

THE STATE OF HOUSING IN EUROPE 2023





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FOREWORD BY BENT MADSEN – PRESIDENT OF HOUSING EUROPE



BENT MADSEN,
HOUSING EUROPE PRESIDENT



2023 – TO OFFSET POTENTIALLY MASSIVE SOCIAL CONSEQUENCES, IT IS TIME TO JOIN FORCES TO GOVERN HOUSING FOR PEOPLE AND THE PLANET

For the first time in 13 years, housing Ministers met in 2022 for an informal EU housing ministerial meeting in Nice. That meeting and the resulting **Nice declaration** confirmed that we have entered an era of renewed public action on housing, a new dynamic exemplified by our responsibility to reduce the carbon footprint of the sector and accelerated more recently by the pandemic and the impact of the war in Ukraine.

This generalised re-activation of governments after some decades of withdrawal from the housing space is warmly welcomed by Housing Europe and its members. We are ready to join forces with policy makers and citizens to try to find solutions to this housing challenge now impinging on all parts of our society from education to health, employment, mobility and climate.

If we are to offset potentially massive social consequences, the data drawn from public, co-operative and social housing providers across the region reveals that our joint response needs to be fast and far-reaching. The gap between income and housing and more generally living costs which has been growing for decades is now being exacerbated by inflation, rising interest rates and growth in demand. Housing Europe's research Observatory data reveals a clear and alarming trend. The supply shortage of housing at affordable prices is set to accumulate beyond all forecasts as the upward revision of costs result in construction and renovation slow-downs or stand-stills while the cost-of-living crisis pushes more households past their limits.

Also at European level, the evidence from the ground, which leaves no doubt that a step-change is needed on housing, is reflected in some of the current Commission's funding and policy initiatives. The Forthcoming European elections in June 2024 will be a crucial moment to ensure that this is reinforced by the new Commission with a structural approach to ensure that the European framework is supportive of the will of policy makers to take action to govern housing for people and planet.

INTRODUCTION BY LAURENT GHEKIÈRE, CHAIR OF HOUSING EUROPE OBSERVATORY



LAURENT GHEKIÈRE,
CHAIR OF HOUSING EUROPE OBSERVATORY

The Renovation Wave strategy for Europe aims to green buildings, create jobs and improve lives of EU Citizens. This strategy intends to at least double renovation rates in the EU by breaking down long-standing barriers to energy and resource-efficient renovation as well as improving reuse and recycling. By 2030, the construction sector could see 35 million renovated buildings and up to 160,000 additional green jobs. The Renovation Wave brings a one in a lifetime opportunity to make our buildings less energy consuming, also more liveable and affordable for everybody.

In the autumn of 2020, at a time when Europe was still in the midst of the COVID 19 pandemic, not-for-profit housing providers members of Housing Europe announced their ambition - to renovate 4 million homes by 2030.

The two years that followed have been marked by many unexpected crises and changes: the invasion of Ukraine has brought about an extraordinary set of circumstances throughout Europe – a refugee and energy crisis, on top of the consequences of dealing with the impact of the pandemic, exacerbating long-standing problems with housing affordability and making achieving this ambition an even more challenging task.

As a result, the current context is not conducive to the adequate level of affordable housebuilding: from the perspective of the supply side, the constraints are linked to the high cost of borrowing (a doubling or tripling of the borrowing costs compared to one year ago) and cost of material (+20%

on average at the EU level compared to one year ago), while on the demand side, the number of people on the waiting lists for social housing has never been so high, partly because the market is unable to deliver affordable homes. To bridge this gap, the EU can and should strengthen its financial contribution to solve the housing crisis, building up on the effective work of the European Investment Bank (EIB), the good level of use of the European structural and investment funds (Cohesion Policy) and eventually in the near future the use of the revenues generated by the EU emissions trading scheme (ETS2). Preserving social cohesion, in line with the European Pillar of Social Rights, while reducing the carbon footprint of the social, cooperative, public housing sector has a cost that the EU should help to cover.

How are public, cooperative and social housing providers contributing to the fair energy transition and helping residents and communities coping with the current cost of living crisis?

This report aims at presenting a ‘reality check’ from the social and affordable housing sector across Europe.

To this goal, we’ve collected information from members of the Housing Europe network. 22 organisations based in 17 countries contributed to the content of this report, which also draws on available data and literature at European and international level.

SUMMARY OF KEY FINDINGS



The two years since the last edition of this report have been marked by unexpected crises and changes: the invasion of Ukraine has brought about an extraordinary set of circumstances throughout Europe – a refugee and energy crisis, on top of the consequences of dealing with the impact of the pandemic, exacerbating long-standing problems with affordability of homes and the energy they consume. Public funding has been made available in some countries through the use of EU resources from Resilience and Recovery Funds (for instance in Belgium, Spain and Italy), representing for some housing providers an unprecedented funding opportunity in a context of high uncertainty. However, the current context is marked by **increasingly unsustainable costs for construction and renovation, to which lately the increasing cost of financing has been added.**

These elements combined are causing many projects to be postponed or delayed if not altogether dropped. In Germany this will likely result in renovation projects being cut by one fourth and new construction by one third compared to planned activities over the coming year. **These backlogs are likely to exacerbate shortages in available social and affordable housing which will show two-three years down the road.**

The shortages will come at a time when European citizens are already struggling to cope with increasing inflation which is resulting in a real 'cost-of-living crisis'. The current price increases have been found to hit hardest households on low incomes, like those typically living in social housing, who tend to spend the highest share of their budget on essential goods such as energy and food.

Residents in social and affordable housing have seen their budgets to some extent shielded by the fact they pay **rents lower than those available on the market, especially in high demand urban areas, leaving them more resources to make ends meet.** **This explains why the sector attracts an increasing demand,** for instance the number of households applying for social housing in France has reached 2.4 million - 16% more compared to 2016 and 7% more in just one year since 2021. Households registered to obtain social housing in Brussels has increased from 49,000 in 2020 to almost 52,000 in 2022 – and this list could continue.





Looking at housing markets, over the past decade (from 2010 until the fourth quarter of 2022) average rents increased by 19% in the EU and house prices by 47%, and house price growth has consistently outpaced growth in incomes. What will happen next is a big question mark:

in the fourth quarter of 2022 for the first time since 2015 house prices have decreased while rents continued their upward trajectory. The current economic conditions point to a slowdown in house-price growth that may involve reductions in house prices, at least in some countries. While this could translate into lower prices for new buyers, with rising interest rates and household disposable income under pressure from inflation, buying a home will remain out of reach for many, not to mention existing mortgage-holders who face difficulties meeting their monthly payments. As for rents, national averages tend to mask significant increases at local level and especially in attractive urban areas.

In the current context **additional measures have been taken by public, cooperative and social housing providers to support their residents:** for instance in Denmark, Finland,

Sweden public and not for profit housing providers have not indexed rents at their usual rate, and the same goes for housing cooperatives in Italy that have also set up solidarity funds to support those who could not keep up with increasing energy bills. In Germany many housing companies have made increased advance payments to the energy suppliers on behalf of their tenants or agreed on instalment payments. Public cooperative and social housing providers have also worked with residents for instance by offering advice and coaching on energy use, and providing help to access available subsidies and financial inclusion services.



THIS EDITION OF HOUSING EUROPE'S REPORT ON THE STATE OF HOUSING IN EUROPE FOCUSES ON HOW PUBLIC, COOPERATIVE AND SOCIAL HOUSING IS CONTRIBUTING TO THE FAIR ENERGY TRANSITION AND HELPING RESIDENTS AND COMMUNITIES COPE WITH THE CURRENT COST OF LIVING CRISIS.



Against a backdrop of increasingly ambitious targets in terms of energy efficiency and sustainability, this report aims at presenting a 'reality check' from the social and affordable housing sector across Europe. To this goal, we have collected information from members of the Housing Europe network. Our analysis brings together the situation of 22 public, cooperative, and social housing organisation based in 17 countries and draws on available data and literature at European and international level.

Availability and quality of data varies significantly across countries, resulting in a huge gap in knowledge about the quality and energy characteristics of the housing stock at European level despite several promising initiatives. This report, and more specifically the information included in its country profiles, can partly contribute to filling this gap, but there are several limitations in terms of data coverage and comparability.

When and where data are available, they show very diverse situations across countries in terms of energy performance of the housing stock and sources of energy used by households in the residential sector. **In most of the countries analysed, Public, cooperative and social housing providers stock tends to show better energy performance than privately owned homes.** This is thanks to a strong renovation movement within the sector which in some countries is rather long-standing while in others is more recent. Limited profit housing associations in Austria for instance have already renovated 96% of homes built before 1980. In Czechia, housing cooperatives have renovated 80% of pre-fabricated panel blocks. Furthermore, social and affordable housing providers are involved in exemplary projects and initiatives that are pushing the frontiers with innovative approaches to renovation and decentralised energy production and consumption.

However, going beyond best practices, the information collected in this report shows reaching these goals will require a huge effort. E-F-G labels still account for 18% of social housing dwellings that have an energy performance certificate in France, about 15% in Denmark, 11.8% in the Netherlands, 50% in parts of Belgium.

In terms of the energy mix, the diversity is even more striking. The extent to which social, public and cooperative organisations are relying on gas for instance varies from less than 1% in Finland to 55% in France. As a large share of the energy used is sourced from the grid or from district heating, energy companies and district heating networks have a key role to play in moving towards a more sustainable energy mix in the housing sector. For instance, in Germany an estimated

20% of energy used by GdW companies can be considered to come from renewables, mainly sourced from district heating.

However, there is also an **increasing phenomenon of energy being produced within the sector through renewables:** for instance in Denmark about 7% of dwellings have access to energy from solar panels or windmills belonging to not for profit housing companies, in Flanders (Belgium) the ASTER initiative will see panels installed on 52,500 houses belonging to 64 different social housing companies.

Housing providers across Europe are increasingly supporting and setting up energy communities, which are considered to have a huge potential to bring down energy costs for residents in the future, on condition that regulatory barriers that still persist today can be overcome.

Progress have been made at an increasing pace over the past decade. **In planning and implementing their activities, social cooperative and public housing providers have to combine availability (of enough housing to cater for increasing demand), affordability (so that the homes they produce can be affordable for current and future residents) and sustainability (in terms of use of energy and natural resources in new and existing homes and the neighbourhoods where they are placed).** However, the current context is diminishing the capacity of housing providers to strike a balance between these three equally important priorities.

In the long term what will make the biggest difference will be the capacity of the sector to provide a sufficient number of affordable and good quality homes, through both new supply and renovation. Especially in the current uncertain geopolitical and economic context, this will require a concerted effort with local national and European institutions to increase investment, and implement different approaches reflecting the different starting points.



PUBLIC, COOPERATIVE, AND SOCIAL HOUSING AND THE FAIR ENERGY TRANSITION: WHERE WE ARE AND WHERE ARE WE HEADING?

➔ 1.1. Taking stock of a diverse situation

The availability and quality of data varies significantly across countries. This is probably why there is still a huge gap in knowledge about the quality and energy characteristics of the housing stock at a European level, despite a number of promising initiatives.



Indeed, a number of European projects¹ have partially addressed this issue, by creating relevant data sets. Furthermore, the EU Building Stock Observatory (BSO), launched by the European Commission's Directorate General for Energy (ENER), aims at setting up a database to monitor the energy performance of buildings across EU member states. However, data collection and the population of the database have highlighted a number of 'blindspots', both in terms the frequency and the depth of the data currently being collected. This issue is likely to remain a significant challenge going forward².

1 _ Including for instance EPISCOPE/TABULA, ODYSSEE, ZEBRA2020.

