The sale of social and public Hous-ing in Europe

HOUSING EUROPE
L'UNION SOCIALE POUR L'HABITAT

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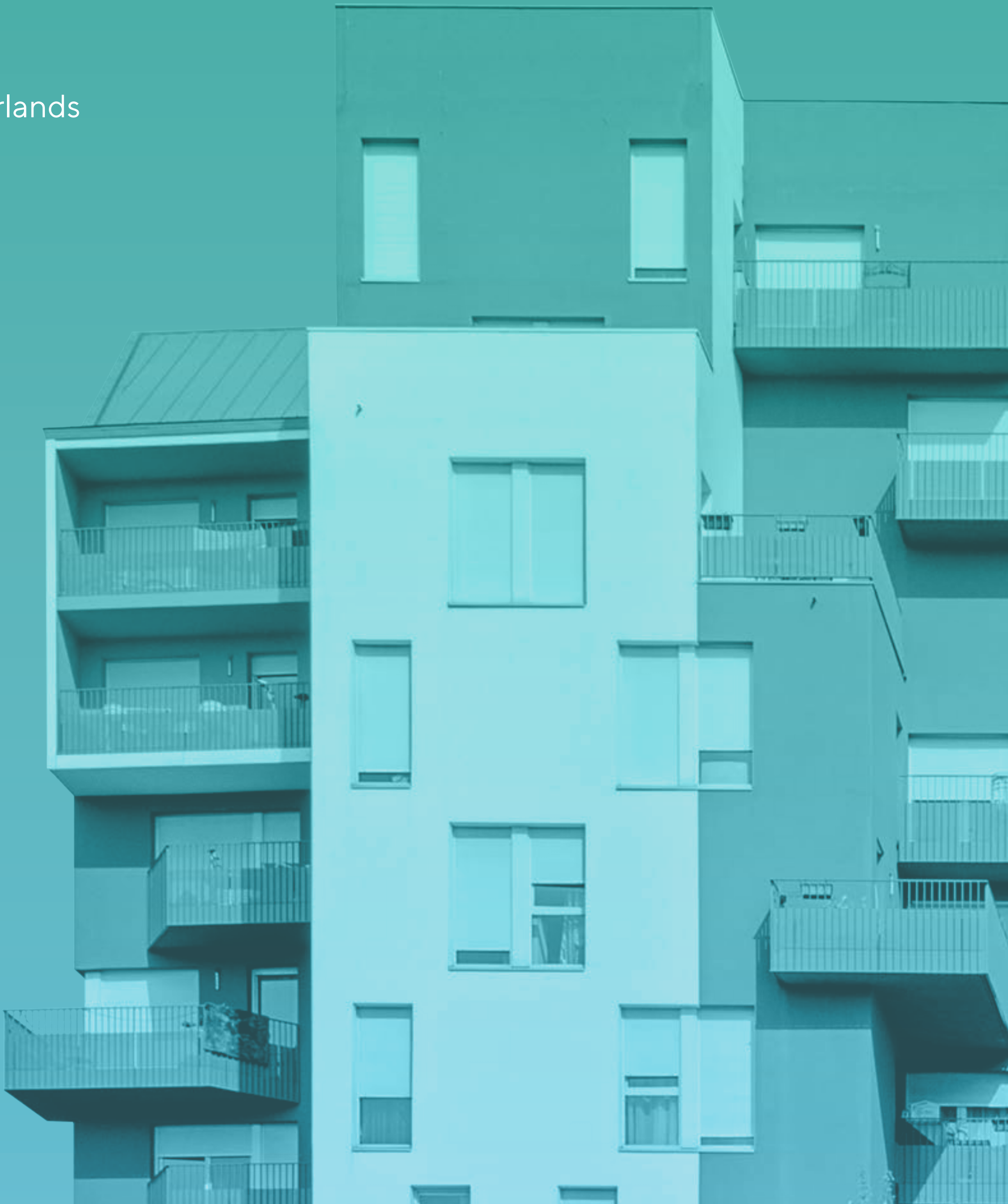

ABSTRACT

Providers of social and public rental housing currently own tens of millions of homes right across Europe. The post-WWII boom in construction of such dwellings in most countries was broadly sustained up until the late 1970s.

Since then, the sale of social and public housing has been a noticeable feature, with some governments and public authorities seeking to promote (or even impose) such sales, to varying degrees. Sales reflect a broad spectrum of underlying policy objectives and an equally diverse set of national and regional housing situations.

This paper provides an overview of how the sale of social and public rental housing has been implemented in a selection of European nations.

It also attempts to provide some guidance to housing providers, as well as policymakers, regarding how to potentially structure the sale of housing in a way that is fair and socially sustainable.

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Overview of the research

This research was commissioned by l'Union sociale pour l'habitat (USH) and the Caisse des Dépôts in France as part of an initiative to further their understanding of the experiences of other countries with regard to the sale of social and public housing. Housing Europe was responsible for the research, coordination, writing and editing of the document.

The paper will provide an overview of the sale of social and public housing in 10 selected countries. For five of these countries (Austria, England, Germany, Italy and Sweden), sales and their broader historical and social context will be reviewed in detail. For the rest of the countries (Belgium, Czechia, Estonia, the Netherlands and Scotland), the review will be more high-level in nature.

This research would not have been possible without the help and input from the members of Housing Europe in each of the 10 countries, who took the time to complete a detailed questionnaire on the topic and engaged in follow-up interviews about how the sales of social and public housing are managed in their respective countries.

Introduction to the topic

The sale of social and public housing is creeping back onto the policy agenda in some countries in Europe, having been largely in decline (in terms of volumes of sales, at least) since the turn of the millennium or so. France is amongst the countries that are showing a "renewed" interest in this measure, though England, Austria and others are seeing increasing annual sales too.

The motivations for selling these social and public homes remain as diverse today as during the historical peak in sales[1], though the ideologically driven view that owning a home is almost always preferable to renting one is a virtually constant feature. A shortage of financial resources to fund the construction of new housing units or the refurbishment of existing ones is also a common motivating factor. Governments see an opportunity for social and public housing providers to sell older, less energy efficient dwellings, with revenues raised from sales being reinvested by providers.

While the decision of some governments and public authorities to push for sales, or even go as far as mandating them (e.g. Right to Buy schemes) may be motivated by an honest desire to support the broader social and public rental sector – rash, poorly designed or simply ideologically driven sales programmes have created many problems for providers and low-income households alike in recent decades. Thus, those promoting sales schemes today would be well advised to try to learn from the mistakes of the past and design better sales initiatives, whilst also ensuring that they work with social and public housing providers, taking on board their knowledge and experience.

1* Sales have seen two peaks. One in the early 90s following the end of communism and the mass sell-off of public assets in Eastern Europe and a second more recent peak at the start of the 2000s.

The recent history of sales in Europe

The sale of social and public housing has existed in many different forms in Europe for decades. For example, many nations have long histories of publicly supported development of housing for the express purpose of it being sold to low and moderate income households; with Italy and Spain being two notable examples of this practice.
The post-WWII boom in the construction of social housing delivered millions of homes from the late 1940s on and continued apace in many countries into the 1970s, during what has been referred to as "the golden age for social housing" (*Malpass,* 2008). However, changing political tides in the 1980s and 1990s made the challenge of delivering housing more difficult, as more 'liberally' minded national administrations sought to promote homeownership.
Sales were often dramatic in scale. Government mandated and 'Right-to-Buy' type sales programmes in the 1980s got the ball rolling, leading in to the mass privatisations seen in Eastern Europe in the post-Communist 1990s, in which virtually all publicly owned homes were sold in a very short space of time.
While the enthusiasm for selling dwellings to social tenants has generally waned in the last couple of decades (the Netherlands and Austria being exceptions), the idea has far from disappeared, with France's recent ELAN law[2] and its accompanying measures only one recent example of national policies which support an environment of increased sales of social and public housing.
In promoting and designing sales policies, it is not always clear the extent to which policymakers have tried to incorporate best practice or to what degree they have given sufficient consideration to the long-term consequences of sales. The need for frequent tweaking and changing of legislation and related sales programmes in many instances also suggests that sufficient care in designing sales policies was not always given.

2*
The 'Évolution du logement et aménagement numérique' (ELAN) law makes it easier to sell social housing in France and is part of a wider government policy objective to see sales rise to around 40,000 dwellings per year, from around 8,000 at present.

Aus—
tria

OVERVIEW OF THE HOUSING SITUATION

The housing market in Austria includes about 48 per cent owner-occupied dwellings, 17 per cent rental units owned by limited-profit housing associations (LPHA), 7 per cent public rental owned by municipalities, 18 per cent private rental accommodation and 10 per cent other tenures (i.e. rent free, nursing home, etc.).

Social housing consists of both the LPHA and Municipal housing stock. Combined, they provide accommodation for almost 1 in 4 households in Austria. However, in this study we refer largely to the limited-profit sector, as this reflects the membership of Housing Europe in Austria.

938,400

units managed by limited-profit housing associations in 2018 (of which 655,000 are owned by the associations; the rest are just managed by them).

15,700

housing units delivered (newbuild & purchase) by housing associations in 2018.

12,000–16,000

new housing units built by housing associations on an annual basis.

BACKGROUND TO THE SALE OF LPHA DWELLINGS

While the Austrian system of generous supports for the housing sector has helped to protect many households from the worst effects of 'marketisation', a strong local economy and the inevitable increased scarcity of developable land in high-demand urban areas is still having an impact on development costs and, ergo, the ability to deliver sufficient quantities of social housing units.

The housing situation has been complicated further by recent legislative reforms which have allowed regions to divert funds originally earmarked for housing development to pay for other public investment projects, while environmental targets and increased building standards have seen a greater percentage of available financing going on refurbishment, as opposed to the delivery of new social housing units.

At the same time, central government funding to support housing development has either not kept pace with increases in development costs or has stagnated completely *(Reinprecht, 2014, p.67)*. This has had an interesting side-effect in terms of the sale of social housing units.

Funding constraints and the aforementioned increase in land prices mean that when LPHAs are building housing, future residents are often asked to provide a 'downpayment' to help meet some of the development costs, particularly the acquisition of land. Legislation introduced in the mid-1990s allowed tenants in LPHA accommodation to purchase their property after a period of at least 10 years' occupancy, provided they had made a downpayment of a certain value per square metre.

The financial situation today means that more and more developers are seeking these downpayments in order to help finance building projects. Indeed, in Vienna and some other regions, downpayments are now very common *(Reinprecht, 2014, p.68)*. The result of this has been that more and more social tenants are becoming eligible to purchase their homes *(Mundt, 2018)*.

To date, purchases by sitting tenants have been relatively small in quantity, though they are increasing. Those living in higher-end, larger properties in desirable areas are buying their property more frequently. Thus there are concerns about future residualisation of the social sector in Austria, as well as the potential for overall shrinkage *(Mundt, 2018)*.

Crucially, though, as housing associations produce a steady output of between 12,000 and 16,000 homes per year, new production currently far exceeds sales.

HOW SALES ARE HANDLED

As already mentioned, an LPHA tenant can purchase their home after 6 years' occupancy provided certain conditions are met, namely:

01.

The renter must have paid an equity contribution at the beginning of the tenancy of at least €72.07/m² (2019 figure; indexed to CPI)

02.

Residency in Austria: The right to buy is limited to EU/Austrian citizens or people who have been legally resident in Austria for at least five years and hold a certificate of the Austrian Integration Fund

03.

The home must measure at least 40m² (based on the rationale that smaller rented properties are particularly important to younger households in urban areas and should therefore not be sold). These properties can be offered for sale by LPHAs on a voluntary basis, though

04.

The home was subsidised by the regional government (usually in the form a public loan)

If these criteria are met, then the renter has the option to buy their property between the 6th and 20th year of occupancy. Up until August 2019, sales were confined to the 10th to 15th years of occupancy. After the 'window of opportunity' has closed, the possibility to purchase the property expires for good. If the tenant makes a request to buy their property, then the LPHA must submit an offer to them based on the market value of the property, taking into account the equity contribution made at the beginning of the tenancy.

Table 1: Sales of Limited-Profit Housing units in Austria

Years	Sales to Tenants*	Build to Sell*
1971/75	268	11,005
1976/80	627	11,735
1981/85	485	9,183
1986/90	487	7,024
1991/95	392	4,948
1996/00	427	4,593
2001/05	716	1,514
2006/10	2,195	993
2011	2,676	902
2012	3,348	768
2013	3,508	618
2014	3,864	931
2015	4,198	1,247
2016	4,170	1,096
2017	4,118	1,160
2018	5,136	1,142
Total Sales	**59,002**	**262,834**

* For the years 1975-2010, figures are average annual sales, not total sales

Since August 2019, once a property is 30 years old, it is no longer available to purchase under the RTB scheme. Thus, even if the tenant meets all of the other sales criteria, the option to purchase their home will be at the complete discretion of the LPHA.

