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## **Chapter Eighteen**

### **Irish Housing in the European Context**

**Michelle Norris and Patrick Shiels**

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#### **Introduction**

This book has identified the defining characteristics of the system of housing provision in Ireland and examined recent developments in housing markets and non market provision of housing, housing policy, legislation and regulation, together with the social, economic, and built environment implications of these developments. This final chapter assesses the performance of the Irish housing system over the last decade in comparison with the other European Union member States. This analysis focuses principally on five issues. These are: the context for housing policy making, including economic and demographic trends pertinent to housing; the accessibility of housing; housing quality; recent housing policy developments and the outcomes produced by the combination of these policy interventions and structural factors including, trends in house prices, mortgage lending, new house building and public expenditure on housing.

This chapter draws on a detailed review of *Housing Developments in European Countries* which was conducted by the authors on behalf of the Department of the

Environment, Heritage and Local Government to mark Ireland's presidency of the European Union in 2004 (Norris and Shiels, 2004). This document was compiled from the results of questionnaires which were circulated to Housing Ministries in the 25 countries which were EU members during this year.

## Context

Table 18.1 outlines to context for housing policy making, including recent economic and demographic trends pertinent to housing in EU member States, in the latest year for which data are available. In this Table, the Gross National Product (GDP) per capita (in Purchasing Power Standards) is ranked in accordance with the average for all the member states, which is set at 100. Ireland achieves an impressive second place ranking in this category, with an index of 131.4 - surpassed only by Luxembourg has by far the highest GDP per capita among the countries under examination at 209.2. In contrast, the ten new member states which acceded to EU membership in 2004, to exhibit the lowest GDP per capita among the countries under examination. Moreover, the GPD per capita of this group is significantly inflated by the inclusion of Malta and Cyprus – whereas the GDP per capita of the eight Central and Eastern European countries which joined the EU in 2004 (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) was only 55.7.

In terms of the rate of economic growth, Table 18.1 indicates that the GDP of the 25 EU countries grew by 3.1 per cent in the latest year for which data are available, with a modest rate of 1.4 per cent for Ireland. The relatively low rate of annual growth in Irish GDP, however, belies the very high rate of recent economic growth this country has enjoyed over the last decade, which has propelled Ireland from the lower end of the EU economic development index to second place in the space of a decade. As mentioned in Chapter One, for much of the late 1990s and early 2000s, the annual rate of annual GDP growth in Ireland exceeded 7 per cent.

Unemployment and inflation rates in the European Union average 8.2 per cent and 2.8 per cent respectively, the former a major source of concern due to its relatively high level among OECD countries. Ireland, in contrast, is characterised by a very low unemployment rate (4.9 per cent) and a rate of inflation at just below the EU average, (2.3 per cent).

Table 18.1 also highlights the demographic trends that have significant implications



Table 18.1: Key Economic and Demographic Trends Pertinent to Housing in European Union Member States, Various Years

Country	Year to which data refer	GDP per capita in Purchasing Power Standards (EU 25=100) (Proj.)	Annual Growth in GDP (GDP) %	Average Annual Inflation (I) %	Unemployment Rate (U) %	Population in 000s (TP) No.	Natural Population Change per 1,000 inhabitants (NI) (MI)	Net migration (including Corrections) per 1,000 inhabitants (MI)	Average Number of Persons per Private Household (PH)
Austria	U=2003; I, TP, PH=2001	121.5	Nav	2.3	4.4	8,031	Nav	Nav	2.43
Belgium	GDP, I, U, TP, NI, MI=2002; PH=2001	116.9	0.7	1.6	7.3	10,300	0.5	3.1	2.34
Cyprus	GDP, I, U, TP, PH=2001	83.6	4	2	3	703.6	4.7	Nav	3.06
Czech Republic	GDP, I, U=2002; TP, PH=2001; NI, MI=2000	69	3.7	0.6	9.8	10,232	-1.8	0.6	2.64
Denmark	GDP, I, U, PH=2003; TP, NI, MI=2002	123.9	0.4	2.1	5.5	5,368	1	1.2	2.20
Estonia	GDP, I, U=2001; TP=2002; NI, MI=2000	49	6.5	5.6	11.8	1,360	-3.9	0.2	2.60
Finland	GDP, I, U=2003, TP =2001; NI, MI, PH=2000	110.5	1.9	1.2	9	5,181	1.4	0.5	2.30
France	I, U=2002; TP, PH=2001; NI=2000	113.9	Nav	1.9	8.7	59,188	4.1	Nav	2.40
Germany	GDP, I, U=2001; TP, PH=2002; NI, MI=2000	108.5	0.8	1.9	7.8	82,537	-0.9	2.0	2.20
Greece	GDP, U, TP=2001; I, NI, MI, PH=2000	79.8	4.1	3.2	10.4	10,940	-0.2	2.7	2.70
Hungary	GDP, I, U=2001, TP=2002; NI, MI, PH=2000	61	3.9	5.6	9.1	10,175	-3.7	1.6	2.70
Ireland	GDP, I, U=2003; TP, NI, MI, PH=2002	131.4	1.4	2.3	4.9	3,917.3	7.9	7.6	2.94
Italy	GDP, I, U, TP=2001; NI, MI, PH=2000	107.3	0.4	2.3	9.4	56,757	-0.3	3.1	2.60
Latvia	GDP=2002; U=2003; TP, PH=2001; NI, MI=2000	45.5	7.4	Nav	8.5	2,364.3	-5.0	-0.7	2.40
Lithuania	GDP, I, U=2002; TP, PH=2003; NI, MI=2000	46.1	6.8	-1.0	13.8	3,462.6	-1.4	-5.8	2.55
Luxembourg	GDP, I, U=2001; TP, NI, MI=2003	209.2	1.2	2.4	2.1	448.3	3.6	5.9	Nav
Malta	GDP, I, U=2002; TP=2003, NI, MI, PH=2000	73.7	1.7	2.2	6.8	399.8	3.3	3.4	3.01
Netherlands	GDP, I, U=2001; TP, MI, PH=2002	120.3	1.2	5.1	2.5	16,105	Nav	3.4	2.30
Poland	2002	46.4	1.3	5.5	18.1	38,230	Nav	Nav	2.84
Portugal	GDP=2003, TP=2000	75.2	-0.7	Nav	Nav	10,022	Nav	Nav	Nav
Slovakia	GDP, I, U=2002; TP, NI, MI, PH=2001	51.4	7.8	3.3	18.5	5,379.5	-0.2	0.2	2.59
Slovenia	GDP, I, U=2001; TP, PH=2002	77.3	2.7	8.6	5.8	1,964	Nav	Nav	2.80
Spain	GDP, I, U, NI, MI =2002; TP=2003; PH=2000	95.8	6.9	3.0	2.0	42,600	1.2	10.5	3.03
Sweden	GDP, I, U=2003, TP, NI, MI=2002	115.8	1.5	2.0	4.8	8,900	0.1	3.5	Nav
United Kingdom	GDP, I, U=2002; TP=2001; PH=2000	119.4	1.6	1.3	5.2	59,862.8	Nav	Nav	2.40
Mean (Rounded)	N/a	N/a	3.1	2.8	8.2	N/a	0.6	2.3	2.71

Note: N/a means not applicable; Nav means not available.

