housing construction in 2002 was 1.5 million square meters and reached 5 million in 2005, partly fuelled by some

government programs accounting for 25 per cent of the output.⁹⁵ Growing housing demand, remittances and improved income prospects seem to be the driving forces behind the increase.

3.2 FINANCING MECHANISMS, SUBSIDY REGIMES AND AFFORDABILITY CONSTRAINTS

Housing reforms in European and North American countries in the past decade have promoted policies to reassert market forces and reduce government intervention. Across the region, the changing demographic, social and economic composition of the population has contributed to growing social polarisation and income differentiation, which has in turn influenced housing demand dynamics.

On the one hand, these changes have led to a more diverse pattern of lifestyles and housing choices. People with more disposable income seek better living standards and move upmarket to more attractive environments. On the other hand, poverty manifests itself through the growing number of people on welfare, rising homelessness and a general shortage of affordable housing, particularly in urban areas.

In Western Europe and North America, housing policies have emphasised the importance of financial instruments-such as mortgage



IN WESTERN EUROPE AND NORTH AMERICA, HOUSING POLICIES HAVE EMPHASISED THE IMPORTANCE OF FINANCIAL INSTRUMENTS – SUCH AS MORTGAGE INSURANCE, TAX INCENTIVES AND DEMAND ASSISTANCE TO TARGET GROUPS – TO FACILITATE ACCESS AND CHOICE.

insurance, tax incentives and demand assistance to target groups-to facilitate access and choice. However, due to price inflation and higher rates of homeownership the gap between income and entry costs has continued to increase. For low-income households this has made affordable housing of decent quality more difficult to obtain.

In transition countries rapid house price increases in the last five years, coupled with high unemployment and higher interest rates on

mortgages have excluded more than 80 per cent of new households from the market of new housing construction. The previous housing shortage has been replaced by a shortage of *affordable* housing, suggesting a deepening housing crisis. Meanwhile, existing homeowners find it increasingly difficult to pay the cost of housing services—utilities, heating and maintenance; lack of investment in the latter systematically erodes the quality of the housing stock.

Subsidy regimes

Subsidy regimes have emerged in both Western and Eastern Europe. These subsidies focus on improving financial access to owner-occupied housing. Mortgage interest tax relief exists in **Ireland**, the **Netherlands**, the **United States**, the **United Kingdom** and **Spain**. **France** offers subsidies on savings schemes for many new-build and renovated properties and provides a quarter of a million zero interest rate mortgages annually. Looking beyond this group, housing subsidies and tax breaks are common in **Austria**, **Germany**, **Russia**, **Croatia**, the **Czech Republic**, **Hungary** and **Poland**. In most Western European countries a myriad of regulations make housing supply respond slowly to price rises and financial mechanisms. Although not directly subsidised, homeowners in the **United States** and **Canada** are subsidised by tax relief.

A criticism of such mechanisms is that part of these subsidies leak out to benefit mortgage and other providers in the housing systems, and raise



Figure 27: New housing units in Washington D.C, 2009 Photo © UN-HABITAT



Figure 28: New housing schemes in Minsk, Belarus. Photo © UN-HABITAT/Claudio Acioly.

the value of existing dwellings and development land. The prime intended beneficiaries are the better-off owner-occupiers who can qualify for mortgage interest tax relief.^{96, 97} The new subsidy schemes in Central and Eastern Europe have been criticised for being particularly inefficient in targeting households in need and in supporting the most affluent housing consumers.^{98, 99}

Meanwhile, demand-based subsidies to low-income renters have failed to keep pace with the rising housing costs. In most transition countries such assistance is non-existent and where it has been launched, for example in **The Czech Republic, Poland, Romania, Estonia** and **Latvia**, it reaches only a small number of households and is grossly inadequate.¹⁰⁰ In the **United States**, federal assistance to very low-income households reaches only about one-quarter of eligible renters. Housing assistance as a share of total non-discretionary spending dropped from 10.2 per cent in 1998 to 7.7 per cent in 2006, failing to keep up with inflation.¹⁰¹

Availability of housing finance

New housing construction is quite sensitive to changes in housing demand and macroeconomic conditions. As it is mostly provided by private developers and financed by individual households (through commercial mortgage banks), the availability of mortgage finance has

a critical impact on rates of housing production and growth.

Mortgage lending in Western Europe and North America increased significantly during the years preceding the 2008 financial crisis. For example, the volume of lending in 8 of the 12 Euro zone countries increased at double-digit rates in 2006. The increases were the highest in **Greece, Ireland** and **Spain**. Outside of the Euro zone, mortgage growth was high in the **UK** and the Scandinavian countries.¹⁰² Despite the rapid expansion of mortgage debt in **Ukraine, Turkey, and Russia**, it represents less than 3 per cent of GDP, compared with 40 to 105 per cent in Western housing markets; the subregional differences are presented in Figure 29.

Mortgage borrowing has been the keystone in the transition to a market-based housing system in CEE countries. Mortgage systems have had to be established. During the late-2000s, mortgage interest rates were reduced to levels similar to those in Western Europe, which led to a surge of consumer interest. For example, in 2006, in **Estonia**, typical mortgage interest rates had dropped to 3.6 per cent and 100 per cent loan-to-value ratios were on offer.¹⁰³

In contrast, in UNECE Central Asian countries the current mortgage market is less than 0.7 per



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cent of GDP. Only a small number of banks in the region offer mortgages.¹⁰⁴ A typical residential mortgage loan currently offered in the region (with the exception of **Kazakhstan**) is short-term (three to five years), requires a considerable down payment (30 per cent to 40 per cent of the house cost) and carries a high fixed annual interest rate (up to 25 per cent) for both USD and local currency loans. Housing finance challenges in the Balkans are similar.¹⁰⁵

Migration and remittances

Remittances are money transfers a foreign worker makes to his or her home country or country of origin. They can have a considerable impact on land and housing markets through the ability of households to buy or improve housing. The scale of remittances has been gradually increasing over the last decades and they now constitute one of the largest financial inflows to developing countries. The World Bank notes:

“Worldwide remittance flows are estimated to have exceeded 318 billion USD in 2007, of which developing countries received 240 billion USD. The true size, including unrecorded flows through formal and informal channels, is believed to be significantly larger. Recorded remittances are more than twice as large as official aid and nearly two-thirds of FDI [Foreign Direct Investment] flows to developing countries.”¹⁰⁶

Remittances play an interesting role in the the region because it has both countries that are high senders and receivers of remittances (unlike in Africa, Asia, and LAC which have much higher percentage of inward remittance flow compared with outward flow) (Figure 30). Four of the top five remittance-sending countries are in the UNECE: (1st) the **United States** (42.2 billion USD per annum), (3rd) **Switzerland** (13.8), (4th) **Germany** (12.3) and (5th) the **Russian Federation** (11.4).¹⁰⁷

Whilst in absolute terms European and North American countries are not the largest remittance receiving countries (**India** and **China** are with 27.0 and 25.7 billion USD per annum respectively, and the closest UNECE country is **France** with 12.5 billion USD), European and North American countries are the largest in terms of remittances as a percentage of GDP. Three of the top five remittance receiving countries as a percentage of GDP are: **Tajikistan** and **Moldova** (1st equal with 36 per cent), and **Kyrgyzstan** (4th with 27 per cent). Such high levels of remittances highlight the dominant role remittances play in these economies and housing sectors.

Remittances relate to migration and European and North American countries, in particular Eastern European countries, are characterised by high rates of regional, intra-country migration. Most notably, 10 per cent of the population in CIS and CEE countries has emigrated (47.6 million people), and over half of this migration was intra-country migration (57.6 per cent), indicating that migration within CIS and ECE countries dominates. The top ten migration corridors in this region are: **Russia-Ukraine, Ukraine-Russia, Turkey-Germany, Kazakhstan-Russia, Russia-Kazakhstan, Belarus-Russia, Uzbekistan-Russia, Serbia and Montenegro-Germany, Azerbaijan-Russia, Russia-Belarus**.¹⁰⁸

Overall, remittances and migration patterns are a crucial part of regional and national housing sectors, in particular in terms of housing finance. While limited data is available regarding the degree to which remittances are applied to land and housing, knowledge and experience suggests that remittances are indeed used to improve housing, build new housing, pay off existing

housing finance (mortgages), and invest in residential land and housing.

3.3 HOUSING DISPARITIES: HOMELESSNESS, GENDER INEQUITY, REFUGEES AND IDPS

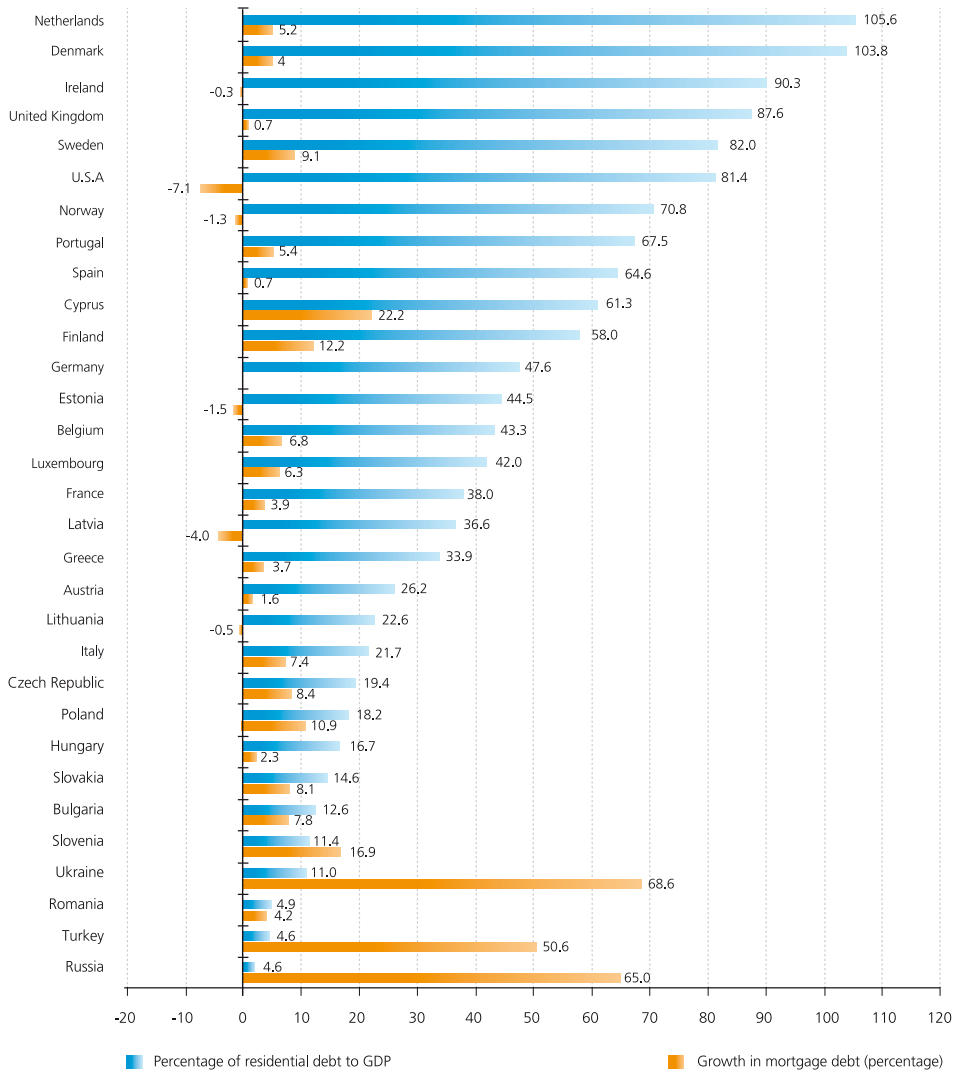
Homelessness gap

Homelessness across the region is a serious challenge and a sign of a major failure of governments to ensure affordable housing for all.

