Housing distress in European cities: the effects of the crisis

ENHR conference in Tarragona, Spain
“Overcoming the crisis: integrating the urban environment”
This paper is a part of FP7 EU project WILCO- Welfare innovations at the local level in favour of cohesion. The empirical research in this project has been carried out in 2011 in twenty European cities from 10 European countries and from welfare regimes. We analysed housing, child care and unemployment in the context of social conditions of: the young with a position on the labour market, single mothers with children and first generation migrants.

Paper analysis housing in the context of local welfare considering its three facts: its capital function, its consumer function and its social investment and welfare function. Each of these functions can have an impact at various levels. From analysis it is clear that Harloe’s thesis of convergence goes a long way in explaining developments in housing as a capital market, with rising shares of ownership and a shrinking social sector; yet the distributional effects of this development and the possibilities for local authorities to respond to them are to a large extent conditioned by the institutional configurations captured by the welfare regimes. Cities within the different welfare regimes show different approaches to welfare. However, privatisations and austerity measures have stopped new investment in social housing. Comparative data show that the demand for affordable housing is not producing a higher supply.

The economic crisis and the increase of unemployment contribute to these structural housing problems of young people. From the analysed data, it is evident that welfare regimes affect the extent to which the effects of the crisis are cushioned. Predictably, the social-democratic and to a lesser extent the corporatist regimes provide the largest measure of security for young people.

The empirical evidence suggests that older people, lone parents, families with disabled persons, victims of domestic violence, singles and students are all affected by the current crisis, but in different ways. Again, in cities with a relatively high supply of social housing and a large presence of the third sector, there have been more initiatives to address the needs of members of these groups.

Outcomes of this research suggest that there is a need to focus on social innovation and policy learning, utilizing the links of housing to other fields of welfare more systematically. This requires less emphasis on financial investment and more on housing as a social investment.
1. Introduction

One can argue convincingly that bigger cities represent a housing situation that is quite distinct from that of other parts of countries. They have been the primary target of national construction efforts and generally of interventions in the housing stock, with the result that they show the visible remnants of past housing policies, arranged next to or on top of each other, like the ancient settlements uncovered by archaeologists. The rental sector and particularly social housing are strongly overrepresented, as are areas with concentrations of the socio-economically deprived and the socially vulnerable. Yet the scope for local interventions in the field of housing is relatively limited compared to the other policy fields described in this book, especially at a time of public stringency. As the level of housing distress rises, paradoxically, so has the inability of local welfare policies to deal with it. This is due to the fact that housing policies have a limited potential to affect the housing situation, due to the basic inflexibility of the housing stock, and much of the space for policy has been taken up by national or regional, rather than local governments.

The recent crisis has made the intrinsic limits of housing policies more evident. While the collapse of the housing market in California was originally a catalyst of the financial crisis, home-grown problems in European housing markets have now, from 2010 onwards, become apparent. The effects of international capital movement collide badly with the local need for a reliable and high-quality accommodation for all segments of the population. Lack of affordability has become a major problem in many urban areas. Prices rises and housing limited availability have particularly affected young people in a situation of precarious employment and young couples with children, squeezing their household budgets and giving rise to a growth in mortgage defaults and housing evictions. Aside from direct effects upon the housing situation of individuals and families, there have been indirect and broader effects upon opportunities in other areas of life such as employment, through a limitation of mobility and entrapment in ‘bad neighbourhoods’.

Yet the characteristics of housing, in some cases combined with the effects of other welfare measures, have diminished the already limited possibilities of local authorities to deal with worsening problems. Although there have been steps forward in the revitalization of neighbourhoods and in the knowledge of the effects of interventions has increased, local policy in relation to housing continue to have little room for manoeuvre. Local housing policies are stuck in impotence in the face of growing social problems. That is why, even more so than in other areas, there is a need to focus on social innovation and policy learning, using the links of housing to other fields of welfare more systematically.

In the next paragraph, we will describe the basic characteristics of housing, which differ quite markedly from the personal services and income transfers, typical supports of most of the other welfare state fields. The nature of housing as a stock, rather than a continuous stream of services, combined with the need for high investment upfront, severely constrain the possibilities both of individual citizens and of local authorities for adapting the supply to current needs. The institutional arrangements for dealing with this differ quite sharply across Europe and are predominantly conditioned at the country rather than the local level, a point we will demonstrate by applying two different theories that each highlight a different aspect of housing contexts. Michael Harloe’s theory (1995) on housing systems predicts that a convergence between housing systems towards dominant home ownership. This development does indeed seem evident in the years up to the crisis, although after that the market has ground temporarily to a halt. The
effects of this development and of the housing slump are moderated by welfare measures, in which institutional diversity becomes evident. In this, the effects of the welfare regimes identified by Esping-Andersen (1990), also discussed in other chapters in this volume, are partially visible.

2. The housing market: a comparison of national systems and regulations

2.1 The basic functions of housing

For a proper analysis of housing in the context of local welfare, one must consider its three functions: its capital function, its consumer function and its social investment and welfare function (Brandsen & Helderman, 2004; 2010). Each of these functions can have an impact at various levels: at the level of the individual or family, or at higher, collective levels such as that of the community which the resident belongs to, or of the city as a whole.

Clearly, housing is constructed to last for the very long term, and this means that the available supply of housing consists predominantly on the existing housing stock. High production costs mean that only a very limited number of dwellings are added to that stock - on average just a few per cent each year. As a result, the demand for housing often changes much more quickly than the supply, due to demographic, economic and social changes. This can lead to significant shortages or surpluses, and this type of imbalance can last for long periods of time. In fact, the supply of housing does not reflect current demand, but rather the demand of decades ago. This in itself limits the ability of local policymakers to adapt supply to current needs and their possibilities for reacting effectively to the consequences of an economic crisis, a point to which we will come back later in the chapter.