Source: Norris and Shiels (2004), with the exception of the data on GDP per capita were generated from Eurostat data and are projected.

for housing in the European Union. For instance, in recent years population change has been low in the majority of European countries, and has been negative in several of the new member States. Among the EU as a whole, natural population change per 1,000 inhabitants averages at 0.6, while net migration per 1,000 inhabitants averages at 2.3. As with economic trends, Ireland stands in marked contrast with the EU in general as the country has exhibited a strong rate of population growth in recent years, fuelled by a rate of natural population increase of 7.9 persons per 1,000 inhabitants in combination with an immigration rate of 7.6 per 1,000 inhabitants.

Table 18.1 demonstrates that the average household size in the European Union stands at 2.7 persons per dwelling with the average household size in Ireland significantly above this level at 2.94 persons per dwelling. Among the longstanding EU members, only Spain has larger average household size. However, in many of the countries where average household size has traditionally been high, it has fallen significantly in recent years due to demographic and social changes. Ireland exemplifies this trend because, as was mentioned in Chapter One, the average household size has fallen from 3.5 persons per dwelling in 1986 to 2.9 in 2002. Indeed, the size of Irish households is expected to further shrink to converge with the EU average by 2011 (Department of the Environment and Local Government, 2000f).

### **Housing Accessibility**

Table 18.2 examines one of the most important features of the housing stock in the EU – the availability of dwellings. It demonstrates that the number of dwellings per 1,000 inhabitants averages at 422.3 across the 25 countries under examination. However, this mean figure disguises marked variations in availability of housing between member countries. Spain and Greece have the highest numbers of dwellings per 1,000 inhabitants (527.9 and 505 respectively), not unexpectedly, in view of the high numbers of tourists who visit these countries, the proportion of dwellings in

Table 18.2. *Housing Availability in European Union Member States, Various Years*

Country	Year to which data refer	Dwellings		Vacant Dwellings % of total dwellings	Dwellings by Tenure			
		No.	Per 1,000 inhabitants		Owner Occupied %	Private Rented %	Social/ Rented %	Other %
Austria*	2002	3,316,000	412.4	Nav	56.9	40.3		2.8
Belgium	2001	4,095,008	400	Nav	68	25	7	0
Cyprus	2000	286,500	428	Nav	64.3	35.7	0	0
Czech Republic	2001	4,366,293	427	12.3	47	17	17****	12
Denmark	2003	2,541,000	472	Nav	50.6	17.8	27.2	4.4
Estonia	2000	622,600	434	6.2	85	9	3	0
Finland	1999	2478,000	490	8.6	58	17	17	1
France*	2002	24,525,000	413.3	6.8	56.0	19.7	17.2	7.1
Germany*	2002	35,800,000	434.3	Nav	43	51	6	0
Greece	2001	3,657,000	505	Nav	80.1**	19.9**	0**	0**
Hungary	2000	4,076,800,	406.7	Nav	86.9***	10.4***		0***
Ireland	2003	1,542,321	391	Nav	77.4	11	6.9	4.7
Italy	2001	26,526,000	471	24	80	16	4	0
Latvia	2000	941,000	398.0	Nav	60.1	39.61	0.29	0
Lithuania	2002	1,291,700	367	Nav	87.2	8	3	1.8
Luxembourg*	2001	171,953	391.7	2.33	70	27.5	1.5	1
Malta	1995	155,202	420	23.0	74.1	22.4		3.5
Netherlands	2002	6,710,800	419.8	Nav	54.2	10.8	35.0	0
Poland	2002	12,523,600	326.6	6.07	55.2	0	22.8	21.5
Portugal*	2001	3,551,000	346	10.8	75.7	20.98	3.32	0
Slovakia	2001	1,884,846	350	11.63	75.9	0.1	3.7	10.3
Slovenia	2002	777,772	390	14	82.2	2.6	6.5	8.7
Spain	2001	20,800,000	527.98	13.9	81	9.7	1.6	0
Sweden	2002	4,300,000	482.7	Nav	38	22	24	16
United Kingdom	2001	25,456,000	452.2	Nav	69	9.3	20.8	0
Mean (rounded)	N/a	N/a	422.3	11.6	67	17.7	11	3.8

Source: Norris and Shiels (2004).

Note: N/a means not applicable; nav means not available; \*: data refer to occupied dwellings only; consequently these countries are not included in the calculation of the mean number of dwellings per 1,000 inhabitants; \*\* =1994 data; \*\*\* =1996 data; \*\*\*\* This figure refers to dwellings rented from municipalities, but dwellings of this type may not necessarily be social rented. Depending on the policy of the individual landlord, some are let at commercial rents. The information on the average per cent of dwellings in each housing tenure is skewed by missing data for some countries. As a result the average values for the four tenure categories exceed 100 per cent.



these countries which are vacant is also high. Broadly speaking the number of dwellings per 1,000 population is higher in the longstanding EU member states (440.6) compared to the new EU members (394.7). However the averages for both these groups of countries is skewed by countries with particularly high or low numbers of dwellings per 1,000 population, such as the Czech Republic where the average number of dwellings per 1,000 inhabitants is 427 – well above the average for this region of Europe, and Ireland where average number of dwellings per 1,000 population in Ireland (391) is relatively low by western European standards an indeed closer to the average for the new member States. Among the 15 longstanding EU members only Portugal and Luxembourg have lower levels of housing availability than Ireland.

In relation to housing tenure, Table 18.2 reveals that 67 per cent of the housing stock in the European Union is owner-occupied. With 77.4 per cent of its dwelling stock in this category Ireland is close to the top of the ownership league among the longstanding EU members, indeed in this regard it is surpassed only by Portugal, Greece and Spain. However, the level of owner- occupation is even higher in the new member States in Central and Eastern Europe. Lithuania, Hungary and Slovenia have by far the highest levels of home ownership in the EU – 87.2 per cent, 86.9 per cent and 82.2 per cent respectively. The very high rates of home ownership in these countries is attributable principally to the aggressive programmes of housing privatisation of the formerly state owned housing stock following their economic and political re-organisation in the early 1990s (Clapham, *et al*, 1996).

As would be expected, in those countries where owner-occupancy rates are very high, the rental housing sector is consequently modest in size and *vice versa*. On average 17.7 per cent of dwellings in the EU are private rented and only 10.3 per cent are social rented. In this context, Ireland is characterised by lower levels of both private and social rented dwellings, accounting for 11 per cent and 6.9 per cent of the national housing stock respectively. Although levels of social renting are higher in the fifteen long-standing EU members (where an average of 11.3 per cent of dwellings are social rented), in comparison with the ten new EU members (where an average of 7 per cent of dwellings are social rented). The distribution of social rented dwellings is uneven in both groups of countries. The average figure for social rented dwellings in the

long-standing EU members is skewed by Sweden, Denmark and the Netherlands where over 22 per cent of dwellings are social rented. Whereas, in many other long-standing EU members such as Ireland, Italy Belgium and Spain less than 7 per cent of the total housing stock is in the social rented sector. In contrast, with the exception of Poland and the Czech Republic, in a majority of the new EU member States under 7 per cent of dwellings are social rented. The variations in social renting in these countries reflect variations in the methods used to privatise the State-owned dwellings in these countries. In most cases this process was carried out in two stages. Firstly ownership of the dwellings was transferred to the local authorities, which then sold them to occupants generally at large discounts. However, the level of these discounts did vary between the countries in question as did the enthusiasm of municipalities for the sales policy (Clapham *et al*, 1996).