While some people may deliberately choose not to live in a house in a fixed location for particular lifestyle reasons, the vast majority of homeless people are so as a direct result of the lack of housing options that are affordable to them.

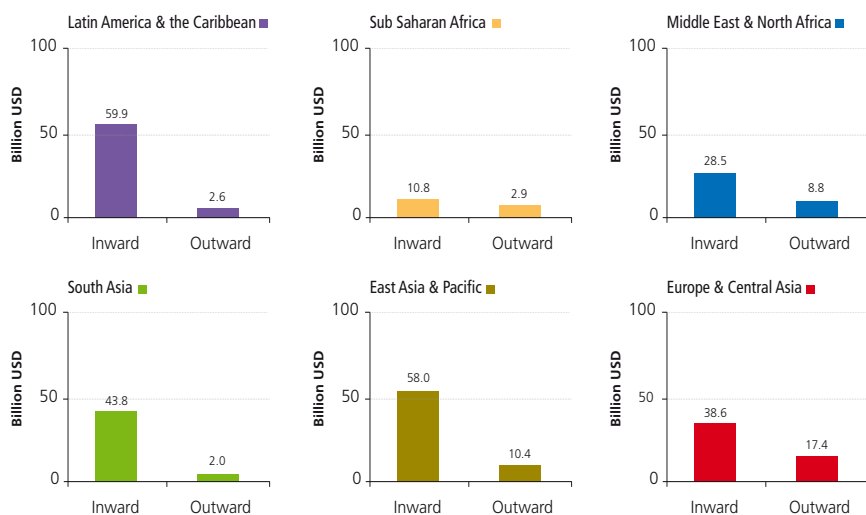
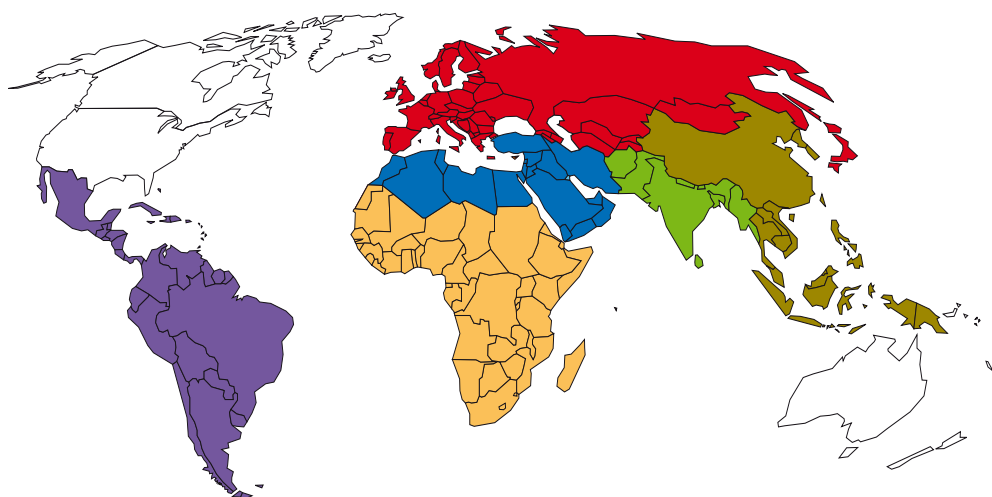
The **United States** National Law Center for Homelessness and Poverty reported that over 3 million people were homeless in 2003, about 30 per cent chronically and the others temporarily. 44 per cent of homeless people worked full or part-time but did not earn enough to pay for

Figure 29: Residential debt to GDP and Growth in Mortgage Debt 2009



Mortgage lending as a share of GDP in selected European and North American countries, 2009

Source: European Mortgage Federation, 2011



Notes: Inward figures for 2006, outward figures for 2007. Based on the World Bank's analytical regions.

Figure 30: Inward and outward remittance flows in developing countries according to region, 2007 (Inward) and 2006 (Outward). Source: The World Bank (2008)

housing'.¹⁰⁹ In many cases people are in and out of the homeless system, which includes shelters, hospitals and the streets. Since the global financial crisis 'there is a surge in family homelessness, and many people are becoming homeless for the first time, including formerly middle class people... if current trends continue, an estimated 1.5 million additional Americans will become homeless over the next two years [2011-2013]'.¹¹⁰

Across the European Union, 3 million people were reported as homeless during the winter of 2003. It is very difficult, however, to exactly measure the extent of homelessness, which is

further complicated by the lack of consistent definitions.

FEANTSA, the European Observatory on Homelessness, has developed a robust methodology to reflect the different aspects of homelessness and housing exclusion. The method explores three different domains: physical, legal and social. In operational terms, the definition uses seven categories: **i)** rooflessness, **ii)** houselessness, **iii)** insecure and inadequate housing, **iv)** inadequate housing and social isolation within a legally occupied dwelling, **v)** inadequate housing with secure tenure, **vi)** insecure housing

(adequate physical characteristics, but no security of tenure, and **vii**) social isolation within a secure and adequate context. Categories **(i)** and **(ii)** define homelessness, while categories **(iii)** to **(vii)** define housing exclusion.

The total estimate of the homeless population in Europe in the two categories that define homelessness is close to 600,000 with more than 60,000 people sleeping rough and another 400,000 in homeless shelters.¹¹¹ **Germany** alone has more than 300,000 homeless people, mostly in overnight accommodation.

In some countries a complex strategic policy response is being adopted to address homelessness, coordinating various policy fields, services and measures. In other countries, homelessness is not even recognised as a policy problem, or, if it is recognised, only fragmented measures are adopted.

While several European countries have initiated different programs, in 2006 the **Netherlands** has adopted a Homelessness Action Plan with follow up action plans by the cities of **Amsterdam**, **The Hague**, **Rotterdam** and **Utrecht**. These aim to reach over 10,000 roofless people in the largest four cities and provide them with individual service pathways and sources of income, health care and employment.¹¹²

In **Sweden**, specific measures such as rent loss guarantees are used by some municipalities to encourage landlords to accept homeless people with low and uncertain incomes or with a poor rent-paying history. The Swedish Government also recommends the use of such guarantees for young people facing the same housing problems and made a special contribution of 100 million SEK (USD 158,000) per year in 2007 and 2008 to cover these costs.

In **Ireland**, 'Homelessness - an integrated strategy' was launched in the year 2000. The strategy put forward 24 proposals for action and aimed to develop a comprehensive government response addressing the problem. This included emergency, transitional and long-term responses, covering health, employment, education and housing. The **UK** also is paying more attention to addressing homelessness by focusing on

prevention of homelessness in addition to the implementation of its Homeless Housing Act.

The crisis of displaced people and refugees

Across the region, internal population displacement continues to be a major problem directly related to housing. This is especially the case in the **Balkans**, the **Caucasus**, **Turkey** and **Cyprus**, where the number of IDPs stands at 2.8 million (Table 4).¹¹³ South-Eastern Europe has experienced the largest refugee crisis in Europe since World War II. By 1995, the region witnessed the displacement of more than 2 million people, which placed considerable pressure on housing demand, in particular cities and regions.

Serbia and **Montenegro** still host the largest number of refugees and IDPs in Europe, including 226,104 IDPs from **Kosovo**. While the majority live in private accommodation, some 17,000 remain in collective centres. A crucial element underpinning the return of refugees to **Bosnia and Herzegovina** is the implementation of the property laws.¹¹⁴ Creating an atmosphere for a return through the effective implementation of the right to property, education, housing, health care and employment is an integral part of the overall strategy of stability and development in countries in the region affected by the refugee

ACROSS THE REGION, INTERNAL POPULATION DISPLACEMENT CONTINUES TO BE A MAJOR PROBLEM DIRECTLY RELATED TO HOUSING. THIS IS ESPECIALLY THE CASE IN THE BALKANS, THE CAUCASUS, TURKEY AND CYPRUS, WHERE THE NUMBER OF IDPS CURRENTLY STANDS AT OVER 2.8 MILLION.

▶ Box 4: The Housing Crisis of Refugees and Displaced people in Azerbaijan

There are close to one million refugees and IDPs in **Azerbaijan**, which makes up 12 per cent of the total population. Although over 15 years have passed since the beginning of **Armenia-Azerbaijan** conflict, over 1,722 refugee households have not been permanently settled. Within the IDP population, there is still a sizeable group living in unsatisfactory and precarious conditions. After 10 years, over 55,000 of them still live in tent camps, 32,000 in prefabricated temporary houses, 57,000 in farms and dig-outs, 8,000 in railway cars and the rest in hostels,

public buildings, and unfinished construction buildings with no utilities.

Long-term solutions are being envisaged through resettlement (for example in new homes in **Walicki**), or restitution and compensation schemes. The government of **Azerbaijan** has allocated some 60,000 hectares of government and municipal land to IDPs and created 760 farms providing livelihoods for about 47,000 IDPs so far.