2 _ DG ENERGY (2020) Final Report: Maintenance and update of the EU Building Stock Observatory, https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/eu-building-stock-observatory_en#newsletter

This report, and more specifically the information included in its country profiles, can partly contribute to filling this persisting information gap. However, one must keep in mind the scope and coverage of the information presented. While in some countries national agencies and federations of public, cooperative, and social housing providers regularly collect information on, amongst other topics, the rate of renovation of the housing stock, classification according to energy labels, and the number of newbuild dwellings, in other cases this information is not available or at least it is not 'centralised' or collated by any relevant body or institution.

Also, one has to avoid jumping to conclusions too easily and comparing apples with oranges, which is a real risk given the different context and indicators and tools used. **An illustration of this problem is the lack of a common and consistent approach to Energy Performance Certificates.** EPCs are based on different standards in different member states, so they are not directly comparable across countries. Furthermore, one must keep in mind that the actual share of units covered by EPCs is sometimes still very low, with EPCs usually only required for new homes or homes that are being sold or offered for rent. Therefore, the data that we do have might not be representative of the entire stock in a given country or region.

However, if we look at **existing EPC data, we can conclude that the social housing sector is often doing better in a relative sense than the private sector, though this varies significantly across countries.**

In France, for instance, 46% of social housing is in the least consuming categories (EPC label A, B or C), while the share is only 25% among the total housing stock, all tenures included. However, 18% of the stock is still labelled as E, F, or G. To renovate these worst performing social housing units (almost 1.8 million dwellings) by 2034, the investment in renovation should increase from the current €5 billion per year, to at least €7.5 billion.

In the Netherlands, based on available EPCs, the social housing stock has the lowest share of worst performing buildings, out-performing both the private rental sector and homeowners. Over 50% of Dutch social housing now attains an A or B EPC rating. While 11.8% of homes still obtain the worst E,F, and G ratings, this is decreasing year on year.

Meantime, in the region of Wallonia in Belgium, the overall energy performance is considered relatively poor, and the region is still very far from reaching its objectives in terms of the energy performance of the residential stock. However, there have been significant improvements in the social housing stock over the past decade, and today 37.7% of these homes is labelled F and G, compared to 42% among the overall housing stock in the region.

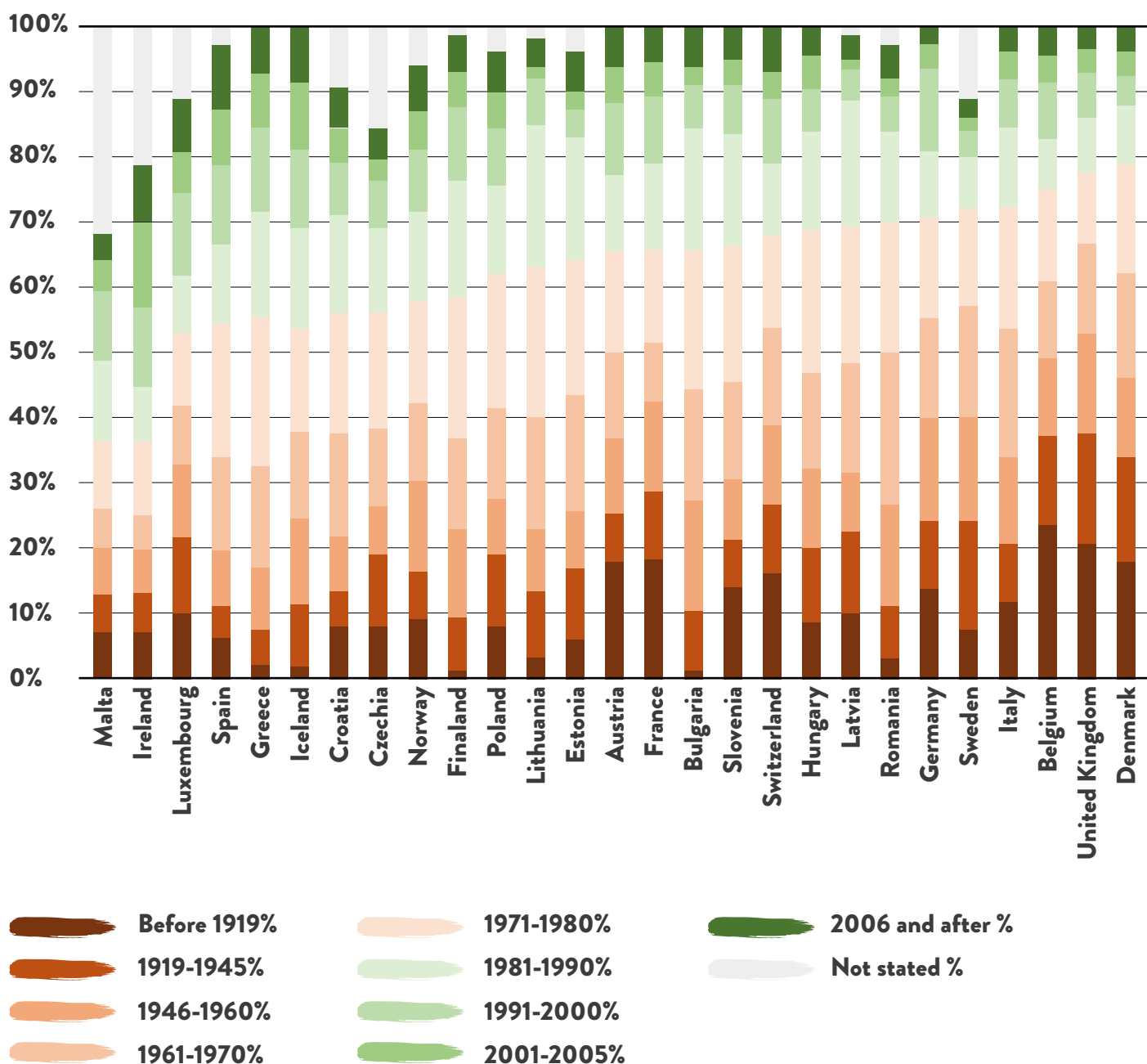
Looking at the age distribution across the housing stock is also relevant, as it says a lot about the share of dwellings in each country which were built before energy efficiency regulations entered into force, and can therefore be assumed to perform poorly in terms of energy. However, to make sense of this information one should combine it with estimates on the share of the stock that has already been renovated. However, these data are seldom recorded and available.



For instance, in Czechia more than 90% of blocks of flats administered by housing cooperatives that are members of the national SCMBD cooperative federation have been constructed between 1960 and 1994, by means of pre-fabricated technologies synonymous with a low level of energy efficiency. Out of these blocks (containing approximately 1.2 million flats), about 80% have been reconstructed since 1995. Most of the renovated blocks have thus reached energy class C at the least, and almost 10% of them have reached an energy class B.

In Austria, about 260,000 rental dwellings owned and managed by limited-profit housing associations were built before 1980. Out of this stock, only about 4% has not yet been retrofitted and thermally insulated. However, the share is much higher at about 40% when looking at the overall housing stock built before 1980 in Austria (all tenures included).

Share of total dwellings by period of construction



SOURCE : Census Hub (year of reference 2011).



Furthermore, besides retrofit of building envelopes, decarbonisation of the residential sector also entails moving towards a more sustainable mix of energy sources used to keep homes warm in winter and cool in summer, to heat water, cook, power lights and appliances, and so on.

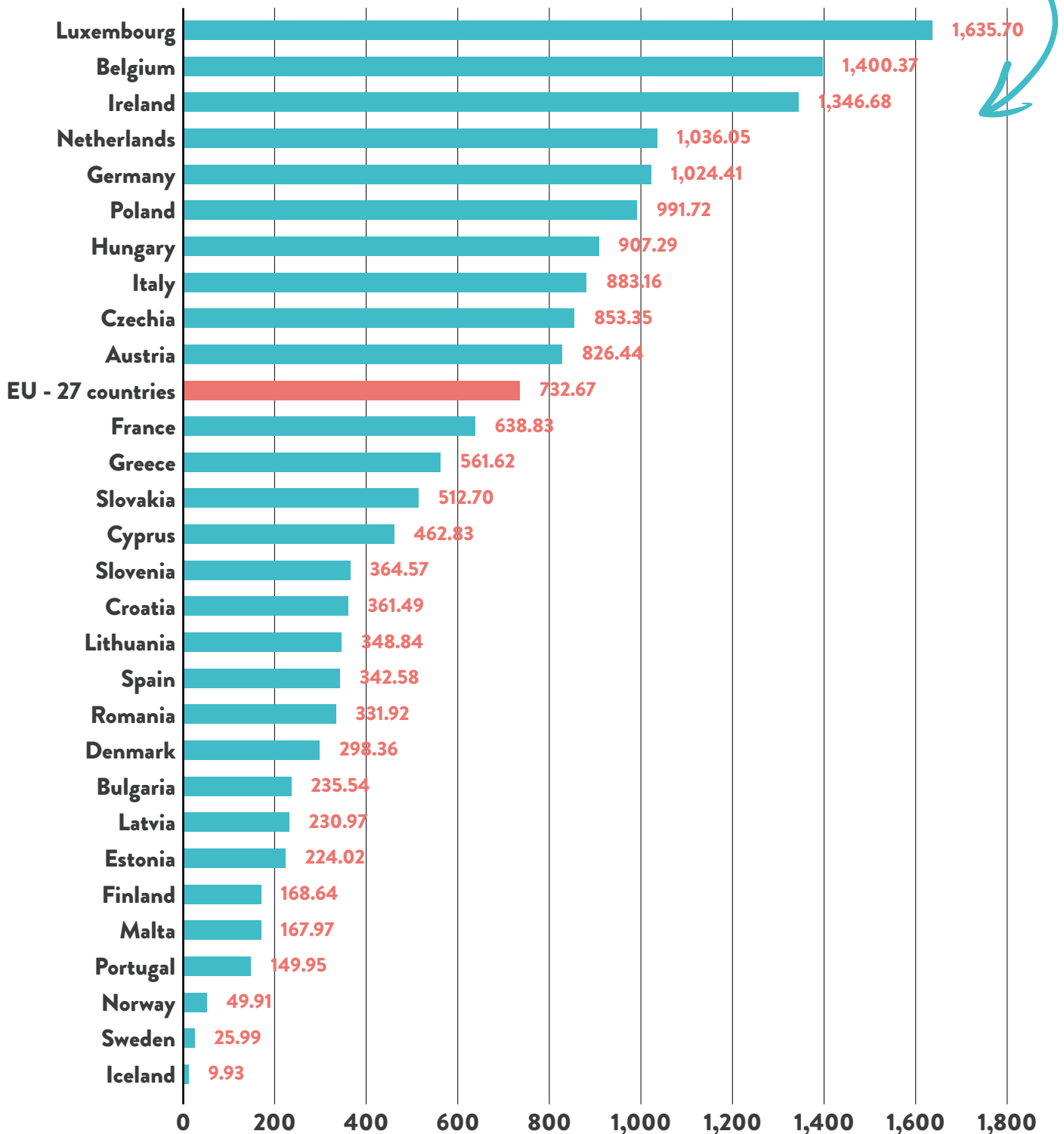
Households account for 27% of final energy consumption in the EU and contribute to 21% of total greenhouse gas emissions³. Most final energy consumption in EU households is covered by natural gas (31.7%) and electricity (24.8%). Renewables account for 20.3%, followed by oil and petroleum products (12.3%) and derived heat (8.2%). A small proportion (2.7%) is still covered by coal products and other solid fuels.

