

An aerial, wide-angle photograph of a city, likely Brussels, Belgium. The city is densely packed with buildings, many with red-tiled roofs. In the center, a tall, slender tower with a green patina and a golden rooster on top stands out. A river flows through the city on the right side. The sky is blue with scattered white clouds. A blue location pin icon is visible on the left side of the image.

Dr. Orna Rosenfeld

# Fragmentation of the housing markets and the state intervention



Members of the Housing Partnership at the Vienna Meeting, Dec. 2016

# EU UA Housing Partnership

The Housing Partnership aims to create better legal and financial conditions for EU cities who need to invest in new, renewed, affordable housing for their populations on a broad scale.

More specifically, 'the focus of the Partnership is on the supply of affordable housing', including: social housing, affordable rental housing and affordable home ownership.

# Housing in the EU a link

**The European Union does not have an official mandate on housing.** Within the structure of the EU Treaties, responsibility for housing policy lies at the **national level**.

- The link is made thorough deliberations on the nature of Services of General Economic Interest (SGEIs), of which social housing can be a part.

While it is widely recognized that ‘it is not for the European Commission to determine how city governments or other public authorities organize their housing systems’, **social housing can be recognized by local or national authorities as a SGEI, and as such may receive different forms of State Aid.**

This brings into the wider consideration of the **EU Competition Law.**

# Structure of the presentation

Key trends and challenges  
Fragmentation of the  
housing markets  
Diversity and complexity of  
the housing need  
Role of the cities and  
regions in housing in the EU  
Discussion





Global financial crisis has changed the context in which housing systems operate and the future remains uncertain.



# Over 80 million people in Europe are housing cost overburdened

Observed **waiting lists** for **social housing** are breaking **historical** records.

Homelessness has increased markedly.

# The housing need has diversified

No income

Low income

Refugees and asylum seekers

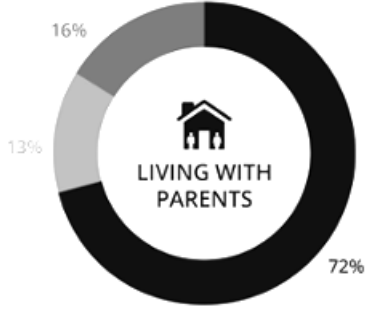
Aging

Key workers


Middle income

Young

Middle class families





An aerial photograph of Paris, France, taken during the 'golden hour' of sunset. The sky is filled with dramatic, dark clouds illuminated from below by the setting sun, creating a warm, golden glow. The city's dense urban landscape is visible, with the Seine River winding through the center. In the foreground, a bridge crosses the river, and several boats are visible on the water. The overall scene is a mix of urban architecture and natural beauty.

There is willingness to provide more social and affordable housing in the EU member states. However, there is less certainty about the future of funding that supports such development.



Cities indicate a need for financial mechanisms that are better adapted to their circumstances.

tested financing methods exist for local governments to fund the needed public infrastructure. Although they are still the first port of call for local governments, they have come under great pressure in the wake of recent financial crisis.





We are gathered today in efforts to contribute to developing knowledge and understanding on the use of state support in the housing sector. The aim is to ensure legal certainty in use of the State Aid rules in the affordable housing sector.



**MARKET**

**WHAT**

**MARKET**



# Theory & practice: economics

Housing is a complex market because housing is a complex commodity. Economists find it difficult to accommodate the unique characteristics of housing within their models.