## **Housing Quality**

Table 18.3 examines a second key feature of the housing stock – the standard of dwellings. It reveals that, in European terms, Ireland enjoys relatively high housing standards, but also highlights marked differences between the quality of dwellings in the long-standing EU members and the new members which are greater than the variations in housing availability, highlighted above.

Table 18.3 indicates that dwellings in the 25 EU member states contain an average of 3.9 rooms and have an average floor area of 76.5 m<sup>2</sup>. The Irish housing stock is characterised by a more generous number of rooms in European terms (5.2 per dwelling) but these are smaller in size than the EU average - the average floor area of Irish dwellings is 70.2 m<sup>2</sup>.

Table 18.3 *Housing Quality in European Union Member States, Various Years*

Country	Year to which data refer	Date of Construction (DC) (%)				Available Facilities (AF) (%)				Average Number of Rooms (AR)	Floor Area (FA) (in m <sup>2</sup> )
		Pre 1945	1945-1970	1970-1990	1990-Present	Running Water	Lavatory	Bath/ Shower	Central Heating		
Austria	2002	26.8	28	28.7	16.4	99.9	98.7	97.5	87.3	4.3	60-90
Belgium	1996	31.8	29.8	34.1	4.2	Nav	Nav	Nav	Nav	Nav	Nav
Cyprus*	DC, AR, FA=2000; AF=1999	23*	10.7	38.1	28.2	99.2	97.7	94.8	50	5.8	144.8
Czech Republic	DC=1991; AF, FA=2001; AR= 2000	41.9	24.6	33.5	0**	98.5	95.4	95.5	81.7	2.7	49.3
Denmark	DC, FA=2000; AF=2003	38.9	29.9	25.9	5.3	99.9	99.9	94.3	99.9	Nav	109.3
Estonia****	DC, AF=2002; AR, AF=2000	18.9	22.8	31.5	4.1	82	72	68	59	3.8	68.9
Finland	DC=1996; AF=2002; AR, FA=2000	12	32.9	46.2	7.9	98	96	99	92	3.8	85.7
France*	2002	29.4*	15.1	32.2	5.7	99.9	99.2	99.2	96.3	4	90
Germany*	DC=2002; FA=1996	27.9*	61		11.1	Nav	Nav	Nav	Nav	Nav	88.4
Greece	N/A	Nav	Nav	Nav	Nav	Nav	Nav	Nav	Nav	Nav	Nav
Hungary*	DC, AF=1996; AR, FA=2000	29.5	27.2	38.9	4	84.4	75.6	79.6	48.2	4.1	52
Ireland*	2002	20.5	17.6	36.2	25.7	99.7	Nav	Nav	86.8	5.2	70.2
Italy	DC=1991; AF=1995; FA=1996	29.5	40.7	29.8		99	99	99	79	Nav	88.3
Latvia	2000	25	28	43	4	83.2	77.8	67	64.9	2-3	40-60
Lithuania	DC, AF, AR=2001; FA=2000	27	34	32	7	78.9	76.3	71.8	72	2-3	70.9
Luxembourg	DC, AR=2001; FA=1999	27.3	72.7			100	100	100	100	Nav	81.1
Malta	1995	25.5	22.2	43.1	9.1	99	97.7	96.6	0.7	5	Nav
Netherlands	DC, AF= 2002; AR=2000	20	27	53		100	100	100	90	4.2	Nav
Poland	DC, AF, AR=2002, FA= 1991	23.2	26.9	37	11.6	92.5	80.6	80.8	71.4	3.7	49
Portugal	1991	24.4	31.2	44.2	0	87.2	88.8	82.2	Nav	Nav	Nav
Slovakia	2001	11.5	35.2	46.6	6.7	94.7	60.2	62.2	76.3	3	40-60
Slovenia	2002	23.4	39.8	28.9	7.8	98.5	93	92	78.6	3	Nav
Spain	2001	22	29.8	34.3	13.8	98.6	96.8	Nav	53.2	5	76-90
Sweden	DC=2002; AF=2000, AR=1990; FA=1996	21	43	28	6	100	100	100	100	4.2	71
United Kingdom*	1991	41	22	38	0***	Nav	Nav	Nav	Nav	Nav	Nav
Mean (R)	N/a	25.9	28.7	34.4	11	94.9	86.4	88.3	74.4	3.9	76.5

Source: Norris and Shiels (2004) and United Nations Economic Commission for Europe (2002).

Note: \* in these cases the data on date of construction supplied by housing ministries were not originally organised into the categories utilised above. These data were therefore reclassified for the purpose of including it in this table; \*\* these data only cover the period to 1990; \*\*\* these data only cover the period to 1996; \*\*\*\* 22.8% of the housing stock in Estonia is categorised as unknown in terms of age. The information on the average age of dwellings in each housing tenure is skewed by missing data for some countries. Where floor space data refer to a range (e.g. 80-100 m<sup>2</sup>) the interval figure was used to calculate the mean.

In terms of the availability of basic facilities, such as running water and central heating dwellings, 94.9 per cent of dwelling in the European Union as a whole enjoy the former facility, while 74.4 per cent are equipped with the latter. Again, Ireland fares well in this regard, virtually all (99.7 per cent) of dwellings in the country are served by running water and a significantly higher proportion are supplied with central heating (86.8 per cent) than the EU average.

The average age of dwellings in the EU reflects, to a certain extent, the historic patterns of economic and social development of the various member States. The United Kingdom has one of the oldest housing stocks in Europe, 41 per cent of dwellings in the country were constructed before 1945 which reflects its early industrial development compared to many of its European neighbours as well as a comparative lack of war damage during the 20<sup>th</sup> Century. In European terms Ireland is distinguished by a very young housing stock. 20.5 per cent of the Irish housing stock was built prior to 1945, compared to 25.9 per cent of the EU housing stock. While some 25.7 per cent of the Irish housing stock has been constructed since 1990 – a proportion which, among EU members, is exceeded only by Cyprus. As is explained later in this chapter the atypical age distribution of the Irish housing stock is the results of the comparatively high rate of new house building in this country over the last decade. It is also likely that it has contributed significantly to the relatively high housing standards in this country which were highlighted above.

## **Housing Policy**

Examination of recent housing policy developments in European Union member States reveals a large number of issues could be categorised as national policy trends insofar as they are the focus of policy interventions in a single European country or very small group of counties. For instance, as part of their negotiations regarding accession to the EU, the Maltese and Czech governments have introduced measures to restrict the purchase of second homes. In Cyprus the Government has introduced a number of measures to house families that are refugees as a result of the partition of

the island in 1974. In addition, there are small number of pan-European housing policy trends, which are common to the majority of the 25 countries under examination, including Ireland. Although, in some cases the way in which the Irish government has addressed these issues is distinctive in the wider European context. Furthermore several issues are currently the focus of policy interventions in a relatively large of group of countries. Broadly speaking these ‘international policy trends’ fall into two categories – policies common to the 15 countries which were European Union members prior to 2004, and those which are confined largely to some of all the 10 new member states joined the EU in 2004. In this regard policy trends in Ireland do not differ dramatically from developments in the other longstanding EU members.

#### *Pan European Policy Trends*

Unbalanced housing demand and supply, and related affordability problems particularly in the major cities is currently the focus of policy initiatives in the vast majority of European countries. However, the extent and nature of this problem varies between countries as do the policy interventions it has inspired.

