

SUMMARY

The present study consists of four parts. Part A contains a compact theory of housing markets and housing policy. The more voluminous Part B comprises 15 monographs on all current EU countries. Part C presents condensed reviews of the same countries and some comments on EU activity in the field of housing. Part D includes some suggestions on housing policy instruments and, finally, this summary.

Initially, the theoretical **Part A** deals with housing terminology (section A 1). Among others, the term „social housing“ is analysed and because of its imprecise usage discarded as a viable housing policy term. Similarly, the term „sub-standard housing“ is only meaningful with reference to a generally achieved standard.

Section A 2 presents housing forms and tenures which normally appear in housing markets, particularly tracing the varying rights and duties linked with specific tenures in different countries. When comparing housing sectors, housing forms and different tenures must be kept apart. Aspects of housing markets such as supply, demand, vacancy and price are briefly dealt with.

In the following sections, housing markets are described in greater detail according to areas of possible market intervention by housing policy.

Any production of dwellings requires *land for building* (section A 3). In urban areas, because of concentrated demand and inelastic supply, the share of land may reach half of the total production cost of a dwelling. Additional problems occur when landowners refuse to sell, speculating on rising prices. If land ownership is scattered, this may obstruct rational development of human settlements. Finally, the contradictory aims of mobilising land, keeping land prices low and reducing land consumption are mentioned.

In section A 4 agents in the *housing construction* market are described according to their interests. Among them, there are developers (public authorities, limited-profit housing associations, housing co-operatives, private landlords and owner-occupiers) as well as planners and builders. Diverging interests of landlords and tenants often lead to conflicting behaviour. Aspects of housing construction quantity and quality are also commented on briefly.

Financing of housing (section A 5) is one of the most important areas in housing policy. Long-term financing for developers and investors or for buyers of (owner-occupied) housing is dominated by mortgage loans. The interdependent and combined effects of loan type, maturity, interest rates, risk and inflation on annuities are discussed and components of nominal gross active interest rates are analysed.

Housing stock structures (section A 6) comprise a variety of tenures. Each tenure represents a specific bundle of rights and duties which can be greatly modified by housing policy. Parallel to groups of developers, tenure structure can be broken down into public rental housing, limited-profit rental housing, co-operative housing, private rental housing and owner-occupied housing. In addition to the regularly used housing stock, there are considerable shares of secondary residences etc. in some countries.

Current *housing expenditure* (section A 7) results from capital cost and operating cost. manifold combinations of capital from various sources and different loan types lead to complex user payment flows. Regarding equity to be provided by buyers of owner-occupied housing, national regulations and customs vary greatly. In countries with traditionally high inflation and high interest rates, borrowers try to keep debt low and to repay quickly. The influence of loan maturity on total real financing cost is presented in graphs and tables. This section also evaluates the relative importance of different operating cost elements and shows that market rent for a totally capital-market financed dwelling would often not cover capital cost.

Taxation of housing (section A 8) is partly motivated by a need for revenue and partly by housing policy objectives. Acquisition, ownership and use of dwellings are all taxed. Because of the „visibility“ of real property, it is often taxed without proper justification while capital gains are taxed only lightly, although they should be taxed. An issue often discussed is classification of housing as investment or consumption good. In reality, the two variants are frequently mixed, leading to substantial foregone tax revenue if deductibility of expenditure is not compensated by imputed rent at market level.

Section A 9 contains some considerations regarding *statistical data* on housing. The most useful indicators seem to be the ratio of floor area in new housing compared with total floor area in the housing stock and net floor area per person discounting a „core area“ (kitchen, bathroom, entrance) as well as variations of those indicators over time. Regarding housing price/expenditure, the ratio of purchase price or annual basic rent to per-capita GDP allows cross-national comparisons. Finally, difficulties encountered in determining housing policy expenditure are explained.

Section A 10 discusses possible *housing policy goals*. The primary goal of socially-oriented coverage of housing needs is distinguished from secondary aims like increasing the share of owner-occupation or of local authority housing, reduction of housing expenditure etc. as well as supplementary aims such as policies influencing the distribution of wealth or income, and labour market policy. Within current housing policy, some problem household groups emerge, sometimes identified as elderly or unemployed persons, single parents, alcohol or drug addicts, foreign nationals and socially disruptive persons. Regarding urban development, degradation of the local environment will impair the housing situation of residents while revitalisation strategies (active gentrification) may lead to their expulsion.