Source: Azerbaijan Ministry of Economy, 2003.

and IDP crisis.^{115, 116} While some progress is being made, there remains the need for government leadership and action to deal with the magnitude of the challenge, for example in countries such as **Azerbaijan** that have sizeable refugee and displaced populations (Box 4).

As with **Azerbaijan**, restitution/compensation legislation and resettlement has also been implemented in the **Balkans, Cyprus, Turkey** and **Georgia** with varying rates of success. In northern **Cyprus**, a property commission was set up in March 2006 to deal with property-related compensation. However, IDPs and refugees in the **Balkans, the Caucasus, Turkey** and **Cyprus** continue to face poor housing conditions in collective centers, and significant obstacles to return and local integration.¹¹⁷

Several countries in the region have become the home of a significant number of refugees and asylum seekers, especially from North Africa. Table 4 demonstrates the scale of refugee populations in European and North American countries where the share is most significant. Despite the clear links between immigration, refugee acceptance and housing policies in the European countries, recent studies indicate that different levels of government control and housing provision exist.

Most countries increasingly rely on a mix of integration and assimilation policies and promote market-based approaches to housing choices.¹¹⁸ In several countries (**Portugal, Greece, Italy, Canada** and the **United States**) the lack of policies aimed at improving housing for refugees and immigrants in the context of a largely private



Figure 31: Refugees, displaced people, and lower-income groups are all too often forced into homelessness and street-sleeping due to the unaffordability of urban housing, which is not acceptable for civil society - for example the social movement 'les Enfants de Don Quichotte' in Canal Saint Martin, Paris
Photo © UN-HABITAT/Matthew French

housing provision system has resulted in growing housing problems for such households.

In **Italy**, housing problems of immigrants have been defined as ‘dramatic’, particularly for the undocumented or ‘irregular’ immigrants living in slums and squatter settlements. Containment and site clearance policies continue, and access to social housing requires five years residence period. It is estimated that in **Greece** only half of the country’s one million immigrants are recorded and the situation in reception centres for refugees is reportedly inadequate.

In **Portugal**, in 2006, the issue of unfit housing for immigrants was exposed, particularly by the Immigrants Association, when several shanty settlements in the **Lisbon** area were pulled down. A special Rehousing Program provided homes only to those immigrant families that were already registered in 1993 whereas others were evicted.¹¹⁹ Asylum seekers are also disadvantaged and over 105,000 live in temporary shelters. Although the evidence for CEE countries suggests that homelessness is less significant in quantitative terms, **Poland** and **Hungary** seem

to have a growing number of homeless people and rising demand for overnight shelters.

Gender inequalities in access to housing

While gender inequalities in housing in the Europe and North America may not be as problematic compared to other regions of the world, women still face considerable challenges in these housing markets. Most countries in the region have gender-neutral housing policies. Governments at all levels support equal access to property rights, ensuring the ability of women to own, maintain, invest in, dispose of, and inherit housing. In that regard, with its progressive policies and legislation, be it through long democratic traditions in Western countries or through a tradition of gender equality in formerly socialist/communist governments, can serve as a positive example to other regions.

The gender debate in European and North American housing policy discourse centers on gender inequalities that are reinforced by the way housing is produced, designed, financed and consumed. This is particularly the case in housing systems dominated by homeownership,

Table 4: Refugees and displaced persons in Europe and North America.

Country	Refugees	Displaced Persons
Azerbaijan	-	686,586
Bosnia & Herzegovina	22,223	186,451
Cyprus	-	210,000
Georgia	-	247,000
Russian Federation	102,965	158,900
Serbia & Montenegro	149,915	226,106
Turkey	-	953,680
Canada	147,171	-
France	137,316	-
Germany	700,016	-
Netherlands	118,189	-
Switzerland	48,030	-
United Kingdom	293,459	-
United States	379,340	-

Source: Refugee data refers to UN-HABITAT, 2007b. IDP data from IDMC, 2007.



THE GENDER DEBATE
IN EUROPEAN AND
NORTH AMERICAN
HOUSING POLICY
DISCOURSE
CENTERS ON GENDER
INEQUALITIES THAT
ARE REINFORCED BY THE
WAY HOUSING IS PRODUCED,
DESIGNED, FINANCED AND
CONSUMED.

where the gendered division of labour and status is maintained.^{120, 121} Within this context, the 56 countries in the region have different performance in terms of gender equality in general as well as in terms of solutions to discrimination of women in land and housing markets in particular.

In *The Global Gender Gap Report 2007*, which covers a total of 128 countries, **Sweden** (1st), **Norway** (2nd), **Finland** (3rd) and **Iceland** (4th) once again topped the rankings. **Latvia** (13th) and **Lithuania** (14th) made the largest advances among the top 20 countries. They gained six and seven places respectively, as a result of smaller gender gaps in labour force participation and wages. The Report measures the size of the gender gap in four critical areas of inequality between men and women.^{122, 123}

Rankings pertaining to economic participation and income inequalities are particularly important for access to adequate and affordable housing. A significant number of European and North American countries are global leaders in closing the gender income gap. Despite these gains, especially for well-educated and healthy women, comparative studies point out to the fact that many women face irregular access to competitive labour markets while often dealing with the triple burden of managing careers, raising a family and looking after aging parents.

The problems are particularly significant for women on low incomes, seniors, and single parents. In the urban centers with higher housing

costs women-led households often face multiple disadvantages—inadequate housing conditions, affordability constraints, isolation in unsafe residential environments or threats from violence in crime ridden neighbourhoods.

Furthermore, employment and income assistance, as well as existing health and social policies, significantly restrict eligibility for housing support and mobility. Most discouraging is the fact that in Europe and the **United States** the scope and depth of the housing disadvantages of women living on low incomes have not changed much. This is especially discouraging as there have been many years of well-intentioned housing policies and programs by all levels of governments as well as some successful strategies to provide a range of subsidised housing opportunities (shelters, assisted housing for seniors, non-profit community based housing projects).

Single-parent households, most of them maintained by women caring for one or more children, have increased dramatically in the last decade and have poverty rates consistently over 50 per cent in **Canada** and the **United States**.^{124, 125} According to national reports on homelessness among women in 15 countries of the European Union, most vulnerable to poverty, homelessness and to inadequate housing are those women, with or without children, who face racism, illness and addictions.¹²⁶ The general risk factors are aggravated by the structural disadvantages in housing and labour markets. Among ethnic minorities the problems escalate due to racism, discrimination, social isolation, which become even more pronounced in the case of asylum-seekers burdened with regulatory constraints.

3.4 PROVISION OF SOCIAL HOUSING

In Western Europe social housing continues to play a major role in increasing access to affordable housing of decent standard. As the importance of the sector in meeting housing shortages has diminished, differences in the approaches in different countries have emerged. In countries where there is a significant share of social housing (for example in **France, Denmark, Finland, Sweden, and the Netherlands**), allocation encourages a mix of income groups and rents are closer to cost recovery but low-income households receive allowances (Figure 32). In

countries where the sector is small (for example **Ireland, Spain, Portugal, and Greece**), rents are low since it is used as a safety net for vulnerable households. In these cases, allocation policies are driven by bureaucratic rules and demand-based assistance is more limited.¹²⁷

In transition countries, where the proportion of social housing has diminished as a result of massive privatisation, local authorities are left with the worst-quality stock in a poor state of repair and with the poorest tenants. It is therefore unsurprising that in countries such as **Slovenia** and **Lithuania** social housing is used as a safety net and rents are below cost recovery levels with a limited number of tenants receiving housing allowances. What is surprising, however, is that a similar strategy is being adopted in **Latvia**, the **Czech Republic** and **Poland** (to some extent) (Figure 32). Countries in transition can benefit from the Western European experiences to improve their rent and social housing management policies to make the sector more sustainable.¹²⁸

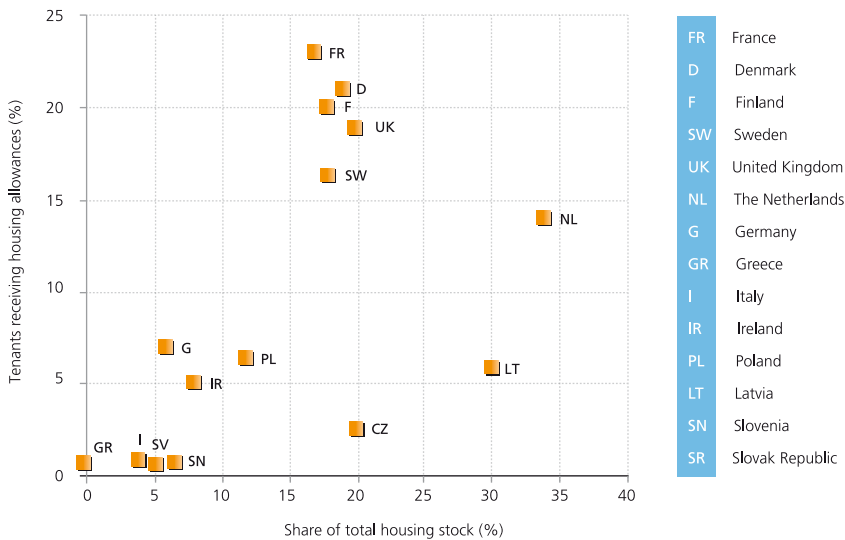
While affordability constraints are growing, overall less social housing is being provided for low-income households. In **Canada** and the **United States** a handful of local governments have had the political will to overcome some

of the barriers to the development of affordable housing. With little regulatory relief in sight and slim chances for a significant expansion of federal and provincial/government subsidies, the prospects for a meaningful reduction in the number of households with growing affordability problems in large urban centres are dismal.

In the **United States** the federal government spends USD 4.7 billion per year in federal tax credits for building and rehabilitation of affordable housing, but has made little progress in stemming the reduction of low-cost rentals from the nation's housing stock. Nearly 23 per cent of jurisdictions in the 50 largest metropolitan areas in the **United States** have some kind of incentive-based affordable housing program, while 15 per cent have a dedicated source of funds for affordable housing. While these measures are promising, it will nevertheless take much greater local and federal government effort to address the nation's affordability problems.¹²⁹

Developing housing for extremely low-income rental households is difficult without multiple subsidies and complex financing packages. While a lot of projects aim at private or non-profit sector involvement for the provision of new social housing, without capital subsidies to fill the gap between what low-income renters can

Figure 32: Social housing: Existing stock and tenant support, 2004



Source: Mollr, 2006

IN WESTERN EUROPE SOCIAL HOUSING CONTINUES TO PLAY A MAJOR ROLE IN INCREASING ACCESS TO AFFORDABLE HOUSING OF DECENT STANDARD.

pay and the rents needed to cover development costs, programs cannot adequately serve the poor. Furthermore, the combination of higher construction and operating costs, along with stagnant or even declining rents tied to household income limits, can undermine the fundamental viability of affordable housing projects.