The considerable investment required and the fact that this is often extended over the long term means that housing has a function as a capital good. Here, the important factor is the extent to which the market value of the dwelling is passed on. This comes down to the fact that it is possible not only to live in a house, but also to live from it. Where the dwelling is the property of an individual homeowner, the resident shares directly in the increase (or decrease) in its value. Housing equity has come to constitute the single largest source of wealth held by the average European household (Doling, Elsinga, 2012) and increasingly plays a role as a source of income in old age (to pay for care, for example). Viewed in these terms, living in a house is also a form of investment.

When a property is owned collectively, the range of possibilities is greater. If the sum paid by the individual for using the property is independent of any changes in the value of the property, capital profits can also be used to maintain the collective property and make new investments. At the collective level, the capital function can thus be translated into an arrangement that provides maximum security of tenure. Some cultures of home ownership tend to emphasize security (as in Germany or in Italy), whereas others (as in Anglo-Saxon countries) have more of a speculative element.

Secondly, housing has a consumer function, which in market terms we can call a consumption function. In basic terms, the consumer function of housing stems from the simple fact that a resident also needs a roof over his head. However, housing can also fulfil several consumer functions simultaneously. The diversification of the services provided by social housing providers in countries such as the UK and the Netherlands in recent decades has meant that living arrangements are increasingly enabling residents to lead a variety of individual lifestyles (Brandsen, Cardoso Ribeiro & Farnell, 2006). For example, partnerships between health institutions have significantly widened the options available to the elderly. Housing can be interpreted as a means through which to offer a variety of services which can
enhance residents’ quality of life. As such, it is possible to interpret the consumer function both narrowly (as a roof) and broadly (as a space around which a lifestyle is organised).

Finally, housing has a social investment and welfare function. Housing provides the opportunity to realise social ideals, such as empowerment, or an improvement of labour market status. The housing market has always been closely associated with socio-economic status and social mobility, as improved status has resulted in a better position on the housing market; but increasingly research has demonstrated the reverse causal links, the effects of housing situation upon social status. For instance, bad housing is known to worsen health problems. On a higher level, the distribution and quality of housing can contribute to the perpetuation of existing socio-economic and gender inequalities (Morris & Winn, 1993; Harrison & Davis, 2001). As such, there has also been a growing interest in how housing could be used to affect status positively. On the one hand, due to the inflexibility, costliness and complicated causalities, housing is not the easiest inroad into social change and one should not overestimate the ability of housing policy to undo the link between labour and housing market positions (Elsinga e.a., 2007). On the other hand, the potential effects of successful social investment through housing are far-reaching and long-lasting.

2.2. Clustering the cities

These basic characteristics potentially translate into a wide variety of institutional arrangements. As in other chapters, we will try to use a typology to structure our analysis which is focused on the urban scale. This is particularly interesting because it brings to light the fundamentally different logics of developments in housing (which, in turn, have implications for the challenges for public policy). In fact, as we will demonstrate, the difference with other policy fields is so strong that one essentially needs to use two types of theories to understand what is going on.

The first of these is the Esping-Andersen welfare regimes theory (1999), best-known because of the categorisation that it gave rise to. In a nutshell, the underlying is that past power struggles have congealed into systems in which organisations, regulations and morality are consistently interwoven. On the basis of that premise, his empirical work has identified three clusters of national welfare states: the liberal, corporatist and social-democratic ‘regimes’. These differ in terms of the variables of decommodification -the separation of welfare provision from an individual’s position on the labour market- and stratification. This three-way model can be regarded as a reaction to studies that conceive of welfare state developments as a linear and universal process; for instance, as a phenomenon inevitably connected to economic growth and industrialism (see for example Wilensky and Lebaux, 1958). In subsequent discussions, Mediterranean regimes (Ferrera, 2005) and Transitional regimes (Fenger, 2007) were proposed to address limitations of the original regimes and to extend the areas of their scope. This regime approach has made a significant contribution to the welfare state debate. It has spurred on discussions for a decade and refined the analytical categories designed by welfare scholars such as Titmuss (1974).

However, to what extent it is applicable in housing has been a subject of long discussion. A number of authors have demonstrated that these difficulties can be overcome. Some studies have modified the details of the regime approach, while retaining its basic framework (Kleinman, 1996; Barlow and Duncan, 1994; Maznetter, 2002; Hoekstra 2005). Others have retained the notion of regimes, but have fundamentally reconsidered the criteria for defining types of clusters (Kemeny, 1995).
For the purposes of our argument we will here use a specification of the regimes for the housing field that stays relatively close to Esping-Andersen’s original formulation. The basic characteristics of the different regimes are summarised in the table 1:

### Table 6.1: Welfare regimes applied to housing

<table>
<thead>
<tr>
<th>Regime type and WILCO cities</th>
<th>Mix of state, market and family</th>
<th>Housing policy objectives</th>
<th>Subsidisation</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporatist (Münster, Berlin, Lille, Nantes)</td>
<td>Important position for the family; considerable influence for private non-profit organisations</td>
<td>Preservation of the social stratification in society; preferential treatment of the traditional family</td>
<td>Segmented subsidies; specific arrangements for specific groups</td>
<td>State intervention to correct the market; certain groups may be favoured in allocation</td>
</tr>
<tr>
<td>Social-democratic (Nijmegen, Amsterdam, Stockholm, Malmö)</td>
<td>Dominance of state</td>
<td>Guaranteed universal high level of housing quality</td>
<td>Large-scale production subsidies; subject subsidies for large target groups</td>
<td>Allocation on the basis of Need</td>
</tr>
<tr>
<td>Liberal (Medway, Birmingham, Geneva, Bern)</td>
<td>Dominance of market</td>
<td>The state only supports marginal groups</td>
<td>Means-tested subject subsidies; few production subsidies</td>
<td>Mostly market determination of housing allocation; regulated allocation in a small part of the housing stock for the socially vulnerable</td>
</tr>
<tr>
<td>Mediterranean (Barcelona, Pamplona, Milan, Brescia)</td>
<td>Dominance of family and market</td>
<td>The state only supports marginal groups</td>
<td>Means-tested subject subsidies; few production subsidies</td>
<td>Mostly market determination of housing allocation; regulated allocation in a small part of the housing stock for the socially vulnerable</td>
</tr>
<tr>
<td>Transitional (Zagreb, Varezdin, Warsaw, Plock)</td>
<td>Dominance of market</td>
<td>The state only supports marginal groups</td>
<td>Means-tested subject subsidies; few production subsidies</td>
<td>Mostly market determination of housing allocation; regulated allocation in a small part of the housing stock for the socially vulnerable</td>
</tr>
</tbody>
</table>

Source: Adapted from Hoekstra (2005).

The regime approach has faced sharp criticism from within housing research (Brandsen, 2001). It has been argued that, while the differences between systems of housing provision will fundamentally persist, different dimensions should be used to identify regimes. After all, Esping-Andersen’s model was based largely on income transfer, only one of the many elements of the welfare state, and on other types of social risks. While in some cases the welfare regime matches the housing system closely (for example for the US), in others the situation is less straightforward. Corporatist Belgium has a very small and targeted social housing segment, whereas neighbouring corporatist Holland proportionally has the largest social housing share in Europe. In an earlier study Esping-Andersen himself noted
that the housing arrangements of Sweden, Norway and Denmark could not possibly be any more different, even though these countries are all part of the social-democratic welfare cluster (Esping-Andersen, 1985).

Even more fundamental criticism concerns the assumption that institutional variation is sufficiently entrenched to persist in the face of pressures towards convergence. Torgerson (1987) once described housing as the ‘wobbly pillar’ of the welfare state, meaning that social housing provision is bound to become residual in the long term. In a major study, Harloe (1995) predicted a convergence towards a market dominated by individual ownership, complemented by limited public assistance for the poorer sections of society. To make his point, he distinguished between two broad models of housing, ‘residual housing’ and ‘mass housing’. In the former type, home ownership is dominant and social rented housing is a tiny fraction of the housing supply, targeted at the most needy. This stands in contrast to ‘mass housing’, in which there is a more mixed tenure pattern and a large social rented sector for a broad section of the population. The latter applies particularly to Denmark, Sweden and The Netherlands. The dimensions are less clearly defined than in Esping-Andersen’s model, but combine tenure patterns with levels of public housing provision and government intervention in terms of regulating the housing market. Harloe predicts that ultimately all systems of mass housing will move in the direction of residual housing, partly as a result of policy measures such as privatisation and tax incentives. ‘The residual form of provision has been incorporated within welfare capitalist regimes on a more or less permanent basis. In other words, this is the normal form of social rented housing provision in ‘normal’ times’ (1995, p. 7). In his view, the mass provision of the late 20th century must be regarded as a temporary phenomenon that was never likely to last. ‘The mass model, which cuts across private market provision more significantly than the residual form, gains major significance and state support only in ‘abnormal’ times, that is, when varying combinations of social, economic and political circumstances limit the scope for private provision and when this limitation is of strategic significance for certain aspects of the maintenance and development of the capitalist social and economic system’ (ib., p.7). This is because ‘housing is property and in capitalist societies the defence of all forms of private property rights is deeply entrenched’ (ib., p. 536). In other words, the inherent properties of housing make it unlikely that social housing will persist as a broad welfare state arrangement.

The two theories emphasize different drivers of institutional development: whereas the regime model explains institutions as the outcome of political struggles between different social groups, the mass/residual typology stresses the leading role of finance and markets, through Harloe’s thesis that ultimately it is capital that shapes housing systems, politics being a reflection of this more so than a force of its own (even if, in a direct sense, policies may be instrumental in achieving the transition towards a residual system. The theories therefore relate differently to the different characteristics of housing presented earlier. Harloe’s convergence thesis is based primarily on an analysis of housing as a capital good. By contrast, an approach relying on Esping-Andersen’s typology of course focuses on housing as a welfare good. Whereas the former predicts convergence towards a single model, the latter emphasizes enduring institutional diversity.

Our aim here is not so much to integrate the different theories, but to use them separately in order to understand different trends and contradictory elements within European local housing markets. In other words, we will suspend our disbelief and accept their limitations in order to structure our empirical analysis of the effects of the crisis. We will show to what extent the different theories are relevant in explaining current developments in housing; and by implication, which logic is dominant in the analysis of local housing. It will become clear that Harloe’s
convergence thesis goes a long way in predicting developments in the housing market, with rising shares of ownership and a shrinking social sector; yet the distributional effects of this development and the possibilities for local authorities to respond to them are to a large extent conditioned by the institutional configurations (partially) captured by the welfare regimes.

The following empirical analysis should be read with the caveat that the availability of statistical data at the local level differs quite a lot among cities as well as traditional used indicators. For example, in some countries and cities values of dwellings are usually measured in square meters, but in others medium values refer to standard typologies of houses or apartments. These factors complicate a strict comparison and our analysis must be read in that light.