This book has revealed that unbalanced housing demand and supply across the housing market as a whole is currently of concern to policy makers in Ireland, but this concern is also shared by policy makers in Finland, the Netherlands, Luxembourg, Spain. The data on economic and demographic trends pertinent to housing presented in Table 17.1 reveals why this is the case. Spain has enjoyed relatively high annual growth in GDP per capita in recent years, while Ireland, Finland, the Netherlands and Luxembourg have among the highest GPD per capita in the EU. Furthermore, Ireland has the highest rate of natural population increase in the EU. The convergence of these two factors explains the particularly high level of nationwide housing demand in Ireland at the current time. In order to address this problem, the Irish, Dutch and Finnish governments have increased investment in the servicing of building land and have improved the capacity of the spatial planning system in an effort to increase new housing output. In contrast, the Finnish Government has also introduced new types of co-operative ownership housing for households who cannot afford full home ownership. While, in Luxembourg a reduced rate of capital gains tax payable on the sale of land or apartment blocks has been introduced for a limited period. If these

fiscal measures do not lead to the release of more land for house building, the Government intends to introduce a progressive land tax to penalise the speculative retention of sites by land owners.

In most of the other EU members, housing policy interventions have been introduced to address disequilibrium in specific segments of the housing market or regions of the country. In most countries excess demand is concentrated in urban centres where economic and population growth is centred, although the countries which border the Mediterranean inflated demand in coastal, tourist areas is also an issue. In order to address the former problem, *Sustainable Communities: Building for the Future*, which was published by the United Kingdom government in 2003, aims to increase the provision of high-quality and affordable housing in areas of high demand and to tackle the housing shortage in London and the south east of England by providing for major growth in designated areas (United Kingdom, Office of the Deputy Prime Minister, 2003).

In addition, in several countries the converse problem of vacant and abandoned housing and low housing demand is also the focus of attention from policy makers. Low housing demand in Europe is concentrated principally in rural areas, and to a lesser extent in declining industrial centres. It is a more widespread problem in the new member States, whereas insofar as this problem exists in the longstanding members it tends to be a regional rather than a national problem and is often accompanied by strong demand in other parts of the same country. Sweden is an example of a country in this category. Excess housing demand, particularly the Stockholm region, is accompanied by high levels of vacancies in the social rented stock in areas where the population is in decline. In order to alleviate the burden on municipal housing companies (which provide most social housing in Sweden) with high vacancy rates, the National Board for Municipal Housing Support was set up in 2002. The Board's role is to help municipal housing companies which face this problem to remove surplus housing by recycling it for other uses or demolishing it.

Measures to promote the renovation and improved maintenance of the housing stock have also been introduced in the vast European countries in recent years. Among the long-standing member States, the refurbishment programmes introduced in Ireland

and the United Kingdom are distinctive because both target the social housing sector. Ireland, Luxembourg, Germany and Portugal have also established more refurbishment programmes, which address other housing tenures. However the various refurbishment grant and tax incentive schemes for owner occupied and private rented accommodation which are available in Ireland are more narrow targeted on specific groups (older people and disabled people) and designated areas of the country, than those available in these other countries.

As would be expected in view of the problems in relation to housing standards in many of the new member States which were revealed above, policy makers in these countries are particularly concerned about refurbishment of the housing stock. Most especially the portion comprised of apartment buildings constructed between the 1950s and 1980s using system building methods. As a result of poor initial construction standards and long-standing neglect of maintenance, these dwellings now require extensive refurbishment (Clapham, *et al*, 1996). However, the task of improving them is encumbered by pressures on government finances combined with the fact that after the privatisation measures, many of these dwellings are now in the ownership of private individuals who may lack the means and/or the organisational capacity to arrange the requisite repairs (United Nations Economic Commission for Europe, 1997; 1999). In order to address this problem, compulsory reserve funds were introduced in Slovenia in 2002, which oblige all apartment owners to accumulate funds through monthly deposits for the maintenance and renewal of blocks. The Czech Government has established three programmes to fund the upgrading and repair of the prefabricated panel buildings which are common in its housing stock. At the wider EU level, housing refurbishment does not currently qualify for structural funding and there have been calls for this situation to be changed during the next round of Structural Funds (covering the 2007 – 2012 period) (FEANTSA, 2003). Not surprisingly this has proved controversial, because of the significant costs involved, and also because, as Table 17.3 demonstrates this reform would affect a sharp redistribution of resources from the longstanding members to the new EU members, particularly to those in Central and Eastern Europe.

### *International Policy Trends*

Apart from the abovementioned issues which are of concern to policy makers across Europe, there is a perceptible difference between the recent housing policy developments in the fifteen countries which were EU members prior to 2004, compared to the ten new EU members. Amongst the latter group, policy makers in the eight Central and Eastern European countries which joined the EU in 2004, share a particularly discrete set of concerns. This phenomenon reflects the distinctive political histories and recent economic and demographic development of these countries in comparison with the fifteen long-standing EU members.

In many of the long-standing EU members, housing policy currently places significant emphasis on expanding the stock of private rented housing, which is recognised as an important resource, particularly in the major cities where rents are high and housing affordability is consequently lower. In response, the Danish, Swedish and French governments have introduced incentives intended to encourage investment in this sector. On the basis of the various tax incentive schemes examined by MacLaran and Williams in Chapter Seven of this volume, Ireland also qualifies for inclusion in this category.

The management of social rented housing and its increasingly residual nature in socio-economic terms is also identified as a key issue in housing policy statements in many of the longstanding EU members. As a result, the governments of the Flanders and Wallonia regions of Belgium, Luxembourg, Denmark, are endeavouring to promote a more diverse spatial mix of different housing tenures, in an effort to reduce the socio-spatial segregation of disadvantaged. Of course, Part V of the Planning and Development Act, 2000, which was examined in Chapters Eight, Fourteen and Fifteen, is also an example of an initiative of this type. Indeed, in comparative terms Part V appears extremely radical. Although in Luxembourg recent legislation obliges property developers to include at least 10 per cent rented housing in new housing developments to foster a greater social mix. This measure addresses all types of rented housing not only social rented housing. However, the social mixing measures introduced in other EU member states in recent years are comparatively modest compared to Part V. For instance, the Government of the Flanders region of Belgium has recently introduced measures intended to facilitate households to buy or refurbish



their dwelling in order to ensure a social mix in cities. In Denmark, as a result of recent reforms, pension funds will be permitted to develop mixed tenancy housing developments including rented and owner-occupied housing.

In many longstanding EU members, a range of reforms to arrangements for social housing provision and management has been introduced. In Denmark, for instance, in recent years housing policy has placed increased emphasis on the involvement of the private sector in providing and managing social housing by means of public-private partnership arrangements. The regional governments in Belgium are working to enhance co-operation between the various associations which provide social housing, and if necessary encourage their geographical relocation in order to ensure that social housing needs in all parts of the country are adequately addressed. In Finland the income limits for access to social housing have recently been increased in order to address the problem of low demand for this type of housing in some parts of the country. The measures of this type which have been introduced in Ireland are examined in Chapter Nine.

Socio-economic deprivation and the associated physical dereliction of housing in inner-city areas is also a focus of intervention by governments in several of the 15 pre-2004 EU member States. Thus, in many of these countries a range of urban renewal measures has been introduced in recent years, typically involving tax incentives to encourage the provision of new and refurbished housing in these locations. The Netherlands is notable for the particularly large number of urban renewal initiatives in operation. Many of these were originally proposed in the Government policy statement *What People Want, Where People Live*, published in 2000 (Netherlands, Ministry of Housing Spatial Planning and the Environment, 2000). In comparison with the Irish urban renewal measures which are examined in Chapter Seven, both the Dutch measures and those instituted in many other EU members States are distinguished by their multi-dimensional focus. In other words they target the social, community and economic aspects of urban decline, in addition to addressing the renewal of the built environment, particularly the housing stock, which has been the primary focus of interventions to date in Ireland.