In this context, it is not surprising that new social housing is not provided in most countries across the region. Where the sector is significant, there appears to be an ongoing commitment to maintain adequate supply. The data presented in Figure 30 demonstrate the share of social housing in selected countries as well as new social housing built in 2004 as a share of total new construction. **Austria** (30 per cent), **Denmark** (21 per cent) and **Sweden** (16 per cent) have the highest rates of new social housing production, followed by **Finland**, **UK** and the **Netherlands** with rates in the range of 12 per cent. Several Eastern

European countries (**Poland**, the **Czech Republic** and **Slovakia**) have initiated new social housing programs in recognition of their importance for socio-economically marginalised groups in society.

In addition to individual country government funding, construction of social housing in the UNECE region is financially supported by the Council of Europe Bank (CEB) through the provision of low cost credit guaranteed by central governments (Box 5).

3.5 LAND SHORTAGES FOR AFFORDABLE HOUSING

The irreversible trends of urbanization and the concentration of poverty in some cities have created significant shortages of appropriate and affordable land, which has significantly impacted on the availability and affordability of housing.¹³¹ While land for housing is mostly provided through the market with a variety of long-term urban planning strategies in place to ensure 20 to 25 year land supply for new housing, many high growth regions need better coordinated planning by all levels of government in cooperation with civil society and commercial interests to respond to a deepening shortage of land for affordable housing.¹³²

National, regional and local governments have important responsibilities and authority for land use zoning and building regulations that can significantly affect the availability of land supply and its use. Local authorities, however, often

▶ Box 5: Council of Europe Bank: Social housing projects

Since its inception, the Council of Europe Bank (CEB) has approved a cumulative amount of more than € 9 billion of loans for the social housing sector, making the Bank a leading financier in this important area across a number of countries in Europe. During the last decade, CEB's activity in this field has accelerated. Indeed, since 1995, € 5.6 billion in loans were approved for the financing of 128 projects. The Bank's largest borrowers in this sector comprise **Spain**, **Italy**, **Turkey**, **France** and **Poland**.

In **Poland** CEB supports the construction and modernisation of approximately 12,500 social housing units intended for low-income families.

This will enable over 40,000 people to gain access to affordable rental housing through a new model of non-profit provision. In **Portugal** projects support the construction of social housing and renovation of existing units by social housing providers (municipal agencies, co-operatives and associations), and also by private developers. In **Romania** CEB subsidised credits have financed a large-scale social housing programme targeting young people and low-income families through the provision of 22,000 social housing units.

Source: CEB, 2007.

▶ Box 6: Social rental housing in the Netherlands: Dutch Housing Associations

The social rental sector in the Netherlands is one of the oldest and strongest in Europe if not the world. The growth of the Dutch social rental sector has a long history that dates back to the middle of the nineteenth century. At that time social housing was produced by small non-profit associations, either associations formed by groups of people with a common need for housing in particular locations, for example workers needing housing close to workplaces, or associations that existed for philanthropic reasons, primarily to improve the housing situation of others in housing need.

By the 1990s social rental housing, and the housing associations that produced this housing, accounted for a considerable 42 per cent of all housing in the Netherlands. Whilst today the absolute number of social housing units and the percentage of total market share is lower (36 per cent), this is still much higher than other Western European countries, for example Denmark (19 per cent), France (18 per cent), Ireland (9 per cent), and Belgium (7 per cent). Indeed social rental housing currently comprises 75 per cent of all rental housing in the Netherlands.

What is seminal of the Dutch sector is not only its large size but also its organisation and management, where social rental housing is owned and managed by non-profit organisations. These are legal entities who operate within a clear institutional government framework, exist solely for the purpose of social housing provision, and who are linked by Aedes (the national network association of housing associations). Nearly one-third of housing associations manage between 2,001 and 5,000 dwelling units (30.4 per cent, 204 associations), one-tenth manage between 5,001 and 10,000 units (10.9 per cent), and 8.1 per cent of all associations manage more than 10,000 units.

Since the implementation of the *Woonruimtetwet* (Housing Allocation Act) in 1947, housing was

allocated on a needs-based system to cope with the pressing housing shortages. This system continued until the 1990s when the city of Delft introduced a new system based on a choice-based letting system, which became the norm throughout the Netherlands. Housing vacancies are advertised in newspapers with a description of the dwelling and applicant eligibility criteria. Applicants send in the reply coupon, which are processed and ranked by the housing association according to criteria such as household waiting time, age of applicant, and number of years in their current dwelling. Applicants are informed of the decision and the results published, which allows unsuccessful applicants to check that they were not disadvantaged and indeed had lower eligibility than the successful applicant.

Regarding the relatively wide range of target beneficiaries and the success of Dutch housing associations, Professor Hugo Priemus notes: "The hallmark of the social-rental sector in the Netherlands is precisely that a very differentiated target group is provided for, not only households with a low income, but also a broad intermediate group. The social-rental sector in the Netherlands can claim to be professional, effective, and for the most part efficient. Negative phenomena such as stigma, ghetto formation and social isolation hardly arise."¹³⁰

While the Dutch housing associations are not 'the' model of social rental housing that can simply be exported to other countries, they are 'a' model that has shown the economic and social benefits of incorporating affordable rental options for households on low incomes, some on middle-incomes, and those who deserve special attention: the elderly, disabled, and street sleepers and the homeless.

Source: Ouweland, A. and van Daalen, G. (2002) Dutch Housing Associations: a model for social housing. Delft: DUP Satellite, Delft University Press.

have limited taxation power or capacity to build housing, social housing, outside of the market.¹³³ Yet, it is the local governments that are closest to the needs of low-income households and where local shortages of land for affordable housing are manifested in a very explicit way.

In countries with mature land markets, the shortage of land in high growth regions has contributed to the increase in house prices. **England**, for example, is heading for a property

shortage of more than one million homes by 2022, mostly concentrated in **London** and the South East. In response, government policies direct up to 60 per cent of the new homes to recycled 'brownfield' sites through proactive planning, land assembly and government subsidies.¹³⁴

In other European countries special schemes are being used in areas with high house prices such as the land pooling arrangements in **France** and



SOME EASTERN EUROPEAN COUNTRIES, FOR EXAMPLE POLAND, THE CZECH REPUBLIC AND SLOVAKIA, HAVE INITIATED NEW SOCIAL HOUSING PROGRAMS IN RECOGNITION OF THEIR IMPORTANCE FOR MARGINALISED GROUPS IN SOCIETY.

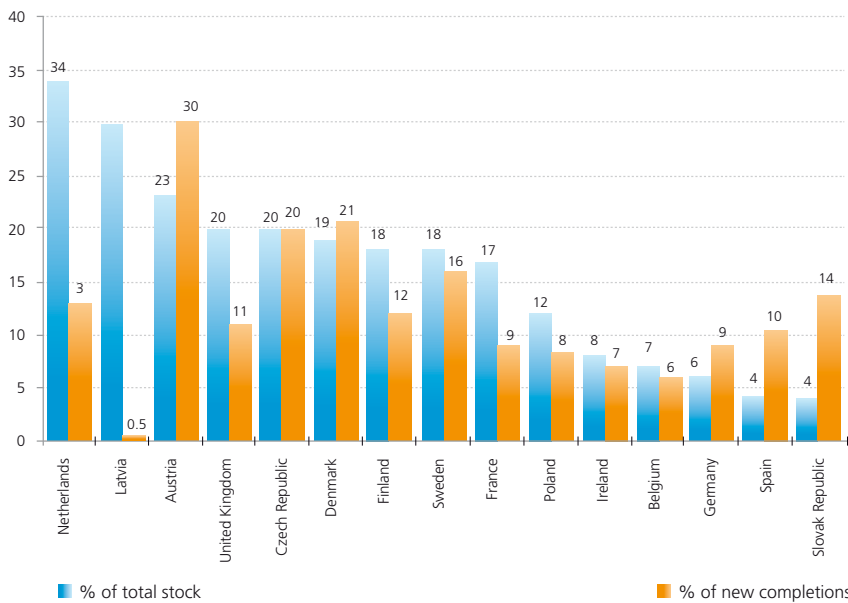
Germany, where landowners have incentives to make land collectively available for housing. Another innovation that protects the value of land and ensures its availability when needed for social housing is the Community Land Trust used in the **United States**. Planning gains, density bonusing, inclusionary zoning, are other

tools in the planning framework and approval system practiced widely in many cities and countries across European and North American countries to provide land for affordable (often social) housing.¹³⁵

Several countries have introduced initiatives to supply social housing with more shallow subsidies and private involvement (for example **England, Denmark, Ireland, the Netherlands, Finland** and **Germany**). These mechanisms depend on local government supplying free or low-cost land and the use of the planning system to enable land provision. In **Dublin**, private developers must transfer 20 per cent of new dwellings on large development sites to the city for use as social or affordable housing. Cities such as **Munich** are also requiring private developers to include a certain percentage of social housing in new developments. In **England** between 20 and 50 per cent of larger new and regeneration developments must be affordable housing. Many cities, such as **Vancouver**, have demonstrated the opportunities and benefits of designing and implementing such initiatives (Box 7).

In the context of central government cut backs in transition countries, the devolution

Figure 33: Existing social housing stock and rates of new construction: in selected European and North American countries, 2004.



Source: Mollr, 2006

▶ Box 7: Vancouver's strategy to provide land for social housing

Due to its unique geography the City of Vancouver faces significant land supply constraints. This has resulted in it having the highest house prices in Canada and increasing demand for affordable housing. The City has 21,000 units of social housing and several land-related policies to increase its social housing stock.

Lease of City-owned land: Over one-third of all social housing in the City is on City-owned land. Projects primarily serve seniors and families with children. Other projects serve the disabled, low-income singles, aboriginals and youth. They are operated by non-profit housing societies and cooperatives using funds from senior governments.