³ Eurostat, Greenhouse gas emission statistics - air emissions accounts. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Greenhouse_gas_emission_statistics_-_air_emissions_accounts&oldid=551152#Analysis_by_economic_activity Data referring to 2021

If we look at the average for the European Union, per capita greenhouse gas emissions by households for heating and cooling has fallen significantly over the past decade, with a 19% reduction between 2010 and 2021. However, this phenomenon varies across countries with Luxemburg households being the most polluting followed by Belgium, Ireland and the Netherlands, while Sweden and Norway have managed to reduce their emissions to less than 100 Kilograms per capita as illustrated by the following chart.

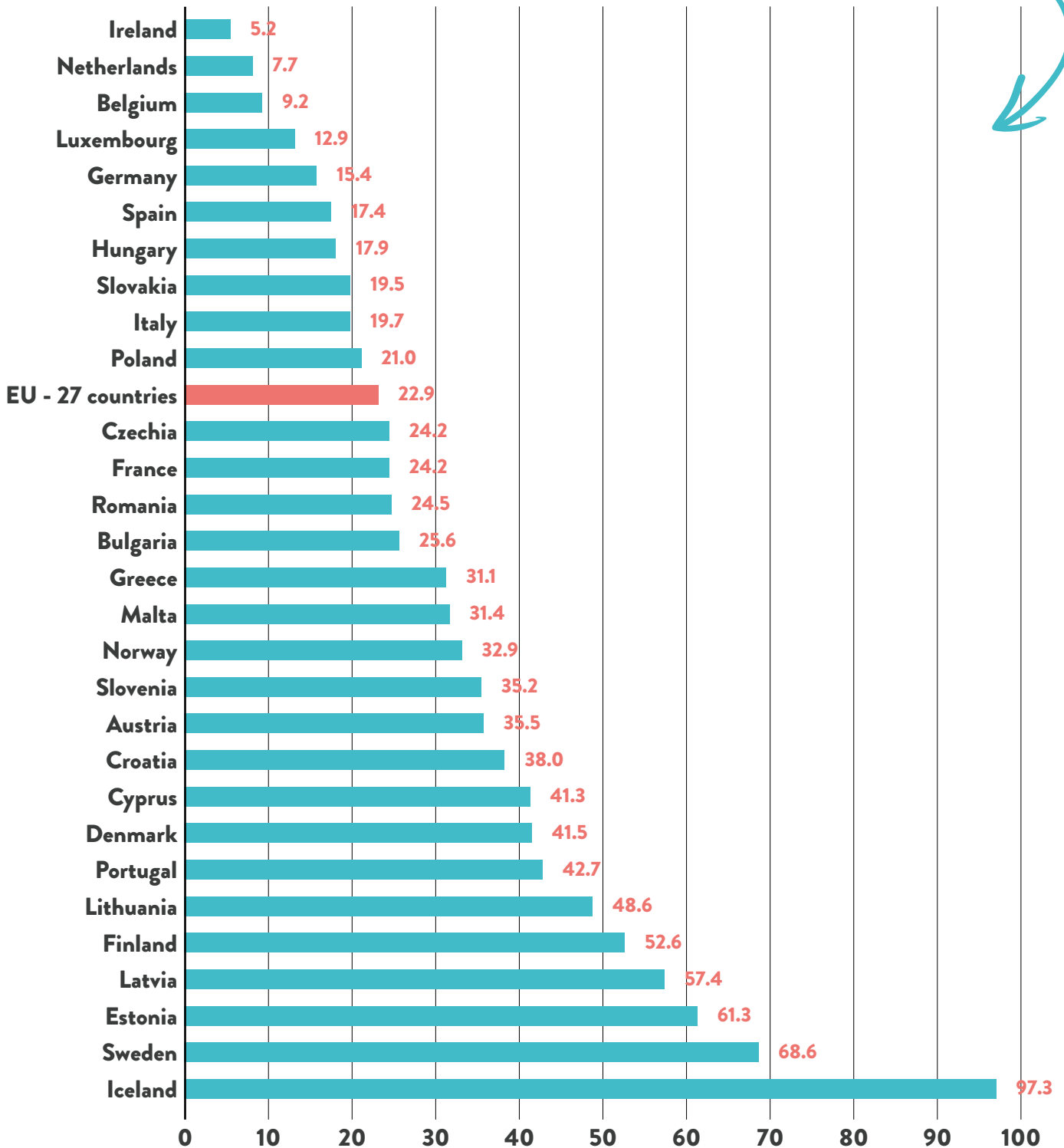
Greenhouse gas emissions by households for heating and cooling CO2 equivalent

Kilograms per capita, 2021.



One of the key elements to make the homes we live in less polluting is of course to increase the use of renewables. In absolute terms, the gross final consumption of renewable energy for the overall heating and cooling of buildings in the EU has gradually increased over time (mostly due to the contribution of biomass and heat pumps). Among EU Member States, Sweden stood out with more than two-thirds (68.6%) of the energy used for heating and cooling in 2021 stemming from renewable sources (mostly biomass and heat pumps), followed by Estonia (61.3%), Latvia (57.4%) and Finland (52.6%), all of them using a large share of biomass. In contrast, the lowest shares of renewable sources for heating and cooling were recorded in Ireland (5.2%), the Netherlands (7.7%) and Belgium (9.2%).

Share of renewable energy in gross final energy consumption for heating and cooling in 2021



SOURCE : Eurostat, Energy balances.

Looking more specifically at the sources of energy used within the public, cooperative and social housing sector in the countries we have analysed, we find again huge diversity. The extent to which social, public, and cooperative organisations are relying on gas, for instance, varies from less than 1% in Finland to 55% in France.

As a large share of energy is sourced from the grid or from district heating, it is not only housing providers, but also energy companies and district heating networks (which are typically managed by local authorities) that have a key role to play in moving towards a more sustainable energy mix in the housing sector. In particular, **in many countries the proportion of homes connected to district heating is very**

high within social, cooperative, and public housing: 90% in Sweden, 88% in Denmark, 87% in Estonia, 80% in Finland, 51% in Austria, about 50% in Germany and Czechia. In France, district heating supplies 900,000 social housing units, i.e. approximately 19.5% of the HLM stock – compared to just 3% of the total housing stock in the country.

At the same time, there is also an increasing phenomenon of energy being produced within the sector through renewables: for instance in Denmark about 7% of dwellings have access to energy from solar panels or wind turbines belonging to not for profit housing companies, in the Netherlands and Spain 16% and 20%, respectively, of all social housing dwellings have solar panels installed.

➔ 1.2. The potential of energy communities

All organisations that contributed to this report show an increasing focus on expanding the use of renewable energy. They especially show a strong interest in decentralised energy production in the form of energy communities.



Renewable energy communities allow citizens to actively engage in the energy transition by working with others in their community to develop local renewable energy systems. This could take many forms, including the collective purchase or development of new renewable capacity. For example, this could see households fund the construction of a new solar PV plant or wind farm as a cooperative, which would in turn generate revenues for members via selling their energy production to the national grid. Another option would be to install solar PV on the roof or close to a building, and then allow residents the option of directly consuming the electricity that is produced; which could offer a cheaper option than paying a private energy company for energy supply. This could include direct consumption within social or cooperative housing.

However, this is all easier said than done. Indeed, a number of legislative and regulatory barriers exist to the development of such energy communities. While the EU has sought to improve the situation by better defining energy communities and member states' obligations to promote them, most notably via the revised *Renewable Energy Directive (RED II)*, the actual adoption of reforms by most member states has either been slow, or else flawed in its approach. According to REScoop.eu, the European Federation of Citizen Energy Cooperatives, no country in the EU has fully embraced or enabled energy communities, and in many countries almost no progress on reforms at all has taken place⁴, in contravention of clear obligations.

The feedback we got from members of Housing Europe in several countries is that **the complexity of current frameworks in various member states**

present often insurmountable hurdles. In addition, in some countries the strict legal parameters that set out the activities of housing providers exclude the possibility for them to play an active role in establishing and managing energy communities, as this would be outside of their remit.

Another important factor is the lack of certainty with regard to investing in all of the infrastructure required to develop a new community. For example, as members of an energy community can 'step out' at any time in order to access energy from a different provider, there is a risk of housing providers ended up with 'stranded' investments. Given the possibility for the cost of renewable energy to continue to fall in the coming years, the risk of the price offered by the energy community to its members becoming uncompetitive is not negligible.

Despite these challenges, a number of public, cooperative, and social housing providers have developed different models to try and engage their tenants and members as part of new energy communities⁵.

In Sweden, the regional member of the national cooperative housing federation, HSB Riksförbundet, in Södermanland has developed the 'Solcellspark' – 35 hectares of solar energy production that corresponds to the annual electricity use for close to 5,000 apartments, and will eventually rise to 7,500 apartments⁶.

The Solcellspark is already the largest solar park in Sweden, and is continuing to expand. The Solcellspark will have 200,000 available 'shares', which are currently only available to cooperative housing associations that are members of HSB. These shares correspond to units of energy production from the solar park. Each 'shareholder' has the right to

take part in the solar energy produced in the park. The price for becoming a unit holder is set at SEK 850 per share/unit, or a little over €80. Each share gives you 100 kWh per year for the next 30 years. In total, each share gives 3,000 kWh of energy at a guaranteed fixed price. Each cooperative housing association can buy shares equivalent to 90% of its current energy needs.

In France, Gironde Habitat, a social housing provider that is a member of l'Union sociale pour l'habitat (USH) has developed the country's first "collective self-consumption" of energy project in its *Les Souffleurs* housing development⁷. The law on collective self-consumption of energy in France requires that all producers/consumers be represented by a legal entity. To meet this obligation, Gironde Habitat (as "producer" and as "consumer" for the common parts) and the tenants of Les Souffleurs residence have created an association, whose main responsibility is to manage the self-consumption, and to set out the calculation of bills for the tenants. This collective management, which directly includes the social tenants, lends transparency to the process, and gives residents a greater sense of ownership over the project and the use of the energy produced.

In the Belgian region of Flanders, the various regional social housing companies have come together to establish a new renewable energy cooperative called ASTER⁸. It will roll-out 395,000 solar panels across Flanders, by taking advantage of the roof space that makes up the collective social housing stock in the region. This will see panels installed on 52,500 houses coming from 64 different social housing companies. In the future, ASTER also aims to install solar panels on undeveloped land and non-residential buildings.

