Market studies and governmental activities concerning affordable Housing

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Outline

• Affordable Housing - a TF-topic?

• Social housing market indicators

• New policy approaches for affordable housing
  – Switzerland, Germany

• Conclusions
Affordable housing – a Task Force-topic?

- **Aim of TF:** Recommending standards for “sound real estate markets”, esp. in countries in transition
  → fully functioning and well regulated markets (UNECE 2010)

- **Questions:** Should affordable housing be part of standards?
  Can affordable housing be integrated in market mechanism?

- **Adequate housing → important issue → human right status (UN)**
### Different terms used for “affordable / social housing”

National terms referring to “social housing” in selected countries in the UNECE region

<table>
<thead>
<tr>
<th>Country</th>
<th>Term used in translation to English</th>
<th>Term in the original Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>“limited-profit housing” or “people’s housing”</td>
<td>wohnungsgemeinnützigkeitsgesetz (WGG)</td>
</tr>
<tr>
<td>Canada</td>
<td>“social housing”</td>
<td>logement social/social housing</td>
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<tr>
<td>Denmark</td>
<td>“common housing” or “not-for-profit housing”</td>
<td>almene boliger</td>
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<tr>
<td>Germany</td>
<td>“housing promotion”</td>
<td>Wohnraumförderung</td>
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<tr>
<td>Finland</td>
<td>“government subsidised housing”</td>
<td>asuntorakennustuotannon valtuuskunta (ARAVA)</td>
</tr>
<tr>
<td>France</td>
<td>“housing at moderate rent”</td>
<td>habitations à loyer modéré</td>
</tr>
</tbody>
</table>

Here → “Affordable housing”

Policy Framework for sustainable real estate markets (UNECE 2010)

Principle 9: Social housing

- Social housing should be considered as an integral part of the real estate market (as means to promote (...) reduction in housing pressure, and as a policy option to address the problem of informal settlements)

- … set of laws regulating rents, condominiums, management and maintenance, subsidies and social housing should be adopted

- Social housing through public housing, PPPs, cooperatives, etc. (...) It should compete with private markets to stabilize housing costs.
Many market studies of affordable housing are available ...

CECODHAS - Comité Européen de Coordination de l'Habitat Social
= European Social Housing Observatory (main source of information)
• Housing markets and housing conditions in EU – a cross country observation (2015)
• Housing affordability in the EU (2012)
UNECE
• Social housing in UNECE region - models, trends, challenges (2015)
• CIS Cities: Towards Sustainable Future - The Commonwealth of Independent StatesRegional Report for Habitat III Conference (Oct. 2016, Quito)
CES Bank: Financing social and affordable Housing in Europe (2015)
OECD publications, Habitat for Humanity: Housing Review 2015 etc.

... most with a single-edge view to social housing only
UNECE: Social housing in UNECE region (2015)

Trends:
1. Housing need → extended social housing waiting lists
2. Housing finance / social housing → from supply to demand subsidies
3. Housing provision → supply continuously decreasing,
   → housing quality more important
4. Decentralisation and governance → decentralized decision making,
   → networks of social housing implementation
Tenure split in % of total dwellings stock, EU 27 (2010)

Source: Pittini, A. (2012): Housing Affordability in the EU – Current situation and recent trends. CECODHAS Housing Europe's Observatory Research Briefing, Year 5/ No. 1/ January 2012, p. 6
Definition Affordability

- Is considered as percentage of income that a household is spending on housing costs.

- ‘Overburdened household’ (EuroStat): when the total housing costs represent more than 40 % of disposable income.

- More than a third of European households (37 % on average) feel that they are facing disproportionate housing costs.

100 million people in the UNECE region spend more than 40 per cent of their disposable income on housing – this is a conservative estimate.

UNECE estimates based on primary data collected for this research and following publications: CECODHAS, 2011; JCHS - Joint Center for Housing Studies of Harvard University, 2013a; European Union, 2012; Rosstat, 2012.
Chart 4: Share of housing costs in disposable household income, for the total population and those with income below 60% of median equivalized income (Source: EU SILC, data referring to 2013).

Source: Housing markets and housing conditions in EU – a cross country observation (2015), p. 17
Figure 20. Average price of average dwelling (thousands of euros)

Theory: How to capture a real estate market?

- Aims (e.g. land policy, amount of affordable housing)
- Framework (e.g. legal framework, initial situation per country)
- Market process (e.g. stakeholders, market activity, traditions)
- Outcome (results of market process under framework)


¬ Affordable housing ¬ important outcome of market
Necessity of affordable housing

Affordable housing is indispensible, esp. in big cities. But …

• Social housing construction rate in low (Germany 6-9 %)!

• Main problem: Availability of land at an adequate price! (→ Land investment often ~ 50 % of whole property investment)

• Public land policy: Cooperation with land owners and investors!
  → Approach Switzerland: Planning gain Tax + Monitoring of rents
  → Approach Germany: land policy favors solutions in cooperation with private stakeholders (Urban development contracts)
Revision of Swiss Town and Country Planning Act (RPG)  
(Revision 15. Juni 2012, Referendum 03. März 2013)

1. Local development plans  
   • New settlement areas restricted to needs of next 15 years  
   • If more, revision of plan within next 5 years  
   • Re-zoning may cause compensation

2. Improving availability of land for housing (new tools)  
   • Replotting procedure  
   • Timeframe for house building

3. Planning gain tax (20% of gain in land value by new zoning)
Housing policy dialogue

Aim: Promoting market forces (instead of restricting)

1. **New land-banking activities** to improve access to and availability of adequate land

2. **Monitoring rents** to improve market transparency and market functioning
   - If tenants change: landlord has to publish former rent level and reasons for increase of rent
   - Reduction of rent level caused by social housing subsidies has to be verified in official document

• Further information: [www.are.admin.ch](http://www.are.admin.ch)
New Approaches in German Metropolitan Cities

- „Baulandmodelle“ (Urban land strategies)
  
  Local framework to implement urban development projects

- Cooperative models
  
  → Aim: Transparent cooperation between local authority and each investor

- Details fixed in „urban development contracts“
  before legally binding development plan is passed
Fields of action of Urban Land Strategy

I  Affordable Housing 20-30% quota  
   (flexible implementation)

II  Re-Financing Public Services  
     Land + Costs

III  Urban Qualities  
     Planning + Implementing Standards

Balance in Stuttgart Land Strategy

Source: Stadt Stuttgart, Stuttgarter Innenentwicklungsmodell, www.stuttgart.de
Economic impact of the Munich Land Strategy

Property value in Mio. Euro

- Value undeveloped land: 30
- Value developed land: 100
- Value developed land (net): 12

- Affordable housing: 51
- Provision of services: 8
- Social infrastructure: 5
- Land for public services: 12
- Net value increase: 30
- Gross value increase: 30
- Cost and burdens: 2/3

Gross value increase
Net value increase
Cost and burdens

Economic impact of the Munich Land Strategy

Winrich Voss (8447)
Example: Arabellapark Project Munich

Result:

Premises with 30% affordable and 70% free market housing in favorable location!
Conclusions

- Real estate market studies should mention the affordable housing sub-market

- Affordability criterion is used unique (> 40 % of disposable income necessary to cover housing cost)

- Indicators that should be reported:
  - Demand-side: disposable income, overburdened households
  - Supply-side: Housing stock, new dwellings in affordable housing conditions,
  - Prices and rents

- Integrated solutions in cooperation with private investors require transparency, e. g. in Switzerland (rent increase control) or Germany (quota of affordable housing per project)
Thank you for your attention!

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