Section 11 analyses and evaluates various forms of *housing policy market intervention*. Basically, the public sector may employ legal regulations, provide information, participate directly in housing markets and/or provide subsidies. Particularly this last policy instrument tends to heavily burden public sector budgets. As subsidies aim at bridging the gap between (high) housing cost and (low) household income, the advantages and disadvantages of supply-side and demand-side subsidies are compared. In addition, direct and indirect forms of housing policy market intervention are grouped according to the different housing market agents concerned.

The following sections treat specific areas of active housing policy in greater depth.

Land and urban development policy (section A 12) describes the creation of urban land supply by planning and zoning and by definition of permitted use and density etc. Besides direct instruments of market intervention like expropriation and pre-emptive purchase rights, some measures to restrict hoarding of legally available land are discussed. Leasing of land by local authorities allows greater flexibility and furthers rational urban development.

Urban renewal policy is mainly concerned with the eradication of slums and the elimination of sub-standard housing, as well as with improving the local environment. Specifically, preventive and corrective measures against the decay of large housing estates built in the 1960s and 1970s are required. These measures also have important social implications. Especially in inner city areas, the implementation of revaluation strategies may have negative effects and lead to social segregation.

Housing construction policy (section A 13) has widely been identified with housing policy and is often substituted for it. For lengthy periods, production of the largest possible number of new dwellings was taken for the prime aim of housing policy. Since on-site labour represents an important cost element, the pre-fabrication of standardised building components was thought to be a way of increasing productivity. In addition, costs were to be cut by high-density layout, compact dwelling design and inexpensive appliances. An important role was assigned to limited-profit housing providers which came to dominate subsidised production of multi-storey housing in several countries.

In view of the magnitude of production costs, *housing financing policy* (section A 14) played a leading role in housing policy. Most frequently applied forms of supply-side subsidisation were public subsidised loans, grants towards construction cost and interest or annuity subsidies.

Regarding subsidised loans, relative or absolute subsidisation may be distinguished depending on the interest rate being higher or lower than the inflation rate. If the two rates are equal, the real value of the capital provided is preserved. If the subsidisation benefit is defined as partial saving of financing cost compared with capital market loans, and subsidisation cost is defined as loss in the real value of public funds, then an efficiency factor based on cost-benefit-analysis can be computed for different subsidy schemes.

Premiums for deposits in special financing circuits (e.g. *Bausparkassen*) and tax allowances for refinancing instruments would be considered indirect supply-side subsidies.

Housing stock policy (section A 15) has a strong influence on actual housing consumption by households. Various forms of housing deficit (cramped living, under-utilisation, misallocation, sub-standard and vacancy) all call for housing policy action. Specific market intervention then takes on different forms according to the particular deficit addressed.

Public rental housing is provided at rents (far) below market level, but access is usually restricted because of insufficient supply. Nevertheless, in some countries, public rental housing is later sold to sitting tenants. In this situation, heavily subsidised purchase prices act as a strong incentive.

Limited-profit housing companies occupy a somewhat diffuse position which also changes over time. The power of public authorities to control and influence the activities of those housing developers and providers varies among different countries. In recent years, a trend towards increasing economic independence can be observed raising the question of actual ownership of the accumulated (real property) capital.

Rent in the limited-profit sector is either determined according to household income or is a function of cost. However, „cost rent“ often includes a number of elements (potentially) exceeding actual cost. In any case, cost rents would not assure access to adequate housing for low-income households. Affordability of limited-profit housing is fundamentally obtained by subsidies which usually were allocated to the limited-profit sector on an preferential basis.

Housing co-operatives vary greatly in character depending on the possibility of later commodification. Therefore, co-op housing may appear similar to rental housing or also become practically equivalent to owner-occupied housing.

The private rental housing sector experienced far-reaching market intervention by governments, mainly related to rent control or rent regulation, to security of tenure and to transfer rights. While justified during crisis periods, these housing policy instruments proved to be counter-productive when they continued for prolonged periods and prevented adequate private housing investment. As most of those market interventions have been reduced or abolished, private rental housing is currently closer to free market conditions in many countries.