4 _ See : <https://www.rescoop.eu/transposition-tracker>

5 _ See : NRG2peers project <https://www.nrg2peers.eu/#>

6 _ See : <https://www.housingevolutions.eu/project/hsb-sodermanland-from-cooperative-housing-to-cooperative-energy/>

7 _ <https://www.housingevolutions.eu/project/les-souffleurs-energy-production-in-bordeaux-social-housing/>

8 _ <https://aster.prezly.com/en>

➔ 1.3. Current challenges are making it harder to strike a balance

Public, cooperative, and social housing providers are faced with a three-sided challenge when developing new construction and renovation projects, that often generate important trade-offs:



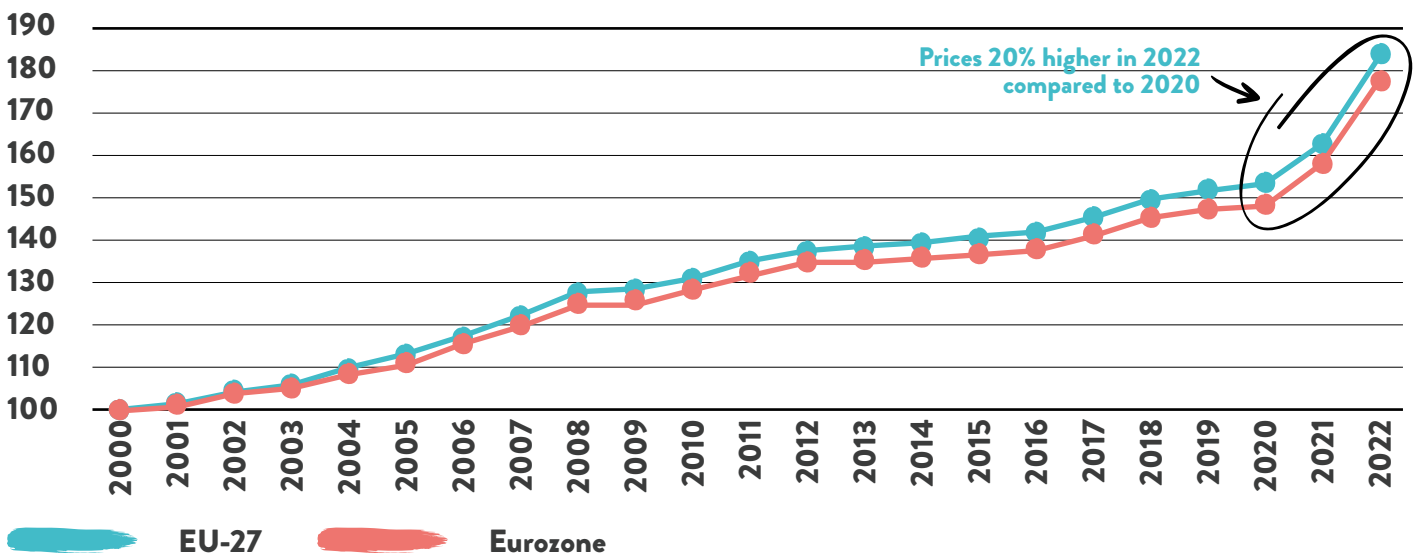
What emerges from the inputs we received from members of Housing Europe is that **the current context is making it increasingly hard to strike a balance between these three equally important priorities**, and meet targets in terms of both renovation and new supply of social and affordable housing while keeping the level of current and future rents under control.

Public funding has been made available to support households facing sharp increases in energy prices (as we will see in the next chapter) and in most countries programmes exist aiming at supporting renovation of the housing stock, with varying degrees of coverage and funding available. In some countries public authorities have made use of EU resources from Resilience and Recovery Funds (for instance in Belgium,

Italy, and Spain), which represent for housing providers an unprecedented funding opportunity – albeit in a context of high uncertainty.

A key issue that is making the balance of the three priorities all the more challenging at the moment is the cost of construction. According to Eurostat, while the average EU cost of construction for new residential buildings only rose by 13% in the decade from 2011 to 2020, in the two years since then it has increased by 20%. In the current context of high inflation, the upward trend in construction costs is only getting worse. Besides the increasing price of most materials, a lack of a skilled labour force and supply-chain problems are also acting as major headwinds to new construction and renovation projects.

Construction producer prices - new residential buildings



SOURCE : Eurostat, index rebased to 2000 = 100 by Housing Europe.

Another development, which is more recent but potentially equally impactful in the years to come, is the increase in interest rates which are making it more difficult for social housing providers to keep the cost of financing at a level which allows them to provide affordable homes.

In France, for instance, the social housing sector is mainly financed through loans from the Banque des Territoires which uses resources from the saving account called 'Livret A'. Interest rates on Livret A have now increased from 0.5 to 3% in one year, which is good news for households who have placed their savings there, but it implies potentially much higher financing costs for social housing companies. Concretely, each additional percentage point in the rates applied on Livret A is estimated to correspond to an additional expense of €1.5 billion for the social housing sector. However, for credit borrowed in 2023, this will be partly compensated by the Banque des Territoires.

In Austria, an issue is emerging with loans to limited-profit housing associations with variable interest rates. These housing associations finance around half of new construction with loans from capital markets. The impact of these changes varies between different regions, according to the share of bank loans in total housing finance and the outstanding loan value.

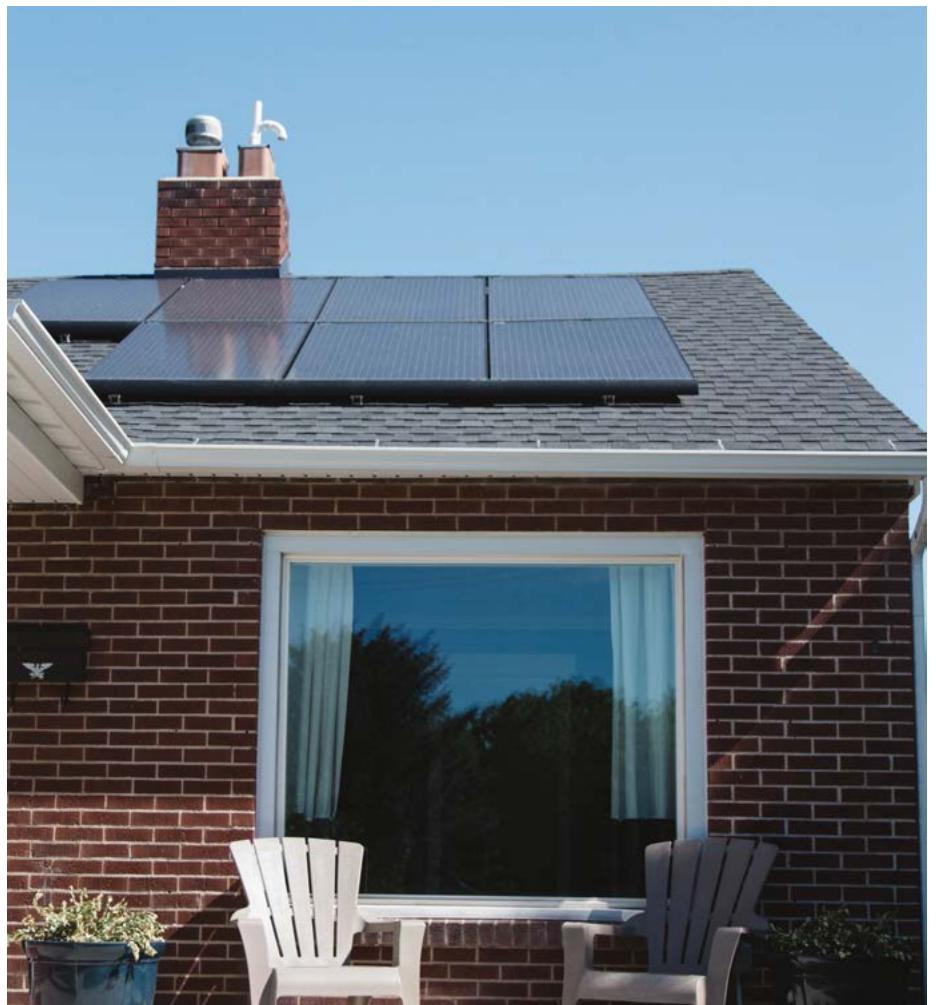
Most important, social housing providers usually **have to respect caps on overall costs** for new construction or renovation projects, set by law and/or by specific funding programmes. This is the case for instance in Austria, Denmark, and Finland. Furthermore, as was reported for instance in France, Slovenia and Spain, current inflation has led to **higher than anticipated procurement costs, delaying of activities as well as issues with the completion of on-going housing projects** with some contractors looking for additional compensation to cover their own costs on the projects.



In some cases, changes have been introduced making existing rules more flexible to allow housing providers continue their activities, and/or additional funding has been made available. In the absence of such measures, however, the risk is that the current slowdown in delivery will massively exacerbate shortages in available social and affordable housing, the full impact of which will not become clear for another two or three years.

In Germany, a recent survey among housing companies that are members of the federation GdW shows that under the current conditions, around a fifth of the planned modernisation measures (19%) cannot be implemented in 2023/2024. This means that in the next two years about 26,000 fewer apartments will be energetically modernised than in previous years. In order to achieve the climate goals in the building sector, however, the number needs to increase significantly. Furthermore, around a third of the planned new apartments will not be able to be built in 2023 and 2024, this means almost 10,000 units out of the originally planned 30,000 apartments a year.

In Denmark, the national federation, BL, surveyed non-profit housing organisations at the beginning of 2022, checking approved projects which were in the tender phase or beyond. Out of those, 31% were dropped due to the market situation, and 43% were put on hold. In the remaining cases there were often changes in plans – for example with green initiatives in construction getting cancelled.



ENERGY AND COST OF LIVING CRISIS: TRENDS AND RESPONSES FROM THE SECTOR

➔ 2.1. Inflation exacerbating poverty and inequalities

As recent evidence has shown⁹, **low-income individuals and households tend to dedicate a larger share of their budget to fundamental goods such as energy and food, and they are the ones experiencing the highest rates of inflation – although to a varying degree across countries¹⁰ – with consequences in terms of poverty and inequality.**

Since early 2021, inflation is predicted to have increased material and social deprivation in the EU by about 2 percentage points on average, while the corresponding increase in absolute poverty may be closer to 5 percentage points. The adverse social effects of inflation are significantly larger in many Central and Eastern European Member States, especially among disadvantaged and/or vulnerable groups¹¹.

While the strong rise in inflation seen during 2022 was initially driven by heating and energy, as well as higher fuel costs for car owners, the price pressures became more broad-based as the months progressed. Indeed, with some fall in energy and fuel prices in the second half of 2022 and in 2023, ‘food’ consumed at home has now become the main driver of price pressures in Europe, accounting for close to half of all inflation in March 2023. According to the European Commission, inflation in the EU is expected to slow, but remain high at 6.6% in 2023 (with differences across countries and higher rates in Central and Eastern Europe), before slowing again to 3.2% in 2024.