3. Trends in housing

3.1. Trends in housing as a consumer and capital good

During the period we examined, European housing markets followed common trends both before and since the start of the economic crisis. There were variations between the cities we examined, yet generally these do not run parallel to regime differences and the overall picture appears to confirm Harloe’s convergence thesis.

From the beginning of the millennium until at least 2006, dwellings stock, prices and transactions grew significantly. The housing stock of the cities has grown over the past decade, albeit at different speeds. Among the analysed cities only Geneva has blocked building activities, which has pushed aspiring residents to settle down in the outskirts of the city or in adjoining municipalities. At the other end is Zagreb, which has shown the highest increase of its housing stock during the last ten years: 22 percent, 98 percent of which in home ownership. This was the result of more favourable housing loans, in order to meet the housing needs of young generations in circumstances of economic prosperity, when it was a very profitable business for investors.

Housing prices initially increased everywhere, both in the rental and ownership segments (tab. 6.2). Empirical evidence says that in many of the cities we examined the prices of real estate grew more than 60 percent in the last decade. As prices in the housing market depend on many different factors (such as the quality of the area in which the dwelling is located, its distance from the city centre, the availability of public transportation, the age and material condition of the dwelling), local housing markets in the majority of the analysed cities have been becoming more segmented. For instance, in the more attractive parts of Barcelona prices grew by 300 percent.

Following the economic crisis, there was a sharp reduction in the numbers of transactions and in decreasing housing construction levels. In Milan for example, they fell by 19.6 per cent in the first trimester of 2012 in comparison with the same period of 2011 (database Scenari Immobiliari 2012).

The economic crisis had a downward impact on housing prices, although the extent of this differed. In the period 2008-2009 prices fell sharply in cities like Brescia, Medway, Warsaw, Barcelona, Pamplona and Zagreb, but remained relatively stable in Milan and Geneva. Given the growing segmentation of cities, prices in these cities even increased in the central districts.

Households were also affected: significant numbers of families lost their homes defaulting on their mortgages (in Medway and Birmingham, for example) a trend that is partly related to rising rates of unemployment. More generally, families’ capacity to cope with mortgage and housing costs in general is decreasing in most cities.
Table 2. Dwellings prices and trends (*) in prices and rents in WILCO cities

<table>
<thead>
<tr>
<th>City</th>
<th>Dwellings prices and trends</th>
<th>Rents trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholm</td>
<td>+ 78% for co-operative building soc. dwellings, + 110% for houses (2000-2010)</td>
<td>+ stable growing in the decade 2001-2011</td>
</tr>
<tr>
<td>Malmo</td>
<td>+ 51% for apartments and 26% for houses (2005-2012).</td>
<td>+ 1.5% per year (2001-2011)</td>
</tr>
<tr>
<td>Munster</td>
<td>+17% (2000-2010)</td>
<td>+ 15% (2000-2010)</td>
</tr>
<tr>
<td>Berlin</td>
<td>+16.5% (2009-2011).</td>
<td>+8% (2009-2011)</td>
</tr>
<tr>
<td>Medway</td>
<td>+97% (2002-2011)</td>
<td>+195% in social housing (2002-2011)</td>
</tr>
<tr>
<td>Birmingham</td>
<td>+77% (2001-2010)</td>
<td>+ growing in the decade 2001-2011</td>
</tr>
<tr>
<td>Barcelona</td>
<td>€ 5242/sqm +150% (1997-2007)</td>
<td>+ 123% (2002-2010)</td>
</tr>
<tr>
<td>Brescia</td>
<td>€ 2150/sqm (2010). + 11.5% (2004-2011)</td>
<td>+ growing in the decade 2001-2011 with many ups and down in the period</td>
</tr>
<tr>
<td>Plock</td>
<td>Around €975/sqm (2010)</td>
<td>- decreasing in the decade 2001-2011</td>
</tr>
</tbody>
</table>

Source: WILCO city reports. (*) Used data to define trends are in some cases index-linked in others not.

Even if tenure data are not always available at the local level (census data are quite old and refer to the beginning of the decade in most cases) and each country/city uses different indicators to analyse it (the tenure status of dwellings versus the tenure status of families for instance), there is empirical evidence that in all cities there was an accelerated trend towards higher levels of home ownership. It is important to note that cities differ from non-urban contexts in that...
they show relatively higher levels of rental tenancy compared to the metropolitan areas and to regional or national profiles (for Lille, Nantes, Milan, Barcelona for example). This can be considered an indicator of the housing market adaptation to a dynamic economy that attracts much more high and medium-high profile temporary workers and students. Yet even before the crisis there were already shortages in the rental segment of local markets, particularly in the affordably priced parts. During the investment boom, construction for renting occurred primarily in expensive and luxury segments. The shortages were also fuelled by a growing share of single person households and increasing amount of young families with children who are not moving to the suburbs or outer parts of the city.

These developments have aggravated existing social problems in some of the analysed cities. For example, the issue of unoccupied private dwellings in Milan; the low quality level of private offers in the rental segment in Birmingham, where more than 50 per cent of dwellings do not meet minimum standards; overcrowding in Zagreb and Warsaw. In all cities prices grew more quickly than incomes. The case of Barcelona is the most evident: in the last decade average income grew about 30 per cent, while housing prices increased with an average 140 per cent. Likewise, in transitional countries the steep rise in building costs has outpaced the purchasing power of the local population (Lux, Sunega, 2013). As a combined effect of these phenomena, economic thresholds for entry into the rental market have been increasing for individuals and families across the social spectrum. Numbers of evictions (and especially evictions for arrears) increased sharply. This was especially the case in Zagreb, Milan, Brescia, Stockholm, Nijmegen and Barcelona.