Historically, the voluntary sales of homes to tenants by LPHAs has been very small. The introduction of the limited right to buy (RTB) scheme has seen sales increase in recent times. However, until the late 1990s, it was common for LPHAs to build homes for direct sale. In fact, in the 1970s and 1980s almost every second home built by an LPHA was sold directly. While it is still (legally) possible for LPHAs to build for direct sale, this practice has become a lot less common.

The level of sales also strongly depends on the business policy of the LPHA. Some limited-profit housing associations have historically focussed on home-ownership while others have mainly built for social rent. The level of sales can (to some degree) be influenced by the LPHA themselves. If an LPHA does not ask for a development contribution from a tenant in excess of around €70/m² (index to CPI), the tenant does not acquire the right-to-buy at any point in the future. This however presupposes that the LPHA can finance new construction either from its own financial resources or from loans and thus will not need the tenant to make a meaningful financial contribution. In large cities where land prices are high, tenant development contributions are important.

A key detail of the Austrian RTB scheme is that if a buyer wants to sell their property within the first 15 years after purchase from the LPHA, they have to pay back the difference between the market value at the time of purchase and the price paid by the buyer. Moreover, when homes which have been sold are rented out privately, there is a strict limitation of the rent that can be charged for the first 15 years after purchase, which ranges from €5.80 to €8.90 per m², depending on the region.

AUTRICHE

KEY TAKEAWAYS

- → Most sold homes continue to be managed by social housing providers - avoiding issues with mixed tenure buildings.
- → Cannot make a loss on sales versus development and maintenance costs.
- → Don't sell homes under 40m², as these are needed by young people.
- → If units are resold within 15 years, buyer has to pay back the difference between what they paid for their home and the market value.
- → If buyer wants to rent out their unit, they must do so at a pre-agreed low rent for the first 15 years.

CHALLENGES

- → Given lack of discounts, sales likely benefit better-off households.
- → Cherry-picking of best units by RTB buyers.


England

OVERVIEW OF THE HOUSING SITUATION

64 per cent of households in England are owner-occupiers (35 per cent outright owners and 29 per cent with a mortgage). 19 per cent of households rent from private landlords, while 17 per cent rent from social housing providers. Of the 17 per cent, 10 per cent is provided by a not-for-profit housing association and 7 per cent by local authorities.

There is a diverse range of bodies which provide social and affordable housing in England. These include local councils as well as not-for-profit housing associations and charitable organisations. With the latter two groups having very much taken over from the former in terms of being the largest provider of social housing in England in recent decades.

Housing associations build thousands of good quality new homes a year for sale, for rent and for affordable home ownership.

Housing associations generally provide rental accommodation at 'affordable' prices. While this varies from area to area and association to association, housing association tenants pay rents which are no more than 80 per cent of market rates and typically around half of those paid by private tenants.

One of the key characteristics of housing associations is that they are overseen by a voluntary committee or board, which usually includes residents. This makes for a democratic housing management process, allowing residents a say in the running of their homes.

4,088,000

units rented from local councils and housing associations in 2018.

29,990

new social and affordable housing units (both local councils and housing associations) built in 2018.

18–20%

social and affordable providers build on average 18-20% of total new housing units annually.

BACKGROUND TO THE SALE OF SOCIAL HOUSING

Between 1946 and 1979, local councils in England built 4.1 million new homes. When combined with the largely charity operated housing associations, social housing in England accounted for a staggering 51 per cent of all house building over the period *(MHCLG, 2020e)*. The number of households living in social housing peaked in 1979, at just under 5.5 million *(MHCLG,2020c)*. This equated to 31.2 per cent of households.

A change in political direction in 1979 has seen the social housing sector in England enter a state of constant decline (in percentage terms) in the decades since. As a result, it has gone from the aforementioned 31.2 per cent of the housing stock, to just 16.7 per cent today *(ibid)*.

This decline was started by the election of Margaret Thatcher's Conservative government in 1979. The new government introduced its signature 'Right to Buy' (RTB) scheme in 1980. This allowed those living in council housing to automatically buy their home provided they met some basic criteria. For example, the prospective buyer had to have lived in the property for at least three years, though this was later reduced to just two years *(Elsinga et al., 2014, p.390)*.

Those buying their home could avail of a discount on the market value of the property. The minimum discount was 33 per cent, with an additional percentage point discount for each year of occupancy, up to a maximum of 50 per cent. Frustrated by what they saw as the initially modest rate of sales, the Conservative government progressively made the terms more generous as the 1980s progressed (Cole et al., 2015), with tenants living in apartments eventually able to avail of a discount of up to 70 per cent of the market value *(Elsinga et al., 2014, p.390)*. In addition, early purchasers of council housing were able to re-sell their home at market rates after just five years, with no conditions attached *(Murie, 2014, p.418)*.

There is relatively broad agreement that the RTB policy pursued by the Thatcher government was based on an ideological bias against local council provided housing *services. Mullins and Murie* (2006, p.42) note that for the Conservative Party, housing "was not an area of policy that would be developed in response to evidence of need but was principally about extending home ownership and the role of the market".

Furthermore, at the time of the introduction of the RTB scheme a slowdown in social housing construction in the 1970s and a period of high inflation had drastically reduced the housing related debts of local councils. This actually meant that many councils were running financial surpluses based on the rents being collected from tenants *(Elsinga et al., 2014, p.391)*.

The decline in the importance of council housing since 1979 has coincided with the 'rise' of housing associations. "Housing associations are non-profit independent landlords with the responsibility of providing for particular groups of mainly lower income households" *(Whitehead, 2014, p.107)*.

As much as RTB served to drastically diminish the size of the local council housing stock, 'large-scale voluntary transfers' (LSVTs) have also played a significant role. LSVTs involved local councils transferring all or part of their housing stock to a newly formed housing association.

A key detail of the LSVTs were that tenants being transferred from local council to housing association management maintained their RTB.

Housing associations have not been able to fill the gap left by councils in recent decades, though, as evidenced by the fact that there are just 4 million local council and housing association owned properties in England today, versus 5.5 million in 1979 *(MHCLG, 2020c)*. This is despite a roughly 10 million increase in the size of the English population over the period *(ONS, 2020)*. Around 2.1 million homes have been transferred to tenants under RTB and similar schemes since 1980 *(MHCLG, 2020d)*.

RTB has also created a significant number of issues. For a start, the fall in the volume of social housing has not meant that housing has ceased to be much of a financial cost for the government in England. For example, in 1975 more than 80 per cent of housing subsidies were on the supply-side, intended to promote the construction of social homes, by 2000 more than 85 per cent of housing subsidies in England were on the demand side, aimed at helping individual tenants pay the required rent *(Stephens et al., 2005)*.

Indeed, in recent years, the private rental sector has "rapidly become established as the main alternative for people priced out of owner occupation, and people who can no longer access social rented housing – in part due to the twin policies of the Right to Buy and restrictions on building new social rented housing *(Elsinga et al., 2014, p.395)*. Thus we have seen "a dramatic shift away from subsidising 'bricks and mortar' and towards subsidising individuals" *(Ryan-Collins et al., 2017, p.89)*

Linked to this problem has been the lack of strong re-sale conditions applied for many RTB tenants. Indeed, "a considerable proportion of RTB stock has now been 'recycled' into the private rented sector, especially in recent years... The resale of RTB property into private renting results in higher Housing Benefit expenditure" *(Cole et al., 2015)*. Forty percent of homes sold under Right to Buy are now in the hands of private landlords and rented out.

In effect, the government is now having to subsidise tenants paying market rents in formerly council owned housing *(Muire, 2016, p.5)*. The rent paid by private tenants in England is roughly double that paid by social tenants *(MHCLG, 2020a)*.

Another issue is that, despite generous discounts, those former council tenants best placed to afford to purchase their home from the local council were also the comparatively better off. This saw a 'cherry picking' approach to RTB sales, with the best quality and most desirable homes being purchased *(Elsinga et al., 2014, p.392)*. Sales were also strongest in areas which already had higher than average levels of homeownership. As a result, we have seen the residualisation of the council stock.

While right to buy sales to tenants declined in the mid-2000s, partly reflecting tighter sales conditions, the renewed period of Conservative Party electoral success has seen a number of measures implemented since 2012 aimed at rebooting the sale of social housing in England.

Recent pilot schemes have also sought to open up RTB to housing association tenants (see: *MHCLG, 2020b)*. The renewed vigour of RTB in England comes despite the fact that the devolved governments in both Scotland and Wales have banned RTB in their nations, mainly due to the issues raised in the previous paragraphs *(Muire, 2016, p.2)*.

Overall then, strict ideological stances and biases around social housing have dominated the agenda in England over the past forty years. Much of the policy formation in the area has seemingly been derived from these, rather than from evidence or a desire to meet clear, socially responsible long-term policy objectives. Overall then, as Muire *(2016)* puts it, housing policy in England is "still preoccupied with expansion of home ownership rather than any broader-based vision for the housing sector as a whole" (p.7).

HOW SALES ARE HANDLED

Sales in England are currently possible to the benefit of:

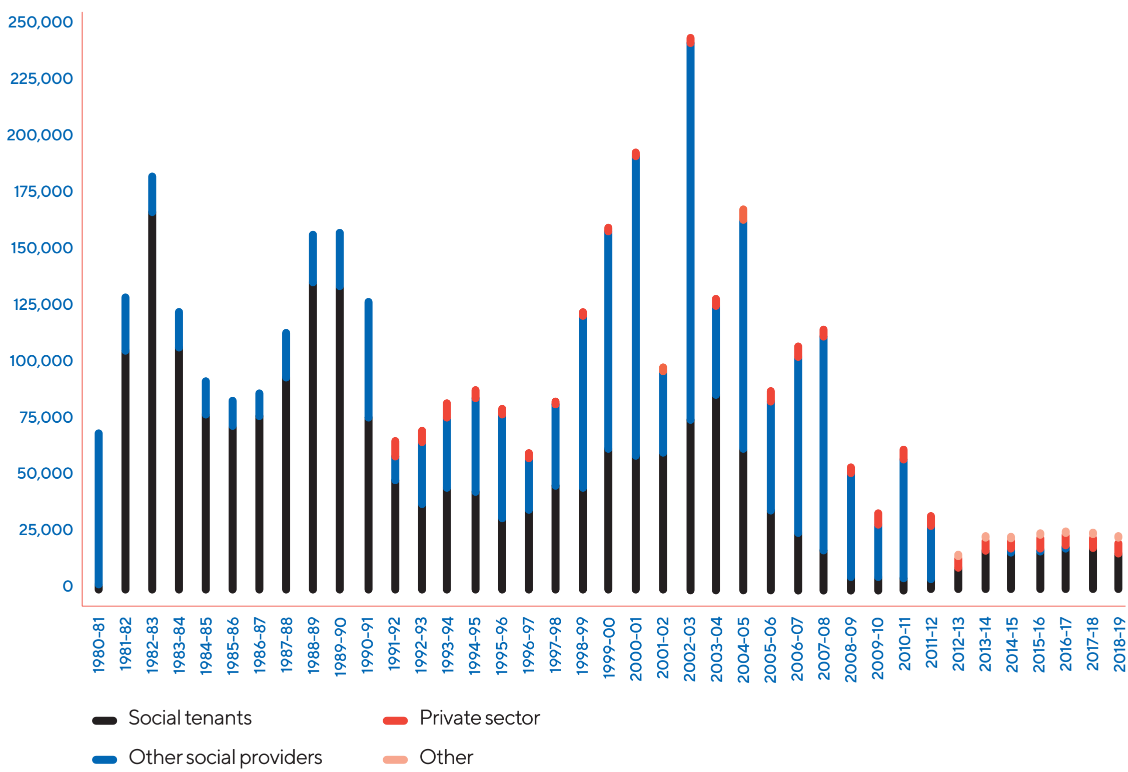
→ sitting tenants;

→ other social tenants;

→ other social providers (e.g. transfers between social housing providers, such as Large Scale Voluntary Transfers)

→ private investors.

Figure 1: Sales of Social Housing Units in England



In April 2012, Conservative ministers "revamped" Right to Buy and raised the maximum discount on a property to £75,000 (it has since increased further, to more than £100,000, in some parts of the country). Since then, the number of homes sold off has increased by 409 per cent, from 2,638 units in 2011-12 to 13,416 in 2016-17.

The current government has plans to voluntarily extend the Right to Buy to more housing association tenants. In 2015, the National Housing Federation, on behalf of its members, put forward a proposal to the government to deliver its commitment to extend Right to Buy to housing association tenants by way of "voluntary agreement", rather than legislation. Since the agreement was reached, the government has set up two "pilot" schemes to help test how the sale of housing association homes will work in practice. Eligible tenants living in the pilot regions have been able to go through the process of buying their own home, with a discount paid for by the government.