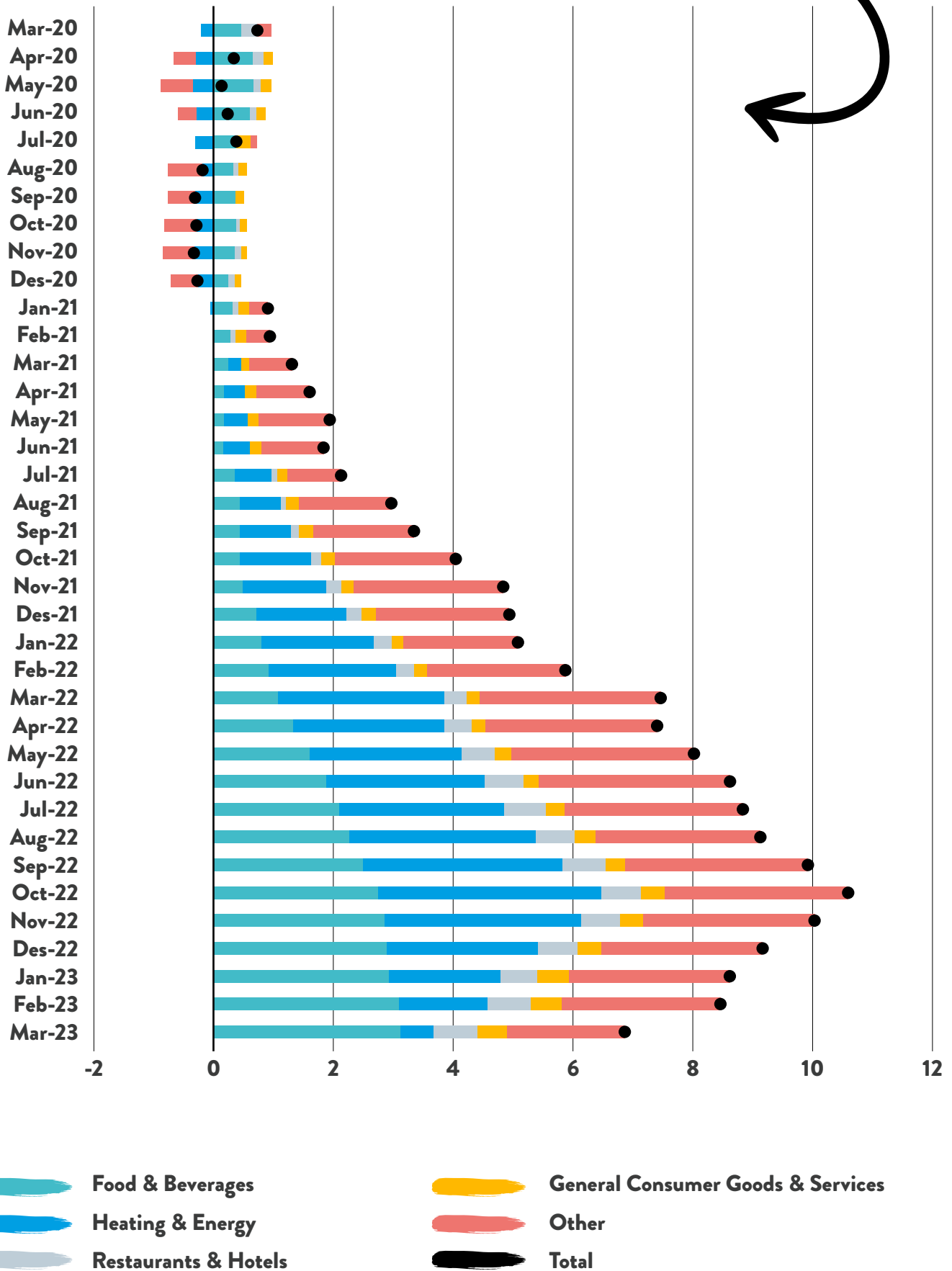
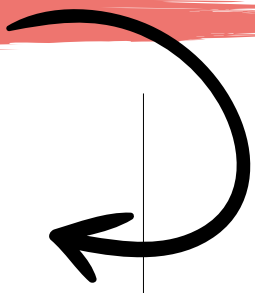


9 _ See Causa, O., et al. (2022), "A cost-of-living squeeze? Distributional implications of rising inflation", OECD Economics Department Working Papers, No. 1744, OECD Publishing, Paris, <https://doi.org/10.1787/4b7539a3-en>; Charalampakis E., Fagandini B., Henkel L. and Osbat C. (2022), The impact of the recent rise in inflation on low-income households. Article published as part of the ECB Economic Bulletin, Issue 7/2022. Available at https://www.ecb.europa.eu/pub/economic-bulletin/focus/2022/html/ecb.ebbox202207_04-a89ec1a6fe.en.html

10 _ Claes G., McCaffrey C., Welslau L. (2022) Does inflation hit the poor hardest everywhere? Bruegel <https://www.bruegel.org/blog-post/does-inflation-hit-poor-hardest-everywhere>

11 _ Menyhart, B., The effect of rising energy and consumer prices on household finances, poverty and social exclusion in the EU, EUR 31257 EN, Publications Office of the European Union, Luxembourg, 2022, ISBN 978-92-76-57748-5, doi:10.2760/418422, JRC130650.

Current drivers of inflation in the Eurozone

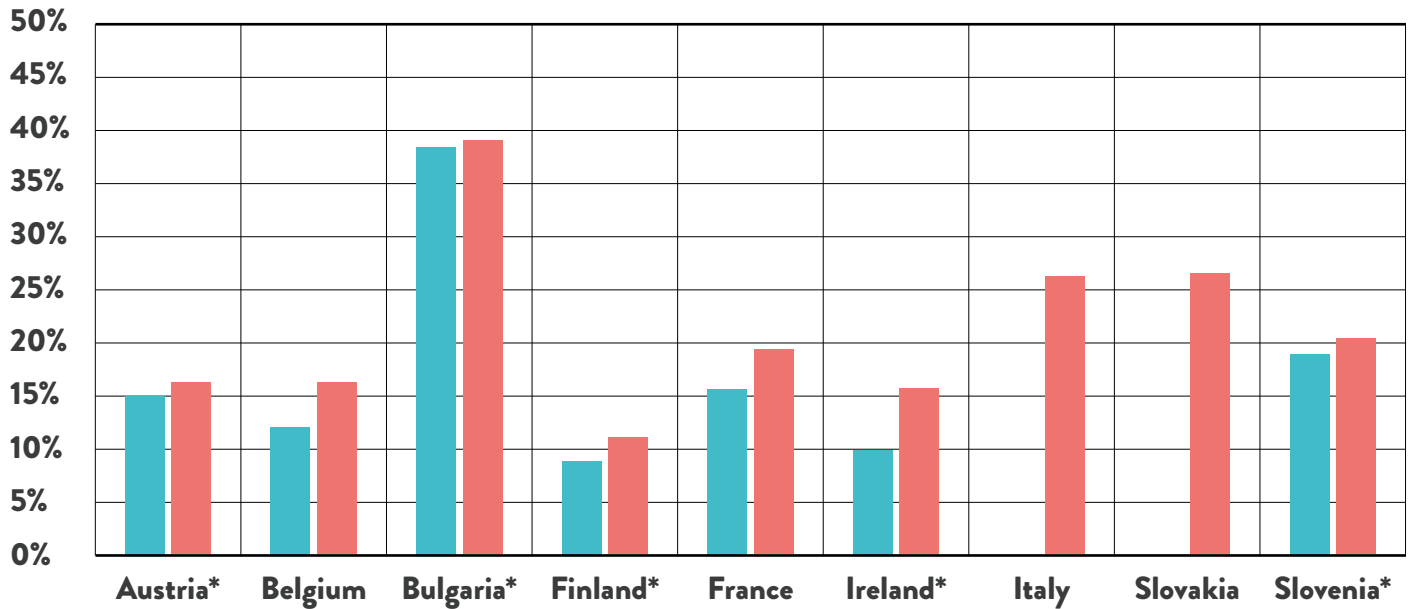


SOURCE : Eurostat.



What started as a sharp increase led by skyrocketing energy prices, has impacted other consumer goods and services and it is now perceived as a broader 'cost of living squeeze', which means more and more people and households are finding it harder to make ends meet.

Percentage of households with "great difficult" or "difficulty" to make ends meet



 Q3 2021
 Q3 2022

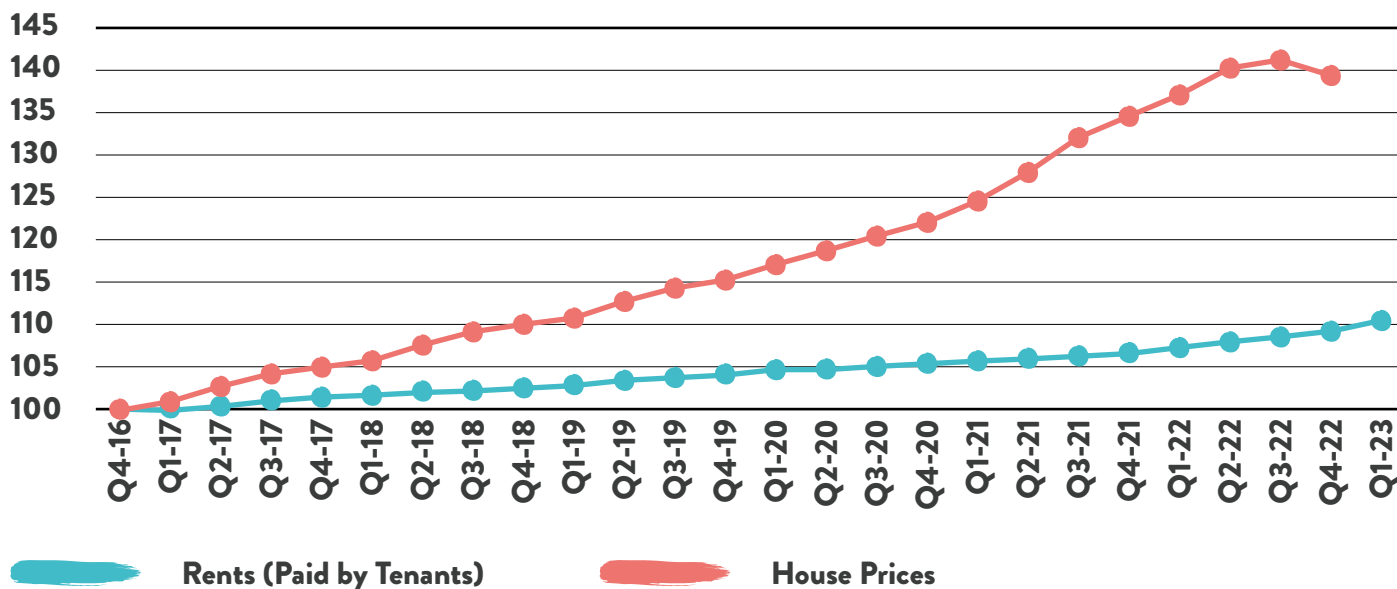
SOURCE : Eurostat, quarterly data collection on living conditions.
NOTE : Countries with * are data for Q4 2021, not Q3 2021.



Housing costs are part of this concern on the increasing cost of living. Expenditure on housing costs represents the highest share of household budgets in the vast majority of EU countries with an average 32.7% of total consumption expenditure¹². From 2010 until the fourth quarter of 2022 rents increased by 19% and house prices by 47% on average in the European Union, and house price growth has outpaced growth in incomes particularly since the onset of the pandemic¹³.

House prices more than doubled in Estonia, Hungary, Lithuania, Luxembourg, Latvia, Austria and Czechia. For rents, prices increased in 26 EU countries and decreased in one, with the highest rises in Estonia (+216%) and Lithuania (+160%). Ireland also showed a sharp increase at (approximately +90%). The only decrease was recorded in Greece (-23%).

Trends in house prices and rents (2016-2023, quartely)



SOURCE : Eurostat, Q4 2016 = 100.

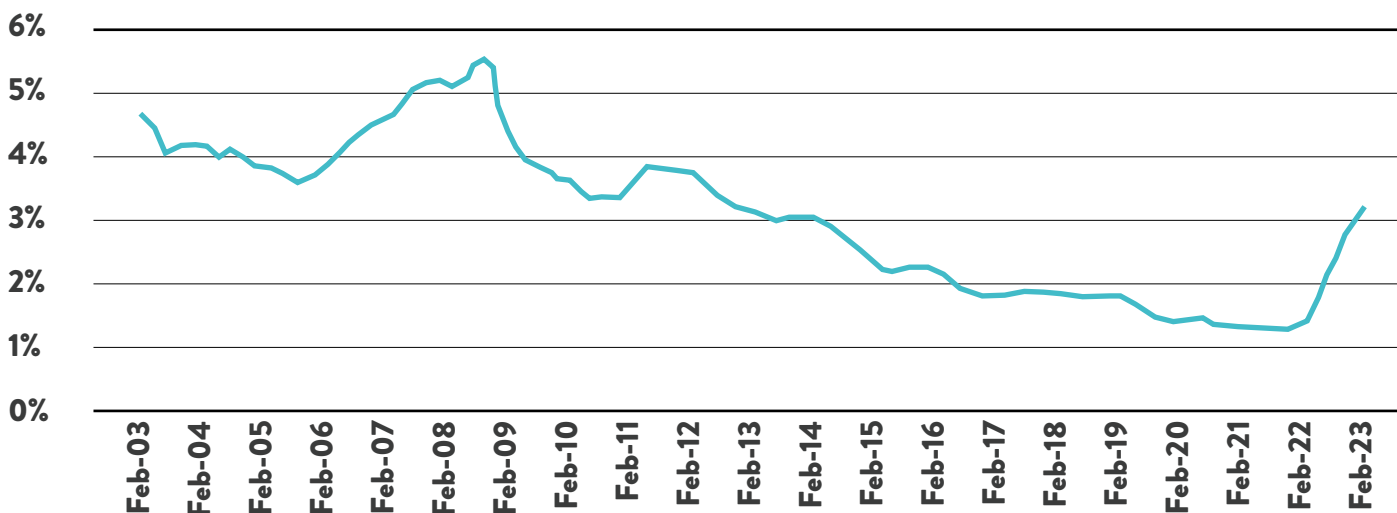


12 _ <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/DDN-20230327-2>
 13 _ Frayne C., Szczypińska A., Vašíček B. and Zeugner S. (2022) Housing Market Developments in the Euro Area: Focus on Housing Affordability. European Economy Discussion Paper 171 | SEPTEMBER 2022.