**Heterogeneity; spatial immobility; durability; (introduces space/time dimensions)**

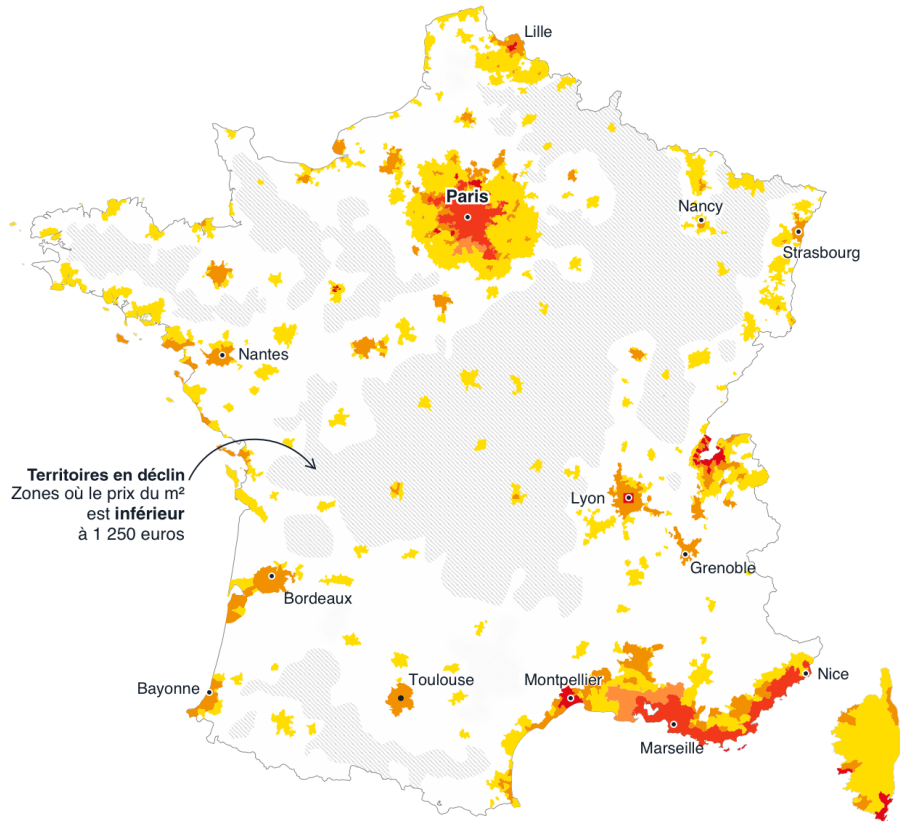
Emphasis in economic analysis has changed over time

Earliest studies can be traced to Richard T Ely in 1890s; spawned 'Columbia School'

Policy debates and conceptual models transformed with emergence of New Urban Economics in 1960s

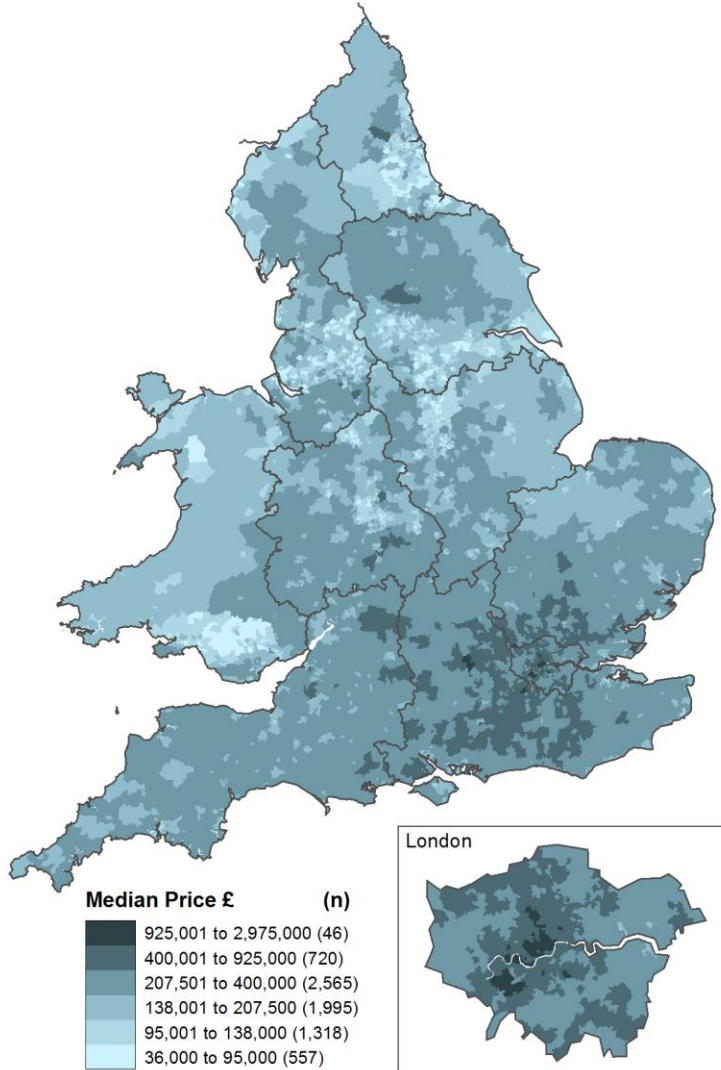
Emphasis on generalised solutions; analytical framework emphasised **unitary markets**; developed simulation models.