There were some specific points on which there were variations between the cities, yet these mostly seem to cut across regime differences. They appear to be related to differences in local economies and to bear little relation to welfare policies (which again underlines the limited influence of such policies on the housing field). For instance, cities within corporatist regimes experienced a strong competition in the lower segment of the housing market between low income families and specific populations like university students (Münster, Berlin), young professionals and tourists. Yet those trends are also evident in Milan, a Mediterranean regime city that has a more stable housing market. Sometimes trends even appear to run counter to what one would expect with respect to regimes. For instance, the proportion of renters grew in Barcelona and Lille, yet decreased in some cities that were traditionally ‘rich’ in terms of social housing like Birmingham, Amsterdam, Nijmegen and in Swedish cities.

On the whole, there are common trends in European cities towards higher levels of home ownership, greater pressure on the rental market, greater segmentation within cities and more affordability problems. In the following table different and significant data about tenure status in each city are summarized in order to have an overview of specific housing markets.

Tab. 3 Tenure status of families/distribution of existing housing stock (different years) in WILCO cities

<table>
<thead>
<tr>
<th>City</th>
<th>Tenure status/ distribution of existing stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nijmegen</td>
<td>Ownership rate 45%, tenancy rate 55% (2011)</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>47.5% of the housing stock devoted to social rental, 25.3% to private rental, 27.2% was owner-occupied (2011)</td>
</tr>
<tr>
<td>Stockholm</td>
<td>14.7% of the housing stock owner occupied, 43.2% rented dwelling, 41% co-operative building society dwellings (2009)</td>
</tr>
<tr>
<td>Malmo</td>
<td>Ownership rate 56.3%, tenancy rate 42.6% (2011)</td>
</tr>
<tr>
<td>Munster</td>
<td>No tenure data available at the local level</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Berlin</td>
<td>Ownership rate 14%, tenancy rate 86% (2009)</td>
</tr>
<tr>
<td>Lille</td>
<td>70% of main residences occupied by renters, 30% by owners; social housing stock 33% (2007)</td>
</tr>
<tr>
<td>Nantes</td>
<td>37% of owners; 40% of renters in private rental housing; 22% of renters in social rental housing (2008)</td>
</tr>
<tr>
<td>Medway</td>
<td>Ownership rate 76%, tenancy rate 24%; social housing stock 56% of the total rental market (2001)</td>
</tr>
<tr>
<td>Birmingham</td>
<td>The dwellings stock is 64% owner occupied, 37.7% rented, 2.3% other tenures; social housing stock count for 71.4% of the total rental market (2010)</td>
</tr>
<tr>
<td>Geneva</td>
<td>Around 15.8% of dwellings occupied by their owners (2008)</td>
</tr>
<tr>
<td>Bern</td>
<td>Around 11% of dwellings were occupied by their owners, about 3.3% social housing (2008)</td>
</tr>
<tr>
<td>Barcelona</td>
<td>Ownership rate 60.5%, tenancy rate 36.5%, other tenures 3% (2001); social housing for rent and for buy it account for 3.2% of total stock (2010)</td>
</tr>
<tr>
<td>Pamplona</td>
<td>Ownership rate 85.2%, tenancy rate 10.7%, other tenures 4.1% (2001).</td>
</tr>
<tr>
<td>Milano</td>
<td>Ownership rate 55.4% (2001), tenancy rate 33.6%, other tenures 11% (2001).</td>
</tr>
<tr>
<td>Brescia</td>
<td>Ownership rate 70.4%, tenancy rate 20.5%, other tenures 9.1% (2001).</td>
</tr>
<tr>
<td>Warsaw</td>
<td>Stock of dwellings per kind of ownership: 12.6% municipal resources, 43.2% housing cooperatives, individuals/families 38.5%, other owners 5.7% (2007).</td>
</tr>
<tr>
<td>Plock</td>
<td>Stock of dwellings per kind of ownership in 2007: 12.4% municipal resources, 47.5% housing cooperatives, individuals/families 35.6%, other owners 4.5% (2007).</td>
</tr>
<tr>
<td>Zagreb</td>
<td>Ownership rate 80.8%, 7.8% tenants, 11.4% other tenure (2001); 3.5% of households accessed public social housing (2001).</td>
</tr>
<tr>
<td>Varazdin</td>
<td>No tenure available data at the city level. 2% of the housing stock is devoted to social housing (2010)</td>
</tr>
</tbody>
</table>

Source: WILCO city reports.

4. Distributive effects: how developments in the housing market affect socio-economic and demographic groups

In the previous paragraph, we indicated that trends in the housing market had led to greater affordability problems. The data show that some social groups, defined as ‘vulnerable’ (related to the participation to the labour market, to health issues, to age or family structure) have been hit relatively hard. Roughly speaking, these include young people, jobless or people in precarious employment conditions, singles, elderly, homeless, and other less visible social groups such as lone parents, families with disabled members and migrants. In the remainder of this section, we will discuss how the housing situation of specific groups of vulnerable people, with a special emphasis on young people, as these were a major target of the research project. The housing situation of migrants is discussed in another chapter in this volume.

As in other chapters, it is difficult to separate out the specific effects of housing in relation to employment, health and other aspects of human life. Indeed, a current trend in welfare policies is to adopt a more holistic approach in which the
connections between different social and individual problems are addressed (Brandsen e.a., 2006). Our analysis can only reasonably cover the housing aspect in this short space, but it must be read with caution because the causalities are complex and it is easy to over- or understate the effects of the housing situation as such. However, what we can see is that welfare policies make some difference in how developments in housing markets have impacted upon social vulnerability.