According to the European Commission¹⁴, the change in economic conditions as a result of Russia's war of aggression in Ukraine brings with it the prospect of changes in the housing market. The current economic conditions point to a slowdown in house-price growth, with prices actually falling slightly in the final quarter of 2022 at an EU-aggregate level. This fall in prices was the first decline in nominal prices since 2015¹⁵. However, rents continued their upward trajectory.

In a recent paper¹⁶, the IMF points out that European housing markets are at a turning point as the cost-of-living crisis has eroded real incomes and the surge in interest rates has made borrowers more vulnerable to financial distress. Mortgage rates at least doubled in most European countries in 2022, and have tripled in Finland, Slovakia, Switzerland, as well as in the United Kingdom. New buyers will be more constrained in the prices that they can pay for property, in part due to existing macroprudential rules, while some existing mortgage-holders, especially those with variable rates, may face difficulties meeting their monthly payments.

Cost of new borrowing for households for house purchase - Euro Area (average interest rate)



SOURCE : ECB.

In the current context, private rental market tenants are in a particularly precarious situation: 46% feel at risk of needing to leave their accommodation in the next three months because they can no longer afford it, and they report more problems with poor energy efficiency than those with other types of tenure¹⁷.

Residents in social housing have seen their budgets to some extent shielded by the fact they pay **rents lower than those available on the market, especially in high demand urban areas. The sector attracts an increasing demand**, for instance the number of households applying for social housing in France has reached 2.4 million - 16% more compared to 2016 and 7% more in just one year since 2021. Households registered to obtain social housing in Brussels has increased from 49,000 in 2020 to almost 52,000 in 2022 – and this list could continue to grow. However, as we will see below, they have been far from immune from the cost of living squeeze.

14 _ European Commission (2023), Housing Market Developments. Thematic Note to Support In-Depth Reviews. INSTITUTIONAL PAPER 197 | APRIL 2023, https://economy-finance.ec.europa.eu/system/files/2023-04/ip197_en_1.pdf

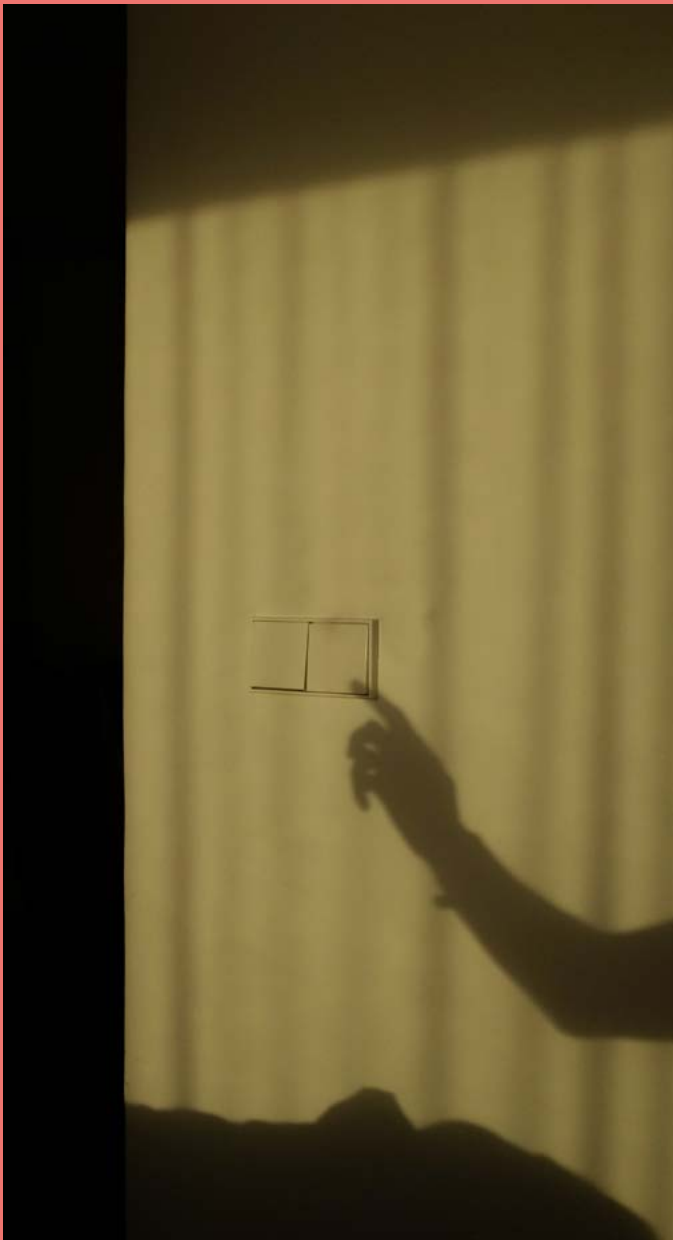
15 _ Eurostat (2023) EU Q4 2022: rents rise, house prices fall. News article appeared on 4 April 2023, available at <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/w/ddn-20230404-2>

16 _ Petia Topalova (2023) European Housing Markets at a Turning Point. Risks, Household and Bank Vulnerabilities, and Policy Options. IMF Working Paper No. 2023/076.

17 _ Eurofound (2023), Housing unaffordability and inadequacy in Europe: Trends and policies, Publications Office of the European Union, Luxembourg.

➔ 2.2. Consequences for public, cooperative and social housing residents

As rising living costs and interest rates are stretching household finances, for many Europeans coping with inflation implies changing consumption and spending habits – first and foremost adopting habits aimed at reducing energy consumption. While this is at least partly a positive development which can lead to more sustainable consumption patterns, nevertheless the risk is there that low income individuals and families might have to cut back expenses on essential services and goods such as eating healthy food or keeping an adequate level of thermal comfort. **More households are exposed to energy poverty** - particularly among low-income households living in energy inefficient homes.



Evidence is so far scattered, but for instance in the Netherlands the research institution TNO estimates that between 2020 and 2022 the amount of households living in 'energy poverty' has increased by 90,000. In total 600,000 households are now estimated to live in energy poverty. In Denmark over one-third of single-income households have reduced their food consumption to a certain extent or a lot. Likewise, over one-third of them had reduced heating and 40% their consumption of electricity.

Similarly, in France more than two-thirds of households declare they have changed their consumption habits over the course of 2022¹⁸. The changes are more concentrated among young households and households with children, and changes are more significant amongst those with low incomes. The most common changes are in the use of energy at home, and food consumption.

From many countries we got the feedback that the spikes in energy prices have also contributed to a change in attitude among the population, with households now attaching much more importance to living in a home that has a good energy efficiency level. At the same time, though, for many and especially for those on lower incomes affordability is still the main concern and **paying more for a better quality home is simply not an option if they have to bear the cost of renovation – either in part or in full.**

In Estonia, for instance, owners of apartments managed by cooperative associations are not willing to take loans during economically unstable times, and in low-income regions it may be even difficult to get a bank loan for renovation works. This negatively affects apartment owners' decisions on building renovation.

Similarly in Finland social housing associations are often struggling to get residents to consent to energy retrofits, as they fear that it might lead to an increase in rents. Of course, this ignores the benefits of such works, such as lower utilities bills.

18_ INSEE 52023) Éclairage - En 2022, face à la hausse des prix, les ménages ont changé leurs habitudes de consommation. Note de conjoncture available at <https://www.insee.fr/fr/statistiques/6967894?sommaire=6966784>

Another trend that needs to be closely monitored is arrears in utility bills, as well as rent payments.

In Denmark the number of warnings about risk of eviction among not-for-profit housing associations has increased by almost 20% in 2022 compared to the previous year.

In Northern Ireland, in the summer 2022, the rise in the cost of living had already started to impact Housing Executive tenants in relation to income collection and tenants' ability to make payment for rent and rates. At that stage, net current arrears had increased by £614,000 since the start of 2022 – due in part to increasing cost of living and in part to the impact of Welfare Reform changes.

In France almost half of HLM organisations have registered an increase by more than 10% in the number of households

who are more than 3 months late in paying the rent in 2022, compared to 2021 - particularly concentrated among households using gas for heating.

In Austria arrears in both rents and energy payments increased in the course of 2022, but decreased again in the third quarter of 2022 – likely thanks to the effect of government measures to support households. Despite the positive turn, the share of people who think that they expect difficulties paying for housing or utility costs has increased from 12% to 30% in less than a year.

2.3. Measures taken by public, cooperative and social housing providers

Recognising the urgency of the issue, social housing providers in Europe have undertaken various measures to tackle energy poverty within their communities. As described in Chapter 1, public, cooperative, and social housing providers have been investing in retrofitting projects to improve the energy efficiency of existing housing stock. This involves upgrading insulation, replacing outdated heating systems, and installing energy-efficient appliances. These initiatives aim to reduce energy consumption, lower utility bills, and enhance living conditions for all tenants – while at the same time contributing to environmental sustainability goals.

Furthermore, many public, cooperative, and social housing providers opt for targeted measures. **Some collaborate with local authorities, energy suppliers, and NGOs to offer financial assistance programs and energy advice services to tenants at risk. These initiatives provide support in navigating energy bills, accessing energy-saving grants, and educating tenants on energy-efficient practices.** It also includes organising community events, workshops, and educational programs to raise awareness about energy efficiency and empower tenants to adopt sustainable practices. Engaging tenants in energy-saving initiatives can promote a sense of ownership and encourage behavioural changes that contribute to energy poverty alleviation.

Certain public, cooperative, and social housing providers go even further by implementing short-term **crisis measures**. For instance, the establishment of 'warm hubs' allows tenants to find warmth, socialise, participate in activities, access food, and obtain energy-saving material (including blankets

and curtains) while simultaneously reducing their own energy expenses.

Some organisations members of the Housing Europe network have also indicated that they are displaying **leniency regarding rents or energy bills**. For instance in Denmark, Finland, Sweden public and not for profit housing providers have not indexed rents at their usual rate, and the same goes for housing cooperatives in Italy that have also set up solidarity funds to support those who could not keep up with increasing energy bills. In Germany many housing companies have made increased advance payments to the energy suppliers on behalf of their tenants or agreed on instalment payments. It is important to note that this kind approach can only be utilised temporarily, at the risk of creating a gap in financial resources to invest in renovating existing housing stock and constructing affordable new units.

In addition to the urgent need for increased government support for vulnerable energy users, social housing providers in France, England, and the Netherlands face **practical challenges in addressing energy poverty**, according to an upcoming study conducted by Tijn Croon, Joris Hoekstra, and Ute Dubois. Firstly, the identification of tenants in need is often hindered by limited access to reliable and comprehensive data, as housing providers must comply with privacy regulations. It is crucial for governments to assist in identifying areas where targeted support would have the most significant impact. Secondly, although many housing providers aim to prevent energy poverty by not assigning the most vulnerable tenants to low-quality housing, decisions regarding allocation



are typically made by municipalities or dictated by government policies. Lastly, in buildings where some dwellings are privately owned, cooperation from individual homeowners is essential.