# FRANCE



National housing markets are not unitary (average national price is not representative) but spatially fragmented.

The demand for housing and therefore the price of housing differs depending on a location. While some parts of the country may experience high housing demand and high housing prices, others may experience low housing demand characterized by abandoned and vacant properties.



The policies or data available may not factor fragmentation of the housing markets.

The term lack of advantage may be defined on a national level and not take into consideration the local and regional differences (note: this is different from country to country).

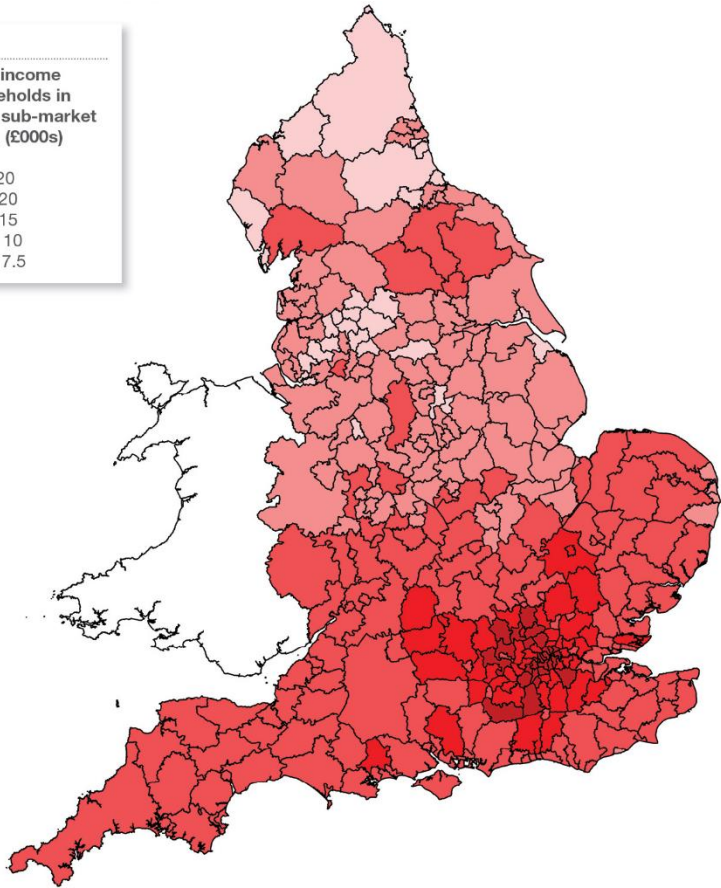
For example:

The **at-risk-of-poverty rate** is the share of people with an equivalised disposable income (after social transfer) below the **at-risk-of-poverty threshold**, which is set at 60 % of the national median equivalised disposable income after social transfers.

