



Financial crisis, recovery plans and their impact on the housing market

According to Jakob von Weizsäcker, Senior researcher at the Bruegel institute, **housing markets in Europe reacted differently to the financial crisis depending on the existing situation** in each Member State. For instance, Spain reacted very quickly because the country was already facing a real estate crisis. On the contrary, countries such as Germany with a more balanced housing market conditions saw the impact later. He presented figures on residential investment in Spain and Ireland, which show how the effect of the crisis in these two countries was alimented by years of excessive construction, and the crisis fueled the bursting of the speculative bubble.

On the other hand, it is **hard to draw any conclusion on the stimulus packages adopted by EU Member States**. Concerning the composition of the 8 largest stimulus packages in the EU, one can only argue that it is very mixed, without any clear pattern. This is due to the fact that the situation in terms of need for infrastructures, etc., varies a lot from one member state to another. It is also linked with the fact that political pressure for investment in housing in the stimulus packages depends on the dimensions of the construction sector and on how bad conditions it is in.

Also with regard to the results of the recovery packages in terms of impact on housing, there is no homogeneous results.

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Editorial

Social housing: part of the solution to the global financial crisis



CECODHAS seminar "The recovery plans in the EU Member States and the place of housing/social housing" was held on January 28. This special issue of the newsflash summarizes the key points of discussion that emerged from the seminar, and presents further examples of the impact of the financial crisis on the social housing sector in different countries, as well as positive actions undertaken by not for profit housing providers from CECODHAS membership to tackle the crisis.

With housing identified in the EU recovery plan as one of the two sectors to invest massively to sustain economic growth, via investing in energy efficiency improvement in social housing", the European Commission took our offer to promote social, environmental and economic development seriously. It is basically taking our Vision statement and translating it into policies. Not only more than 9 billions of € are made available for energy efficiency improvement in EU 27, but also the Commission is advising EU member States to invest further in this sector as a way to accelerate the transition of the EU into a low-carbon economy. Social housing is on the agenda, and it looks like it will be for a while, and therefore the seminar we have organized on the 28th of January may be followed by others !

But we will also need to be careful to make sure the announcement are followed by real implementation of the planned investments. Very often promises and reality are two distinctive pictures. And secondly, if energy efficiency in housing has been identified as a key sector to invest it was because projects can start now and that it is seen as an easy way to maintain the construction sector active; when for us, the sustainability dimension of any projects may require more time to start refurbish than just few months to get the money!

Claire Roumet
CECODHAS Secretary General

The recovery package for instance seems to have had a very positive impact in Austria, while it had a negative impact in Italy.

Nevertheless, according to von Weizsäcker's findings, one key point in the likelihood of success of the stimulus packages is timing (i.e.: start working straight away is of key importance). How much large-scale infrastructure investment can you get going within two months? What kinds of investments are reasonable and can be started quickly? For instance, **energetic renovation of the housing stock, can be done in a relatively short time and have a strong positive impact**, he suggests. Therefore social housing providers have an important role to play by investing in such measures.

With regard to social housing: often we find a lot of social housing in some areas but not enough in the "hot spots" of the economy, leading to a mismatch between the availability of jobs and that of housing. On the contrary if we look at the macro-structure of what social housing is trying to achieve, it is to help people move and settle in places where they have a future.

France: impact of the crisis on housing and social housing

France experienced a boom in housing sector between 2006 and 2008, but at the end of 2008 figures showed a **sharp decrease in the construction of new homes** (-16% in 2007-2008). The sales of private developers had also decreased dramatically since 2007 (-44% end 2007-end2008). **France is facing a housing crisis, and according to the Abbé-Pierre Foundation 2009 Report the situation is very likely to worsen due to the financial crisis over the next year.** The report estimates that the housing shortage could increase from 800 000 to 900 000 dwellings by the end of 2009. Furthermore, there is a **very high level of demand for social housing, with 1.2 million applicants (only 450 000 dwellings are allocated per year).**

Regarding the credit market, France does not fear the reimbursement of repossessions problems because of the (too) cautious attitude of the banks regarding providing credit and also because of the low level of variable rate. Nevertheless, there are some concerns about current tendency to extend the duration of loans.