An initial pilot was carried out in 2016, and a second pilot launched in the summer of 2018. The second pilot will last for two years and will test two critical pillars of the original agreement:

- → **Portability** - Tenants who are eligible to buy under the scheme, but who live in a home that is exempt from the scheme, will be able to transfer their discount to a different house.
- → **One-for-one replacement** - A way of guaranteeing that there will be no overall loss of affordable housing, by ensuring that for every home sold another affordable home is built.

The Conservative government pledged to push ahead with this commitment in its general election manifesto in 2019. The pilot will be evaluated after it finishes in 2020 and future policy decisions will be taken following the evaluation.

Tenants purchasing their social housing unit can currently avail of quite generous discounts compared to the market price.

The maximum discount is £82,800 across England, except in London boroughs where it is £110,500. It will increase each year in April in line with the consumer price index (CPI). The average social tenant buying their home in 2018 paid only 55 per cent of the market value.

The discount is based on:

- → *how long they've been a tenant with a public sector landlord;*
- → *the type of property being purchased (i.e. an apartment or a house);*
- → *the value of the home.*

If you sell your home within 10 years of buying it through Right to Buy, you must first offer it to either your old social landlord or another social landlord in the area. You can sell your home to anyone if the landlord does not agree to buy it within 8 weeks.

If you sell the property within the first five years, you'll also have to pay back some, or all, of the discount. After that, you don't have to pay anything back.

You'll have to pay back all of the discount if you sell within the first year. After that, the total amount you pay back reduces to:

- → *80% of the discount in the second year*
- → *60% of the discount in the third year*
- → *40% of the discount in the fourth year*
- → *20% of the discount in the fifth year*

ENGLAND

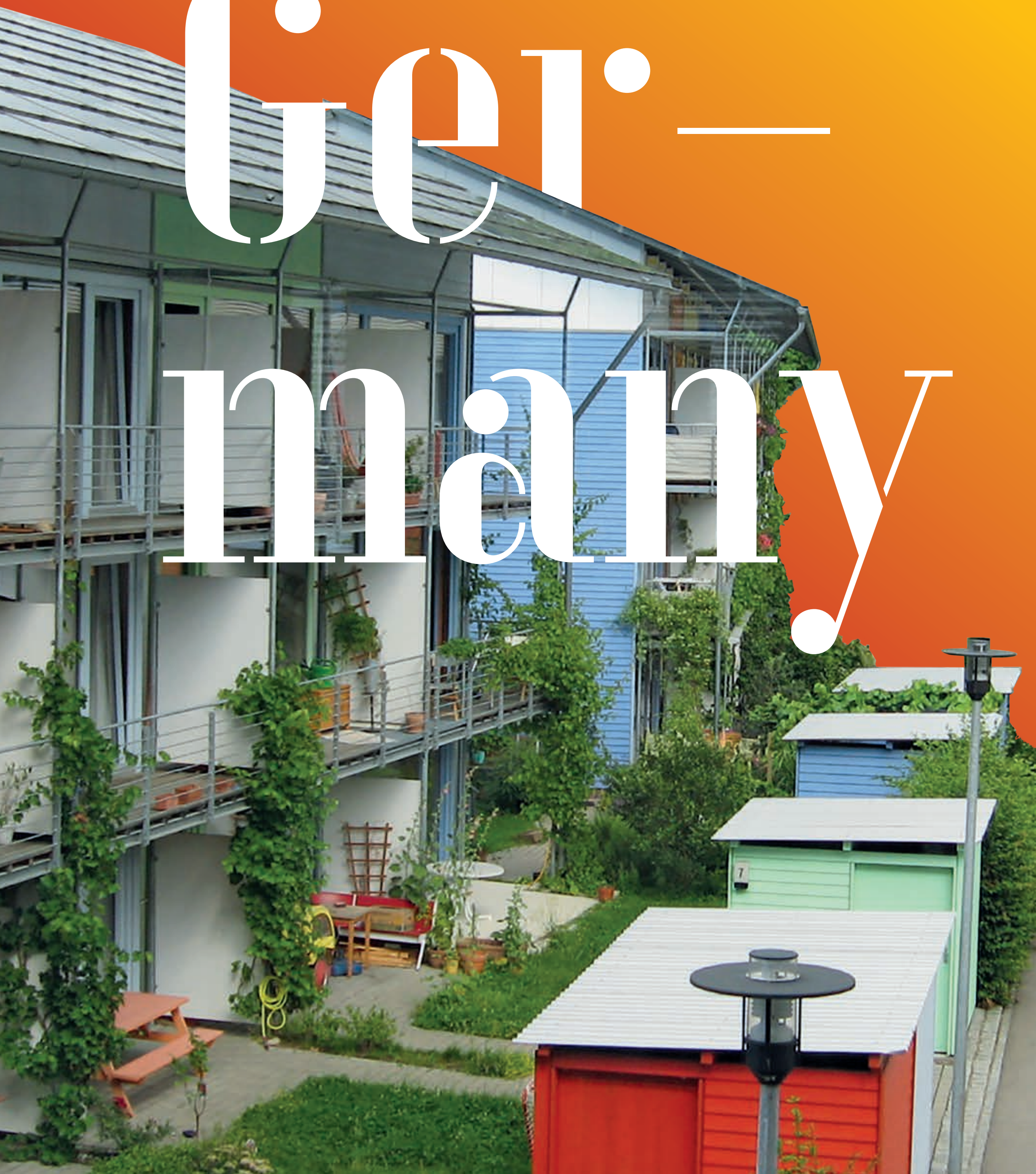
KEY TAKEAWAYS

- → Social homes have often been sold or transferred between social housing providers, rather than to private landlords.
- → New purchase scheme for housing associations is by 'voluntary' agreement, not compulsory RTB.
- → If units are resold within 10 years, it must first be offered to a social housing provider.

CHALLENGES

- → Cherry-picking of best units by RTB buyers.
- → Sales have benefitted people in the right place at the right time, to the detriment of younger generations. Sales benefit better off households.
- → Sales of homes have vastly outpaced new construction - one new home built for five sold.
- → Generous discounts make financing replacement social housing difficult.
- → Sold homes were often making profits for social housing providers, which could have been reinvested.
- → Some low-income buyers have struggled to maintain their homes.
- → Rules on qualifying for RTB, resale and renting out are too favourable.

Ger—
many.



OVERVIEW OF THE HOUSING SITUATION

Germany is the only country in the EU in which those renting their home are almost equal in number to those who own their home. Social housing is estimated to represent between 3 and 4 per cent of the total housing stock in the country.

In Germany the term 'social housing' is rarely used, and legal texts generally refer to 'publicly subsidised housing' or 'promoted housing'. Public intervention in housing policy is not linked to specific state controlled organisations, but entails public subsidies (mainly in the form of loans at favourable conditions) to housing providers in exchange for the use of a dwelling for social purposes on a temporary basis. This is known informally as the 'lock-in' period.

As a result, providers of publicly subsidised housing include municipal housing companies and co-operatives but also private landlords, commercial developers and investors with a variety of shareholders. From a legal point of view, all housing providers are considered to be market actors.

Furthermore, unlike most other European countries, social housing in Germany is based on temporary obligations in terms of rent levels and beneficiaries, which expire at the end of the repayment period of the public loan (typically 20 to 40 years for new dwellings built with public subsidies, and 12-20 years for renovated dwellings). Afterwards the dwelling can be let or sold at market rates - in practice though, municipally owned companies often continue to offering the dwellings at affordable rents.

Therefore, it is important to differentiate between the two types of social housing which could be said to exist in Germany.

→ "De jure" social housing, as it is sometimes called to, is the housing which is built with state financial support and which must offer affordable rents to targeted groups during the repayment period ("lock-in" period);

→ "De facto" social housing is housing which is no longer in the "lock-in" period, having repaid its state loans, but which the owners continue to offer for rent at below market prices. The exact number of dwellings which fall into the second category is unknown and is currently quite difficult to estimate.

While the number of new social housing units completed has moderately picked up in recent years, the overall volume of *de jure* housing is still decreasing; from 2,570,000 in 2002 to approximately 1,180,000 in 2018. Between 2017 and 2020, the "lock-in" period ends at a rate of approximately 43,000 social rental units each year.

In terms of governance, since 2006 social housing policies have been entirely a competence of the "Lander" (provinces), which have implemented different programmes and funding schemes. However, with an aim to increase social housing supply, the government changed the German constitution in April 2019, giving new competences to the Federal Government. It will be able to grant the federal states financial aid for social housing from 2020 onwards.

1,180,000

social housing stock in 2018.

46,434

social housing units delivered in 2018
(27,040 newbuild; 17,968 modernisation of existing housing stock; 1,426 purchase).

GERMANY

BACKGROUND TO THE SALE OF SOCIAL HOUSING – A SPECIAL CASE

As already mentioned, the term "social housing" doesn't sit comfortably in the German lexicon, with the term roughly equating to homes which are rented out at a legally defined price for a fixed period of time ("lock-in" period), after which the landlord is free to rent them out at market rates.

"Overall, about 5 million social homes were constructed in West Germany between the early 1950s and 2000. In 1970, almost a quarter of all post-war housing in Germany was social housing...[Although, for reasons which will be explained,]...this number had declined to 3.9 million by 1987...[and]...1.7 million by 2002" *(Droste and Knorr-Siedow, 2014, p.184).* At the time of reunification in 1990, there were approximately 1.5 million social housing units in East Germany (ibid., p.192).

The re-unification of Germany coincided with a liberal shift in housing policy in the country. For example, public interest housing providers *(Wohnungsgemeinnützigkeit),* which mostly consisted of public and municipal housing companies and organisations providing affordable housing for workers, "lost their tax advantages... [while they] have been able to sell apartments, increase rents, distribute profits to their owners or" even sell themselves off to private investors *(Kofner, 2017).*

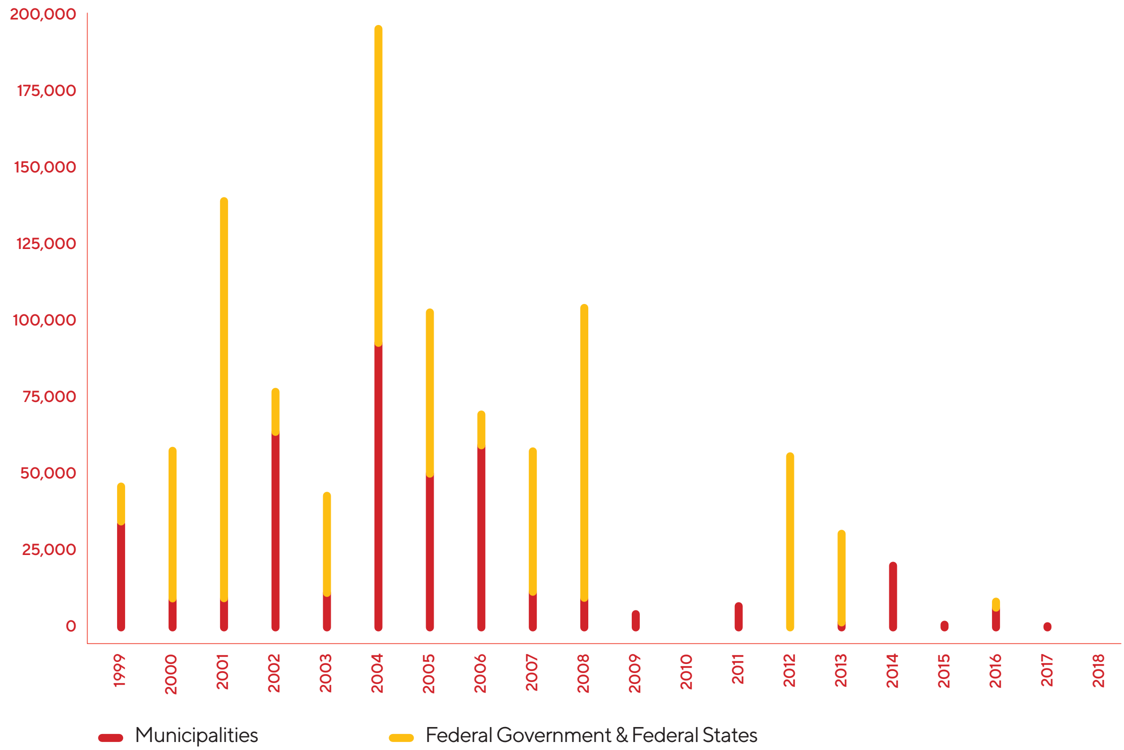
One of the key challenges currently facing the broadly defined social housing sector in Germany is what is known as "secular shrinkage". This is the process by which more *de jure* social units come to the end of their binding (lock-in) period every year than new social units which are being added, reducing the stock of "locked-in" social housing units.