The relationship between housing expenditure under free market conditions and partly insufficient household income was at the origin of modern housing policy. Therefore, many forms of *housing expenditure policy* and *income policy* developed (section A 16). Apart from many attempts at reducing housing cost and hence lowering housing expenditure directly, mostly demand-side subsidies were implemented in order to assure access to adequate housing. In this sense, direct income support by housing benefit is to be distinguished from indirect income support by tax allowances. While housing

benefit is a socially targeted housing policy instrument, deductibility of mortgage interest and repayment at the individual marginal income tax rate is a regressive instrument.

Limitation of entitlement to and quantification of housing benefit is still subject to intense discussion. A balance has to be struck between a socially motivated expansion of housing benefit payments, and the ever rising public expenditure required by this system. At the same time, sufficient incentive must be preserved for households receiving housing benefit to take up (paid) work instead of immobilising them through a „poverty trap“.

Tax policy (section A 17) is often not clearly embedded in housing policy. Tax revenue is usually more important than social housing policy aims. On the other hand, vaguely justified tax allowance schemes cause important foregone tax revenue. Also, taxation of land hardly corresponds to the proclaimed goal of furthering a more flexible land market. Capital gains are inadequately taxed. By contrast, real property transfers are often taxed quite heavily.

Finally, section A 18 describes various forms of provision of *housing policy funds* such as general and housing-specific taxes, repayment of previous public loans, capital market credit, securitisation and sales from the public rental housing stock.

Each one of the 15 monographs on EU countries presented in **Part B** is based on the same structure to facilitate use by readers interested in specific issues or periods. In view of the wealth of material presented, numerous references give guidance for further reading. Countries are arranged in alphabetical order according to their abbreviations.

As a background to housing-specific topics, some basic information on the geography, demography, administration, politics and national economies is presented in section 1 of each monograph. Section 2 describes developments in housing policy from 1945 to 1990, arranged by policy area like in Part A. The same structure applies to section 3, with information on housing policy during the most recent decade 1990-2000. The outcome of endogenous housing market developments and housing policy influence is outlined in section 4. Finally, section 5 attempts to evaluate the individual countries' housing policy on the basis of the theoretical analyses undertaken in Part A.

AT/Austria

Austrian housing policy has predominantly been supply-side policy. Until now, housing policy funds have mainly been provided by setting aside fixed percentages of certain kinds of tax revenue and by collecting housing-specific levies. Traditional supply-side subsidies are combined with generous income ceilings. Housing benefit is less significant and generally linked to supply-side subsidisation. Tax allowances play a minor role.

The sizeable public rental housing sector, especially in Vienna, and the still larger limited-profit sector provide a viable alternative to private renting. Long-term regulation of private rental housing has reduced the share of this sector. Privately developed housing mainly consists of owner-occupied single-family homes.

For several decades, Austrian housing policy was based on corporatist „social partnership“. Since the 1980s, it has progressively been regionalised. Only in recent years has housing policy become more market-oriented.

BE/Belgium

During the 1980s, most aspects of Belgian housing policy were decentralised to the three regions of Flanders, Wallonia and Brussels. The only responsibilities remaining with the national parliament are rent and tax legislation.

Belgian housing policy focuses on owner-occupation. Because of generous income limits, relatively small subsidies for owner-occupiers are widely available. Limited-profit rental housing is of little importance, also because limited-profit dwellings were often sold to sitting tenants. Refinancing of housing policy funds on the capital market required extensive operating subsidies. Income-related rents in the limited-profit sector partly act as a substitute for a general housing benefit system. The private rental sector provides accommodation for many low-income households, some of it even in furnished rooms. Tenure security in the private rental sector is limited. Several social service groups are active in the housing sector. They provide assistance and act as intermediaries between private landlords and tenants in unstable conditions.

Annuities for mortgage loans in the owner-occupied sector are deductible within limits. Imputed rent is fairly low. However, transaction costs for owner-occupied housing are quite high, except for low-priced or limited-profit housing.

DE/Germany

German housing policy is based on legislative co-operation between the state and the *Länder* and on federalist implementation. Post-war housing subsidy schemes initially concentrated on rental housing, were later extended to owner-occupied housing and have more recently been complemented by more flexible subsidisation arrangements.