In contrast, to their counterparts in the West of the EU, housing policy makers in Estonia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia are primarily concerned with responding to the effects of the sale of formerly State-owned housing. One of these effects is a shortage of social rented units in many Central and Eastern European countries, which policy makers are attempting to address by increasing the output of dwellings in this tenure. As revealed in Table 17.2, the private rented sector in many of these countries is also very small and, in the view of many policy makers, its further development has been impeded by rent control measures. Thus, the Slovakian government has recently liberalised the regulation of this sector and the Polish and Estonian governments are also currently considering potential reforms in this regard.

The comparative under-development of the private mortgage lending market is also of concern to policy makers in several of the new EU member States, on the grounds that this deficiency has hindered the provision of new private housing because neither potential property developers nor home buyers can access the requisite finance. In response, the Polish, Slovenian and Slovakian governments have all funded low interest loans schemes to enable households and social housing providers to build or renovate dwellings. In Estonia government intervention in the mortgage market has taken a distinctive form – the State Bank guarantees a proportion of mortgages raised by specified types of households from commercial lenders.

## **Outcomes**

### *Public Expenditure on Housing*

Table 18.4 details the proportion of Gross National Product devoted to public expenditure on housing policies in the fifteen longstanding European Union member States. Although these data probably underestimate the true level of public expenditure on this area, because they generally exclude revenue forgone as a result

*Table 18.4: Percentage of Gross Domestic Product Devoted to Public Expenditure on Housing Policies in the Fifteen Longstanding European Union Member States, 1980, 1990, 2000.*

	1980	1990	2000
Austria	1.4	1.3	1.3****
Belgium	Nav	0.8	1.0***
Denmark	1.3	1.3	1.4
Finland	1.4	1.2	1.6
France	Nav	1.1	1.1****
Germany	0.9	0.6	0.9
Greece	0.2	0.2	0.2
Ireland	Nav	Nav	Nav
Italy	0.3	0.14	0.1
Luxembourg	Nav	0.8**	0.6
Netherlands	Nav	0.9	0.7****
Portugal	Nav	0.3	0.8
Spain	1.3*	2.3	1.4****
Sweden	1.0	1.5	0.4
United Kingdom	Nav	Nav	Nav
Mean (rounded)	0.98	0.96	0.88

Source: European Central Bank (2003).

Note: Nav means not available; \* = 1981 data; \*\* = 1992 data; \*\*\* = 1997 data; \*\*\*\* = 1999 data; \*\*\*\*\* = 1998 data; the figures for Belgium cover the various tax deductions granted by central authorities; the figures for Germany include revenue forgone and public housing allowances; the figures for Portugal refer to revenue forgone due to tax exemptions and interest reliefs as well as to support for public housing; the figures for Sweden include rent and interest allowances.

of tax exemptions for housing expenditure (see European Central Bank, 2003 for a full exposition of the shortcomings of these data), they provide a useful indication of general trends in this regard. Table 18.4 clearly indicates that this trend is in the direction of stagnant or decreasing public expenditure on housing. The percentage of GDP devoted to housing policies in the countries under examination declined from 0.98 per cent in 1980 to 0.88 in 2000. The European Central Bank (2003: 39) reports that this trend ‘... appears to reflect a change of policy stance towards more targeted spending’ – an analysis which is supported by the discussion of recent trends in housing policy in the pre 2004 EU members, presented earlier in this chapter, which highlights for instance, increased emphasis on the improvement of the housing stock in declining neighbourhoods, rather than on the stock as a whole.

Although no comparable data are available for Ireland, analysis of the data on housing expenditure and Gross National Product (GNP) presented in Tables 1.2 and 1.3 in Chapter One of this volume indicate that the predominant trend in this country is in

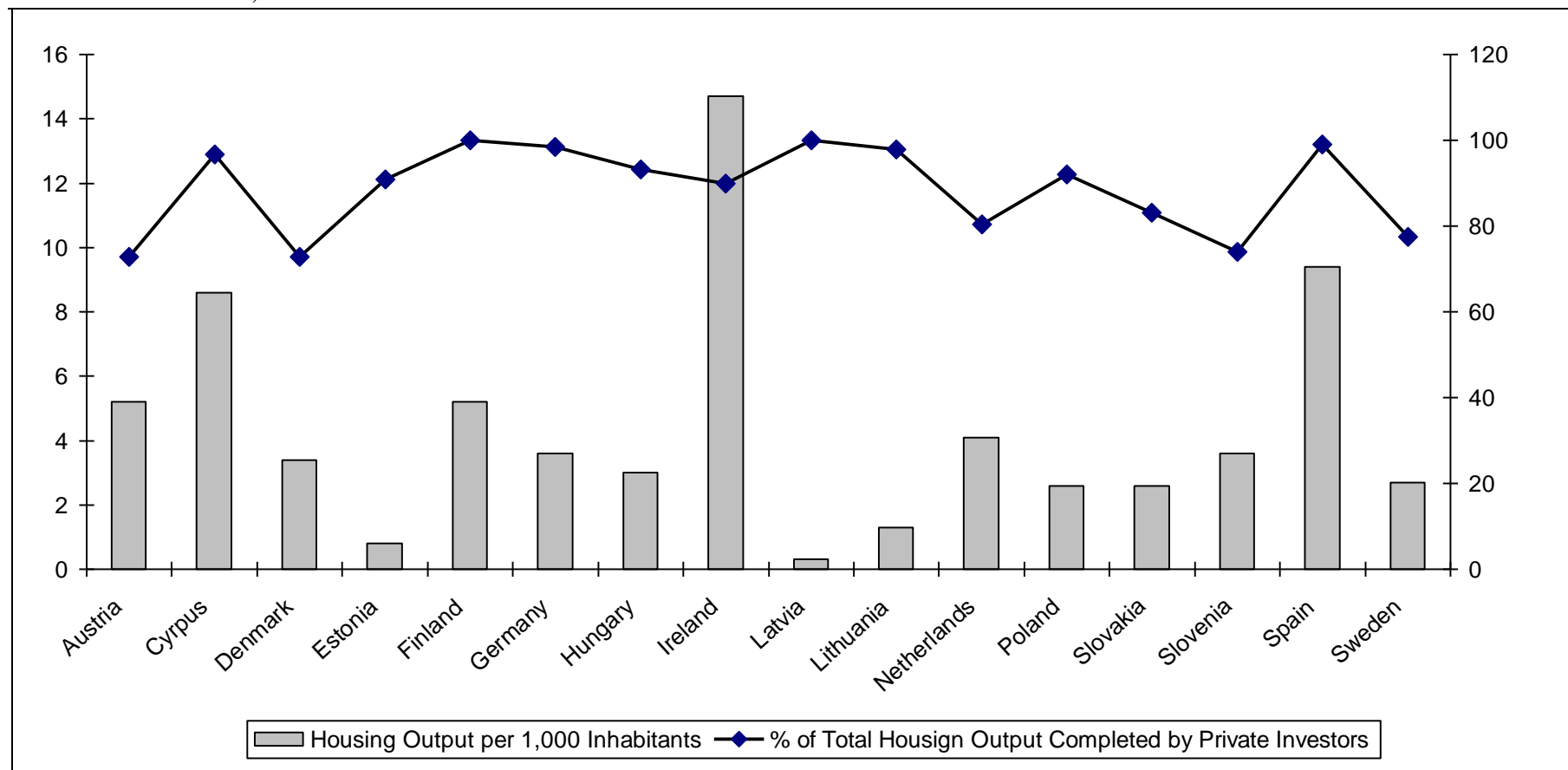
the opposite direction to that which prevails in the other longstanding members of the EU. Public investment in housing as a percentage of GNP in Ireland grew from 0.846 in 1994, to 9.96 in 2000, to 1.53 in 2003.