This is due in large part to a reduction in funding for social housing schemes by the Federal Government, with regions expected to cover far more of the cost of subsidisation *(Droste and Knorr-Siedow, 2014, p.189).* Although, as mentioned above, from 2020, the Federal Government will provide additional financing for low-income housing.

Another issue with social housing in Germany is that developers now have the option to repay their state loans early and then rent their housing out at market rates, not having to wait till then end of the 'lock-in' period – an option which is made more attractive by current ultra-low interest rates, meaning housing providers can refinance their loans *(Marquardt and Glaser, 2020).*

While, as already outlined, most of the decline in the volume of social housing has been down to "secular shrinkage", the sale of state owned units (particularly in the 1990s) has also been a factor.

FIGURE 2: Sales of State Owned Housing in Germany



Note: Sales' do not necessarily equate to a loss of publicly owned housing, as the purchaser may have been another public agency. Only sales of 800 units at a time or above recorded. Thus figures do not capture small-scale sales of housing.

There are two interesting characteristics of these sales.

→ firstly, unlike in other countries, almost all units that were sold off were purchased by investors (as opposed to sitting tenants);

→ secondly, the vast majority of units sold went to foreign purchasers, who were not as familiar with issues like German rent controls as potential domestic buyers *(Elsinga et al., 2014, p.403)*.

In terms of the volumes of homes sold in recent decades, estimates vary. Virtually 100 per cent of "Federal" housing was privatised. Federal housing primarily refers to housing owned by bodies like the state railway or other public utility companies, which themselves were also privatised *(ibid., p.405)*. The often poor state of municipal finances saw local social housing units sold off. However, given that these sales were only collated at a national level if they amounted to over 800 units, the exact numbers of municipal housing units sold in recent decades is unknown. It is estimated to be close to 730,000 units *(ibid., p.405-406)*.

Today there is an acute shortage of all forms of housing in Germany, with only a little over 30 per cent of the housing needed to meet underlying demographic demand being produced *(Deschermeier et al., 2017; OECD, 2018)*. A lack of affordable options and rising rents has even prompted moves to renationalise some former social housing units, even if this comes at a high financial cost *(Berliner Mieterverein, 2019; Der Tagesspiegel, 2020)*.

HOW SALES ARE HANDLED

As already outlined, social housing in Germany is, by design, temporary. In this way, social housing is "lost" in Germany, not because it is sold, as in other countries, but because of legal and regulatory structures. Thus, discussing the sale of social housing is not so straightforward; at least not when compared to most of the other countries in this study.

The aforementioned 'lock-in' periods are strictly enforced. In principle, a social housing unit can be "sold" during the "lock-in" period. However, the purchaser acquires all of the obligations regarding its use as social housing. Therefore as a rule, it is more interesting to sell social housing after the fixed rent obligation has expired.

If we look at the sale of municipal and federal housing units, something which happened to a quite significant extent around the time of German reunification right up to the mid-2000s, then we can see that, in a similar vein to England, the view of policymakers at the time was that the German state should divest itself of housing.

Of course, the sale of these state owned properties is not as easy to interpret as it may seem. The stock that was sold represents a mix *de jure* and *de facto* social housing units, as well as dwellings which would have been rented out under terms similar to those offered in the private market.

It must be noted that those living in formerly municipal or federal owned housing may have seen some difference if their homes were sold to private investors, as the latter group may have pursued a more stringent profit maximising agenda although rent controls and strong tenants' rights in Germany mean that the impact of this may be limited for some tenants.

However, there is evidence that former publicly owned housing which was sold to private enterprises has seen a lower level of investment in maintenance and upgrades, as the new owners seek to maximise their financial return.

If we continue to limit ourselves to only looking at former state owned housing, then there is evidence that private investors "cherry-picked"the most desirable housing units (i.e. more modern, higher potential resale value, less socially disadvantaged areas).

In terms of the future, there have been a number of very recent developments in the "social" sector in parts of Germany, which have the potential to be significant if maintained or expanded.

For example, in recent years, there has been regular municipal activity on the German housing market. Many municipalities (especially in areas with pronounced difficulties in accessing housing) have become more aware of the importance of their own stock to housing policy and are looking to expand stocks with new construction measures and by buying existing housing units.

Furthermore, a number of municipalities use their municipal "right of first refusal" to prevent the sale of housing to private investors, fearing that rent increases and luxury renovation could drive away existing tenants.

Overall then, there are tentative signs that the system is changing in Germany and that some of the sales and the policies which have supported a contraction in the social and state controlled housing stock are being reconsidered, reversed or revised.

KEY TAKEAWAYS

→ Strong rent controls and tenants' rights have historically meant that there is little incentive for tenants to buy their home.

→ Social housing that is sold must remain as social housing until the end of the agreed "lock-in"period.

CHALLENGES

→ Money raised from federal and municipal sales was not reinvested in public housing.

→ Social housing sold to private investors may suffer from lower maintenance standards, as they try to maximise profits.

→ Federal and municipal housing sold at low prices in the 90s and with little conditionality - transfer of wealth from the state to private investors.

Italy

OVERVIEW OF THE HOUSING SITUATION

Homeownership is the predominant type of housing tenure in Italy. The EU-SILC figures for 2018 show that 72.4 per cent of Italians live in owner-occupied accommodation. 18.8 per cent live in the private rental sector, while 8.8 per cent live in accommodation rented at below market rates or free rent *(Eurostat, 2019)*. It is estimated that approximately 3 percent of the housing stock consists of public rental housing, equating to around 700,000 units *(Housing Europe, 2019)*.

The public housing sector is home to about 2.2 million people. About a third of tenant households have yearly incomes below €10,000 and typically they include a large share of vulnerable or socially marginalised groups *(ibid.)*

Rents in the public housing sector are extremely low compared to market levels. The national average rent in public housing is about €110 per month (about 25 per cent of the average market rent). This means that companies cannot cover costs without a constant flow of public funding.

However, funding for public housing in Italy has decreased over time, especially since the central fund dedicated to channelling money to the sector (financed by social contributions) was abolished in the 1990s and its residual resources have now completely run out.

BACKGROUND TO THE SALE OF PUBLIC HOUSING

Italy is a country in which much of the focus of post-war housing policy was on government supported programmes to build housing for sale at affordable prices, rather than to provide public rental housing.

Today, this build-to-sell model remains popular, with public-private housing developments built with state support to offer affordable homeownership options *(van Bortel and Gruid, 2019; Carriero et al., 2014)*.

In terms of the 'sale' of public housing in the more traditional sense (i.e. publicly owned rental units being privatised), this has been a feature of the Italian system since 1993, when legislation aimed at ridding local governments of old and expensive-to-main housing units was passed *(Di Giovanni, 2019; Padovani, 1996, p.194)*. The state has also provided cheap credit to social tenants in order to allow them to purchase their home *(Gentili and Hoekstra, 2019)*.

Sales to tenants saw the public rental stock decline from 900,000 in 1991 to 800,000 in 2007. A report from Federcasa *(2015)*, the Italian federation of public housing providers, noted that at the time of writing in 2015, the association's members managed 742,000 units and that they were in the process of selling 50,000 units to tenants.

At the same time, 650,000 households were on social housing waiting lists. Demand vastly outstripping supply has been a characteristic of a the social housing system in Italy for decades *(Governa and Saccomani, 2010)*.

In terms of the consequences of sales, they have "led to a fragmentation of the...[social housing blocks]...that has complicated its management and administration" *(Boeri et al., 2011)*. It is for this reason that one of the aims of the current sale programme is to sell public dwellings in mixed tenure buildings.

Furthermore, recent privatisation plans were presented by the state as "a way to finance the expansion and the refurbishment of the existing stock...[however],... dwellings are sold far below their market value" *(Poggio and Boreiko, 2017)* and it can take around three or four sales to finance one new unit, with one report showing that the average sale price was at least 68 per cent below the market value *(Bianchi, 2014)*. At the same time, the money has often been used to pay off debts that housing providers have accumulated, rather than for the construction of new housing *(ibid.)*.

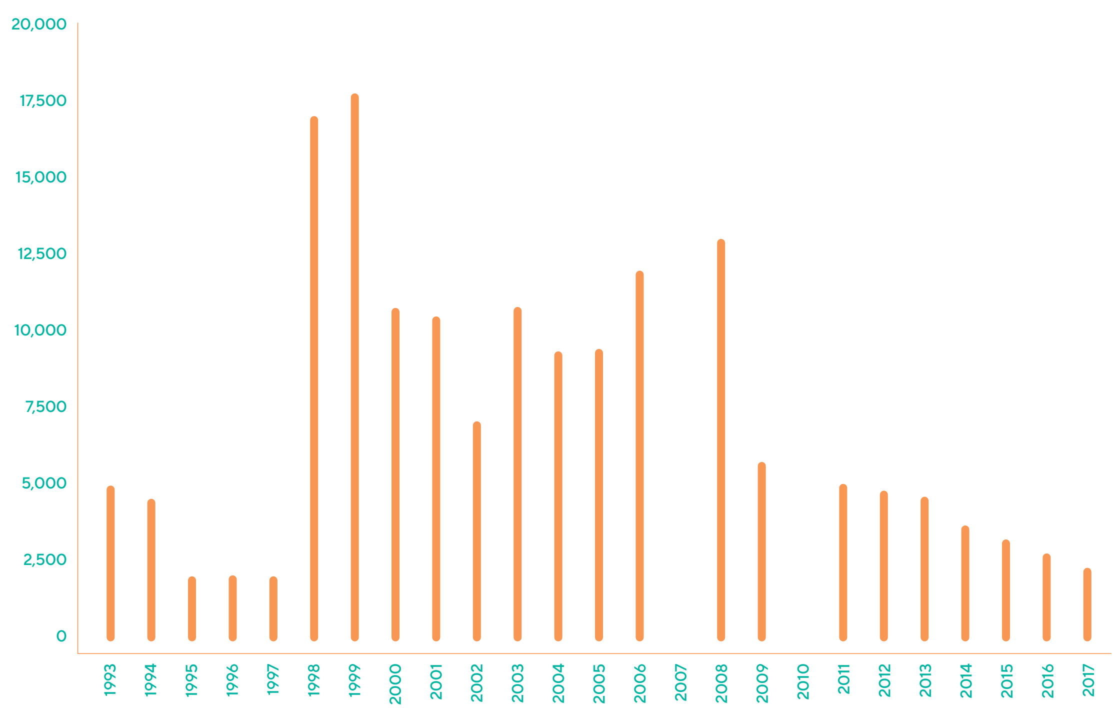
HOW SALES ARE HANDLED

The current law on public rental housing in Italy specifies that the housing bodies concerned (municipalities, local authorities and publicly owned housing companies) must adopt enforceable sales programmes, which must be agreed to by the regional government.

Such sales programmes must prioritise selling the following:

- → dwellings in mixed ownership buildings where less than 50 per cent of the units are owned by public housing bodies;
- → dwellings that happen to be owned by the abovementioned housing bodies, but which are not located in buildings owned by them; especially units in areas that are not connected to basic services or run-down buildings;
- → dwellings whose maintenance and/or renovation are not financially sustainable for the housing body (based on cost estimates which must be documented and submitted to the Region).

FIGURE 3: Sale of Public Rental Housing Units (Federcasa members)



Note: Total sales for 1993-2018 (164,662) are a Federcasa estimate, as data are not available for all years.

Programmes can also include selling non-residential units that are located within buildings identified for sale, such as spaces dedicated to commercial activities.

Housing units are first offered for sale to tenants who fulfil the criteria for social housing and who don't have arrears on rent and other payments. If the household does not wish to buy the dwelling, the housing body must check whether another dwelling is available in the same municipality that the tenant could move into (one that is adequate to fulfil the needs of the household). The move, if required, is paid for by the housing body.

If the household cannot move homes, for instance because one or more members of the household is over 70 years old or suffers from serious illness or disability, then they can stay in their home. If the household does decide to move out, their former housing unit can be put up for sale through a public auction.

It is estimated that to buy or build one new housing unit costs about as much revenue as is raised from selling three or four existing units. Thus, since 1993, the sales policy should have led to a decrease of about 150,000-170,000 housing units.

However, in reality the decrease has been more significant (about 225,000 units) as proceeds from sales have been used mostly to pay for extraordinary maintenance and repairs in the existing stock, rather than new construction or purchase of existing buildings.

Part of the issue is that discounts to tenants buying public rental housing have been quite generous, with discounts of over 50 per cent common in the early days of the sales policy (i.e. after 1993). Today, a reduction of 1 per cent for each year since the construction of the property, up to a maximum of 20 per cent is applied. The main constraint on those purchasing a dwelling is that they cannot be re-sold within a period of five years.