In contrast to other countries, subsidies for rental housing were not only available for limited-profit but also for private developers. Original indefinite control of limited-profit housing was abolished in 1990 through repeal of the Limited-profit Housing Act. In addition to controlling some (previously limited-profit) housing companies, the local authorities also procure allocation rights in the private rental sector. In some *Länder*, tenants of subsidised housing whose income exceeds current income ceilings are obliged to pay supplementary rent.

In the private rental sector the „comparable rent system“ works quite well. However, regionally differentiated housing benefit has become an indispensable element of housing policy.

In the owner-occupation sector, tax allowances were based on degressive depreciation, originally balanced by imputed rent, which was later abolished, when housing was reclassified as a consumption good. Some years ago, this regressive tax benefit was replaced by a non-income-related owner-occupation subsidy.

Integration of the former GDR into the Federal Republic brought far-reaching difficulties. Because of fundamental differences between the GDR and the FRG regarding their legal systems and their housing economy, but also because of severe deficits in the eastern housing stock, expensive and extensive transition schemes had to be devised. Large numbers of still undecided restitution claims for property continue to affect the validity of property rights.

DK/Denmark

As part of wider welfare policy, Denmark gave strong impulses to limited-profit housing companies controlled by local authorities. Large and partly pre-fabricated housing estates of high standard were complemented with comprehensive social infrastructure. Later, based on (negative) experience, high-density low-rise estates were preferred. Limited-profit housing is open to all strata of society. A distinct feature of Danish limited-profit housing is well-developed tenant participa-

tion in the operation of housing estates. As rent in high-standard limited-profit housing is relatively high and housing demand is largely satisfied, some estates register recurrent prolonged vacancy. In the private rental sector dwellings are generally older and of lower, yet adequate, standard. Most of the private rental stock is still subject to rent regulation. The two-tier housing benefit system is limited to tenants.

A Danish speciality are long-term mortgage loans refinanced with long-term fixed-interest bonds. In view of traditionally high marginal income tax rates, tax allowance for mortgage interest was an important incentive in favour of owner-occupation. However, instead of previous deductibility at the individual marginal rate, in more recent years a -decreasing - flat rate has been applied. Another important feature of Danish housing policy is the relatively high land tax which largely prevents speculation with vacant land.

ES / Spain

After Franco's death, the Spanish constitution was reformulated and many responsibilities, among them housing policy, were transferred to the new Autonomous Regions. Only general funding remained under the authority of central government. In the absence of a welfare state structure, housing policy apparently reflects traditional strong family ties which still provide most support in the case of personal difficulties. Therefore, up to the present, there is no general housing benefit system in Spain.

Massive post-war migration from the countryside into the cities required large-scale housing production in spite of initially very limited public funds. New housing was mainly provided in the form of small simple flats making up the major share of high-density residential developments. However, parting with early public housing construction programmes, private development subsequently took over housing production. Subsidisation mostly consisted of interest subsidies towards capital market loans.

Public rental housing represents a very small share of all primary residences. Not least because of serious operating difficulties, many dwellings were sold to sitting tenants. On the other hand, the private rental sector was tightly regulated for several decades. Tenants not only benefited from low rents but also from excessive transfer rights. From the 1980s onwards, deregulation took place. The Spanish capital market developed in a similar way.

Owner-occupation is, by far, the dominant tenure. It was favoured by tax allowances and first-time buyers were granted special relief. However, subsidies dedicated to owner-occupied housing were largely absorbed by the land market.

FI / Finland

Post-war Finnish housing policy had to react to several large migration movements. In addition, in 1990, the economy suffered a severe recession which could only be overcome by drastic budget cuts and by anti-cyclical subsidisation. The Housing Fund of Finland / ARAVA is the official agency implementing housing policy.

Subsidies for new housing are available for all types of developers. With the aim of reducing public debt, outstanding ARAVA loans were sold on the international capital market to procure funds for new ARAVA loans.