Purchase of sites: In 1981 the City Council made the purchase of privately-owned land for social housing a priority. Generally, the purchased land is leased to non-profit societies and co-operatives

for 60 years at 75 per cent of market value. In recent years, the City has provided land leases at no cost for some projects.

20 per cent social housing requirement: Since 1988 the City has made it a requirement that major re-zonings of land for multi-household residential use include at least 20 per cent social housing. This policy encourages the creation of balanced communities and provides opportunities for low- and moderate-income households to live in comprehensively planned and usually well located neighbourhoods.

Affordable Housing Fund: Established in 1981 by City Council, the Fund provides grants for social housing projects developed on City-owned land. By the end of 2003, City Council had approved over USD 40 million in subsidies from the Fund.

Source: City of Vancouver, Housing Centre, 2007.

of housing policy responsibilities to local levels of government has created significant challenges for the provision of land for affordable housing. Provision is further constrained by land privatisation, unclear property rights and inefficient land administration systems. The scale of land tenure transformation has been very dramatic, particularly in CIS countries where private ownership over urban land was previously non-existent.¹³⁶ For example, in the **Russian Federation** over 50 million people and legal entities have acquired private ownership of land and 129 million hectares of land, comparable to the area of Western Europe, has become privately owned within the space of only four years.¹³⁷

In addition to a dynamic process of land ownership transformation, the supply of land for affordable housing in Eastern Europe is often constrained by the lack of effective land-use planning to guide development. Evidence suggests that most urban markets have become increasingly fragmented, reflecting differential opportunities for development and profit. Land barter deals, very common at the start of the transition, have lost their attractiveness, and land prices in the capital cities and growth centers have increased considerably.

The myriad of ownership arrangements has created significant barriers for the efficient operation of urban land markets which has

contributed to the growth in land prices. In some CIS countries urban land is auctioned by municipalities, reportedly under procedures that are not very transparent.

The supply of serviced residential land is also constrained by local governments' lack of

TO INCREASE LAND SUPPLY FOR AFFORDABLE HOUSING SOME EUROPEAN COUNTRIES HAVE SPECIAL SCHEMES FOR AREAS WITH HIGH HOUSE PRICES, FOR EXAMPLE THE LAND POOLING ARRANGEMENTS IN FRANCE AND GERMANY WHERE LANDOWNERS HAVE FINANCIAL INCENTIVES TO MAKE LAND COLLECTIVELY AVAILABLE FOR HOUSING.



Figure 34: Terrace housing in Amsterdam, the Netherlands. Photo© UN-HABITAT/Matthew French

capacity to finance necessary infrastructure. Typically, cash-constrained municipalities shift infrastructure costs to the developer. These developments are accompanied by the occupation of agricultural land in the urban periphery and the growth of informal settlements. The combination of inefficient administrative systems and urban poverty has created ‘informal cities’ on the periphery of cities in countries such as **Albania, Azerbaijan, Georgia, Tajikistan, and Serbia**, with hundreds of thousands of new residents informally building their houses.¹³⁸

3.6 REHABILITATION AND MANAGEMENT OF PRIVATISED MULTI-HOUSEHOLD HOUSING IN EASTERN EUROPE

As a consequence of wide-scale privatisation, the management and rehabilitation of multi-household housing is one of the largest problems facing municipalities in countries in transition. The problem of inadequate management is a direct result of the lack of institutional capacity and property management structures in place after privatisation. The problem of deteriorating housing stock is a direct result of the systematic failure to carry out repairs and maintenance; and is likely to result in massive structural problems in more than 40 per cent of the urban housing stock. Recently, most countries have introduced laws to regulate the operation of homeowners’ associations, but the implementation has been very slow and inadequate. The management of privatised multi-household housing has three principal challenges: organisational and technical, social and affordability, and large-scale financial.

Organisational and technical challenges

The multi-household housing typology inherited from the past poses a critical challenge for housing management in Eastern European countries. The challenge is not only institutional

SOME EASTERN EUROPEAN COUNTRIES, FOR EXAMPLE POLAND, THE CZECH REPUBLIC AND SLOVAKIA, HAVE INITIATED NEW SOCIAL HOUSING PROGRAMS IN RECOGNITION OF THEIR IMPORTANCE FOR MARGINALISED GROUPS IN SOCIETY.

▶ Box 8: Multi-household housing in Azerbaijan

The challenges facing the management and maintenance of low-quality multi-household housing built between the 1960s and 1980s are clearly evident **Azerbaijan**. While efforts have been made, reforms in housing and communal services remain incomplete. In the early transition years, privatisation of apartments created a new group of owners, who acquired the benefits of apartment ownership without fully assuming the responsibilities that multi-household housing requires.

Maintenance tariffs set by the Government are too low and are not augmented with other

funds, which contributes to the continued deterioration. The current institutional framework requires both maintenance and capital repairs to be provided by the government through its Housing and Communal Services Departments (ZhEKs). Without adequate financing, however, ZhEKs cannot provide routine maintenance. Instead, they provide a form of catastrophic insurance: for example, if the roof falls in, the ZhEKs will repair or replace it at no charge to the occupants.

Source: World Bank, 2006.

and legal but also, more importantly, related to daily and annual property management. There is a clear consensus: the level of deterioration in the urban housing stock has reached a critical stage.

Pre-cast panel construction technologies, which featured prominently in **Russia, Lithuania, Bulgaria, Moldova** and **Romania**, resulted in large-scale developments with demanding requirements for their housing management. The initial construction quality of most urban multi-apartment housing was not very high. Consequently, inadequate investment in maintenance as well as deferred capital repairs have aggravated technical problems, such as leaking roofs, obsolete installations, elevators and insufficient wall insulation.¹³⁹ Furthermore,


the rapid privatisation of the housing stock often transferred ownership of the apartment units to individual households while municipalities were left with the ownership of common parts of buildings and land. The issue is further complicated where there is mixed ownership, for instance in countries such as **Latvia, Russia** and the **Czech Republic** where owner-occupiers and tenants live in the same building.¹⁴⁰

Studies indicate that despite the effort to establish an adequate legal framework for the operation of homeowner's associations, new owners are reluctant to take over these responsibilities. Homeowners' associations currently operate in less than 20 per cent of the multi-household stock. Municipal maintenance companies still manage



Figure 35: Housing undergoing rehabilitation as part of the Czech Republic upgrading programme.

Photo © UN-HABITAT/Matthew French



THE MULTI-HOUSEHOLD HOUSING TYPOLOGY INHERITED FROM THE PAST POSES A CRITICAL CHALLENGE FOR HOUSING MANAGEMENT IN EASTERN EUROPEAN COUNTRIES. THERE IS A CLEAR CONSENSUS: THE LEVEL OF DETERIORATION OF THE PHYSICAL ENVIRONMENT IN THE URBAN HOUSING STOCK HAS REACHED A CRITICAL STAGE AND IMPROVED MANAGEMENT IS LONG OVERDUE.

privatised housing under contractual obligations at locally controlled prices. In addition, the level of housing related services (water, energy services, district heating, garbage collection and waste management) has declined because of subsidy cuts, rapidly escalating costs and massive arrears with respect to utility costs (Box 8). As a result of these processes not only have the housing blocks and public services deteriorated but the backlog of normal maintenance of the housing stock has also accumulated an overwhelming backlog.¹⁴¹

Social and household economic constraints

In many cases multi-apartment buildings have a social mix inherited from the previous system of housing allocation. Income and labour market inequalities in recent years, however, have led to an impoverishment of the homeowners, which is one of the reasons for the poor maintenance of multi-household buildings. The cost of housing related services and utilities has increased in real terms, but quite unevenly. Energy costs and central heating costs increased the most, constraining other expenditures. The rapid increase in utility costs in many countries resulted in accumulated arrears. In the absence

of support for housing and utility services, more affluent owners have continued to subsidise their neighbours and to finance urgent repairs. Others have just cut back on individual consumption, such as central heating.

Despite different coping mechanisms, arrears are wide spread and a lack of discipline regarding bill payments is common. Studies have reported a lack of respect for the law as well as refusal to pay regular contributions for the maintenance and modernisation of common areas in privatised residential buildings.¹⁴²

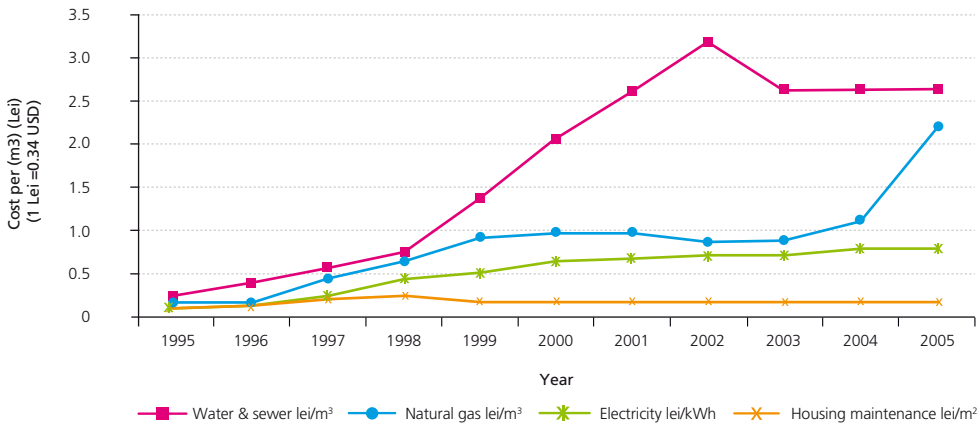
Time series data on housing costs from 1995 to 2005 in **Chisinau** illustrate these trends (Figure 36). First, costs for housing maintenance and management have remained the same and were not even adjusted for inflation. Second, expenditure on utilities is much higher than spending on maintenance, particularly for water and central heating, which due to elimination of energy subsidies has increased disproportionately in the last few years. Third, the tariffs for maintenance are too low so households do not pay the true costs for services. At the same time, the government lacks sufficient funding to make up the difference. The outcome is inadequate investment to sustain the quality of privatised housing assets.

Large-scale financial constraints

As noted above, the low quality of multi-household buildings has reached a critical stage and a major infusion of capital will be needed to bring them back to an acceptable standard. However, a lack of large-scale financing is a major constraint to undertaking the upgrading. While recent years have introduced a budgetary discipline and more transparent and accountable budgetary processes, chronic underinvestment in maintenance has exacerbated the technical challenge. The current stream of revenues does not ensure sufficient funds for renovation and improvement of the building envelope (roof, foundations, elevation, etc).