KEY TAKEAWAYS

- → For-profit companies cannot purchase public rental housing.
- → The focus of the sales policy is on selling in mixed-tenancy buildings, those which are no longer strategically important or which are no longer economic to operate.
- → Tenants are relocated to a home of similar characteristics in the event that a unit needs to be sold and the tenant does not want to buy it. Ill or disabled tenants are not moved.
- → A national fund exists to help low-income tenants purchase their public rental housing unit.

CHALLENGES

- → The waiting list to access social housing in Italy is very long and sales do not help the situation.
- → Social housing is sold at discounted prices, meaning revenue raised does not cover the cost of producing new units.

Swe—
den

OVERVIEW OF THE HOUSING SITUATION

The housing market in Sweden includes 23 per cent tenant ownership ("Bostadsrätt"), which is approximate to co-operative housing and 18 per cent municipality controlled public housing or housing associations, which includes both private market-oriented companies (approximately 90 per cent) and foundations. The balance is made up of 39 per cent owner-occupiers and 20 per cent private renters.

Sweden has a very long history of state supported, municipally provided, "public" housing. This should not be confused with 'social' housing as it exists in many other countries. Swedish "public" housing follows a universalist agenda (Löfgren, 2013), meaning it is open to all households regardless of their characteristics (even if in practice those in severe crisis situations can be prioritised). It is for this reason that the Swedish refer to their public housing sector as "allmännytta", which roughly translates as "for the benefit of everyone" *(Grander, 2017)*. In short, "social housing - defined as subsidised housing targeting low-income households - does not technically exist in Sweden" *(Lind, 2017)*.

Business principles mean that the housing companies should not be given any special advantages that benefit them financially compared with private competitors, and that the companies must always act in their long-term best interests.

The business principles requirement does not prevent companies from adopting a 'corporate social responsibility' type ethos, as long as company funds are not used to finance activities that are normally the responsibility of municipalities. A long-term profitability objective gives the companies the fiscal space to engage in corporate social responsibility, to develop the company, to build a new business and ultimately to conduct any business at all.

54,876

housing units built in 2018
(8,262 public housing).

861,000

units managed by public housing associations in 2018.

8,000

new units built per annum by public housing associations.

SWEDEN

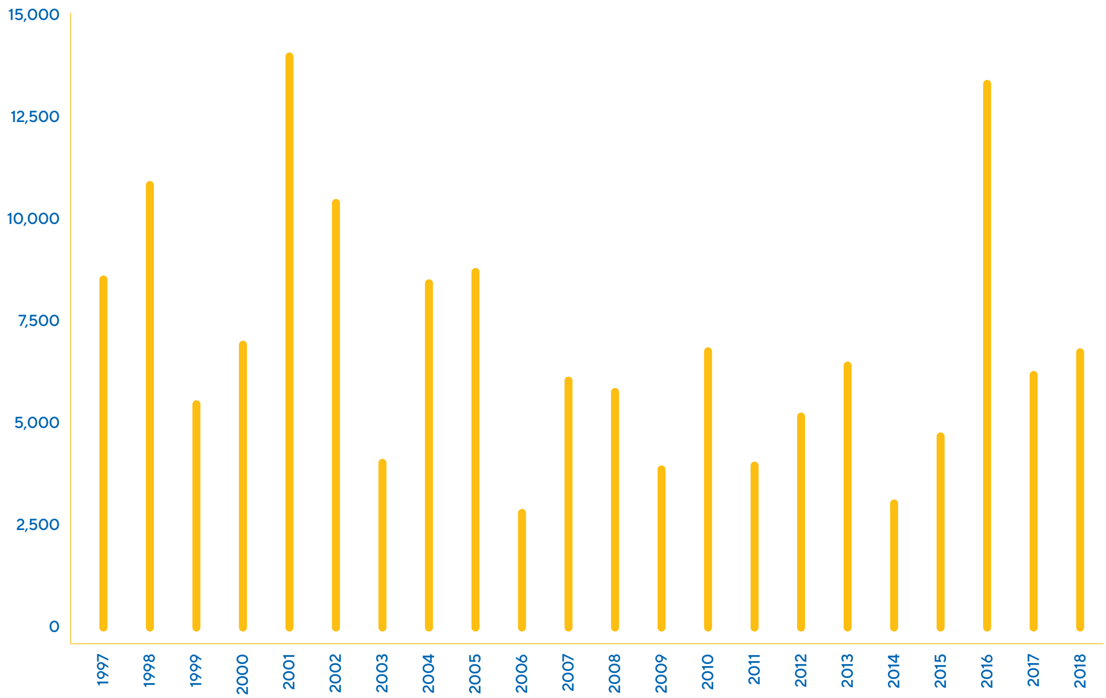
BACKGROUND TO THE SALE OF PUBLIC HOUSING

The end result of several decades of concerted effort to provide all Swedes with a good quality home at an affordable price was that by the early 1970s, there was actually a housing surplus in the country *(Grundström and Molina, 2016)*. Indeed, in 1974, Sweden had the highest level of housing production per capita in the world. However, periods of governance by more "market-oriented" political parties from the mid-70s onwards saw a trend of deregulation of the housing market. Many subsidies were abolished or reduced and house prices rose sharply *(Grundström and Molina, 2016)*.

By 2001, 90 per cent of the so-called Municipal Housing Companies (MHCs), which had delivered over a million public housing units, were operating as limited liability companies *(Löfgren, 2013)*. In 2006, the last remaining government financial supports for the public housing sector were abolished and since 2011, legislation has mandated that the MHCs must act as profit making market orientated enterprises[3] *(Lind, 2017)*.

3*
The 2011 reforms followed on from a European court case brought by the Swedish Property Federation *(Fastighetsägarna)* challenging public involvement in housing in Sweden, including the competitiveness of the rent-setting system. Rents are now set based on an agreement between tenants' unions and landlords *(see: Norberg and Juul-Sandberg, 2018)*, which, when combined with the 'profit making' objective, has seen rents increase.

FIGURE 4: Sales of Public Housing (PHS Members)



Notes : Data cover members of PHS - Sveriges Allmännytta. Between 2007 and 2013 several big housing companies in the Stockholm area, with approximately 80,000 units, are not included in the statistics.

A sell-off of public housing has also negatively impacted the availability of affordable residential units in many areas of Sweden. The sale of public housing has been a consequence of the liberalisation of the Swedish housing market *(Knutagård, 2018)*. However, this has often taken the form of transferring public housing units to cooperatives formed by sitting tenants, particularly in large urban areas like Stockholm (*Wimark et al., 2019; Grundström and Molina, 2016)*.

At a high level, figures from *Statistiska centralbyrån* (SCB) show that tenant owned cooperative housing increased from 16.9 per cent of the Swedish housing stock in 1990 to 23.4 per cent in 2018. In Stockholm, the change was even more pronounced (22.4 per cent to 41.2 per cent). At the same time, the share of public housing in Sweden as a whole fell from 21.3 per cent in 1990 to 18.2 per cent in 2018[4].

4* Based on Wimark *et al.* (2019) as well as author's calculations derived from the dwelling stock by type of building, tenure and region (recalculated) 1990-2018 and number of dwellings by region, type of building and type of ownership (including special housing). Year 2013 - 2018.

Taking the specific example of Stockholm, public housing units have been sold to tenant cooperatives at below market rates. In 2010, all 7,537 MHC units which were sold in the capital city were purchased by cooperative groups *(Löfgren, 2013).*

Overall then, market reforms of the Swedish housing market in recent decades have had myriad consequences. The public housing sector has sold off some of its stock to sitting tenants. The decision to largely sell MHC housing units to sitting tenant cooperatives rather than the private sector does seem to have helped to shield these households from rising home purchase and private rental prices. Indeed, in 2018, 32.8 per cent of low-income households in Sweden stated that they face no financial burden related to meeting their housing needs *(Turnbull, 2019).* This is significantly above the EU average rate of 20.9 per cent.

HOW SALES ARE HANDLED

There are no special restrictions over the sale of public housing. Sales are subject to the same legal requirements that sales of housing by private interests would have. There are no circumstances in which public housing providers are "required" to sell housing. There is no equivalent to the "Right to Buy" which exists in some other countries.

In terms of who housing can be sold to, there are no restrictions on public housing companies in addition to the basic legal requirements which anyone selling property needs to comply with.

The sale of public housing in Sweden has never been legally prohibited although an active policy of selling public housing stock has only really existed since the 1990s.

No discount is offered to buyers at present although historically, sitting tenants did benefit from some negotiated sales below market prices (particularly in Stockholm) about two decades ago.

Most of the capital gains have been invested in new construction or refurbishment. In a few cities (e.g. Stockholm) part of the gains have been transferred to the owners of public housing companies, the municipalities themselves.

In terms of what "obligations" are placed on buyers, legally speaking, any conditions that are included in sales contracts are only valid for a maximum of two years as a result of the relevant Swedish legislation. Thus purchasers are relatively free to proceed with the management of their investment as they see fit whilst obviously respecting their legal obligations around things like tenants' rights.

KEY TAKEAWAYS

- → housing units have often been transferred to tenant cooperatives.
- → Sales of public housing are voluntary on the part of the housing provider.
- → Sales are often done with the aim of encouraging a more diverse socioeconomic mix.
- → Revenue raised fully reinvested in new construction and maintenance.
- → Specific guidelines and frameworks are developed to advise on the sale of housing.

CHALLENGES

- → Private investors have cherry-picked properties with the highest potential return on investment.
- → Transfers of blocks of housing to tenants do not require universal agreement, meaning some tenants can end up with their neighbours as their landlord.
- → Sales have generally outpaced new building in recent decades.
- → Sales tend to be in more desirable areas, leaving public providers with a large amount of residualised suburban housing units.

Belgium

OVERVIEW OF THE HOUSING SITUATION

Studying the social housing system in Belgium poses some difficulties, as housing is a fully devolved competence of the country's three regions; Brussels-Capital, Flanders and Wallonia. Thus, when we consider the social housing system here, we must, in effect, look at three different systems.

BRUSSELS-CAPITAL

In Brussels, a growing population and rising rental and property prices have seen an increase in demand for social housing. There are currently around 40,000 social housing units in the region, while close to 46,000 households are on social housing waiting lists. In order to increase the capacity of the social housing sector in Brussels, the regional government recently launched two plans aimed at providing an additional 8,000 units in the coming years.

Renovation of social housing is financed through four-yearly investment programmes. For this, the *Société du Logement de la Région de Bruxelles-Capitale* (SLRB), receives a budget from the regional government and divides this over the region's 16 public interest real estate companies, based on their needs. Since the current government of the Brussels Capital region considers housing to be a priority, the annual budget available for capital investment has increased in recent years by 15 per cent.

FLANDERS

In Flanders, the vast majority of the roughly 160,000 social housing units are owned and operate by housing associations. These organisations can borrow from the Flemish government at favourable rates. In return, they offer affordable rents to tenants. Rents paid are typically around half the private market rate.

There has been an increase in investment in social housing in Flanders over the last decade, which has seen an increase in the social rental stock (c.20,000 units), while income limits have also been raised in an effort to broaden the scope of households who are eligible for social housing in the region. The latter measure reflects concerns that the sector had become increasingly residualised.

Investment in social housing is about €1.3 billion annually (about €800 million of which comes from government loans). Investments in 'sustainability' have also increased a lot over the last decade. In 2010, around half of social houses in Flanders had an "energy-deficit" (no roof insulation, no double glazing, no central heating). That has now declined to around one in ten homes.

WALLONIA

There are approximately 105,000 social housing units in Wallonia. However, funding constraints over the past three decades have seen social housing decline as a share of the overall housing stock in the region. There are currently around 40,000 households on social housing waiting lists in Wallonia.

Regional subsidies from the Walloon government account for approximately 50-55 per cent of the cost of delivering new social rental housing, however, these subsidies can vary from year to year. The rest of the development costs are met by repayable loans, offered at very low interest rates, through the SWL and by available capital that social housing providers may have in reserve to finance such projects.

The fact that the money which flows from the regional government in the form of grants is based off of assumed average development costs from 2010 has also served to stymie development of new properties in recent years. Difficulties in accessing sufficient financial resources for much needed new development is often cited by social housing providers in Wallonia as a reason for selling part of its existing housing stock.

304,384

units managed by Belgian social housing providers in 2018 (Brussels Capital Region: 39,384; Flanders: 160,000; Wallonia: 105,000).

3,385

housing units delivered (new build) by social housing providers in 2018 (Brussels-Capital Region: 36; Flanders: 2,697; Wallonia: 382).

6%

of the national housing stock in Belgium are social housing.

HOW ARE SALES HANDLED

BRUSSELS-CAPITAL

The sale of social housing has been forbidden in Brussels-Capital since 1990.