### *Housing Output*

These higher levels of public investment are reflected in a higher level of total housing output in Ireland in recent years, compared to most of the rest of the European Union and, more directly, in a higher level of state subsidised social housing output. The evidence in this regard is set out in Figure 18.1. This graph reveals that Ireland had by far the highest housing output per 1,000 inhabitants in the European Union in 2002 – 14.7 as compared to an average of 4.3 among the 25 countries which are currently EU members. During this year Spain and Cyprus has the second and third highest housing output in the EU but their rates of construction were far behind Ireland – 9.4 per and 8.6 dwellings per 1,000 inhabitants respectively. Conversely, among the countries under examination, housing output was lowest in the eight Central and Eastern European states which acceded to EU membership in 2004 (which had an average output of 2.11 dwellings per 1,000 inhabitants in 2002) and in Sweden (where output was only marginally higher at 2.7 per 1,000 inhabitants in 2002). As was mentioned above housing output in the former group of countries is constrained by the underdevelopment of the commercial mortgage market which inhibits both developers and prospective purchasers of dwellings from lending.

Figure 18.1 also reveals that the proportion of total Irish housing output which is completed by private investors has fallen from 95.8 per cent in 1987 (well above the average for the 25 EU member states which was 84.2 in that year) to 89.9 in 2002 (which is close to the EU average of 89.2). This means conversely, that the proportion of new house building in Ireland built by government and non profit agencies, which consists principally of social and affordable housing, has converged with the EU average over this period. Moreover, because total housing output in Ireland rates per 1,000 population are very high in European terms, this also means that Irish rates of social housing output are comparatively high in absolute terms. Trends in relation to non market house building differ sharply between the old and new EU member states, however. According to Table 17.5. 79.75 of new dwellings

Figure 18.1 Housing Output Per 1,000 Inhabitants and % of Housing Output Completed by Private Investors in European Union Member States, 2002



Source: United Nations Economic Commission for Europe (2004).

Note: Data for the following countries are not available: Belgium, Czech Republic, France, Greece, Italy, Luxembourg, Malta, Portugal, Spain and the United Kingdom.

built in the 15 longstanding member States in 2002 were built by private investors, as compared to 90.98 per cent in the 10 new EU members. Thus when compared with other longstanding EU members the level of output of non market housing in Ireland appears less impressive.

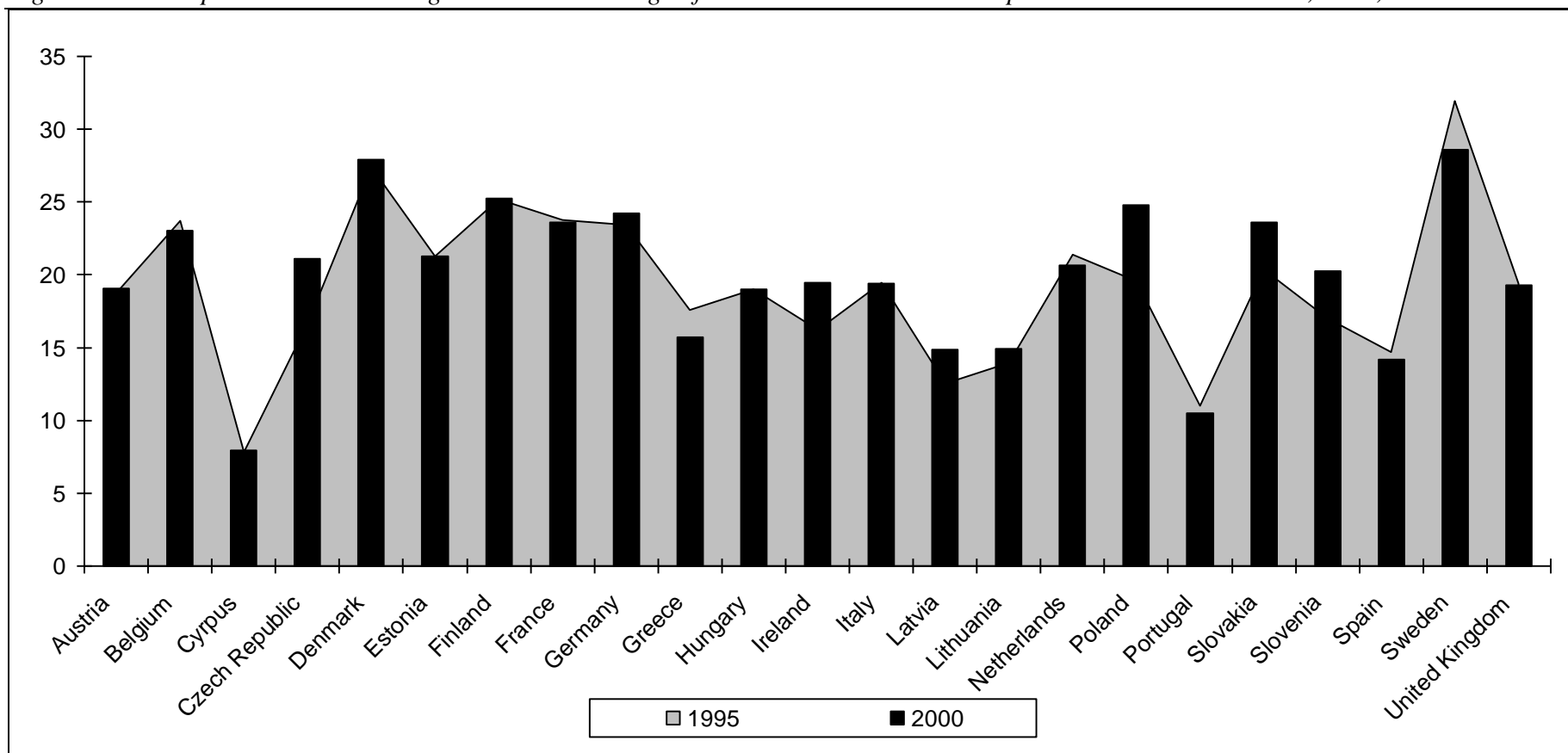
### *Housing Affordability*

The available information regarding the affordability of housing in European Countries is set out in Figure 18.2. This graph highlights a number of significant recent developments in relations to this aspect of the housing system in the different parts of the continent. Among the 25 countries examined, the percentage of household income which is devoted to housing, water, electricity, gas and other fuels has risen only marginally from 19.13 per cent in 1995 to 19.29 in 2000. However there are some regional differences in this regard. In the 10 countries which joined the EU in 2004, housing costs have risen rapidly from 12.8 in 1995 to 17.34 in 2000. In contrast, although housing costs have been consistently higher in the 15 longstanding EU members since 1991, in recent years they have stabilised, albeit at the higher level of 20.29 in 1995 and 20.69 in 2000. Although Ireland is an exception to this trend because housing costs here rose from 16.12 in 1995 (well below the average for the 15 longstanding EU members) to 19.43 in 2000 (just below the average for the 15 longstanding EU members).