KEY

Median income of households in need of sub-market housing (£000s)

- Over 20
- 15 to 20
- 10 to 15
- 7.5 to 10
- Up to 7.5

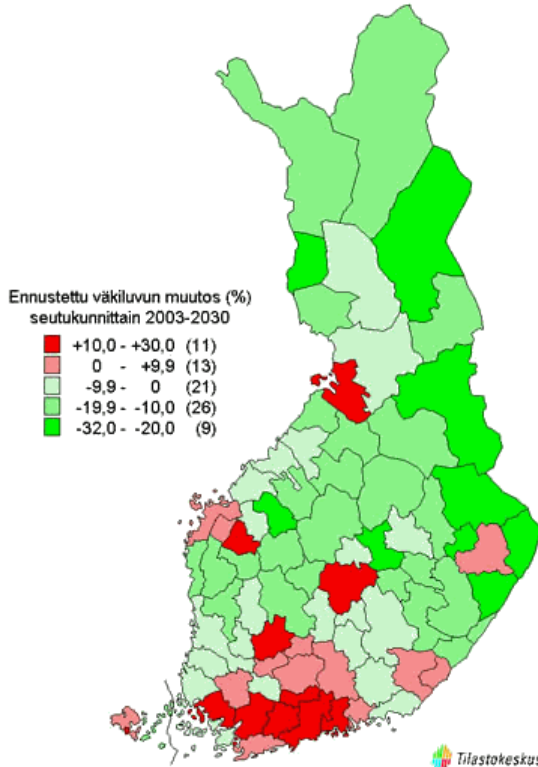


The nature of households in need of affordable housing varies across submarkets and therefore different solutions are needed in different places to fill the gap left by the market. In London, these household incomes reach up to £60,000 per annum, (the median is £20,000).

In contrast, the median income of these households in the north is only £8,000 per annum. There are also substantial variations in the income of these households within regions, at local authority level (Savilis, 2015).



# FINLAND



## Population projection 2003–2030 (%)

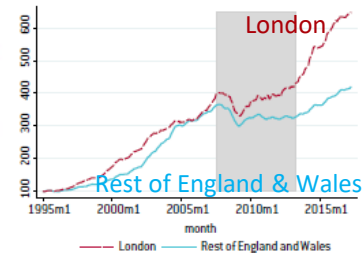
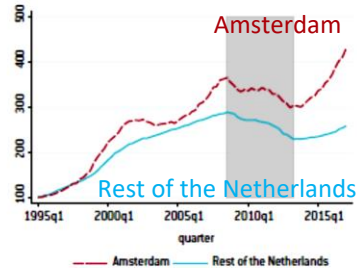
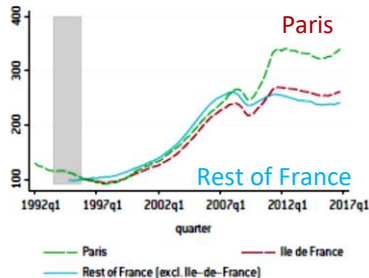
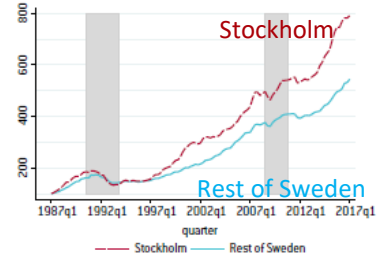
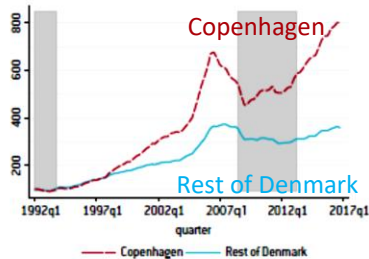
The national sub-markets do not operate in same manner and have their own dynamics.

The movement of the population to large cities and metropolitan areas has results in some areas experiencing high housing demand, whereas others quite low.

*‘Population is concentrating to certain areas, that is growth centers. That is the reason why housing markets are regional and why they behave differently’.*

## House price indices: countries and their capital cities


House price indices, beginning of period = 100



In cities with high housing demand, prices are rising too steeply, and consumers and businesses are buying at a rate that exceeds an economy's underlying ability to produce housing goods.

The crucial policy significance is that when the local housing markets put high pressure on or exclude the local workforce an increasing spatial mismatch of housing and employment may undercut the functional efficiency of urban planning and economy.