Except for the city of Helsinki, municipal housing stocks are rather small. A Finnish speciality are the so-called housing companies which play an active role as developers of owner-occupied flats. Any physical or legal person may purchase shares in these companies representing indirect ownership of a specific dwelling. In view of limited tenure security in the private rental sector, „right-of-occupancy“ dwellings have become quite popular since the early 1990s. They require a tenant contribution but offer unlimited tenancy.

Owner-occupation traditionally enjoyed income tax deductibility of mortgage interest at the individual marginal rate. In view of economic crisis, a flat tax rate was introduced instead, but the former imputed rent was abolished. Rapid financial sector deregulation led to an unprecedented availability of mortgages, to a speculative increase in house prices and, after 1990, to a severe drop in housing prices that caused bankruptcies in the construction sector and destabilised several banks.

FR / France

In connection with forced industrialisation after the second world war, French housing policy designed ambitious housing construction programmes which required a modern and high-capacity construction sector. Numerous large and rather monotonous housing estates were built with pre-fab technology during the early post-war years. Because of their limited attractiveness, they currently represent one of the most intractable problems of French housing policy, aggravated by local concentrations of immigrants. Therefore, HLM companies charged with the production of subsidised housing face relatively high vacancy rates, especially in smaller cities where cost rent often exceeds market rents. In some cases, partial demolition of stock seems the only solution. On the other hand, demand for HLM housing in the capital region by far exceeds available supply because of below-market rents.

Subsidisation instruments and schemes were frequently modified giving observers a bewildering overall impression. Alternating combinations of subsidised loans, construction cost grants and interest subsidies have been available. However, previous tax allowances for mortgage loans were gradually reduced in the 1990s. Refinancing of housing policy expenditure is based on housing-specific levies, on low-interest but tax-exempt savings deposits and on budget appropriations.

As a result of long-lasting regulation, the private rental housing stock is currently of below-average standard and partly needs renovation. This sector mainly accommodates lower-income households.

The French housing benefit system is well developed but housing benefit payments are considered as a reduction of housing expenditure and therefore are directly transferred to the respective landlord. This practice has negative consequences.

GR / Greece

Rapid population growth during the early post-war decades was mainly concentrated in the capital region which now accommodates almost one-third of the entire population. The development of Greek settlements was based on small-scale land ownership and loose, if any, planning. Because of generally low incomes, many households were often obliged to cover their housing needs by illegal self-help building. The main characteristic of Greek housing is a high percentage of owner-occupied housing, usually acquired with a large share of savings and financial help by the family. Over and

above the rapidly increasing stock of primary residences, Greece also has one of the largest shares of not permanently occupied housing, partly due to massive internal migration.

Greek housing policy is limited in scope and effect. Subsidised loans are available for specific groups of employees but limited funding requires rationing. Housing benefit is not very common yet. The most important form of support for owner-occupation is unlimited deductibility of mortgage interest. Theoretically, imputed rent must be added to income, but generous exemptions apply. Transaction costs in the owner-occupied sector are fairly high.

IE / Ireland

The Irish economy developed extremely fast in the last few decades. Reflecting this trend, the general housing situation has also greatly improved, especially compared with the relatively low standard of 1945. However, unbridled production of single-family homes grouped by social class was largely unplanned and caused a wasteful use of land. Subsidies went into owner-occupation almost exclusively. Only a small sector of terraced council housing was provided for low-income households. Rent for council housing is determined according to income. Therefore, large operating deficits must be balanced by additional subsidies. Consequently, the maintenance of local authority housing is not up-to-date. In principle, council tenants may buy their respective dwelling.

The private rental sector used to be strictly regulated but was deregulated in the 1980s. However, security of tenure is far from adequate. Most private rental housing is let as furnished dwellings. Therefore, it must be considered as a largely temporary tenure.

In view of strongly rooted private property rights, Irish legislators were not able to introduce a permanent general property taxation system. At least, former unlimited deductibility of mortgage interest for the acquisition of owner-occupied housing has been restricted in recent years.

IT/Italy

Italy is marked by large regional differences. Massive migration from the *mezzogiorno* to the north caused additional housing demand. As a complement to insufficient official housing production, large numbers of illegal self-developed homes were initially tolerated and later often sanctioned by the authorities. However, the enormous scope of irregular self-help housing was fraught with severe ecological consequences. On the other hand, innumerable legal requirements make it extremely difficult for Italians to stick to the rules.