Some trends are visible in all cities, regardless of their welfare context. Gentrification and rising prices are affecting the housing situation of people with limited financial resources, such as the elderly. In Berlin, urban gentrification has forced many elderly people to move due to increasing rents; in Barcelona, elderly people with old rental contracts as tenants are exposed to mobbing by owners that reconvert their real estate properties in more profitable business. In Polish and Croatian cities, they are often among the segment of poor homeowners, who bought houses sold through the privatisation of public housing stock after the socialist period. Due to the limited level of income from pensions, these families have trouble covering essential living costs. As owners, they are not eligible to residual housing allowance programmes. There are also more elderly people with limited income from pension benefits and with tenant status.

Similar problems are faced by single households and students. Although neither group can be considered a ‘vulnerable group’ in a strict sense, those who cannot count on family nets are exposed to some risks. Income decrease, unemployment or sickness events make it a major problem for them to cover rising housing costs, be it rent or mortgage repayments. Housing allowance programmes, where they exist, are always less generous to single families. Therefore in many cities single households are exposed to risks on the competitive housing markets with high housing prices and rents increase. Very often problems concern also the availability of housing units suitable for single households. Students are gentrifiers but also exposed to very speculative housing markets. Problems are reported in all university cities especially, but not only, in those with less generous provision of affordable accommodation for students. In Nijmegen, for example, there is a structural lack of apartments for students, even if 4.5 percent of dwellings in the city is devoted to student rentals. In some cases the increase of housing costs made university education less affordable to people from lower strata like in Zagreb.

In the worst cases, the deterioration of the housing situation results in homelessness. Numbers of homeless people are increasing in most cities we examined (though not in all, for example in Birmingham or Amsterdam). Another comprehensive study (European Commission, 2010) concluded that homelessness is more an ‘individual’ problem in countries with strong welfare states, and can be considered more as a ‘structural’ problem where there is a weaker welfare state. Welfare policies that restrict entitlements or introduce increased conditionality will tend to drive up homelessness. However, it should be stressed that, in terms of the numbers of people affected, in all the analysed cities homelessness is a relatively minor problem compared to other current problems such as overcrowding, family instability, unemployment and inability to repay mortgages.

For some vulnerable groups, data are hard to come by: families with disabled persons, pregnant women, women and children victims of domestic violence, ex-addicts and ex-psychiatric patients. They are the meters of ‘very social’ housing policies, but are less visible on the landscape of local social issues, according to the collected data. In most of the studied cities third sector organizations, in cooperation with local public agencies try to develop tailored solutions to support these families in their housing needs (and more). But indications are that these do not fully cover demand anywhere, especially not in the Spanish, Italian, Polish and Croatian cities.
Turning to young people, recent trends in local housing markets have generally affected their ability to leave the parental home or stay independent, which in turn reduces labour market mobility and delays family formation (through women giving birth at a later age and a reduction of the number of children per household), speeding up the ageing of the population.

Again, one must be cautious in the extent to which this can be attributed to any single factor. The time at which young people leave their parental home varies considerably and depends on a number of factors, including the nature of the housing market, welfare programmes, but also cultural attitudes. Generally, in Northern and Western Europe, it is common to leave the parental home much earlier than in Southern and Eastern European countries (Mandić, 2008).

Nevertheless, some broad patterns are visible. In the social-democratic and corporatist regime cities, with a relatively high supply of social housing and a large presence of the third sector, local welfare systems have to some extent dampened the effects of recent trends in housing markets. This is far less the case in the other cities we examined.

In the social-democratic cluster of cities, social rented housing offers an opportunity for children to leave the parental home at a relatively early moment (Mandić, 2008). Stockholm and Malmo, which are in a relatively stable economic situation and have sustainable welfare programmes, still provide affordable rental housing to young people, partly through cooperatives. Still finding affordable housing has become much more difficult than it was ten years ago. Waiting period for social housing on the respective lists, in both cities, becomes longer and it especially affects people from the younger generations.

In the corporatist regime cities (Lille, Nantes, Berlin and Münster), housing market pressures have combined with a shortage of social rental housing (which is quite generous) and limited new provision made housing carriers for young households more uncertain. Even if, according to empirical evidence, young people are ostensibly a target group of local housing policies, the outcomes of endeavours to make more affordable housing are limited. In Berlin, the development of a newly competitive market where wealth people from all over Germany and Europe are investing money buying second houses (due to the relatively low prices compared to other European capitals), has put young people in a more marginal housing position. Young families with children, more than other population groups, have been affected by crowding out dynamics due to the attractiveness of housing units for outside investors. In Münster we find the same dynamics, here mostly due to the huge presence of universities students which compete with the local population for affordable dwellings. This comes at a time when there is by no means sufficient social housing to cover demand.

Despite the availability of a larger segment of social housing than in the French and German cities, in the liberal regime cities, Birmingham and Medway, young people were likewise faced with a lack of affordable renting housing. Empirical evidence showed that young households with children were more likely to live in unsuitable housing, and in Birmingham 28.6 per cent of them are in serious disrepair or overcrowding.