The presence of low (so-called 'shrinking areas') and high housing demand areas (so-called 'pressure zones' or 'heated markets') highlights **the complexity of housing need, as well as the diverse nature of such a need within cities and within individual countries' housing markets.** It implies a requirement for sophisticated policies that are both responsive to the dynamic of local markets and relevant to those in need. Cities play a key role in this process.



European Union Competition Law



Extreme housing market fragmentation and increased economic and housing inequality challenges the concepts related to housing affordability and vulnerability in this context. In major cities, the GFC introduced new sources of demand, new actors and new behaviours. These are some of the issues to be examined to future prove our policies and laws.



While financially much reduced, social and affordable housing policy, is remarkably fluid and subject to innovations and novelty. However, long-term stability for subsidy levels, as well as regulatory and policy frameworks as well as legal certainty are key for medium- and long-term results.



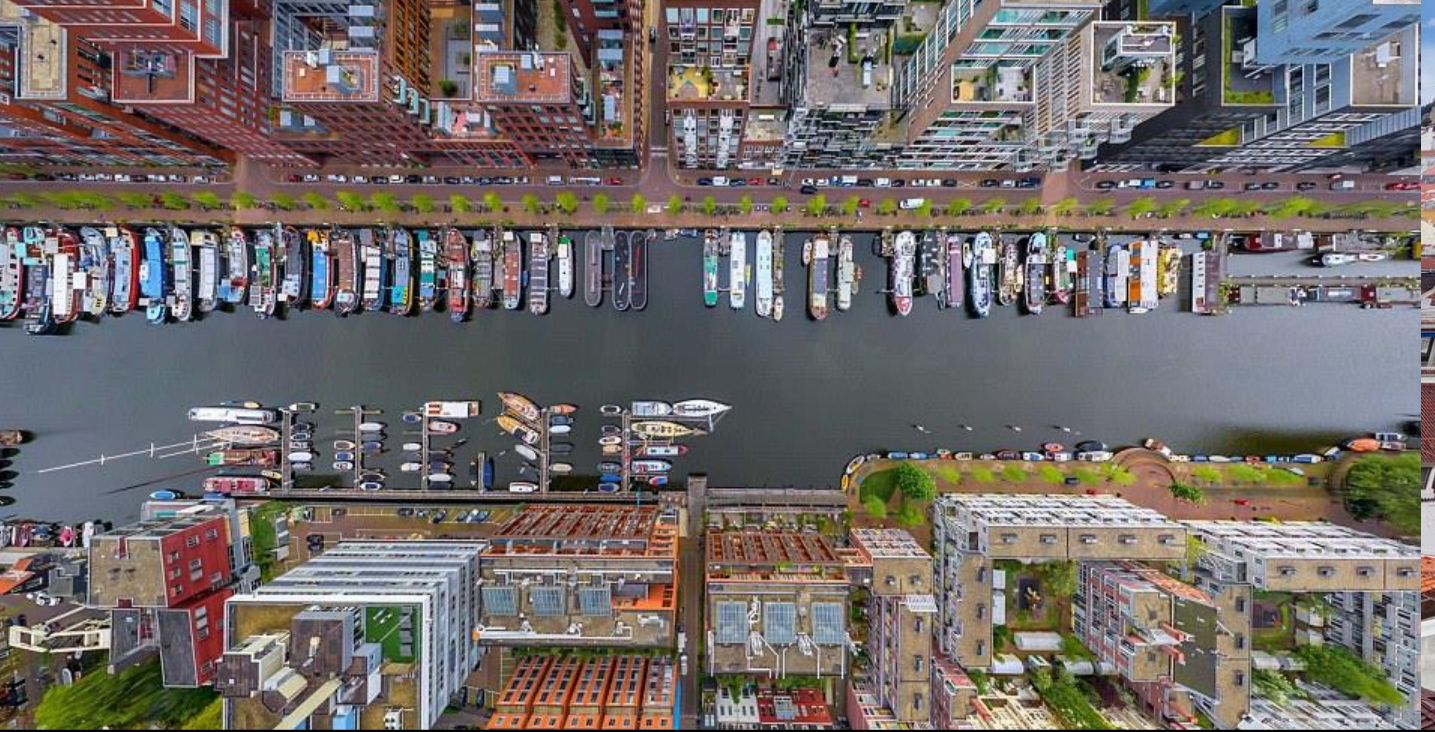
Capacity Building Workshop  
'State Aid and Affordable Housing Investments'  
Discussion and Knowledge Generation