With regard to housing policies, the main current goals are the increase of housing supply, the renovation of social neighbourhoods, and energy savings. Major challenges to achieving those goals –according to *Michel Amzallag (USH)*– are posed by the **price of land, the constrained budget due to economic crisis, and the increasing proportion of poor people in social housing.** It is estimated that currently over 40% of residents are in the lowest income quartile (compared to about 12% in the Seventies).

BOOSTING THE JOB MARKET

The potential for green jobs in the construction sector, the example of France

Last year ADEME conducted a study about "green jobs" together with ETUC, which will be repeated this year. According to a translation of scenarios from the Grenelle de l'Environnement, it is estimated that **together the sector of energy efficiency and renewable energy provided 220 000 jobs in 2007 in France (more than the car industry) and it is expected that this number will double by 2012.**

The study also found that energy efficiency is more important in terms of market and jobs than the renewable energies sector. Furthermore, according to the study what's happening is that new green skills are being added rather than new green jobs, which instead is what we probably need in the sector.

Conclusions:

eco-renovation of building is the main challenge

the question is not about creating green jobs but green skills

Investing in social housing to create jobs and boost the economy: the UK

Despite Government pledges to build thousands of new homes, the credit crunch in the UK has meant a collapse in house prices and lending, a severe drop in housing building, and an estimated 450,000 job losses in the construction industry between 2008 and 2010.

With British construction and manufacturing hard-hit by the financial downturn, a powerful group of leading housing organisations, unions and local authorities say building more homes will give a desperately needed boost to the economy, save thousands of construction jobs, avoid serious skills shortages and help stimulate long term market stability. The **2020 Group** is chaired by Ms Kate Barker, the Prime Minister's former housing adviser, and consists of National Housing Federation (NHF), Local Government Association (LGA), housing charity Shelter, and the Trade Union Congress (TUC).

As a response to the current crisis, the group wants major investment in house building included in the Government's figures as the certain way of supporting the economy. **The group calls for a fiscal stimulus into housing**, which would:

Support jobs: building 100,000 social rented homes over the next two years would save 30,000 jobs in the industry, as well as thousands who support the industry, including building materials, furniture and white goods

Retain skills and drive innovation: Preserving

construction jobs and apprenticeships will help prevent a loss of key skills that could take years to replace

Promote long-term macroeconomic stability: Supporting the industry will enable housebuilders to continue to invest in housing supply and reduce the risk of a housing supply shortage once the upturn comes

Sustain business activity: The proposed programme would improve cash flow and reduce risk for developers and suppliers currently experiencing severe financial pressure, and

Increase labour market mobility: Worsening affordability and lack of affordable and social housing make it more difficult for households to move to take up new jobs and contribute to recruitment and retention difficulties, especially in the public sector.

David Orr, NHF chief executive and president of CECODHAS, said: "The group's proposed house-building programme could kick start the economy, save jobs, and deliver new homes for more than 200,000 people. [...] This is a one-off chance for the Government to stimulate the economy and help meet housing need in one fell swoop."

The 2020 Group's call comes as Prime Minister Gordon Brown and Chancellor Alastair Darling work towards announcing a major financial stimulus package in April's budget. In a speech to the New Local Government Network at the end of January, Gordon Brown promised extra help for local councils to build social housing as part of efforts to boost the UK economy out of recession, so long as reforms were also made to address issues such as the high levels of unemployment among residents. "Investment in social housing must be aligned with reform so that, for example, social housing providers working with local authorities and Jobcentre Plus address the high levels of worklessness that can be concentrated within this sector," he said.

(Source: 24dash.com)

CRISIS & POVERTY

Housing finance crisis leaves the poorest of the poor to fend for themselves

Anna Tibaijuka, Executive Director of UN-HABITAT said that the crisis should be viewed as a "housing finance crisis" in which the poorest of poor were left to fend for themselves.

"**Clearly you cannot have a harmonious society if people are not secure in their homes**", she told reporters at news conference to launch of the State of the World Cities 2008/2009, a flagship report published every two years by the UN agency.

(Source: EUKN)

Who are most hit by the economic crisis in France?