The drivers of these trends are complex and numerous. The data presented in Figure 18.2 include expenditure on all housing costs including rent and mortgages and utility costs such as water, gas and electricity. In the new EU members there is evidence that the utility costs have risen dramatically during the second half of the 1990s as the markets for these commodities were liberalised (Norris and Shiels, 2004). In addition, the ending of controls on private sector rents which were mentioned above probably contributed to inflation in housing for some households in this part of the EU (Norris and Shiels, 2004).

In the 15 longstanding EU member states the large proportion of home owners who

Figure 18.2 Expenditure on Housing Costs as Percentage of Household Income in European Union Member States, 1995,-2000.



Source: Eurostat

Note: Data are at current prices and include household consumption expenditure on housing, water, electricity, gas and other fuels. Data for Luxembourg and Malta are not available.

have mortgages (many home owners in the new member States have no mortgage because their dwelling was transferred to them by the State with minimal or no charge) means that mortgage interest rates and house prices are a key determinant of housing affordability. Over the last decade there has been a substantial reduction in interest rates in many of the long-standing EU member States, including Ireland, to the extent that in some cases interest rates are presently at a historic low. The timing of these reductions in mortgage interest rates is coincident with the adoption of the Euro as a single currency by twelve of the longstanding EU members. This development was a key factor in the stagnation of housing costs highlighted above.

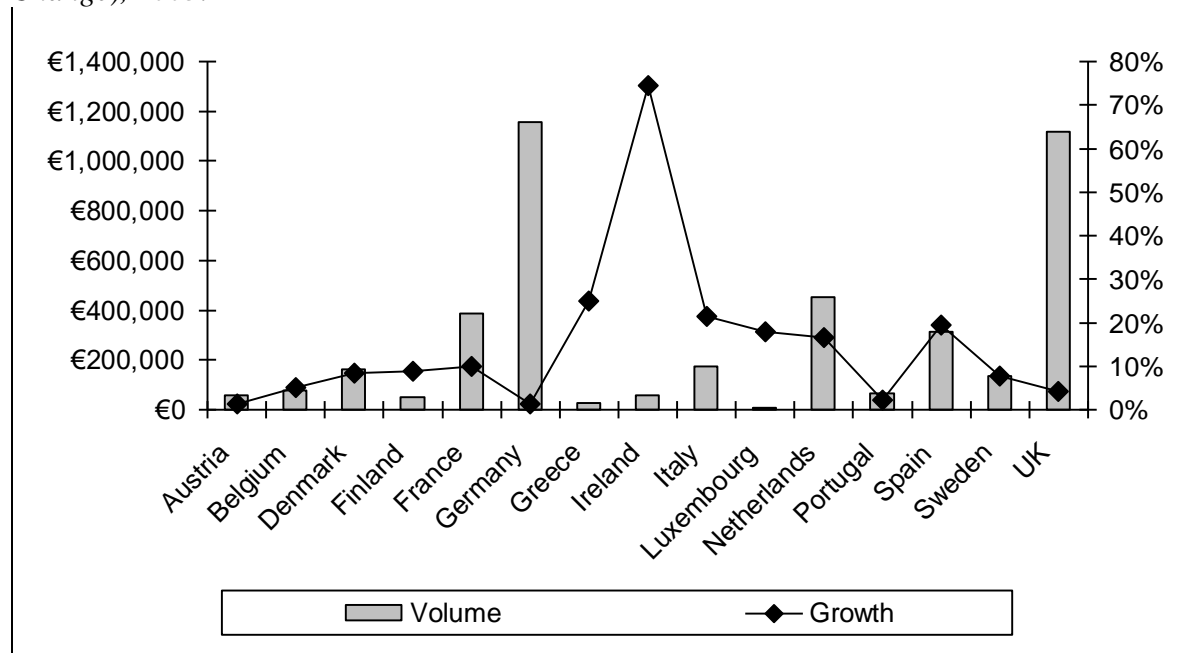
At the same time however, falling interest rates have bolstered strong housing demand in some longstanding EU members, and as Figure 18.3 reveals this has driven a sharp increase in mortgage lending. This growth in residential mortgage debt has been especially marked in Ireland which helps to explain the marked expansion which in housing costs for Irish households which was revealed in Figure 18.2. In addition, as was mentioned in Chapter One of this volume, in the Irish case falling interest rates were one of the factors which have contributed to an unprecedented increase in house prices since the mid 1990s. Indeed, Figure 18.4 demonstrates that house price growth in Ireland between 1994 and 2003 was by far the highest of the 15 longstanding EU members. This factor may also explain the increase in the proportion of income which Irish households devote to housing over the same period.

## **Concluding Comments**

This chapter has revealed that, when assessed at the macro level, Ireland's housing system has performed impressively over the last decade in comparison with many other EU member States. Of particular note is the achievement of the Irish home building industry in constructing record numbers of new dwellings in recent years, aided no doubt by the comparatively *laissez faire* planning system, as described by Bannon in Chapter Fourteen. Without this dramatic increase in output, it is likely that

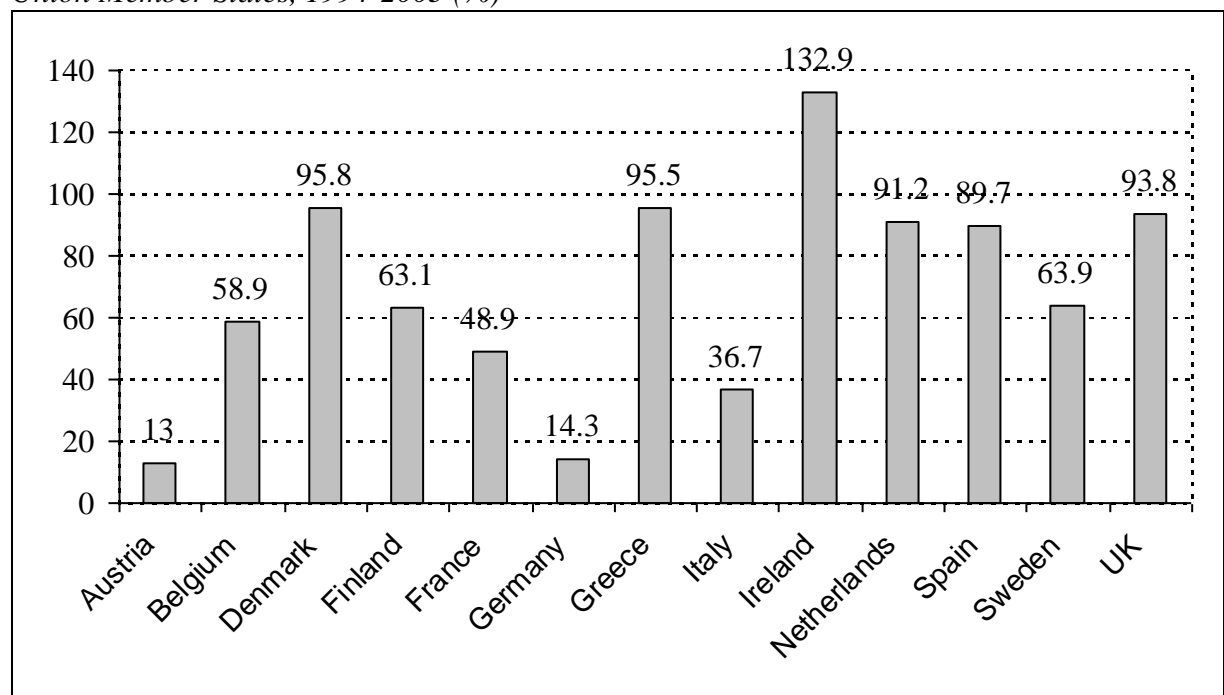


Figure 18.3 Volume and Growth of Residential Mortgage Debt in the Fifteen Longstanding European Union Member States (in € Billion and Annual Percentage Change), 2003.