FLANDERS

The criteria for purchasing social rental housing in Flanders is quite strict. The house being sold must be at least 15 years old; the sitting tenant has the first right of refusal; property must be sold for at least the market value; purchaser must be seen to be in need of housing (i.e. does not already own a home).

Social housing providers can also choose to sell residential properties if they are deemed to be no longer fit for the rental market (e.g. would be too expensive to renovate, difficult to manage, etc.). Properties can also be transferred from one social housing provider to another.

A limited "Right to Buy" scheme existed in Flanders from 2006-2017. It allowed social tenants who had been:

→ living in a house (apartments were excluded from the scheme due to the complexity of mixed tenures) that was more than 15 years old;

→ for at least five years

to purchase their home, provided certain other criteria were met. Sales under the scheme were at the market value. No new entrants to the RTB scheme are being accepted, though a period of "phasing out" means that some tenants will technically remain eligible until 2021.

In theory, anyone can purchase social housing units in Flanders, though priority has to be given to sitting tenants and others in need of housing. Ordinary citizens, landlords or private companies can also purchase social housing, provided no one from one of the priority categories was interested. However, units are typically sold one or two at a time, meaning it is not interesting for large-scale private investors.

It is quite clear that in Flanders sales are mainly about individual sales to tenants, rather than corporate interests. The right to buy scheme showed that the demand was not so big (which made abolishing it easier). It can happen that VVH members come under pressure from municipalities to sell "interesting" parts of their housing stock or land, so that private companies can redevelop them. This is also an issue, but it's on a very small scale.

Overall then, the sale of social housing is not a major issue in Flanders.

TABLE 2: Sales of Social Housing in Flanders

Years	Voluntary sales	% of total sales	Right to Buy Sales	% of total sales	Other sales	% of total sales	Total
2010	16	30.8	13	25.0	23	44.2	52
2011	85	43.6	80	41.0	30	15.4	195
2012	133	57.6	97	42.0	1	0.4	231
2013	131	60.1	87	39.9	.		218
2014	169	61.5	106	38.5	.		275
2015	206	78.6	56	21.4	.		262
2016	239	74.9	80	25.1	.		319
2017	247	78.7	67	21.3	.		314
2018	289	80.1	72	19.9	.		361
2019	313	80.3	77	19.7	.		390

Notes: RTB scheme ended in 2017 and will be completely phased out by 2021.

TABLE 3: Sales of Social Housing in Wallonia

Years	Sales to sitting tenant	% of total sales	Other social tenants or targeted social groups	% of total sales	Private households or investors	% of total sales	Total
2014	.	.	.	.	.	.	173
2015	.	.	.	.	.	.	204
2016	.	.	.	.	.	.	299
2017	54	20.6	105	40.1	103	39.3	262
2018	55	24.9	107	48.4	59	26.7	221
2019	38	23.9	69	43.4	52	32.7	159

WALLONIA

The sale of social housing is strictly regulated by Walloon law.

Public service housing companies (SLSP) must justify any sales plans (both dwellings and developable plots of land) in relation to their overall social, asset management and financial strategies. After approval by the SLSP Board of Directors, the sales program must be communicated to each municipality concerned and must be authorised by the SWL.

Then, for each sale, a procedure provides that:

- → the property is valued (typically by the regional "Comité d'Acquisition");
- → the SLSP decides on a sale price, which cannot be below the valuation price;
- → if the dwelling is occupied, it can only be sold at the set price to the sitting tenants;
- → if the property is not occupied, then the sale needs to be secured in the favour of one of the following groups (in order of priority):
  - other social tenants, those on social housing waiting lists or those on social purchase waiting lists–the chosen household must also meet all current criteria for access to social housing and not already be in possession of a residential property,
  - the local council or other authorities with respect to social housing provision,
  - natural persons or private entities – the property is sold to the highest bidder in this instance.

Once the sale has been realised, the SLSP must reimburse (on a *pro rata* basis) the regional agencies involved in the financing of the social housing, with the length of time since the financing was made available taken into consideration.

Net revenues raised from the sale must be used in the following ways (order of priority)

- → the sustainability of the social housing stock;
- → improvement in the existing social rental stock;
- → new construction;
- → improving the shared spaces of social housing tenants.

Debate of the issue is very active in Wallonia. After several years of policy changes, the official "line" on the sale of social housing has become unclear.

KEY TAKEAWAYS

- → No RTB scheme currently exists in any of the three Belgian regions, and selling social rental units is forbidden in Brussels.
- → **Flanders:** Criteria for purchase quite strict. House must be at least 15 years old; sold for market value.
- → **Flanders:** Sales are "strategic", typically older properties or in areas with low demand.
- → **Wallonia:** Funds raised have to be reinvested in social housing.
- → **Wallonia:** Sitting tenants cannot be forced out in the event that a housing provider wants to sell their home.

CHALLENGES

- → **Wallonia:** Sales of social housing can become "necessary" as a result of a lack of funding, rather than because the social housing providers choose it.
- → **Wallonia:** Sales create mixed tenure buildings, which are more difficult to manage.

Czechia

OVERVIEW OF THE HOUSING SITUATION

As in other former "Eastern Bloc" countries, the size of the social (municipal) housing stock in Czechia has shrunk over the past three decades. However, not to the same extent as elsewhere. The municipal sector currently equates to an estimated 6 per cent of the national housing stock, though this is down from 39.5 per cent in 1989.

The municipal housing sector in Czechia is highly decentralised. There is little to no national social housing plan or even regulation. As a result, local municipalities are free to decide on everything from housing allocation and rents to the sale of units, without needing to defer to national legislation or regulations.

Indeed, some of the municipal housing stock is rented out at market prices. In that regard, municipal housing and social housing in the Czechia are not synonymous. Deregulation of the municipal sector in 2013 has meant that the variation in the rents paid by municipal tenants has increased in recent years. Furthermore, given the freedom to decide on allocation policy, municipal housing is not necessarily reserved for the most economically marginalised households.

While the municipal housing sector is decentralised, it remains heavily reliant on financing from central government. The small size of many municipalties, and thus their general lack of funds for capital investment, is another factor behind this.

At central government level, responsibility for housing falls under the purview of three different ministries - Regional Development, Finance and Labour & Social Affairs. This creates a complex funding stream for municipal housing providers. In addition, it means that basic information regarding the size of the municipal sector, investments and sales are generally not collated at national level or are otherwise inadequate or unreliable.

343

municipal social housing units have been built in 2017.

1%

of total new housing units built on an annual basis are municipal housing.

HOW SALES ARE HANDLED

After the 'Velvet Revolution' in 1989, ownership of the state housing stock was transferred to the municipalities. Housing units which were in buildings with over one-third of their floorsspace dedicated to commercial activities were retained as strategic assets. Overall, 877,000 units (23.5 per cent of the national housing stock) were transferred from central government to the municipalities. They in turn privatised much of the stock, mainly converting it to cooperatives run by former social housing tenants. Direct sales to sitting tenants were also pursued.

However, given that social housing and "affordable" or "low-income" housing were not synonymous at the time, we would consider that the sales by municipalities were of "public" housing, rather than 'social' housing.

In more recent times, if we consider "social" housing as being housing developed with public financing, then the sale of social housing is not permitted while the public subsidy or loan is being repaid. This typically takes about 20 years. The first sales of subsidised 'social' housing took place in around 2007.

Unfortunately, given the highly decentralised nature of municipal housing in Czechia and the onus on local municipalities to manage their housing stock (including sales) there are no "centralised" national data collected related to this issue. Thus, the volume of sales is unknown.

One report from the Institute for Land Development did estimate, though, that the size of the municipal rental stock had declined by 77 per cent on average in Czech cities between 1991 and 2015. However, this is the net change, so it includes sales, but also the small quantity of newbuilds that have been added to the stock.

The information that we have suggests that most sales have been to sitting tenants, either directly or cooperatives formed by them.

KEY TAKEAWAYS

→ Some of the former public housing stock was transferred to tenant run cooperatives.

→ Municipalities are never obliged to sell their rental stock.

CHALLENGES

→ Social housing was disposed of quickly and without much consideration of the long-term consequences.

→ More recent sales have not been carried out under an agreed legal framework, thus there is little oversight or scrutiny.

→ Issues around record keeping and complex government structures mean detailed information on sales is not kept.

Estonia

OVERVIEW OF THE HOUSING SITUATION

As in many other post-socialist countries, the Estonian state "divested" itself of its formerly large public housing stock in the 1990s. This was done at a faster pace and to a greater extent than in other former-Soviet countries in Central and Eastern Europe. Indeed, public rental housing has declined from 65 per cent of the national stock in 1991 to less than 2 per cent today. At the same time at 82.4% the percentage of the population living in owner-occupied housing is far above the EU average of 69.3 per cent.

The implementation of social housing policy is mainly delegated to the level of local authorities. Thus, the strategies and actions adopted largely depend on the political orientation of local administrations and their financial resources.

Overall, social housing has seen a dramatic decline in Estonia over the past three decades. This followed massive privatisation of the municipal housing stock. Population decline has also weighed on investment, both public and private. Cooperative/tenant managed housing has increased in importance, though, as new structures to manage privatised housing blocks became necessary.

One of the few areas in which municipal social housing is seeing something of a recovery is the capital city of Tallinn, where a rising population has delivered extra funding to local authorities to finance building. To facilitate the development of affordable housing, the Estonian state has founded KredEx, a publicly backed investment vehicle designed to provide credit to municipalities and other developers of housing.

Some recent housing schemes in Tallinn have aimed to provide affordable homes to "key" workers (e.g. teachers, nurses, etc.), who may otherwise struggle to access housing. Overall though, social housing accounts for less than 1 per cent of new dwellings built every year in Estonia.

14,200
municipal social housing units have been estimated in 2018.

480,080
cooperative housings units have been estimated in 2018.

1%
of total new housing units on an annual basis are municipal housing.

HOW SALES ARE HANDLED

Estonia began to change from a Soviet system to a "free-market" system in 1991. The privatisation of the state-owned housing stock began at the same time.

During the mass privatisation of housing, the government made it clear that this was being pursued as a way of cutting state expenditure. It was also done for ideological reasons, as state controlled institutions and services were seen as being something "negative" in the post-Communist period, so reducing state involvement in housing was part of an effort to "transition" to a more market oriented economy. The state also hoped that buyers would take it upon themselves to refurbish their new homes, thus shifting the financial burden of this task to households.

Exact figures on the number of homes which have been sold are not available, as the hurried nature with which homes were sold meant that record keeping was poor. Housing has also not been an area to which much time is dedicated, even today, in terms of data and knowledge. Indeed, the most recent hard figures we have on the structure of the housing market in Estonia are from almost a decade ago. Thus, tracking housing sector developments in the country is very difficult.

Tenants were initially happy, as they gained a greater degree of security in a country with a shaky social security system. At the same time, they were able to buy their home at a very low price, meaning their wealth increased quite quickly. This was improved by the fact that they were free to refurbish or sell the house if they wished.

However, public tenants in the Soviet-type public housing actually enjoyed many property rights (they could rent the property, exchange it, bequeath it to certain family members, etc.), and public tenancy was highly subsidised by the state, with rents paid by tenants only covering about one-quarter of the actual running costs. Tenants who have bought their home now have to bear the often large financial burden involved in maintaining their own home.

To summarise, the conditions under which units are sold decided by local authorities and there is no unified national legislative framework. In addition, the overwhelming majority of municipal houses were sold over a short period of time in the 1990s, thus there is little left for municipalities to sell.

KEY TAKEAWAYS

- → Some of the former public housing stock was transferred to tenant run cooperatives.
- → Unlike other central and eastern European countries that went through privatisation, the law required setting up housing co-operatives or associations for the management of the buildings and common space.
- → Municipalities are never obliged to sell their rental stock.

CHALLENGES

- → Social housing was disposed of quickly and without much consideration for the long-term consequences.
- → Those who purchased homes were left with the bill for refurbishing them. Given low energy ratings, this can be quite significant.
- → Issues around record keeping and complex government structures mean detailed information on sales is not kept.
- → Generous state financial supports for tenants meant that new owners would have seen housing costs rise sharply after privatisation.

Nether—lands

OVERVIEW OF THE HOUSING SITUATION

The Netherlands has the strongest social housing sector of any country in the EU. At present, approximately 30 per cent of the national housing stock consists of social housing. In the three largest cities – Amsterdam, Rotterdam and the Hague – the percentage of social housing is 42 per cent, 44 per cent and 31 per cent, respectively *(Housing Europe, 2019)*.

In recent years, a new state regulator for the social housing sector has been established. Despite this, the Housing Corporations remain independent from central government. Social housing providers make private performance agreements in a tripartite consultation with tenant organisations and municipalities. As a result, the scope and scale of the activities of the Dutch social housing providers can vary from one area to another.