The French high Commissioner for poverty in France requested the research and survey centre CREDOC (Centre de Recherche pour l'Etude sur les Conditions de Vie) to carry out a survey on the consequences of the economic crisis on households, and in particular on households living below the poverty line.

Published in December 2008, the survey shows that those worst hit by the crisis are: people living in poverty, young people, single parent families, unemployed people, people renting apartments from the private sector.

They also tried to identify vulnerability factors to the crisis: earning less than 1500 Euros a month; having children; being unemployed; being less than 30 years old; renting an apartment/house.

This survey/study is to be renewed every three months in order to monitor the effects of the crisis.

TACKLING REPOSSESSIONS

Mortgage rescue scheme in the UK

During a CECODHAS meeting in October 2008, Lucy Thornycroft (NHF) presented the **mortgage rescue model proposed by the National Housing Federation** in the UK. Through this scheme, the NHF contributes to a plan alongside government and lenders that will allow **housing associations to become part owners or whole owners of a house that was previously the property of households at risk of repossession. With this scheme the households remains in the house**, as a tenant or part-owner. Similar schemes, aimed at preventing households in difficulty with mortgage repayment from losing their homes to the banks, are starting to be implemented at the local level by social housing providers also in other European countries, as it is the case in the two following examples from Italy and Spain.

>For further information on NHF mortgage rescue scheme, please visit: www.housing.co.uk

Pais Vasco (Spain): Government to secure homes for those who are left unemployed

Following the crisis, many are worried about losing their jobs and not being able to re-pay the mortgage. To tackle this problem, while unemployment figures are dramatically increasing, **Vivienda (the housing department of the autonomous region Pais Vasco) wants to imple-**

ment a series of "anti-crisis measures" to prevent people who recently became unemployed from losing their homes in addition to their jobs.

According to the plan, the department will buy back dwellings from people who are unemployed and cannot pay their mortgage. The dwelling becomes then property of the government in the form of social housing (vivienda de protección oficial, rental social housing with an option to buy after a given time), the resident becomes tenant, and the government in turn pays the rest of the mortgage to the bank. The bank has to accept a decrease of at least 20% on the amount still due (the mortgage can be up to 275 000 Euros). To be eligible for such scheme, a person should be unemployed for at least 3 months, his/her income over the previous year cannot be over a certain amount (according to the number of people in the family), and he/she should not own any other residential property.

The plan also includes a rent-allowance scheme for tenants in the private market who have lost their job and who are paying a rent below 1050 Euros per month. In this case, the department will negotiate a decrease by 30% in the rent with the landlord. The tenant then has to pay max 450 Euros and the rest of the rent will be paid by the government.

It is estimated that initially about 1500 families will be eligible as beneficiaries of these schemes, which should start in the first months of 2009 for a period of 2 years. The regional government is currently negotiating with saving banks, who should agree on decreasing 20% of the amount due in exchange for securization of the re-payment. (Source: *El Pais*)

Italy: public social housing providers are to tackle the problem of mortgage repayments and repossessions

A recent survey by Confesercenti-Swg found that currently **84% of Italian households have problems in repaying the mortgage.** Anna Pozzo, technical director of FEDER-CASA, explained that there is so far no decrease of real estate price, which means that in general there is no possibility to buy homes to convert them into social housing. At the same time, on the private market there is an increase in repossessions. Against this trend, public social housing organisations members of Federcasa have recently become the key players in a **new scheme to avoid evictions of households in difficulty.** In late December 2008, a decree law has been approved allowing 'Ater' and 'IACPs' (i.e. public social housing companies) to re-negotiate the mortgage terms of families in difficulty with banks. The public housing company will then buy the dwelling, which becomes public property with the option for the resident to buy it back in the future or to rent it on a permanent basis (at a low, 'social' rent), and pay the mortgage to the bank. Vincenzo

Campora, President of IACP Napoli, who launched the idea for his mortgage-rescue scheme earlier last year, argued that **the problem of mortgage payment is emerging as a real social emergency, which concerns a large part of the population that until recently could be defined as middle class and today it has fallen into poverty.**

The new scheme is part of a wider programme establishing emergency measures to tackle housing exclusion among disadvantaged social groups. (Source: *www.federcasa.it; Borsa Immobiliare di Napoli*)