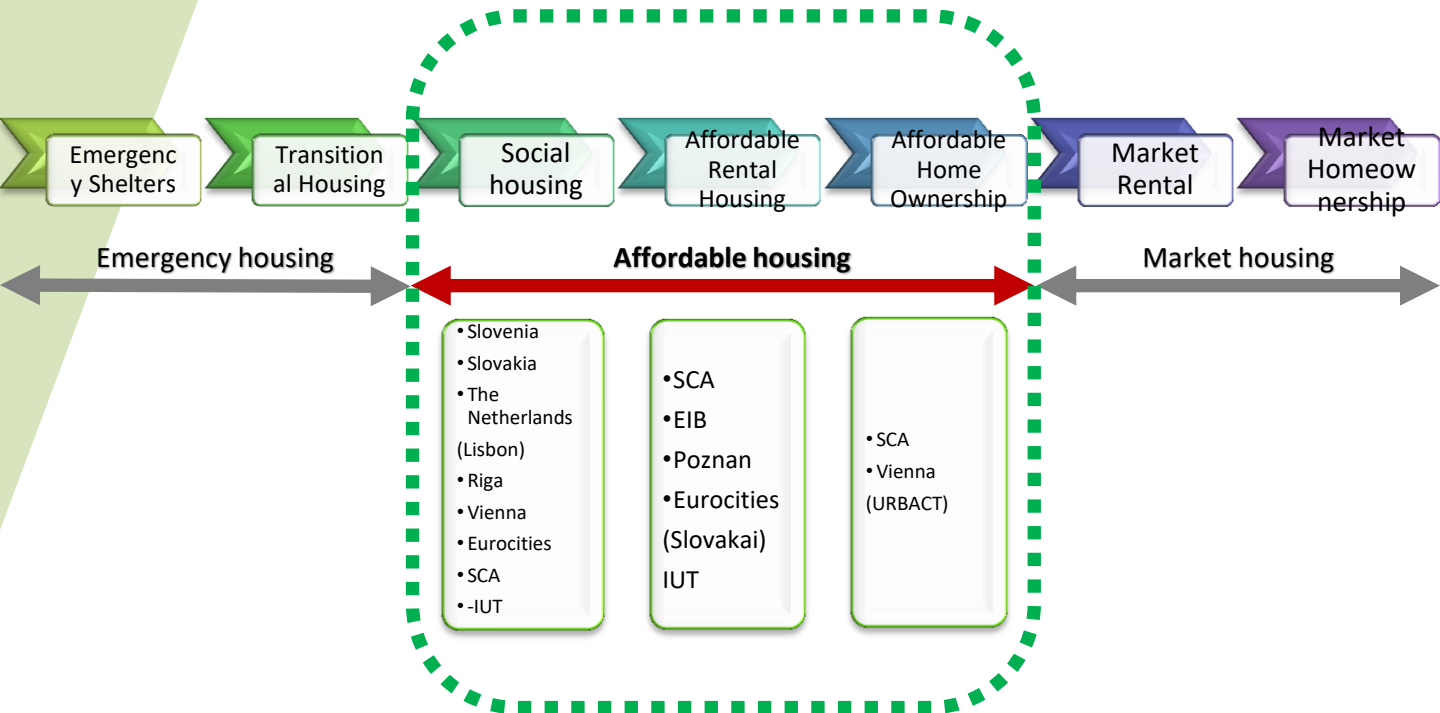
**Thank you!** Dr. Orna Rosenfeld

Committee of Regions, May 23<sup>rd</sup> 2018, Brussels , Capacity Building  
Workshop on 'State Aid and Affordable Housing Investments'



Housing systems in the Europe are rich and diverse.

# Housing Continuum



Population of tenure associations in the partnership.