Rents from social tenants are collected and reinvested in new construction and rehabilitation of the stock. Some sales of social units have also created a revenue stream for housing corporations. However, sales have typically been carried out to meet social objectives (social mix, family reunification, etc.), rather than commercial ambitions and strict re-sale conditions are typically applied.

2.28 MILLION

units managed by housing corporations in 2018.

19,069

housing units delivered (newbuild & purchase) by housing corporations in 2018.

20–25%

of total new units on an annual basis have been built by housing corporations in recent years.

HOW SALES ARE HANDLED

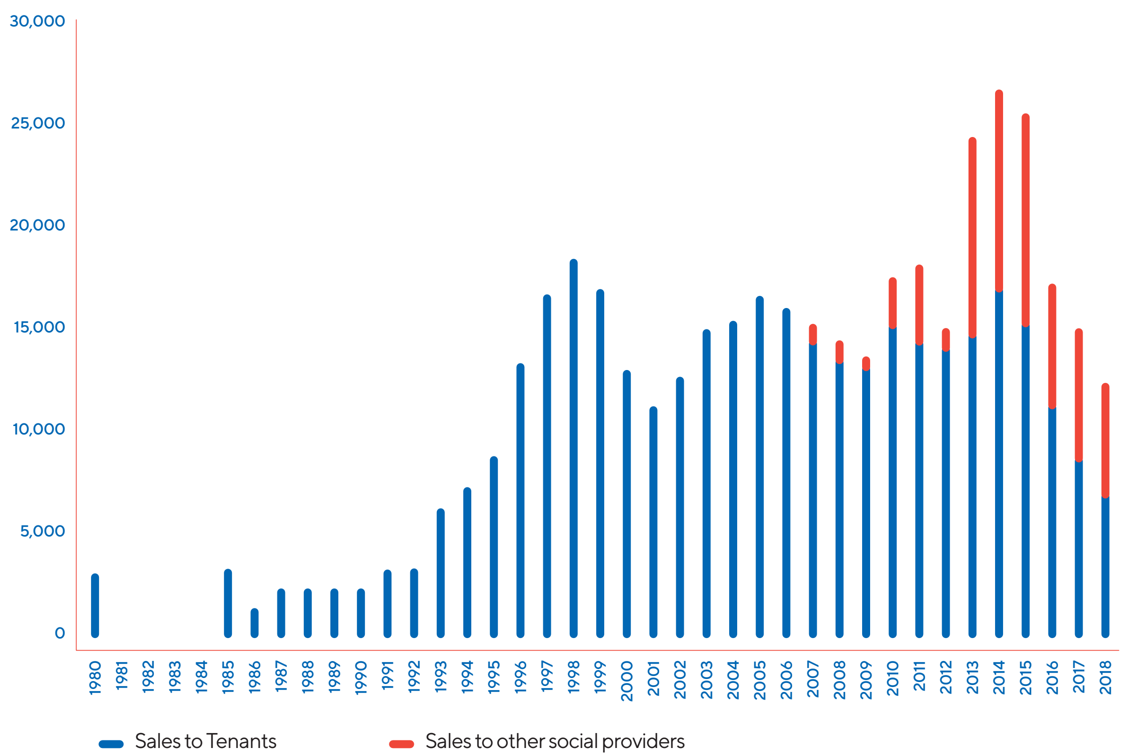
Municipalities have indirect control over the number of sales via annual agreements regarding the size of the local social housing stock.

Sales of social housing units by Housing Corporations must be to social tenants or to other providers of social housing. In terms of social tenants, while most sales are to sitting tenants, social tenants can also buy a property in a building they do not already live in, provided they meet the criteria to be a social tenant *(e.g. household income limits).*

Sales can be undertaken in order to encourage social mix or family reunification. Overall, sales are "allowed", though not "required", provided either the tenant asks to buy their property or there is a suitable vacant property available within the housing corporation stock. Social housing providers also produce a small amount of "build to sell" units each year, though this practice has been in decline since 2009 and, indeed, just 1,100 "build to sell" units were produced in 2017.

Between the 1940s and the mid-1980s, various governments introduced schemes to promote the sale of some social housing in the Netherlands. However, these schemes were usually limited in size and duration.

FIGURE 5: Sales of Social Housing in the Netherlands



They often involved providers of social housing agreeing a sales target with local government agencies, based on factors like demand for social housing and the condition of the social housing stock.

The first serious scheme of selling social housing came in the mid-1990s, as the whole financing and management structure of social housing providers was altered through a number of landmark legislative changes. Amongst other things, this required social providers to use more of their own financial reserves to develop future projects, with revenue from sales one such potential source of revenue for housing corporations.

The trend in more recent times has been on removing more and more of the conditions which have historically been attached to sales of social housing. For example, the requirement that sales be compensated for with new building on a one-for-one basis has now been removed.

In general, though, the conditions which are attached to a property when sold, are agreed between the housing corporation and the buyer. These usually include standard conditions like a right for the corporation to repurchase the property if the new owner wants to resell it within a given period of time, or the right for the corporation to benefit from a share of the profits in the event of a resale of the property.

It is important to note that tenants in the Netherlands have no automatic right to purchase their home or another social housing unit. This can only happen if the housing corporation deems that the sale is in its interests. At the same time, the vast majority of purchasers buy their property at market rates.[5] 85 per cent of sales by housing corporations in 2017 were at market prices. 6 per cent benefitted from a discount of 10 per cent or less. Thus, in general, purchasers are not "enticed" to buy social housing by low prices, as in some other countries.

5* https://datawonen.nl/jive/jivereportcontents.ashx?report=cowb_framework_report_preview&chaptercode=2019_cowh2

KEY TAKEAWAYS

- → Sales have typically been based on "bottom up" local agreements, rather than "top-down" arbitrary national sales targets.
- → Sales can only be to social tenants or other social housing providers.
- → Sales have been used to encourage social mix and family reunification.
- → Sellers are free to negotiate conditions attached to sales (e.g. resale, private renting).
- → The vast majority of purchasers pay market rates and revenues raised have to be reinvested in new building and renovations.

CHALLENGES

- → Overall, sales have outpaced newbuilds in many recent years, contributing to a small decline in the stock of social housing.
- → Legislators have slowly stripped away some of the "conditionality" attached to sales. For example, obligation of one-for-one replacement of sold units recently removed.


Scot—
land

OVERVIEW OF THE HOUSING SITUATION

The social housing sector, which includes both housing provided by local councils and non-profit housing associations, accounts for approximately 23.3 per cent of the national housing stock. By way of comparison, the private rental sector in Scotland accounts for only 14.4 per cent of the national housing stock. Overall, Scotland has one of the strongest social housing sectors in Europe.

Housing policy is a devolved competence of the Scottish Parliament, which has been keen to support the sector financially in recent times. A slight impediment to this is the fact that most decisions on taxation and, thus, revenue raising, remain the purview of the British Parliament, which may have a different ideological viewpoint on investment needs.

Despite this, the Scottish Government has made billions of pounds available to offer grants and other financial supports to both councils and housing associations to deliver new capacity in recent years. Indeed, the goal has been to support the delivery of 35,000 new units between 2016-2021. This represents the largest such investment programme since the 1970s. The government has committed to provide at least £3 billion of funding over this period alongside a new Rural and Island Housing Fund and support for other schemes relating to mid-market rent and affordable home ownership.

All social housing tenants in Scotland have security of tenure and are expected to pay "affordable rents", which are set well below the market rate but for which there is no legal definition. Housing associations will tailor rents to localised areas and other variables like the number of bedrooms. As a result, there is considerable diversity in the rents paid by social tenants in Scotland, while there is little appetite for a more formalised structure of rent setting.

596,915

umanaged by Scottish housing associations and local councils in 2018.

3,823

housing units delivered (newbuild & purchase) by housing associations in 2018.

19%

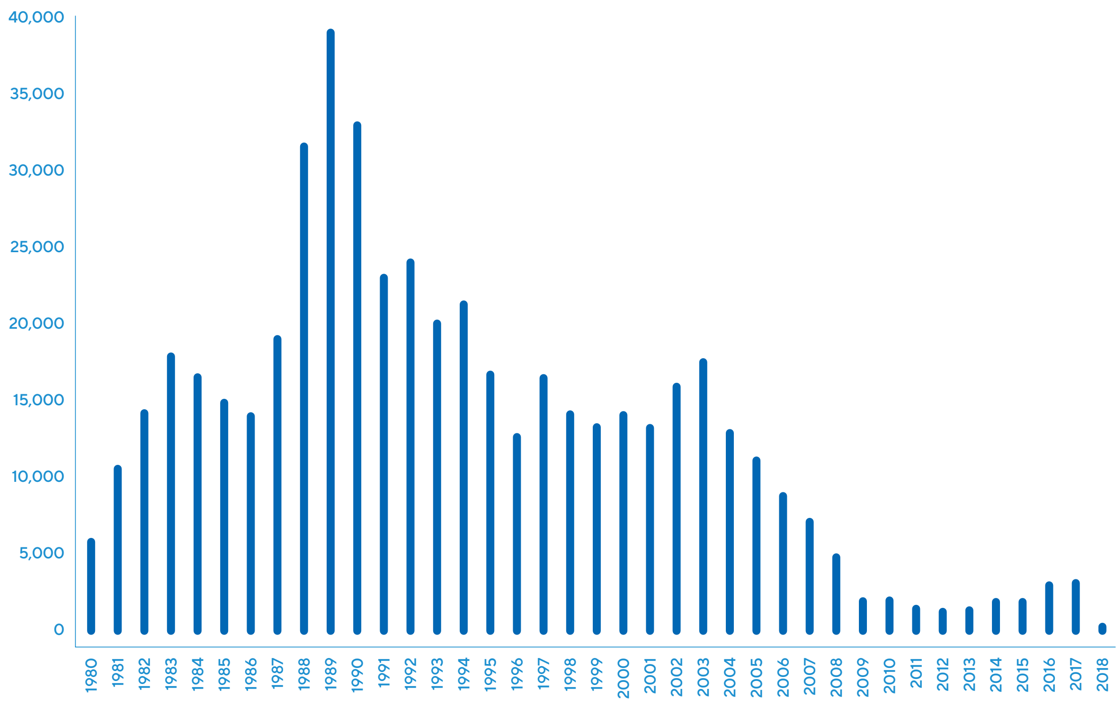
of new housing units built in Scotland on an annual basis are housing associations.

HOW SALES ARE HANDLED

"Right to Buy" legislation was introduced to Scotland in 1980 and resulted in a significant increase in the number of properties being transferred from public to private ownership. Sales continued until legislation was introduced as part of the Housing (Scotland) Act 2001 and Right to Buy was formally abolished by 2016. Unlike in England, sales of social housing in Scotland were only ever to sitting tenants.

According to the Scottish government, the aim of this was to preserve existing stock and it was estimated that the change would prevent the sale of 15,000 homes over ten years. The view was taken that preserving the social housing stock was vital from an inter-generational "fairness" perspective, with sales denying to younger households the opportunities that had been afforded to older low-income household.

FIGURE 6: Sales of Social Housing in Scotland



Note: All figures sourced from the Scottish Government and the UK Housing Review.

The Scottish government neatly summed up its opposition to RTB by saying that "The Scottish Government is doing everything possible to maximise our investment in housing and to deliver on our ambitious target of 50,000, affordable homes over the lifetime of this Parliament, including 35,000 social homes.

But with thousands of people on waiting lists for council and housing association houses, it was only right for us to scrap this scheme as we could no longer afford to see the social sector lose out on badly needed homes"[6].

The ending of RTB in Scotland was also strongly supported by the social housing providers themselves. The President of the SFHA said at the time that they had "long campaigned for an end to RTB, and warmly welcomes the end of a policy which has led to a considerable reduction in the availability of truly affordable social rented homes and contributed to the growing intergenerational inequality in terms of access to affordable quality housing".[7]

While there have been some sales between 2017 and 2019 (approximately 1,800), these are based on applications lodged before "Right to Buy" was abolished and there currently exists no process by which tenants can lodge new applications to purchase their social home.

KEY TAKEAWAYS

- → Right to Buy sales have been banned since 2016.
- → Since the end of the RTB, the size of the social housing stock looks to be increasing again after three decades of decline.

CHALLENGES

- → Sales of social housing between 1980 and 2016 significantly reduced the overall size of the social housing stock.

6* https://www.gov.scot/news/right-to-buy-ends-in-scotland/

7* *Ibid.*

General remarks on the sale of social housing

Each of the 10 countries assessed in this report has its own way of managing and promoting the sale of social housing. However, while there are many differences, there are also similarities. Table 5 offers some insight into theses overlaps and divergences.