Renovation planning is also problematic within the context of unclear financial and management responsibilities. Furthermore, in addition to the traditional technical and organisational challenges, it is difficult to borrow funds for major improvements. Banks often request

Figure 36: Service costs versus housing maintenance costs in Chisinau, 1995-2005



Source: estimates based on data by Housing Department of Chisinau Municipality, 2006

individual owners to sign a mortgage or a loan contract, which makes the process extremely cumbersome and costly. Lending institutions have not developed any products for renovation of multi-apartment housing and the high interest rates certainly discourage borrowing.

The financing of rehabilitation requires specially designed credit lines and some incentives (tax exemptions, rebates, etc) to facilitate the process. Very few countries have launched programs to assist this process. The **Czech Republic** is a notable exception, despite the small outreach of its panel renovation programs (see Box 9).

The key issue is the mobilisation of funds, savings (including inter-generational savings), loans and mortgages to pay for rehabilitation and renewal. Various mechanisms can be used to encourage financial institutions to develop competitive products (government guarantees, shallow subsidies, insurance). This needs to be complemented by targeted subsidies and reversed mortgages for low-income owners to allow renovation measures to proceed at a large scale for the whole building.

3.7 PROVISION OF AFFORDABLE HOUSING THROUGH URBAN REGENERATION

A number of European and North American countries address the provision of affordable

and adequate housing through area-based urban renewal and regeneration programs. Commitments at the national level, particularly in Western Europe, have created a supportive institutional and regulatory framework for local action.¹⁴³ A large number of local authorities have managed to create coalitions and partnerships to increase the supply of affordable housing and to assist vulnerable groups through urban regeneration projects.¹⁴⁴ Local governments, working in partnership with non-profit housing providers and community groups, have experimented with inner city regeneration, brownfield redevelopment, and waterfront redevelopment schemes (for example, see Box 10 and Box 11).

The search for effective strategies for urban regeneration that can create a social mix, increase the supply of affordable housing and facilitate investment and improvement of existing infrastructure has promoted new models.^{145, 146} Urban regeneration has challenged social housing providers to develop a new repertoire of instruments dealing simultaneously with physical deprivation and social exclusion in local communities.

This concept had a big impact on French housing policies in the 1990s, re-appearing as a solution to the problem of social exclusion. The central idea was to encourage the sharing of buildings and urban areas, 'quartiers', by people



▶ **Box 9: Housing rehabilitation programs in the Czech Republic**

In 2001 the **Czech Republic** launched two programmes that focus on the rehabilitation of multi-household panel housing, which makes up 57 per cent of the housing stock. The programmes support individual projects as well as regeneration of whole panel housing estates.

Low-cost credits and subsidies fund up to 70 per cent of the costs, while homeowners, cooperatives and municipalities provide

matching funds. Most of the borrowers (85 to 90 per cent) are housing cooperatives and homeowners' associations. To date the programmes have assisted the rehabilitation and energy efficient retrofitting of 8 per cent of the panel housing.

Source: Ministry of Regional Development of the Czech Republic, 2007.

from different social, cultural and economic backgrounds. The legislative framework has strongly encouraged—principally by taxation mechanisms—local authorities to build 20 per cent social and/or affordable housing for each new housing project.¹⁴⁷ In an era of increasing socio-economic polarisation in Western Europe and North America, achieving social inclusion through housing policies has been particularly challenging to implement, as recent experiences in some of the Parisian suburbs and elsewhere in **France** indicate.¹⁴⁸

Urban renewal programs exist in most Western European cities with an aging housing stock and substandard housing in inner city areas. **Vienna, Manchester, Copenhagen, Barcelona** and **Lisbon** are well known for their successful 'soft renewal' practices and strategic approaches to the social, economic, cultural, and environmental factors behind the process. Recent urban renewal programs place a particular emphasis on public/private partnerships as the delivery mechanism as well as on public involvement and participation in defining priorities for the area or neighbourhood. Attempt is made to reduce displacement as well as to avoid forced change of ownership, social segregation and gentrification.^{149, 150}

A NUMBER OF EUROPEAN AND NORTH AMERICAN COUNTRIES ADDRESS THE PROVISION OF AFFORDABLE AND ADEQUATE HOUSING THROUGH AREA-BASED URBAN RENEWAL AND REGENERATION PROGRAMS. COMMITMENTS AT THE NATIONAL LEVEL, PARTICULARLY IN WESTERN EUROPE, HAVE CREATED A SUPPORTIVE INSTITUTIONAL AND REGULATORY FRAMEWORK FOR LOCAL ACTION.

▶ Box 10: Dutch urban regeneration: an emphasis on deprived neighbourhoods

The national Big Cities Policy assists 18 cities in the **Netherlands** to respond to problems of high unemployment, crime, polarisation and growing spatial concentrations of low-income households and ethnic minority groups, as well as the physical problems often found in social housing.

The Big Cities Policy rests on three pillars: (i) the economy and employment, (ii) the physical infrastructure, and (iii) the social infrastructure. Funding is used in an integrated manner to improve the quality of urban space, to create more jobs and to eliminate social exclusion in neighbourhoods. This area-based approach focuses on deprived neighbourhoods and contributes to social cohesion through measures implemented by residents, government bodies (local authority, police, social welfare organisations), housing associations and local employers.

A recent policy shift has targeted 40 neighbourhoods in the four largest cities for the implementation of area-based regeneration measures. In Amsterdam, where more than

half of the housing is social housing, non-profit housing associations own 205,000 social rental dwellings. While these are distributed across the city in every district, a fair share is concentrated in post-war neighbourhoods such as the Western Garden Cities and the Southeast of Amsterdam.

Over time these areas have become less desirable places to live with social exclusion and poverty manifested in a number of ways, although the housing is in a relatively good condition. The new wave of government investment leverages contributions from the housing associations and aims at creating a social mix of rental and owner-occupied housing. Less popular high-rise apartments in the target neighbourhoods are demolished and replaced by medium density dwellings often in mixed ownership neighbourhood blocks. Housing allowances continue to support low-income households and displacement is managed through reallocation programs of the housing associations active in the neighbourhood.

Source: van Kempen, 2000.

▶ Box 11: Vienna's Urban Renewal Program

In Vienna, where half of the housing stock is social housing, subsidies are an important aspect of the city's urban renewal program. The amount of subsidies granted for a particular project are dependent on the standard of the existing building, but can be up to 90 per cent of total construction costs. This also includes an allowance for low-income households to reduce short-term costs involved with renovations.

The renewal is followed by a controlled and limited rent increase for 15 years to cover any loans required. Any type of building is eligible for a renewal (construction) subsidy, including

private rental and owner-occupied.

One such example is Gasometre City, a brownfield redevelopment around four large gas tanks that were built in 1899 but have been unused since 1986. The city decided this would be a project to spearhead development in this previous industrial area. The new multi-functional area with 620 units of subsidised housing, 250 student hostel units, 47,100 m² of commercial space, offices, and a theatre has become the catalyst for the redevelopment of the whole neighbourhood.

Source: www.wien.at

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Figure 37: The London 2012 Olympics site is characteristic of area-based urban renewal approaches where housing is developed on a large scale in conjunction with residential, commercial, retail and entertainment facilities. Photo © UN-HABITAT/Matthew French

Affordability of housing remains the fastest-growing and most pervasive housing challenge in European and North American countries. Housing costs have increased with significant implications for access to adequate and affordable housing, particularly for vulnerable groups.





Figure 38: Much of the contemporary housing stock in the UK is comprised of Victorian low-rise brick terrace housing which is predominately either private rental or owner-occupied.

Photo © UN-HABITAT/Matthew French

4

PART FOUR

NOTABLE TRENDS, RECOMMENDATIONS AND CONCLUSIONS

4. NOTABLE TRENDS, RECOMMENDATIONS AND CONCLUSIONS

4.1 HOUSING SYSTEMS AND HOUSING CONDITIONS

Housing reforms in European and North American countries in the past decade have promoted policies to reassert market forces and reduce government intervention. With respect to housing provision policies they have emphasised deregulation, private sector involvement and demand-based subsidies. While the overall goal of these reforms has been to improve the economic and social efficiency of the housing systems, responses across the region demonstrate diversity and substantial differences in housing conditions.

Availability of housing

Housing conditions in most European and North American countries have improved in the last decade. The general ratio of dwellings per thousand inhabitants—a crude indicator of the adequacy of housing provision—varies, with **Finland** and **France** having the highest number of over 500 units per 1,000 residents, followed very closely by **Greece**, **Sweden** and **Portugal**.

Countries in transition have lower levels, which, despite their lower level of economic and social development, are nevertheless comparable to those in Western Europe. The number of dwellings per 1,000 people is lowest in **Albania** (254/1000) followed by **Poland** (314/1000) and **Slovakia** (318/1000). Housing shortages across most countries in the region are often associated with particular housing types, locations and qualities than with the absolute shortage of housing in general. The question of housing deficits, particularly in CEE, has become less relevant to market realities. In fact, the housing surplus ranges from 786,000 units in **Romania** to 58,000 in **Albania**.

Water and sanitation

Access to water and adequate sanitation in these countries is one of the highest in the world standing at 94 per cent on average for water and 93 per cent for sewer. Correspondingly, the share of housing serviced with piped water and sewer is

reportedly much higher than in other regions in the world. Even allowing for definitional changes over time, the available data indicate overall housing improvement since the 1990s.

However, the situation with CIS countries is particularly problematic. For example, in **Moldova** and **Uzbekistan** improved water services are available in only one third of the stock. A limited share of the housing has bath/shower—**Uzbekistan** (13 per cent), **Bosnia** and **Herzegovina** (22 per cent), **Kyrgyzstan** (24 per cent), **Moldova** and **Turkmenistan** (30 per cent). Although urban areas reportedly have higher levels of service, close to 3 million people in European cities lack access to piped water and 8 million to sewer and in countries in transition, high connection rates do not necessarily mean good quality of services.

Tenure choice

Tenure choice is important for long-term housing market stability and access to adequate and affordable housing. Homeownership has grown steadily in most countries, particularly in those in transition. In most of the CEE and CIS countries, owner occupation exceeds 90 per cent, which is well above the 65 per cent average in Western Europe. In fact, some of the poorest countries in the region have the highest rates of homeownership.