STABILIZING HOUSING MARKETS

Germany: the importance of a complete housing market

The starting point of the crisis in the US was the "incomplete" character of the housing market, argued Lutz Freitag, President of GdW. **A "complete" housing market (i.e. presence of all kinds of tenures and prices, instead of the domination of only one segment of the housing supply) and a wide range of regulation on land use and financial services have a clear stabilisation effect on the regional economy.** More especially, the experience shows that the lack of affordable and in particular adapted rental housing often exposes regional and national economy to greater fragility. In Germany social housing has a clear stabilisation effect. Indeed, social housing has a stabilizing role throughout Europe, as we do offer safe and stable housing even in times of crisis.

With regard to the recovery package, the German Federal Government decided on an extensive package of measures to quickly overcome the financial crisis as well as the weak economic situation and for securing jobs. Part of this package is a Modernization Programme for Buildings in order to reduce CO₂-Emissions, which is an important element for climate protection

The main challenges to overcome for the package to be successful are : renovation of the housing stock; discrepancies of competences between federal level (economic competence) and regional level (housing competence); current projects or modernization programs could not be executed because of missing financial partners or of worse conditions of financing.

Ireland: RAS are not the solution to the need for affordable housing

Dr. Padraic Kenna, Housing law lecturer and author at National University of Ireland, explains that in Ireland **60 000 households are in need of social housing,** out of whom about 50% are unable to afford existing

housing. In terms of policies, to respond to the increasing need for affordable housing the government is moving towards **Rent Assistance Schemes (RAS)**, which means paying rent allowances to people living in private sector housing. These schemes imply no legally defined basis, and it means there's nothing to organise tenants around. RAS might be extended to many of the unsold dwellings which exist in Ireland, where politically-inspired tax incentive schemes have led to a situation where there are about 60-70 thousands homes unsold, often located in areas where the demand for housing is very low.

Another element of the government's housing policy is to strongly encourage home ownership. This happens through schemes such as **Home choice loans for higher earners** (40 000 Euros minimum income): some complained to the European Commission about it, as unlawful state aid to developers of new homes. **On the other hand the social housing sector remains relatively small (around 10%) despite the high demand.**

While landowners benefitted from speculation in the real estate market, the increase in prices over the last decade means that housing is unaffordable, there is not enough social housing to accommodate people in need, and the burst of the speculative bubble has led last year to a halt in new construction leaving many people unemployed. Kenna argues that to balance this effect the recovery plan, in Ireland and in Europe, should focus on having a re-distributive goal.

OPPORTUNITIES & CHALLENGES

Northern Ireland: property crash opens a door for social housing in mixed areas

Northern Ireland's property crash could be good news for social housing tenants (80% of people according to a 2007 survey) who would like to live in some of the region's few mixed areas. Until the crash, Northern Ireland had the fastest-rising house prices in the UK, leading to much speculative building. Now, with property sales at a virtual standstill, private developers have little choice but to offer their properties to housing associations. Many are in the region's least segregated areas. Last month, the minister for social development, Margaret Ritchie, opened a shared estate at Causeway Meadows, in Lisburn, where Clanmil Housing Association had purchased 22 units of social housing within a 140-unit private development using a grant from the Housing Executive. Tenants signed a "**shared future**" charter, which commits them to live harmoniously alongside their neighbours regardless of their religion or race. Clanmil is now negotiating for units in a private development in Ballynafeigh, one of Belfast's rare mixed neighbourhoods. Demand for social housing here is high and, until recently, competition from private developers was too fierce to allow housing associations a look-in.

"The collapse of the housing market has allowed us into

sites we'd never had got into before," says Jennifer Hawthorne, head of the Housing Executive's Cohesion Unit, which oversees the Shared Future Scheme.

(Source: *Guardian.co.uk*)

Financial crisis: opportunities and challenges to increase social housing stock

With regards to the possibility of increasing housing stock, the crisis is also providing opportunities for social housing providers. For instance, Tomas Lindencrona (SABO) explained that the public housing sector in **Sweden** has benefitted from the crisis in that social housing providers could acquire homes from the private market at cheaper prices, and rented housing is now seen as a stable solution for people especially because as tenant, you have some rights.