Thus, increased support and long-term certainty from municipalities are necessary to encourage investments in mixed neighbourhoods.

While these challenges remain, a number of public, cooperative, and social housing providers have developed innovative models to try and shield their tenants and members in the context of increasing energy prices. Since 2020, the Housing Executive in Northern Ireland has been providing its financial inclusion services through three dedicated Financial Inclusion Managers. These managers play a crucial role in enhancing the financial welfare of tenants by conducting benefit assessments to ensure that tenants are receiving all the benefits they are entitled to. They also offer guidance on initiating new benefit claims, resolving intricate benefit-related issues, and advocating for tenants throughout the claims and appeals process, whenever necessary. Additionally, they collaborate with external parties on behalf of the tenants, provide debt advice, and facilitate access to other support services such as charities, food banks, and floating support. Presently, the Housing Executive collaborates with the Department for Communities, Local Authorities, and Ulster University to ensure that the Affordable Warmth Scheme targets areas with a high prevalence of energy poverty.

While large-scale renovation decisions are usually taken based on maintenance cycles and long-term strategies, housing providers in the Netherlands are increasingly looking at setting

up so-called 'fix teams' in collaboration with municipalities and NGOs. These teams consist of technicians who visit dwellings to install small non-intrusive energy saving measures. These include measures like installing weather seals, radiator foil, and LED lighting. This approach could serve as a temporary solution, particularly when large-scale whole-house renovation is scheduled years later. One highly effective measure undertaken by these fix teams is the hydronic balancing of heating systems, which aims to achieve a uniform distribution of heat throughout a heating system, ensuring that all radiators receive an equal amount of warmth. Research has demonstrated that implementing effective hydronic balancing can result in energy savings of up to 15%, leading to reduced energy expenses for tenants. While the measures mentioned primarily pertain to technical aspects, the craftspeople forming part of the fix teams also provide guidance to tenants on efficient energy usage and assist with related issues.

Besides emergency measures, in the long term what will make the biggest difference will be the capacity of the sector to provide a sufficient number of affordable and good quality homes, through both new supply and renovation. Especially in the current uncertain geopolitical and economic context, this will require a concerted effort with local national and European institutions to increase investment, and implement different approaches reflecting the different starting points.

AN EVOLVING EU FRAMEWORK: THREE IMPERATIVES FOR THE SOCIAL, COOPERATIVE AND PUBLIC HOUSING PROVIDERS

➔ 3.1. The social imperative

3.1.1. Current trends



After two years of COVID-related social impacts for the residents of social, cooperative and public housing (including increase of domestic violence, reduction of income for those whose jobs were impacted by restriction measures, mental health problems for the youth, etc¹⁹), new social challenges emerge: increased housing exclusion, increased migration flows (including from Ukraine)²⁰, as well as the ageing and even shrinking of the population in some European regions.

The invasion of Ukraine has led to one of the biggest human migrations in history and this has had an important impact on the ability of the neighbouring countries and cities to cope with the short-term but also long-term demand for urban and social infrastructures including affordable housing²¹.

At the same time, the demographic situation in Europe is very diverse and challenging²². Compared with 2011, the 2021 European statistics show population growth in 16 EU countries, among which the largest changes were in Luxembourg (+26%), Malta (+24%) and Sweden (+10%). However, the population decreased in nine EU countries, with the largest drops being recorded in Bulgaria (-11%), Croatia (-10%), Latvia (-9%) and Lithuania (-8%). Compared with 2011, data show increases in population in the west and the north of the EU and decreases in the east and the south. This diverse situation is reflected in the trends in the local housing markets. Some parts of the EU experience important tensions in the rental housing markets (in particular in capital cities), while for others, this is less prevalent.

Regarding housing exclusion, the number of homeless people sleeping rough or in emergency/temporary accommodation in the European Union each night is estimated at 700,000, i.e. an increase of 70 % in ten years, from 2009 to 2019²³.



19 _ See for instance <https://www.oecd.org/fr/social/covid-19.htm>

20 _ <https://ec.europa.eu/eurostat/documents/7870049/14760013/KS-01-22-123-EN-N.pdf/283e6304-acb8-cde1-a09c-6f7a55e7241a?t=1655230090489>

21 _ <https://www.habitat.org/emea/housing-ukrainian-refugees-europe>

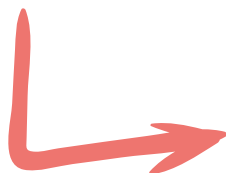
22 _ <https://ec.europa.eu/eurostat/web/interactive-publications/demography-2023>

23 _ <https://www.feantsa.org/en/report/2022/06/30/?bcParent=27> and <https://www.nrc.no/news/2023/february/ukraine-refugee-survey/>

<https://www.citiesforum2023.eu/docs/Urban/Homelessness%20in%20EU%20cities%20and%20towns%20before%20and%20during%20the%20COVID-19%20pandemic.pdf>



3.1.2. Related EU policies



EU policies in the social field have generally struggled over the last years to produce concrete outcomes for the social, cooperative and public housing sector. However, the EU social scoreboard (which helps to see how well the 20 principles of the EU Pillar of Social Rights are pursued by Member States) is now more complete in terms of indicators (housing cost overburden rate and severe housing deprivation)²⁴. And although those indicators have shortcomings as to their capacity to be good signals of the housing crisis, they have an increasing role to play in the European Semester. As part of the European Pillar of Social Rights Action Plan, a European Platform on Combating Homelessness was launched in June 2021, marking the beginning of a collaborative process among governments of the Member States as well as with stakeholders to ensure concrete progress in the fight against homelessness.

Furthermore, the European Pillar of Social Rights is also a reason why there is an argument in favour of revising the Service of General Economic Interest (SGEI) Decision on state aid for social housing.

On December 1st 2022, the European Commission published a staff working document regarding the evaluation of the state aid rules for health and social services including social housing²⁵. The evaluation revealed that ***“certain adjustments may be needed to even further (i) simplify and clarify the existing rules, and (ii) reduce the administrative burden for Member States when compensating companies discharging SGEIs. For example, the concepts of ‘economic and non-economic activity’, ‘effect on trade between Member States’, ‘reasonable profit’, ‘market failure’ and ‘social housing’ may need further clarification”***.

The importance to have state aid rules that reflect the urgency of tackling growing housing needs and social segregation in European cities is now clear. Although the mere existence of the State Aid Decision is very positive, since it allows public authorities and social housing providers to rapidly design and implement necessary measures, we see a need to clarify the wording of the Decision so that it can better reflect the broad range of activities that social housing providers have to carry out in order to fulfil their mission.

Another EU initiative could be useful to curb some of the worrying trends in the housing market: the short term rental initiative (as part of the Digital Services Act). There is a significant body of work that supports the claim that STR platforms, such as AirBnB, put upward pressure on house and rental prices, which could in turn drive housing affordability issues or housing exclusion. The OECD has noted that the presence of these online platforms ***“has contributed to a disruption of the local real-estate market. Impacts include inflated real-estate prices, unfair competition for licenced accommodation providers, and gentrification of tourism hotspots and inner-city areas, sometimes to the point of pushing locals out of the area”***²⁶.

24 _ <https://ec.europa.eu/eurostat/web/european-pillar-of-social-rights/indicators/social-scoreboard-indicators>

25 _ https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7233

26 _ <http://www.oecd.org/cfe/tourism/oecd-tourism-trends-and-policies-20767773.htm>

→ 3.2. The economic imperative

3.2.1. Current trends



One important fact to be dealt with is the still low level of public investment in housing development and affordable housing in particular. As the OECD pointed out, public investment in housing development has halved since 2001, while spending on housing allowances has risen slightly²⁷. More specifically the moment that saw a clear drop in financial public support was 2009 during the Global Financial Crisis. The level of government expenditure for housing development is still below the 2009 level in many European countries.

Another important feature of the economic context is the inflation, in particular the sharp increase of cost of construction and renovation which started in 2021 as a consequence of the supply chain disruptions due to the COVID 19 pandemic and culminated at the end of 2022 in the aftermath of the invasion of Ukraine²⁸.

As highlighted in Chapter 2, at the Eurozone level inflation has been more muted in recent months - important to note that this does not mean that we can say inflation is “falling”. Prices are still higher now than was the case 12 months ago.

This combination of falling financial public support and increasing cost of delivery poses a really challenge for social, cooperative and public housing providers. Finding alternative sources of funding has become necessary. The European Investment Bank has become a key financial partner for many housing providers, although the conditions to get a loan from the EIB do not allow all affordable housing companies to access it. For instance over the period 2020-2022, more than 2 bio€ of EIB loans have been disbursed.

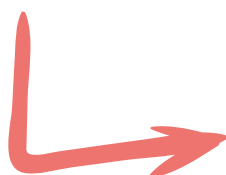


27 _ <https://www.oecd.org/housing/data/affordable-housing-database/>

28 _ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Construction_producer_price_and_construction_cost_indices_overview



3.1.2. Related EU policies



In April 2023 the Commission has published a series of legislative proposals²⁹ aiming at reforming the functioning of the economic coordination of the EU member states. The European Commission's orientation on which Council agrees includes unchanged reference values of 3% and 60% and the overall design of country-specific debt reduction paths as well as national plans including reforms and investments, among others. Some questions remain though (for instance the need for the Commission to balance between country-specific qualitative assessments of Member State's fiscal policies and the desire of Council to have a replicable, transparent quantitative measure as well as the exact definition of the Commission common methodology for setting the debt reduction paths).

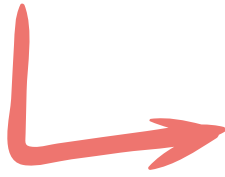
In addition, the Commission recently published its fiscal guidance for Member States for 2024 to inform Member States' preparations of their Stability and Convergence Programmes. The programmes are supposed to include Member States' medium-term fiscal and structural plans. In these plans, Member States are asked to detail how they will respect the 3% of GDP deficit limit as well as plausible continuous debt reduction, or for debt to be kept at prudent levels, in the medium term. Member States with substantial or moderate debt challenges are invited to set fiscal targets to achieve debt reduction. In addition, all Member States are asked to set fiscal targets that ensure that their deficit does not exceed 3% of GDP or is brought below 3% of GDP within the period covered by the programme, and over the medium term. These proposals are concerning, as these measures could force budget cuts in some Member States and impede their ability to fully invest in social housing and the just transition.

At the same time, Member States are invited to detail how their plans will contribute to fiscal sustainability as well as sustainable and inclusive growth, including the green and digital transition and resilience objectives. Finally, Member States are given guidance and are asked to report their assumptions on energy price developments and the budgetary impact of planned energy support measures (and their phasing-out).

29 _ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2393

3.3. The climate imperative

3.3.1. Current trends



As the European Environmental Agency recently pointed out: **“Greenhouse gas emissions from the EU buildings sector decreased by 35% between 2005 and 2020, largely as a result of higher energy efficiency standards for new buildings, energy efficiency improvements in existing buildings, measures to decarbonise the electricity sector, and because of warmer temperatures. The significant decline in 2020 is partly due to the COVID-19 pandemic. The declining emissions trend is expected to continue, but a substantial acceleration in building renovations will be needed to reach EU 2030 targets.”**³⁰

In a nutshell, decarbonization is well underway in the building sector³¹ (and even more in the social, cooperative and public housing sector which have on average better energy performance and resource efficiency than any other segment of the housing market as highlighted in Chapter 1 of this report and the country profiles presented). However more and better renovations would need to be carried out if the global CO2 reduction objectives and carbon neutrality is to be reached in 2050.