TABLE 5: Generalities of the social/public housing system

	Germany	England	Autriche	Belgium	Scotland
SIZE OF THE SOCIAL OR PUBLIC HOUSING STOCK	1,180,000	4,088,000	655,000	304,384	282,000
SALE OF SOCIAL HOUSING ALLOWED?	Not really	Yes	Yes	Brussels: No Flanders: Yes Wallonia: Yes	No
VOLUME OF SALES IN THE LAST FIVE YEARS	35,300 (municipal & federal)	106,968	21,486	2,791	10,054
WHO CAN BUY?	anyone - though often private compagnies in practice	Anyone - thougt typically current tenants and other social providers in pratice	Anyone - though typically current tenants in pratice	Brussels: No one Flanders: anyone Though typically current tenants in practice Wallonia: anyone - though typically current tenants in pratice	Sales have been barred since 2016
OBLIGATIONS ON BUYERS	Must continue to opperate as social housing during the "lock-in" period	Social housing providers have a right of first refusal if home resold within 10 years Have to refund the price reduction if resold within five years	Must refund the reduction versus the market price if resold within 15 years Must rent home out a social rental prices if renting Social private buyers must rent home on social terms in perpetuity	Unknow	N/A
AVAILABLE PRICE BUYERS	No	Yes (average reduction of 45% in 2018)	Yes (related to financial contribution made by tenant)	No	N/A
RIGHT TO BUY SCHEME?	No	Yes	Yes (but limited)	Brussels: No Flanders: No Wallonia: Yes	No
MAIN REASON FOR SELLING DWELLINGS	Politique objective Paying down debt	Political objective Legal obligation	Political objective Legal obligation	Brussels: N/A Flanders: selling dwellings which are no longer strategically important Wallonia: raising capital for reinvestment	N/A

Czechia: The size of the social housing stock is an estimate.

Estonia: The size of the social housing stock is an estimate.

Germany: Sales over the last five years represent sales of municipal and federal agency dwellings only – which may or may not have been used as social housing prior to being sold.

Sweden: public rental housing is not necessarily rented out at below market prices or to low or moderate income households.

Estonia	Italy	Netherlands	Sweden	Czechia
14,200	700,000	2,280,000	861,000	30,000
Yes	Yes	Yes	Yes	Yes
Unknow	16,313	95,935	34,002	Unknow
For each munipality to decide	Largely current social tenants, with some sales to non-social housholds	Anyone who has a right to access social housing	Anyone - though often private companies or tenant cooperatives in practice	For each munipality to decide
For each munipality to decide	Must live in the house for at least five years	For each seller to negociate (obligation to re-sell to social housing provider or repayment of discount are common conditions)	For each seller to negociate (controls/ conditions only legally valid for two years)	For each munipality to decide
For each munipality to decide	Yes (at least 50% in most cases)	Yes (but, 85% of sales are without reductions)	No	For each munipality to decide
No	No	No	No	No
Political objective Paying down debt	Raising revenue for local investment Selling dwellings which are no longer strategically important	Raising revenue for re-investment Selling dwellings which are no longer strategically important	Raising revenue for re-investment Financing refurbishments	Raising revenue for local investment Political objective

Most of the 10 countries have some sort of system that allows for the sale of social housing. Of course, the scale and scope of sales are where the main differences are observed. With the notable exception of Austria, though, it appears from this research that **the sale of social housing is less of a feature of housing systems today than in the past.**

It could be argued that this reflects the fact that there are limits to how far social housing can be cut back, while still managing to maintain a system which is even remotely adequate, as well as a realisation amongst stakeholders that social housing is a strategically important economic and social asset, the absence of which can create unforeseen negative externalities.

When it comes to **who actually purchases social housing units,** there are two primary country groups.

→ The first, and most common, consists of countries in which social housing tenants are the primary purchases (either with or without a discount).
→ The second is countries in which investors of various types purchase the housing[8]. For the latter, rent controls and other pro-tenant measures can help to mitigate some of the potential "risk" to social tenants from their home being sold. Sales to housing cooperatives and other social providers are also features in some countries.

8*
Germany and Sweden are the most notable examples of this practice contained in this study.

In terms of the **conditions which are attached to the sale of social housing,** again, there is a broad spectrum of policies on this. In some countries, national legislation will provide strict conditionality. In others, it is left up to local authorities or individual social housing providers to negotiate the conditions which are attached to sales. In general, conditions which are applied to sales have the aim of preventing the buyer from making undue profit from resale or renting out of the property.

→ Measures to protect social tenants in the event of the sale of their home to someone other than them are also common.

Another issue, over which there is a clear division amongst policymakers, is **whether or not buyers should avail of a discount versus market prices.** In a number of countries, quite generous discounts are applied. If the goal of the sale of social housing is to provide those who may otherwise not have the possibility to purchase their own home with this opportunity, then this is understandable. However, such an approach also comes with several risks and downsides, meaning that in most countries discounts are either not offered, or else they are relatively small and/or infrequent.

In terms of **what motivates providers to sell social housing units,** the two most common factors that were cited by respondents to the questionnaire were "political objectives" and "reducing debt" (either for the government or for the providers themselves). The former is taken to mean that social housing providers sell units in order to meet the policy objectives of politicians and other policymakers. Sales in this respect may or may not be reinforced by legal requirements to sell housing, such as the various forms of "right to buy" scheme mentioned in this study. With regard to those countries in which "reducing debt" was a motivating factor, this can mean either the debt of the housing providers themselves or the national or regional authorities who owned the housing stock. Thus, revenues raised were not always reinvested in housing, often to the detriment of low and moderate income households in need of affordable housing solutions.

Policy recommendations

Having reviewed the 10 countries in this study, what subjective policy recommendations could one make with regard to designing a potentially well-functioning system for the sale of social housing?
It would appear that **the most common pitfalls to avoid** when privatising social housing are:

"Right to Buy" type schemes

The experience of countries who have used such a policy is that there is a 'cherry-picking' of properties by tenants. This leads to the sale of the best maintained and generally most 'desirable' units in the social housing stock. As a result, social housing providers can be left with a residualised stock of older properties in more socioeconomically disadvantaged communities. The high cost of replacing units that have been sold, particularly in large urban hubs, means that the stock of available social housing could decline in the areas in which it is most needed.

Overly generous discounts

In many countries, heavy discounts are given to residents when purchasing their home. While this can be seen as a positive, as it allows those on lower incomes to become homeowners, it also means that social housing providers may not be fairly compensated. If the objective of selling social housing is to raise revenue for investment in new units, offering discounts to buyers clearly runs contrary to this ambition. Of course, if the "discount" is paid by the government, meaning the social housing provider gets a fair market value for their unit, then this could be seen as a fair compromise. Another point to consider is the idea of social "equity" and "fairness". The sale of social housing at below market prices invariably requires a transfer of wealth from the population as a whole, to a small minority within that population, as citizens are the collective owners and benefactors of publicly owned assets. Of course, the sale of strategically redundant dwellings (i.e. as in Flanders or the Netherlands) may pose less of an issue.

Decline of the social housing stock

Related to the previous point, sales have led to a decline in the size of the social housing stock in all countries studied, either permanently or temporarily (except for Austria and some Belgian regions). Overall, it seems imperative that clear structures are put in place to guarantee that a policy of sales does not lead to a reduction in the size of the overall social housing stock. This could take the form of legal or public financing mechanisms, which ensure that each unit sold is guaranteed to be replaced by one new unit of the same approximate characteristics.

The long-term financial security of buyers

In many countries, while low-income households were happy to purchase their social housing unit, in many instances little consideration was given by either them or the sellers to the cost of the long-term upkeep of their home. While maintenance of social housing units is largely the responsibility of providers, purchasers of social housing will have to take on this responsibility themselves. As they grow older, or if they find themselves in financial difficulties, this may become difficult. This can lead to purchasers of social housing living in rundown housing units. This is a phenomenon which has been observed in both England and parts of Eastern Europe, amongst others.

Sufficient legislative controls over future use

It must be seen as a failure of policy and planning that so many formerly social housing units are now being rented out at market rates to private tenants, many of whom are in receipt of housing related welfare payments. In order to make sure that other low-income households get the same benefits that those purchasing social housing receive, strict conditions on the resale and use of the dwelling should be attached to sales. This ought to include an option for a social housing provider to repurchase a home in the event that the new owner wishes to sell it.

Avoid arbitrary sales targets

In the event that the sale of social housing is legally mandated, arbitrary sales "targets" should be avoided. This allows social housing providers to approach the task of privatising part of their stock pragmatically. To use the example of the Netherlands, housing corporations there have historically agreed sales "goals" at a local or municipal level. This has allowed them to better take into account issues like the level of local demand for social housing and the age and profile of the social housing stock. Thus, sales "targets" can be built from the bottom up, rather than from some seemingly arbitrary top-down national target.

Intergenerational sustainability of sales

In countries which saw mass privatisations of the social housing stock, the scale and easy conditions attached to sales have led to a feeling of intergenerational injustice. For example, in England, young low-income households today are saddled with the consequences of the RTB scheme, in terms of a lack of available social housing and having to deal with the expensive and poorly regulated private rental market. This gives rise to the feeling that those living in social housing in the 1980s and 1990s were in the right place at the right time and that they have been afforded opportunities for wealth accumulation and tenure security that today's youth have been denied. Thus, any sales programme should be structured in such a way that it can be sustainable over a long period of time, whilst of course avoiding the pitfalls already mentioned.

Transparency

In the countries studied, it appears that detailed information on the sale of social housing has not been kept. This is particularly the case in Eastern Europe. As a result, it is difficult to assess the outcome of the sales. Thus, detailed records on sales and buyers ought to be kept in the interests of transparency and also as a way of allowing for the independent assessment of the sales outcomes.

At the same time, there are also some relatively positive examples of how the sales of social housing can be managed, based on the countries in this study:

Transfer to another social operator

In most of the countries in the study, social housing providers have transferred all or part of their stock to another non-market provider. England is the best example of this. This has allowed social providers to meet government mandated sales of social housing, whilst also "safeguarding" the social housing stock and making sure it continues to be used to meet a social function. In several countries, social or public housing has been transferred to newly formed tenant cooperatives. While cooperative housing may be more difficult for low-income households to access in some instances, they typically continue to offer below market rents to tenants and support tenant democracy. Thus, they can represent a 'middle-ground' between social housing and full privatisation.

Strategic sales

In countries in which the right to buy does not exist, the ability to decide on when, what and to whom social housing will be sold largely rests with the housing providers. This allows them to be strategic in their sales. For example, the housing provider may decide that a part of their housing stock is no longer needed. This may be because of a lack of demand or because the home requires extensive refurbishment and that a business case cannot be made for such investment. In these instances, selling the housing may be the logical option. Of course, the social housing provider must be careful in selling a house in need of repair to a tenant, as the cost of refurbishment or long-term maintenance may put them in financial difficulty. Thus, appropriate caution an due diligence must be carried out.

Tenants' rights

In systems in which tenants enjoy strong rights and potential rent increases are clearly outlined in law and predictable, the potential for new owners to behave "negatively" towards their tenants is minimised. It could thus be argued that in such pro-tenant systems that selling social housing to someone other than the sitting tenants (e.g. Germany or Sweden) may be more politically and socially tenable. Of course, that new private landlords be obliged to maintain acceptable levels of investment and maintenance in buildings also needs to be guaranteed.

Strong conditionality

In order for future generations and other low-income groups to continue to benefit from social and affordable housing, strong conditionality should be attached to sales.

→ a right of first refusal for a social housing provider to repurchase the home if the new owner wants to sell it;

→ a division of profits based on the difference between what was paid for a property and the price it was resold at;

→ a prohibition on renting the property out on the private market;

→ these are just some of the measures which could be considered.

Bottom-up approach

Sales objectives should be set at local rather than national level. In practice, social housing providers in each area should negotiate with local government officials to arrive at a sensible and pragmatic sales target. Similar schemes in the Netherlands have helped to avoid the need to sell homes in areas of high demand or homes which are relatively new or strategically important.

Voluntary sales

The power to approve the sale of a social housing unit should rest with the provider. While eligibility criteria can be drafted which set out who can apply to purchase their home and when, in order to avoid sales which represent cherry-picking or a poor deal for the provider, tenants should not have the legal ability to 'force' or 'oblige' a sale.

Develop guidelines and assistance schemes

One area which is "lacking" in many countries is a system to help social housing providers to manage sales. Given that sales may represent a new frontier for them, training and supports with contracts and other administration is a plus. A modest system of support exists in Sweden, for example. Support systems may be particularly useful in countries in which housing is typically provided by networks or small and medium sized housing associations, many of who have limited resources to manage sales.

Avoid pitfalls of mixed tenancy buildings

In Austria, in order to avoid most of the headaches attached to managing mixed tenancy buildings, the social housing providers usually continue to manage housing units which they have sold. This also means that a building should not see pronounced asymmetries in terms of maintenance and services

NOTE ON SOURCES FOR THIS RESEARCH:

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