Similarly in **France** the government is asking HLMs to buy private dwellings. It is a good opportunity for social housing providers –argues Michel Amzallag (USH)- but the problem is where to find the money. In France the recent liberalisation of Livret A (the main product for financing of social housing) has led to a decrease of the amounts of savings under livret A scheme available for financing social housing. With the new legislation, only 70% of the savings should be dedicated to finance social housing. But there is no clear obligation for the banks to do it.

Social housing model: long term vision and tenure mix pay back in the UK

According to the recently published report from the UK Department for Communities and Local Government, 'The Credit Crunch and Regeneration: Impact and Implications', registered social landlords (RSL) working on neighbourhood regeneration in the UK are amongst the least-hit by the financial crisis.

Some current regeneration activities and developments are going ahead unaffected.

This happens most where there are financially strong developers in place who take

long-term views of development. Amongst them, schemes led by organisations such as RSLs and regeneration partnerships that secured long-term finance deals at fixed pre-credit crunch rates are able to run developments over the short-medium term using this funding.

Furthermore, some RSLs' **housing for rent schemes** have been continuing largely unaffected as these are not reliant on the sales market. According to a representative of a RSL in South-East England, "there continues to be a huge demand for social rented housing and an increasing demand for intermediate and market rented housing. Schemes that were predicated on a mix that was predominantly rented are largely unaffected." (Source: *Department for Com-*

unities and Local Government, 'The Credit Crunch and Regeneration: Impact and Implications')

Access to credit for social housing providers

A major element in the response to the crisis is how the government interacts with banks. For instance, in the UK Northern Rock was the first bank to be nationalised. Recently Northern Rock has been allowed to start providing loans again. Now in **England** the demand for shared housing is increasing, but banks do not want to finance it. If Northern Rock is a state bank-argued David Orr- shouldn't it be obliged to finance shared housing? The delivery of a normal banking service has become an issue, he went on. We have created a whole economy based on the idea that if we "turn the tap" we have the credit, but then we did not regulate it at all. Now we need coordination at the European level to agree on regulation of the banking sector.

Social housing providers in some EU countries are indeed experiencing problems in accessing credit to finance their activities. In **the Netherlands** for instance some banks have stopped financing social housing, and there has also been an increase in interest rates. In **Belgium** as well social housing organisations see their capacity to find funds in the markets decrease, as few banks are ready to lend money for social housing. Luc Laurent (FLW) recalls that this one of the reason why competition among banks is very important.

CECODHAS events

23-24 March 2009, London, UK
POWERHOUSE project meeting

16-17 April 2009, Prague, Czech Republic
Conference on Social Economy

21-22 April 2009, Sofia, Bulgaria
First UNECE Workshop on Energy Efficiency in Housing,
in cooperation with CECODHAS

27 May, Palma de Mallorca, Spain
Conference on energy challenges to social housing,

28-29 May, Palma de Mallorca, Spain
General Assembly & Sections meetings

Key messages on social housing and financial crisis

by CECODHAS President David Orr

- Social housing providers have the potential of doing things that will make a difference and do them quickly.
- This includes investing in retrofitting and energy efficiency, for which we need incentives: the EU Recovery Plan encourages that.
- The demand for our product is increasing.
- Our model is based on re-investment and co-operation and it can be particularly important vis-a-vis the crisis.
- For all these reasons, the international global financial crisis presents us almost uniquely with opportunities (of investment, expertise, training of people...)
- We are in an ideal position to create sustainable places to live. This is where we can really make a difference.
- Therefore the question is not "what to decide between building more affordable homes or more transport connections?" but the question is "What investment do we need for creating sustainable places? And how housing can contribute?"

CECODHAS

THE EUROPEAN LIAISON COMMITTEE FOR SOCIAL HOUSING

CECODHAS, established in 1988, is the European network for the promotion of the right to decent housing for all. In our membership we have 46 regional and national federations which together represent over 39.000 public, voluntary and cooperative social housing enterprises in 19 countries. Together they provide over 21 million homes across the European Union. CECODHAS is funded by membership fees.