The lack of affordable rented housing in the Mediterranean cities, by contrast, leads to a delay in leaving the parental home. Family support, especially in the corporatist and transitional cities, is also a push factor for young individuals to leave their parents at an earlier stage. In cities like Milan, Barcelona, Brescia and Pamplona, the very high and increasing unemployment rates of young people, discussed in other chapters in more detail, have made them more socially excluded and dependent on their parents. Here, a residual social rented sector and a generally weak structure of housing support (in terms of allowances and access to
credit) have left young people little choice. The fragmented housing infrastructure on the government side and the limited position of the third sector in this field have resulted in a patchwork of modest local housing programmes that each only weakly prevents vulnerability. Cities have responded differently to these conditions. For instance, housing markets have been very competitive in both Milan and Barcelona, which have been characterized by very high housing price increases; in both cities there has been only limited investment in social rented housing and both have seen rents grow sharply before 2007. Yet no specific actions have been taken to support young individuals and families. By contrast, in Barcelona local authorities have implemented the following special measures: a subsidy programme for young people under 30 to allow them to leave their parents’ home (€ 210/month for 4 years) and measures to target the few social housing units at young people (under 35) and the elderly. However, such schemes are the exception and can do only little to relieve the overall situation. Barcelona has also become a city where more and more families, and among them first buyers from young generations, have problems to pay their mortgage and are at risk of losing their homes. As a result, huge numbers of young people opt to stay with or go back to their parents when they lose their jobs.

The situation is similar within transitional regime cities, both in the capitals Warsaw and Zagreb, and regional cities, Plock and Varaždin. In the capitals residual social housing provision and high real estate prices limit the access of young families to decent housing. Yet even in Plock and Varaždin, with much lower levels of housing prices, young married couples with low incomes can hardly afford good or sufficient quality housing. In Poland and Croatia young families with mortgages recalculated in Swiss francs are in trouble because of the increase of exchange rates. In fact, they are considered the most vulnerable group in the housing market, estimated to cover about 40 percent of all housing loans. In Zagreb, this has led to large numbers of young families renting private apartments on the black market at very high prices without legal contracts. They are also forced to move very often, which is a problem for the stability of families and for the education of children. First buyers of houses in Croatia in 2010 lost governmental incentive for tax deduction and this made their position more difficult. Open and speculative housing markets in these transitional cities, which have a very marginal provision of social rented housing and where the role of third sector organisations is limited, make housing problems worse and force young generations (often young professionals with university degrees) to leave the country. While socially excluded groups with housing problems are entitled to urgent and protective measures to secure decent housing conditions, social measures for these groups are locally designed more in terms of basic safety nets then as programmes for bringing them back into the mainstream with respect to housing.

Overall, the economic crisis and the increase of unemployment have contributed to the housing problems of vulnerable groups that were already emerging before the crisis. From the analysed data, it is evident that welfare regimes affect the extent to which the effects of the crisis are cushioned. This is an unsurprising finding, but it indicates that the effects of the crisis on the housing situation are institutionally filtered.

5. The role of local policy measures

Overall, in the European cities we studied there are convergent processes towards a reduction of public agencies in the provision of affordable housing, increasing
incentives for ownership, liberalisation of public regulation in the rental sector, increasing privatization of the public housing stock and a switch from policies that support the supply side of the market to policies that support demand, specifically in relation to urgent housing needs (Edgar, Doherty and Meert 2002; Arbaci 2007; Whitehead and Scanlon 2008). These processes have left fewer resources to local housing policies, whether in cash or kind. There are a number of handholds for these local housing policies, of which we will discuss the four most important: social housing; support for the socially vulnerable; regulation of access; and neighbourhood regeneration.

Social housing
Social housing is a part of the housing stock that is usually subsidized directly. In Sweden, The Netherlands and the UK, these amount to substantial segments of the total supply. In other countries, social housing is non-existent or amounts to only a very small proportion of the housing stock, in effect an extension of social assistance. This does not constitute a significant element of the market itself, nor has it been able to keep pace with the growing demand. Privatisations and austerity measures have stopped new investment in social housing practically everywhere, regardless of the regime. Comparative data show that the demand for affordable housing is not producing a higher supply. Among WILCO cities, Lille is the only one where social housing units increased significantly even if not at the same level as demand. The case of Berlin is quite interesting and paradigmatic for this specific point. Traditionally rich in terms of social housing resources, now it is losing this ‘privilege’ as the Federal State recently cut down its financial support for social flats; with rising land prices, investors are prevented from starting real estate projects aiming at the lower price segment of the housing market. As a result, waiting lists have been growing everywhere and it is quite usual for families to wait for many years in order to get a public dwelling (even in those cities where the social housing stock in relatively large). The numbers of applications are three to four times higher than numbers of available dwellings in most cities. This trend has been fuelled by the privatization of public housing stocks (like in Zagreb in the ‘90s or in Milan and Brescia in the last decade) or/and by the externalization of its management (like in Medway). Local public housing policies have little room for manoeuvre in cities where the housing public stock is modest. The highest rate of affordable dwellings in the renting market is present in Nijmegen, where social housing counts for 42.9 per cent of the whole rental stock. Yet also in this ‘generous’ city, social renters currently need to wait 5-7 years to have a dwelling assigned.

Social assistance for the vulnerable
In addition to the direct subsidization of housing providers or real estate, governments also support low-income households by other means. As the costly investment in new housing historically decreased, efforts were diverted towards more targeted instruments. These include subsidies or tax incentives to landlords for cheap housing as well as personal housing benefits (ranging from a small tax allowance to a 100 per cent coverage). In Swiss cities, private rented housing is subsidized to make it accessible to low-income families. A recent comparative study found that the best outcomes are achieved by a mix of supply-side instruments and demand support (Elsinga e.a., 2007). Local policies can affect this mix through their control of a part of the stock, as described above, and through the adoption of additional targeted measures. Third sector organisations also provide different kinds of support and advice. An example are authorities in Stockholm working with socially vulnerable groups using an innovative model inspired by the idea of “Housing First”, a concept that involves approaching
multiple problems by offering housing combined with assistance and guidance, see Canpolat 2012).
What one can see, on the whole, is that rising rents and housing costs have not been accompanied by proportional increases in the amount of housing allowances (in countries where they exist). The latter cover a diminishing share of housing costs in the studied cities. As a result, the economic crisis/credit crunch has increased housing distress and homelessness in some cities and amongst some social groups but did not have a uniformly negative effect. A second, apparently general trend in local policies is to focus measures more emphatically on the most vulnerable segments of the population. An example is a special allowance in Milan devoted to very deprived families in social rental housing called ‘solidarity contribution’. It had very strict eligibility criteria and was targeted at the most marginalised social groups.