Ambitious multi-year official housing construction programmes distinguished between fully subsidised rental housing, partially subsidised owner-occupied housing and flexible subsidisation schemes for private developers. Public rental housing is produced and operated by limited-profit housing companies. Rents in this sector are income-related and far too low to cover operating expenditure. Because of frequent sales of dwellings to sitting tenants, this sector is too limited in size to influence the housing market. The low rent level also restricts household mobility and reduces fluctuation. Apart from those income-related rents, there is no general housing benefit system yet.

Because of long-term market intervention, the private rental sector has lost importance. However, many restrictions were circumvented by illegal arrangements.

The dominant owner-occupied sector benefits from deductibility of mortgage interest and from generally low taxation.

LU/Luxembourg

The country's small size and its large share of foreign residents make Luxembourg a special case. More than half of all employed persons are foreign nationals. Financial services take up a higher than average share in the national economy.

Luxembourg has kept its housing policy instruments almost unchanged over the last 20 years. Widely preferred owner-occupation benefits from construction grants, interest subsidies and savings contract premiums. More importantly, generous refunding of value-added tax for new owner-occupied housing provides a strong incentive to acquire one's dwelling. On the other hand, deductibility of mortgage interest is limited.

Supply of subsidised rental housing is restricted. On the other hand, rents in this sector depend on income.

In the private rental sector official rent guidelines apply but are not always respected. In any case, there are no general demand-side subsidies. Only beneficiaries of the guaranteed minimum income are also entitled to a rent supplement.

NL/Netherlands

After 1945, the Netherlands experienced strong population growth. Housing policy therefore aimed at providing a maximum number of new dwellings through rationalised construction as well as economical design and equipment. Provision of land is the task of local authorities which thereby largely control local land markets. By prescribing certain construction densities and cost-covering land prices, speculation with land was largely avoided while, at the same time, land was used sparingly.

Moving from one community to another was discouraged by the requirement that one had first to obtain a local residence permit.

Rental housing was originally subsidised by public loans and later by interest subsidies towards capital market loans. Actual housing production was the task of limited-profit housing associations and of larger local authorities. In 1990, the subsidised housing stock represented over 40 % of all dwellings. Both in the subsidised rental sector and in the private sector rents were determined according to a utility-value system whose basic point price was adjusted every year.

Necessitated by rapidly rising operating subsidies, Dutch housing policy was thoroughly reformed in the 1990s. Limited-profit housing associations became largely independent, credit had to be obtained on the capital market and rents had to cover costs. On the other hand, part of existing housing stock could be sold. Owner-occupation still enjoys unlimited deductibility of mortgage interest.

The housing benefit system is an important element in Dutch housing policy. It is available for all tenants. During the late 1990s, more than half of all direct housing policy expenditure went into housing benefit.

PT / Portugal

Strong fluctuations characterised Portuguese demographic development. Outward migration of „guest workers“, Portuguese citizens returning from the former colonies and internal migration from eastern to western regions all caused shifts in housing demand. Household incomes being low, a large share of new housing was produced by self-help in illegal settlements. Growing slums within and around cities were at first ignored by the authorities, but later eradication was attempted.

It was not until the late 1990s that the mostly private housing output reached a level resulting in a general improvement of housing conditions. A considerable share of all housing is only used temporarily or not at all.

Directly subsidised public housing production represents a small share of total output. Original interest subsidies were later replaced by public loans and low-cost land from municipal land reserves. As public rental housing is often sold to sitting tenants, the total stock remains quite small. Therefore, public rental housing is considered as a transitory tenure before passing on to owner-occupation. Rents are determined according to income.

Housing co-operatives have become more active in recent years but are mostly founded by better-off households. As a rule, they dissolve after completion of the respective project.

For a long time, the private rental sector was subject to strict legal regulation. This prevented any notable private investment in rental housing. Only since 1990 have rent contracts been decontrolled.

Buyers of owner-occupied housing are entitled to interest subsidies and first-time buyers additionally enjoy tax allowances.

Only young households have access to a limited housing benefit scheme.