Analysis of house price dynamics indicates that access to owner occupation has become more expensive, even if it might lead to significant financial benefits over the long term. In a number of countries like **France**, **Germany**, **Canada** and the **United States** a large share of private rental housing provides options for labour mobility. Tenure choices are much broader in **Finland**, **Sweden**, **Austria** and **Denmark** thanks to a balanced tenure structure offering a ladder of opportunities ranging from social to private renting to homeownership. By contrast, in several European countries the rental option is severely curtailed, for example **Spain**, **Greece**, and **Italy**.

Slums and informal settlements

Estimates by UN-HABITAT indicate that about 10 per cent of the urban population in Europe and North America lives in slum conditions without access to basic services and/or in overcrowded dwellings. In UNECE countries

referred to as ‘Central Asia’ more than half of the urban population lives in slums. Elsewhere these rates are 30 per cent for **Moldova** and 19 per cent in **Romania, Bosnia and Herzegovina, Croatia** and **Macedonia**. Informal settlements have grown rapidly, particularly in the peri-urban areas of **Albania, Serbia, Georgia** and **Azerbaijan** becoming the home of millions of households.

4.2 MAJOR CHALLENGES AND HOUSING POLICY RESPONSES

Subsidy regimes and affordability constraints

Under subsidy regimes subsidies focus on owner-occupation. Mortgage interest tax relief exists in **Ireland, the Netherlands, the United States, the United Kingdom** and **Spain**. **France** offers subsidies on savings schemes for many newly built and renovated properties and provides a quarter of a million zero interest rate mortgages annually.

Looking beyond this group, housing subsidies and tax breaks are common in **Austria, Germany, Russia, Croatia, the Czech Republic, Hungary** and **Poland**. The new subsidy schemes in CEE have been criticised for being particularly inefficient in targeting households in need and in supporting the most affluent housing consumers.

Meanwhile, demand-based subsidies to low-income renters have failed to keep pace with the rising housing costs. In most transition countries such assistance is non-existent and where it has been launched (for example in the **Czech Republic, Poland, Romania, Estonia** and **Latvia**), it is inadequate.

Affordability of housing remains and suffering from mortgage debts and financial risk is the fastest-growing and most pervasive housing challenge in Europe and North America. Housing costs have increased with significant implications for access to adequate and affordable housing, particularly for vulnerable groups. In four countries—**Belgium, Spain, Portugal** and **Greece**—a quarter of the households have significant financial difficulties due to housing costs; in **Italy** this share is 42 per cent.

While the data is limited, it appears that countries with higher homeownership rates and limited

tenure choice tend to have a higher share of households experiencing affordability problems. Furthermore, the situation appears to be more problematic in urban areas where higher prices for housing and concentration of poverty create cumulative disadvantages.

Homelessness and the refugee crisis

Homelessness across the Europe and North America is a serious challenge and a sign of major failure of governments to deliver affordable housing for all. The total estimate of the homeless population in Europe is close to 600,000 with more than 60,000 people sleeping rough and another 400,000 in homeless shelters. Asylum seekers are another disadvantaged category accounting for over 105,000 in temporary shelters.

Although the evidence for CEE countries suggests that homelessness is less significant in quantitative terms, **Poland** and **Hungary** seem to have a growing number of homeless people and rising demand for overnight shelters. In the **United States** more than 750,000 people are reported to be homeless. Internal displacement continues to be a major problem directly related to housing in the **Balkans, the Caucasus, Turkey** and **Cyprus**, where the number of IDPs stands at 2.8 million. **Serbia and Montenegro** still host the largest number of refugees and IDPs in Europe, most of them living in substandard or informal housing.

Limited provision of social housing

While affordability constraints are growing, less social housing is being provided for low-income households. In **Canada** and the **United States** a handful of local governments have had the political will to overcome some of the barriers to development of affordable housing, although the prospects for a meaningful reduction in the number of households with growing affordability problems are low.

In Western Europe, the data suggest that in countries where the social housing sector is significant, there is an ongoing commitment to maintain relatively high levels of supply. **Austria** (30 per cent), **Denmark** (21 per cent) and **Sweden** (16 per cent) have the highest rates of new social housing production, followed by **Finland, UK** and the **Netherlands** with rates

in the range of 12 per cent. Several transition countries (**Poland**, the **Czech Republic** and **Slovakia**) have initiated new social housing programs in recognition of their importance for marginalised groups in society.

Land shortages for affordable housing

The irreversible trends of urbanization and concentration of poverty in some cities have affected housing affordability as well as created significant shortages of land for affordable housing. While land for housing is mostly provided through the market with a variety of long-term urban planning strategies in place to ensure 20 to 25 year land supply for new housing, many high growth regions need coordinated planning by all levels of government in cooperation with civil society and commercial interests to respond to a deepening shortage of land for affordable housing. A number of regional and local governments have experimented with density bonusing, inclusionary zoning, land trusts and land lease arrangements to increase the availability of land supply for affordable (social) housing.

Problematic management of privatised multi-household housing

In the privatisation aftermath, the management and rehabilitation of multi-household housing is potentially one of the largest problems facing municipalities in countries in transition, since failure to carry out repairs will result in massive structural problems in more than 40 per cent

of the urban housing stock. Recently, most countries have introduced laws to regulate the operation of homeowners' associations, but the implementation has been very slow and inadequate. The management of privatised multi-household housing faces three significant challenges: organisational and technical, social and affordability, and large-scale financial, all of which urgently need to be systematically addressed.

Provision of affordable housing through urban regeneration

A number of countries in the region address the provision of affordable and adequate housing through area-based urban renewal and regeneration programs. Local governments, working in partnership with non-profit housing providers and community groups, have experimented with inner city regeneration, brownfield and waterfront redevelopment schemes. The search for effective strategies for urban regeneration to create a social mix, increase the supply of affordable housing and facilitate investment and improvement of existing infrastructure has promoted new models and a new repertoire of planning instruments to deal with social inclusion.

4.3 RECOMMENDATIONS

The comparative analysis underpinning this report identified major challenges in the provision of affordable housing in the 56 countries of the

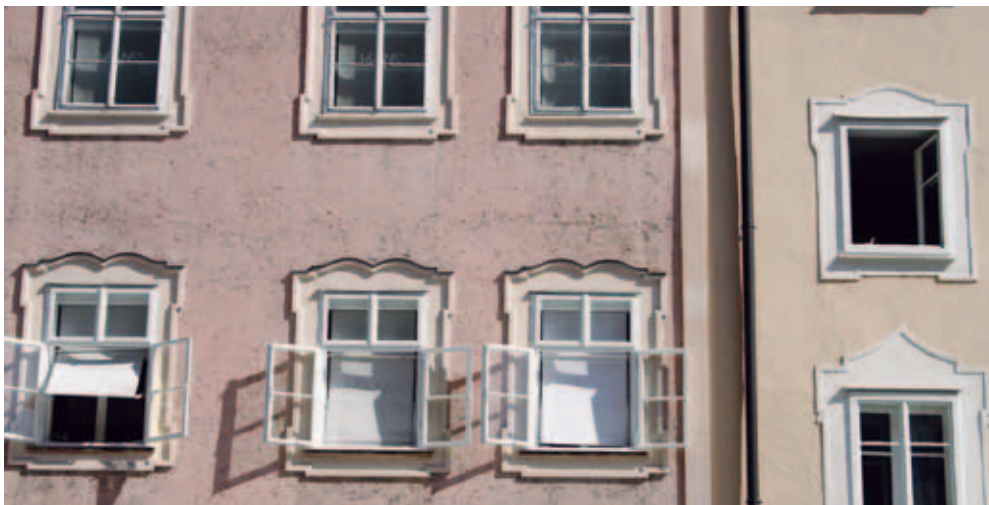


Figure 39: Well maintained multi-household housing in Salzburg, Austria. Photo © UN-HABITAT/Matthew French



UNECE. In particular, it highlights the need for policy responses to address the critical needs of vulnerable, marginalised and low-income groups in a more effective and efficient manner. Despite an overall improvement of housing conditions in most of the countries, lack of progress in several critical areas remains a major concern. There are growing affordability problems, increasing homelessness, limited social housing provision and severe land shortages in high growth areas to accommodate housing provision that is widely affordable to low-income households.

Drawing on the experience of different countries and cities in the region, it is clear that housing policy changes are urgently needed to ensure that access to adequate and affordable housing becomes a priority. Despite the fact that comprehensive and long-term changes in housing policies have been, and will continue to be difficult and often controversial, urgent action is needed by national, regional and local governments. In light of the diversity of countries in the region and the specificities of their housing systems it is particularly challenging to provide precise recommendations for change. Instead, the following six broad directions should become a priority in all European and North American countries.

Address affordability constraints through pro-poor land and housing policies

Housing affordability remains a considerable housing challenge in Europe and North America. Housing costs have increased with significant implications for access to adequate and affordable housing. Affordability problems are especially problematic in urban areas where higher prices for housing and a concentration of poverty create cumulative disadvantages.

Under the new subsidy regime, subsidies focus on and privilege owner-occupation to the detriment of other tenure modalities. Meanwhile, demand-based subsidies to low-income renters have failed to keep pace with the rising housing costs. In most transition countries such assistance is non-existent and where it has been launched (for example **The Czech Republic, Poland, Romania, Estonia and Latvia**), it is inadequate. A major change in housing policies needs to address affordability constraints of the urban

poor and socially vulnerable groups through an appropriate and targeted subsidy system.

Mechanisms for increasing land provision for affordable housing need to be improved. Density bonusing, inclusionary zoning, land trusts and land lease arrangements are promising starts but these must target low-income households and be undertaken in a manner that is financially and socially sustainable. These good practices, in addition to efforts to increase the supply of rental housing through shallow subsidies and/or through incentives for private sector investment, are critical for the improvement of tenure choices and mobility options. These housing policy shifts are particularly critical for countries with polarised tenure systems and high rates of homeownership in the region. Direct provision of new housing units for low-income households should, however, be balanced by promoting the development of housing for middle- and high-income households, which can start vacancy chains and in turn can improve the affordability of the available housing stock overall.

Beyond viewing housing as a form of welfare and consumption the housing sector also plays an important part in national and regional economic development.