Regulation of access to the housing stock
Within the complex dynamics of distribution within the local market, there is scope for manipulating the allocation of housing, particularly in those parts of the local stock that are directly under public control or indirectly subsidized. As attention shifted from construction to the existing stock, the significance of this allocation process has increased. Access can be restricted to tenants with a specific socio-economic and/or geographical background and certain tenants can be given priority. Of course, the efficacy of such a system partly depends on the level of mutations: when scarcity is high, as it often is in the lower-end segments, the ultimate effects of allocation policies are limited. Examples include people in problematic situations with ‘urgency status’ going to the top of the waiting list in Nijmegen, evicted families in Milan, victims of domestic violence having priority in Zagreb, or families with dependent children or pregnant women, the elderly, the disabled, the mentally ill and those suffering from domestic violence having priority in Medway. As a matter of fact, empirical evidence shows that housing allocations are increasingly concentrated on urgent cases. In Birmingham 35 per cent of allocations of council homes in the last years were devoted to homeless families (urgent situations), in Milan 50 per cent (while in Brescia it was less than 10 per cent). In Warsaw this has affected the demand for social housing because the applications for access to social housing are strictly connected to evictions. Another common trend is that migrants and families with a migrant background are more and more present in the scarce social housing dwellings stock, especially in cities that have been exposed to relatively sudden growth shocks in migratory flows, as are cities in Italy.

Neighbourhood regeneration
As noted above, there has been a gradual move from large-scale construction to interventions in existing stock. Subsequently, there has also been a movement from a pure focus on physical interventions to a broader range of measures, mixing physical and social interventions, with emphasis on integrating the resources from several fields. With the collapse of private investment and public budgets in the recent crisis, this process of geographically concentrated integration, which involves collaboration among a large number of local actors, has gained in significance. That means that an increasingly important objective of local housing policy is to encourage and coordinate networks that stretch well beyond the traditional ‘brick and mortar’ housing field. A good example of this philosophy can be found in neighbourhood regeneration projects that entail the re-location of public housing tenants, better matching housing needs and available units, but also supporting people with other local welfare measures (home care, educational support, training to enter in the labour market and so on). It is clear that physical
interventions in the housing stock have generally slowed down, along with new construction, and that plans for large-scale regeneration have cutbacks along with everything else. However, we have no systematic data on processes of collaboration outside these programmes and on how these were affected by the economic crisis.

Given these findings, the question is to what extent local welfare policies can play a role of significance in mitigating or reversing the effects of recent trends on vulnerable groups. Housing policy (at any level) in itself has a limited potential to affect the housing situation, due to its basic inflexibility. Moreover, much of the space for policy has often been taken up by national or regional, rather than local governments. There are several reasons for this, all related to the capital function of housing. The development of housing policy has been closely tied up with general economic policy. Construction was a significant element in post-war Keynesian efforts to boost economies and again figured prominently in the stimulus packages launched in the recent crisis (in both eras, the effects have been disputed). Such policies have little to do with local conditions or even with housing conditions as such. Second, the availability of capital and interest rates is an important determinant of home ownership, but on the whole beyond the control of local (or even national) authorities. Finally, the resources needed for any significant intervention in the housing stock are often beyond the reach of local governments and require the support of various partners, including higher levels of government. This, in turn, has meant that the parameters of investment in housing are often mostly nationally determined.

6. Conclusion

On the whole, it is clear that an emphasis on housing as capital has led to a great rise in ownership levels and rising prices and, following the crisis, to a slump in investment in European cities. This appears to confirm Harloe’s thesis that ownership tends to become the dominant form of tenure, while social housing declines in the long term. As a result, the housing consumption of certain groups has suffered, leading to deterioration in quality and sometimes even the loss of homes. Increasing shares of low-income households and precarious workers face barriers to home ownership, higher than ever in the context of limited investments in new social rental housing and of privatisations of part of that stock.

The effects of general trends are mediated by welfare arrangements. Our analysis has demonstrated that the extent to which different groups are affected mirrors the regime typology. This is logical, because, where local authorities have intervened, it has been through their control of access requirement, by allowing certain groups whose problems have increased (especially the homeless and the evicted) more immediate entry into social housing. Such measures bear a close relation to the dimensions of decommodification and stratification that lie at the basis of the regimes; unlike the more physical interventions of previous periods. However, the question is how effective such measures can be. They can only have limited effects when there is a major mismatch between supply and demand. The problems are especially evident in the Mediterranean and transitional regime cities. Given the path-dependent nature of housing policies, this is hardly surprising. The problems therefore appear hard to solve with existing policy instruments. Yet there appear to have been no major breaks in local housing policies. The crisis has primarily reinforced existing patterns. This is why, even more so than in other policy areas discussed in this volume, there is a need to focus on social innovation and policy learning, utilizing the links of
housing to other fields of welfare more systematically. This requires less emphasis
on financial investment and more on housing as a lever for social investment. It
might be expected that the increased pressures on vulnerable groups will
contribute to self-organisation and a stronger push for local housing innovations.
This will be more effective than tinkering with a housing supply that is likely to be
structurally inadequate.

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