SE / Sweden

Within the framework of general Swedish welfare policy, housing policy played an important role. Its aim was to provide every household with a modern, comfortably equipped dwelling. With this intention, housing output was to be boosted by the „Million Programme“ adopted in the early 1960s. It materialised over a decade and consisted mainly of large housing estates, often of a monotonous appearance. At the same time, many older residential buildings were demolished.

New housing was largely developed by municipal housing companies which up to this day are important providers of housing. Municipal dwellings are open to all households and are therefore not considered to be „social housing“. Rents are determined by corporate negotiation and serve as a basis for rents in the private rental sector, too. Tenants enjoy far-reaching participation rights. Due to current migration from smaller towns to the three metropolitan areas, many small municipal housing companies are faced with vacancy of new (and expensive !) municipal housing.

Independently, the co-operative housing sector progressively became more market-oriented and today in effect is a substitute for condominiums of owner-occupied flats, which are not permitted in Sweden.

Subsidisation of new housing production followed the principle of tenure neutrality and was originally implemented through subsidised loans and later by interest subsidies for capital market loans. During the 1990s, the latter were reduced in amount and finally abolished for owner-occupied housing. However, owner-occupiers are still entitled to a 30 % flat rate deduction of mortgage interest. Imputed rent has been abolished.

If household income is insufficient, there is entitlement to housing benefit regardless of tenure.

Municipal land policy instruments, although available, were not widely employed and landowners were left with considerable freedom of action.

UK / Great Britain

During the early post-war decades, large accumulated housing deficits required substantial slum eradication programmes. In part, former residents moved to new satellite towns. Later, more conservative urban renewal replaced large-scale slum clearance. As of late, revitalisation of idle inner-city land has become a priority.

Large-scale production of new housing was initially a task assigned to local authorities, which thus built up large stocks of council housing, representing almost one-third of all housing in 1980. However, inadequate management and considerable operating deficits caused by too low rent, *inter alia* motivated the Thatcher government to restrict the housing role of local authorities drastically from 1979 onwards. In this vein, generous discounts were offered to sitting tenants who over time purchased about two million former council dwellings. In addition, a considerable share of local authority hous-

ing was transferred to limited-profit housing associations which were to assume the role of non-market housing providers.

Rents in the private rental sector that had been regulated for a long time were replaced by „fair rents“. Many private landlords therefore opted for furnished or „holiday“ letting which were not subject to any restrictions. In view of usually short tenancy and limited tenure security, private rental housing has essentially become a transitory tenure, mostly for young households.

Housing benefit is available for both rental sectors. However, the design of the housing benefit schemes implies a „poverty trap“, i.e. households often cannot obtain additional net income by taking up work.

Owner-occupation was traditionally favoured by full deductibility of mortgage interest at the individual marginal tax rate. However, deductibility was reduced during the 1990s and finally abolished in the year 2000.

The low volume of housing completions in recent years has led to a further increase in the average age of housing stock.

Part C summarises the most important traits of *national housing policies* and *housing markets*. For easy reading, there are no references and few figures (sections C 1 to C 15). All country reviews are divided into the sections *development* and *evaluation*. They should give a first impression of individual countries.

In addition, section C 16 presents a comparative synopsis of national housing policy *instruments* and some *statistical graphs* for cross-national comparison.

Finally, the European Union's possible role with respect to housing policy is briefly discussed. Basically, official EU documents do not contain any explicit reference to housing which, according to the principle of subsidiarity, is left to national governments. However, several EU directives concern housing-related matters, such as competition, capital markets, construction materials, etc. Furthermore, the Maastricht criteria exert an indirect influence on housing policies. Several subsidisation programmes concerning urban renewal and social integration are simultaneously related to housing. Finally, the European Parliament has passed a number of resolutions on housing-related issues, for example against social exclusion.

Part D presents a series of *suggestions* by the author (section D 1). They, too, follow the same subdivision by policy areas used throughout the study. The suggestions listed below may be considered as most important:

Land

- general land tax
- effective capital gains tax
- general municipal pre-emptive purchase right

Housing construction

- acquisition of local authority housing stock

Housing finance

- establishment of a Housing Financing Fund (HFF)
- refinancing by a pension fund

Housing stock

- operation of local authority housing stock
- reduction of market intervention in the private rental sector

Housing expenditure and income

- general but limited housing benefit

Taxation

- abolishment of real property transfer tax

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