'After several decades of debate on what housing might contribute to economic growth, it is now a widely held view that housing is not just a peripheral activity but a central force in sound economic development, much in the same way as investment in transportation, power and communication'.¹⁵¹

Housing is therefore much more than providing people a place to live. 'Housing investment contributes, directly and indirectly, through backward and forward linkages in the economy, to national economic growth and, to a large extent, to national capital stock.'^{152, 153} Housing is a tool for employment creation, providing opportunities to solve the underemployment problem and improve human capital, as well as for improving business capacity and private enterprise to deliver land and housing efficiently and economically.¹⁵⁴ Therefore, expanding access to affordable housing through pro-poor housing policies does not only have social or equity benefits but also clear economic benefits where

IT IS AN INESCAPABLE REALITY: ACHIEVING UNIVERSAL ACCESS TO ADEQUATE AND AFFORDABLE HOUSING WILL NOT SIMPLY HAPPEN BY CHANCE. THE TIME IS NOW FOR GOVERNMENT LEADERSHIP AND ACTION TO ENSURE UNIVERSAL ACCESS TO ADEQUATE AND AFFORDABLE LAND AND HOUSING.

the housing market can contribute to the overall economic development of nations, cities, and households.

Housing finance systems should be reformed, where needed. Mortgage interest relief (which does not reach low-income households) should be gradually reduced. Public support should focus more on low-income households by implementing income-related housing support mechanisms, for example housing allowances and housing vouchers.

Advance comprehensive approaches to homelessness

Homelessness across Europe and North America is a serious challenge. Close to 600,000 people are homeless in the European Union and more than 750,000 in the **United States**. First and foremost, homelessness needs to be recognised and acknowledged as an issue that needs to be addressed. Fragmented measures to address homelessness need to be integrated, scaled-up and developed into long-term national programmes that are implemented at local levels of government. While preventative approaches are particularly important, policy action needs to focus on legislative and funding opportunities to

build a continuum of housing tenure modalities to accommodate a variety of needs, from temporary shelters to permanent, non-profit housing co-operatives.

Mobilise global and local efforts to address the housing crisis of refugees and displaced people in the region


Across the region, internal displacement continues to be a major problem directly related to housing in the **Balkans**, the **Caucasus**, **Turkey** and **Cyprus**, where the number of IDPs stands at 2.8 million. A crucial element underpinning the sustainable return of refugees is the effective implementation of the right to property, education, housing, health care and employment as an integral part of the overall strategy of stability in countries affected by the refugee and IDP crisis. Often households have spent more than 15 years in camps and temporary shelters without any hope for sustainable return.

Developing housing for so many extremely low-income households is difficult without multiple subsidies and complex financing packages, and in most countries is clearly beyond the capacity of national or local governments. While there are a lot of different small-scale projects supported by the international community, without capital subsidies to fill the gap, the existing programs cannot adequately serve the poor refugees. Furthermore, other schemes, such as site and services options, might be more appropriate in some cases by mobilising self-help and incremental household investment.

Expand the provision of affordable housing through urban regeneration

In response to concentration of poverty in certain neighbourhoods and patterns of social exclusion, a number of countries in the region address the provision of affordable and adequate housing through area-based urban renewal and regeneration programs and these should be continued and scaled-up. The practice of local governments working in partnership with non-profit housing providers and community groups has shown merit in many cases and should be employed beyond its current use in Western Europe.

It is acknowledged that this approach to social inclusion through housing policies is



increasingly difficult in an era of increasing socio-economic polarisation in many European and North American countries. Nevertheless, it is particularly important to establish mechanisms to share achievements and good practices of promoting the provision of affordable housing through area based urban regeneration. It is encouraging to see that the European Union also increased its financial support for these initiatives through URBAN II European Regional Development Fund contributions and other co-financing mechanisms such as the Joint European Support for Sustainable Investment in City Areas (JESSICA).

Address the problem of management and deterioration of privatised multi-household housing

The management and rehabilitation of privatised multi-household housing in Eastern European countries is potentially one of the largest problems facing municipalities in countries in transition. Such housing accounts for a large proportion of the housing stock, in many countries more than 40 per cent. Legal and institutional capacity and financing mechanisms are the two key needs to upgrade and maintain multi-household housing. Countries in transition need to introduce both appropriate legal and institutional policy changes to improve the management and renovation of multi-household housing, as well as launch a combination of mortgages and small subsidy programs to leverage investment by homeowners.

4.4 CONCLUSION

Adequate housing is a basic human right. Accordingly, it would be acceptable to assume that for people in some of the richest countries of the world this right is met. This is not the case and many people in such countries live without this right fulfilled. They struggle to obtain, retain and maintain dignified, secure, adequate housing that they can afford.

It is an inescapable reality: achieving universal access to adequate and affordable housing will not simply happen by chance. Unless national and local governments take a leading role in urban and housing development housing will become increasingly unaffordable for the majority. Taking a leading role does not mean direct provision; history has shown that this does not produce

houses of decent quality. It does, however, mean more than leaving housing provision completely to 'the market'; history has shown that the market, and the private housing developers that primarily comprise it cater mainly to upper-income households and do not build housing that is affordable for low- and many middle-income households. Therefore, the time is now for government leadership and action to ensure universal access to adequate and affordable land and housing. A mixed strategy will be beneficial in improving housing affordability: increase the provision of housing for middle- and high-income households whilst facilitating the direct production of new housing units for low-income households, with a special focus on income-based housing subsidies.

As this volume has examined, compared with Asia, Africa, and Latin America and the Caribbean, European and North American

THE TASK FOR THE COMING DECADE IS FOR EUROPEAN AND NORTH AMERICAN COUNTRIES TO CONSOLIDATE THEIR VALUABLE EXPERIENCES, REFINE THEIR CONSIDERABLE EXPERTISE, AND EXPLORE NEW HOUSING POLICIES AND MODES TO ENABLE THESE COUNTRIES TO SCALE-UP AFFORDABLE HOUSING PROVISION TO REACH ALL HOUSEHOLDS, IN TURN CONTRIBUTING TO ECONOMIC GROWTH AND ENSURING THE FULL REALISATION OF THE BASIC HUMAN RIGHT TO ADEQUATE HOUSING FOR ALL.

countries present distinctive challenges for affordable land and housing. Affordable land and housing problems in Europe and North America stem from dimensions of affordability that are less prevalent in Africa and Asia. Rising socio-economic inequalities are gentrifying and dividing European and North American cities and making house purchase and rent increasingly unaffordable for low- and middle-income households.

The housing stock in most Eastern European countries is comprised of cheap multi-storied apartment blocks, built between the late-1950s and 1980s, which are extensively deteriorated and poorly managed. While households have ownership of such units, many households cannot afford the ongoing service and maintenance expenses. Left unaddressed these dimensions of housing affordability pose a serious problem for European and North American countries.

Governments in European and North American countries have largely retreated from providing 'social' housing in favour of 'enabling the market', yet the market has not provided land and housing that is widely affordable. Housing reforms in Europe and North America in the past decade have promoted policies to reassert market forces and reduce government intervention. With respect to housing provision, they have emphasised deregulation, private

sector involvement and demand-based subsidies. While the overall goal of these reforms has been to improve the economic and social efficacy of the housing systems, responses across the region demonstrate diversity and substantial differences in housing conditions.

The challenge for the coming decade is to build on the strength that underpins the housing sector in these countries. Many European and North American countries have a long history and considerable experience of affordable 'social' housing provision that can be harnessed and learnt from. Likewise, land and housing finance mechanisms are relatively well developed in many countries and this experience and expertise can be scaled-up to reach out to the poorer and less developed member countries. European and North American countries are distinctly urban and urbanization rates are some of the lowest in the world meaning that the challenge is one of consolidation and improvement of quality rather than large-scale new construction. In a rapidly changing world, European and North American countries should consolidate their experiences, refine their considerable expertise, and explore new housing policies and modes. This will enable the region to scale-up affordable housing provision to reach low-income households and ensure the full realisation of their basic human right to adequate housing.



Figure 40: Variation within a typology: Row houses in Oslo, Norway. Photo © UN-HABITAT/Matthew French

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Figure 41: Medium-rise multi-household housing comprises much of the residential fabric of Spanish cities, such as this example from Madrid. Photo © UN-HABITAT/Matthew French





Figure 42: Traditional timber housing in Bergen, Norway.
Photo © UN-HABITAT/Matthew French

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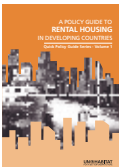
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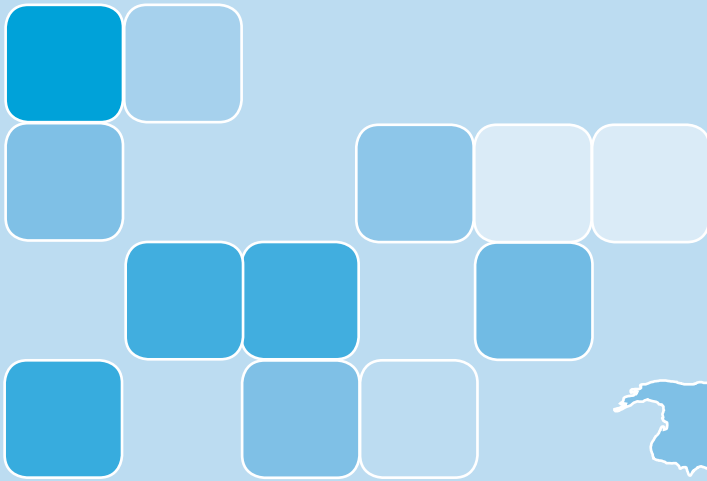


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AFFORDABLE LAND
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This volume investigates the state of affordable land and housing in Europe and North America (countries that comprise the United Nations Economic Commission for Europe (UNECE)). It explores the major trends in housing provision, conditions, availability, and quality; analyses housing policy responses and practices; and provides key recommendations for local, national and international policy initiatives that can increase affordable housing supply.

This volume demonstrates that housing affordability is a pervasive and escalating issue in European and North American countries. Rising socio-economic inequalities are gentrifying and dividing cities and making adequate housing unaffordable for low- and many middle-income households. The rental housing stock has been diminished in favour of home-ownership which is invariably more expensive and difficult to secure. Furthermore, the need for essential maintenance and the high cost of services in post-war multi-storey housing in Eastern European countries is placing additional pressure on housing affordability in these countries.

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