Source: European Mortgage Federation, 2004.

Figure 18.4 Cumulative House Price Change in Selected Longstanding European Union Member States, 1994-2003 (%)



Source: European Mortgage Federation, 2004.

Note: data for Luxembourg and Portugal are not available.

house price inflation would have been even greater and the accessibility problems in the owner occupied sector, identified by Daithi Downey in Chapter Three, would have been considerably worse. In addition this level of output helped to address the historic paucity of the Irish housing stock and to improve housing standards. In contrast low levels of new house construction are currently of concern to governments in many other EU members, because they are associated with house price booms, and potentially, busts (Cheshire, 2004). As a result for instance, the British government recently commissioned a *Review of Housing Supply* in order to ascertain how output can be increased (Barker, 2003).

In European terms, the level of public expenditure on housing in Ireland is also comparatively high, as is social housing output as a percentage of total housing output. Furthermore, some recent housing policy initiatives in this country, such as the tenure mixing provisions of Part V of the Planning and Development Act, 2000, are radical when compared to measures with similar aims instituted by some neighbouring countries. Although it is important to acknowledge, that the increased expenditure on housing is a relatively recent development, after severe retrenchment in this area from the mid 1980s and current levels of social housing output are low in historic terms. In addition, Redmond, Williams and Punch argue in Chapter 15 that amendments to the provisions of Part V introduced in 2002, will substantially reduce its impact.

Despite the impressive performance of the Irish housing system at the macro level, the various contributions to this book have highlighted a multitude of micro level problems, which negatively effect specific regions or districts and specific groups – mainly, but not solely, low income households. These include:

- first time home buyers, particularly in the Dublin area (see Chapter Three),
- low income private households, particularly those dependant on rent assistance (Chapter Six),
- households on waiting lists for social housing (Chapters Eight and Eleven)
- homeless people (Chapter Twelve)
- Travellers (Chapter Thirteen) and,
- those forced to commute long distances to work in order to access affordable housing or to sit for hours in traffic gridlock caused by unsustainably low

development and failure to integrate public transport provision with new housing development (Chapters Fourteen and Fifteen).

These micro level failures cannot be attributed to lack of policy initiatives or political priority. Housing was not mentioned in the two key economic policy statements published during the early 1990s (the 1989 and 1993 National Development Plans); nor was it identified as a target in the National Anti-Poverty Strategy (the key contemporary social policy statement); nor addressed in the *Partnership 2000* agreement negotiated in 1996 between government and the ‘social partners’ (Government of Ireland, 1989, 1993, 1997a, 1996b). Whereas the updated versions of these documents, published in the late 1990s, all identified housing as a central issue (Government of Ireland, 2000a, 2000b; 2003; Department of Social Community and Family Affairs, 2002). The Department of the Environment, Heritage and Local Government published only two housing policy statements between 1990 and 1996 (Department of the Environment, 1991, 1995b). However it has produced nine since the latter year (Housing Management Group, 1996, 1998; Commission on the Private Rented Residential Sector, 2000; Department of the Environment and Local Government, 1998a, 1999a, 1999b, 2000a, 2000d; Department of the Environment and Local Government, Department of Health and Children, Department of Education and Science, 2002). In addition, in 2002 the first national spatial development strategy for over 30 years was published (Department of the Environment and Local Government, 2002).

Furthermore, it is important to acknowledge that some of Ireland’s current housing problems would have difficult to prevent by policy intervention given the rapid economic and population growth described in Chapter One. For instance, the National Economic and Social Council (2004) argues that, in view of these factors, the rapid increase in house prices in the late 1990s was, to a significant extent, inevitable.

However, shortcomings in the policy making and implementation process also contributed to the current housing problems outlined in this book. The following aspects of housing and planning policy were particularly significant in this regard:

- lack of macro-level analysis of the collective impact of and the interaction between the various policy measures introduced during the last decade, coupled with the fast pace of policy development at the time, led to the introduction of contradictory initiatives. For instance as Galligan mentions in Chapter Five, the fiscal disincentives to residential property investment introduced to stem house price inflation, were repealed after they contributed to private rent inflation. Similarly, Chapters Fourteen and Fifteen also highlight a variety of problems stemming from the failure to integrate housing and planning policy. For these reasons, a white paper, or similar macro level housing policy analysis is not urgently required from the DoEHLG. A document of this type has not been produced since 1969 (Department of Local Government, 1969).
- The centralisation of housing policy making in the DoEHLG has led to a tendency to devise nationally orientated housing policies, with relatively minor variations in their terms to reflect local or regional differences. This tendency was no doubt reinforced by the extreme localism of Irish politics, which renders positive discrimination in favour of one locality, over another, practically impossible. In Chapters Fifteen and Sixteen of this book, identify a whole host of problems caused by insufficient regionalism in policy in both urban and rural areas. Admittedly, during the last decade various new housing policy making arrangements have been established in local authorities, such as local Traveller accommodation consultative committees and housing strategies. However in the absence of reform of housing finance, which gives local authorities control over revenue generation and spending on this area, the impact of these bodies is likely to be small.
- Failure to address policy implementation has been a key problem. As Silke points out in Chapter Thirteen, this problem is particularly obvious in the case of Travellers, as despite relatively sophisticated policy instruments and generous funding, output of Traveller specific accommodation has fallen far short of target. Similarly in Chapter Fourteen Bannon makes similar points in relation to the planning system. Her relates this ‘implementation gap’ to lack of implementation guidelines from the DoEHLG which are necessary because of the traditional shortage of professional planning staff in the planning system. In Chapter Nine Norris and Redmond argue that the non professional, non specialist staffing

system employed in local authority housing departments also necessitates detailed implementation guidance.

The lack of an evidence basis for housing policy making has been a significant contributor to the abovementioned problems. Since the abolition of an Foras Forbatha in the mid 1980s, the DOEHLG has lacked a research capacity in planning, while it never had never had a significant housing research capacity. In addition, the potential of administrative data to inform housing and planning research and review has not been significantly exploited (although see Murray and Norris, 2001 for one example of this type of work in housing). Although, non governmental organisations – principally Threshold, the Simon Community and Focus Ireland – have carried out some very significant housing research projects over the years, the lack of a comprehensive evidence basis an evidence base has made housing policy making, review and the formulation of implementation strategies very difficult. As was mentioned in the Introduction to this book, in recent years, this shortcoming has begun to be addressed. The Housing Unit has conducted a significant amount of housing research for the DoEHLG and local authorities, the abovementioned non governmental organisations have expanded their research programmes, and an increasing amount of research has begun to emerge from the universities and other third level institutions. However, compared to most other EU countries particularly the United Kingdom, the Netherlands, Sweden, the discipline of housing studies is still very much in its infancy in Ireland. It is hoped that this book will help contribute to its growth and maturity.