As a result, the European Commission has proposed in 2021 a series of new rules for the building sector³². They are still being discussed by the European Parliament and the Council of Ministers.

The war in Ukraine has triggered a push from the EU to be less dependent upon fossil fuels from Russia: the REpowerEU initiative³³ has encompassed a series of legislative change aiming at reducing EU’s energy demand and energy autonomy.

As highlighted in Chapter 1, among the different aspects of the energy autonomy, the increasing support for (renewable) energy communities is essential. Social, cooperative and public housing providers are in the frontline for the use of renewable energy installations in particular PV panels³⁴.

As pointed out by the Haut Conseil pour le Climat and Housing Europe, there is not a single successful model for building renovation in Europe (no correlation between one policy and successful results in terms of renovation rate or decarbonization). It is important to keep a balance between the different decarbonization instruments (energy efficiency, fuel switch at the building level, overall decarbonization of the grid...).

Another point to acknowledge is that renovation of social, cooperative and public housing is expensive everywhere in Europe. The technological progress and productivity gains in the construction sector might not be sufficient to make renovation cheap in the near future. Successful projects are usually the ones that combine different dimensions beyond energy³⁵.

Eventually the issue of the climate adaptation comes on the agenda. Higher frequency for heatwaves and floods make adaptation of the building stock necessary at the level of zoning policies and planning (using adequate data), use of certain construction techniques and material but also looking at emergency procedures in case of natural disasters.

30 _ <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-energy>

31 _ See also <https://www.oecd.org/housing/policy-toolkit/data-dashboard/housing-environment/>

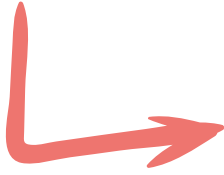
32 _ https://ec.europa.eu/commission/presscorner/detail/en/IP_21_6683

33 _ https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3131

34 _ <https://www.housingevolutions.eu/>

35 _ <https://shape-affordablehousing.eu/>

3.3.2. Related EU policies



As part of the EU Green Deal and the REpowerEU initiative, a series of legislative proposals aiming at revising key EU directives in the field of energy have been launched since 2021. They will have direct or indirect impact on the building sector and the ability to deliver sustainable and affordable homes.

They contain for instance new obligations but also a push towards integrated district relevant policies, a push for minimum levels of renewable energies in the building sector (for new buildings and major renovations as long as it is technically and economically feasible), an extension of the scope of ETS to buildings and transport means increased cost of fuels for heating but also revenues from the auctioning of the CO₂ allowances. Eventually the restoration of ecosystems (under the proposed Nature Restoration Law³⁶) and soils in order to protection biodiversity and natural carbon sinks will need to be balanced out with urgent housing needs.

The new legislative framework for climate related policies is not finalized yet but the level of flexibility that the rules allow will be a key determinant of the ability of social, cooperative and public housing providers to chose the most cost-effective strategy in the field of decarbonization as well as to meet their multiple social, economic and environmental challenges.





CONCLUSIONS



The European elections of 2024 will be a key moment for the social, cooperative and public housing sector: while the geopolitical context is uncertain, the sector needs adequate funding and policies that are grounded into the local realities. As they have to deal with the social, economic and environmental imperatives simultaneously, social, cooperative and public housing providers will rely on the renewed commitment of member states and the EU to invest in social infrastructures and housing and will in return continue to contribute to achieving the EU's multiple ambitions.

See: <https://www.technieknederland.nl/techniek-en-markt/extra-informatie/inregelen-verwarmingsinstallaties>



Austria

📍 Location: Sonnwendviertel, Alfred-Adler-Straße 12, Wien10. Bezirk. Photographer: Stephan Huger.

➔ HOUSING STOCK **3,988,400**

- ➔ Social housing: 944,100 (24%)
 - Of which, limited-profit rental: 667,300
 - Of which, municipal rental: 276,800
- ➔ Private rental: 732,600 (18%)
- ➔ Owner-occupied: 1,946,700 (49%)
- ➔ Other/Unknow: 365,100 (9%)

Total Social Housing: **24%**

SOURCE : Statistik Austria, Mikrozensus 2020.

*Österreichischer
Verband Gemeinnütziger
Bauvereinigungen –
Revisionsverband (GBV) - The
Austrian Federation of Limited-
Profit Housing Associations
brings together 185 limited-profit
housing associations managing
about one million homes across
the country.*

ENERGY IN THE EXISTING STOCK

The stock of limited-profit housing associations (LPHA) consists mainly of multi-family buildings (95%), and about a third of it was built before 1980. Due to a lack of national data, a comparison on energy efficiency across sectors¹ is not possible. However, the older and more poorly performing housing stock shows a large variation in renovation need between the limited profit sector and the total housing stock. While **only about 4% of the housing stock owned by LPHAs built before 1980 has not yet been retrofitted and thermally insulated**, this share is much higher at about 40% when looking at the overall housing stock in Austria (all tenures included).

Looking at the sources of energy used in the limited-profit sector, more than half of LPHA dwellings (51%) are connected to district heating². 6% of energy is from renewables, 5% electricity and 38% fossil fuels. Therefore there's a need to significantly speed up heating replacement in the existing stock and, overall, compared to thermal renovation, the decarbonisation of the heating systems is bigger challenge today.

RENOVATION AND CONSTRUCTION ISSUES

There are no compulsory renovation targets. However, LPHAs have a **legal obligation to maintain and improve their housing stock**. Major renovations usually happen after 30-40 years after completion of a building. Following this logic, lower renovation activity in recent years is explained by lower housing completions in the 1980s. As mentioned above, most pre 1980s GBV homes have already undergone a major renovation.

Annual major renovation in LPHA housing

Year	N renovated units	Year	N renovated units
2011 →	12,530	2017 →	9,190
2012 →	12,490	2018 →	8,090
2013 →	13,230	2019 →	7,080
2014 →	11,240	2020 →	6,820
2015 →	10,140	2021 →	7,310
2016 →	7,970	2022 →	7,930

Among the main challenges to renovation there's the current regulatory framework: whilst the new Renewable Heating Law (*Erneuerbare Wärme Gesetz*) proposes a **phasing out of fossil-based heating systems by 2040**, which means that **approximately 250,000 units that are currently heated by gas or oil must be decarbonised**, there is uncertainty about the implementation especially regarding the decision-making processes. LPHAs need agreement of tenants to change heating system (e.g. to switch from decentralised boilers to centralised district heating). Additional legislation is necessary to enable the transition to net-zero.

Furthermore, LPHA have **funded a lot of renovation measures from the maintenance and improvement fund, which is generated by setting aside a dedicated part of monthly rent payments**³. However, to meet the objectives in terms of decarbonisation (alongside other maintenance work) these funds **will likely not be enough**. While some additional grants from regional governments is available, there is uncertainty whether the funds are sufficient to reach net-zero targets.

To help overcoming some of the existing challenges, a new project named **'Renowave' has been launched recently**. It is a sector-wide initiative on the topic of decarbonisation, funded by the government. In the framework of this project, a typology of 'hard-to-decarbonise' homes in the limited profit sector is being developed. These typologies are intended to serve as blueprints for peer-learning within the sector with an aim to drive innovation and develop strategies on how to fully decarbonise LPHAs housing stock by 2040.

1 _ EPCs are issued but there are still problems with feeding data into a national database.

2 _ Heat networks use different energy sources, including biomass, geothermal energy, heat pumps but also still gas – Austria has a strategy to decarbonize district heating until 2040.

3 _ For further information see Koessl, Gerald (2022). The system of limited-profit housing in Austria: cost-rents, revolving funds, and economic impacts. CIRIEC No. 2022/04.

COST OF LIVING CRISIS

Inflation, and especially the cost of energy, has caused financial distress for many households in Austria. Energy prices have gone up by more than 60% between the autumns of 2021 and 2022. A number of government policies have been implemented to support households, some of which deal specifically with the increased cost of energy. They include⁴

- Cap on the unit cost of electricity (*Stromkostenbremse*)
- Energy voucher (*Energiekostenausgleich*)
- Climate bonus (*Klimabonus*) plus one-off cost-of-living payment (*Anti-Teuerungsbonus*)
- Homelessness prevention/support with rent arrears (*Wohnschirm*)
- CPI-adjustment of some benefit payments
- Additional support for unemployed and people in receipt of minimum social security benefit (*Grundsicherung*)

From official statistics⁵, we can see an **overall increase in rent arrears since the end of 2021: from 7.6% of all tenant households in Q4/2021 to 9.4% in Q2/2022**. As for arrears on utility bills, the overall share of households in arrears have gone up from 3% in Q4/2021 to 4.8% in Q2/2022 and have dropped again to 3.7% in Q3/2022. **Arrears on utility bills among LPHAs tenants has temporarily increased to 7.4% in Q2/2022 but has gone down again to 3.4% in Q3/2022**. The recent decrease could be an indication that some of the government support measures put in place are working. It remains to be seen how the situation with arrears is going to evolve and recent surveys show rather pessimistic perceptions among respondents.

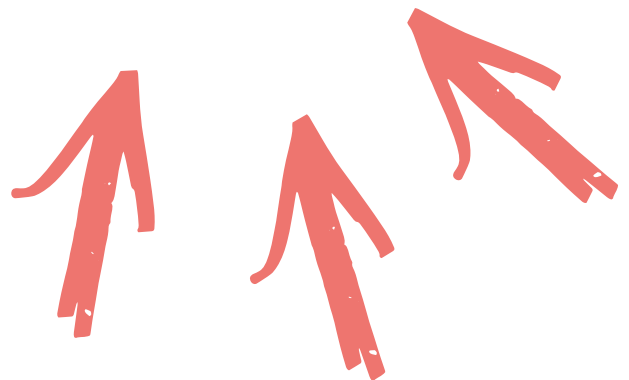
The limited profit housing sector has reacted by accelerating plans for housing retrofit in some cases, but these plans are usually made on the long term based on the building cycle. LPHAs are also installing more PV panels, as well as increasing small scale insulation efforts. Other measures used by some housing associations include energy coaching, offering guidance to residents on how to access available benefits, and in some cases agreeing to defer rent payments. Many tenants have tried to cut energy costs by reducing their energy consumption, and the federation **GBV has helped develop a brochure with energy saving tips for tenants and residents of limited profit housing**.

OTHER RECENT DEVELOPMENTS

While energy prices have caused many households to struggle, more recently inflation-linked rents are becoming an increasing problem in the private rented sector. However, **LPHAs rents are cost-based and do not automatically go up with inflation. The price differential between limited-profit and for-profit rented housing has far reaching impacts on households and to the wider economy**. A recent study by the Austrian Institute of Economic Research (WIFO) has quantified these economic effects, including the implications on GDP, purchasing power and state budgets – concluding that affordable rents provided by LPHAs save (LPHA) tenants more than a billion Euros per year⁶.

There is however an issue of loans to LPHAs with **variable interest rates**. As they finance around half of new construction with loans from the capital market, changes in market conditions could eventually impact on affordability for tenants too.

There are also other challenges to new housing supply, including first and foremost the **cost of materials, which registered a steep increase by 38 % from 2020 to 2022, forcing some LPHAs to put planned construction projects on hold**. While the increasing costs are in part linked to recent events such as the war in Ukraine and distortions on the international shipping traffic, a long-standing issue which is also negatively affecting supply of affordable housing is the **lack of available affordable land**.



4 _ In addition, there are also schemes put in place by the Provinces.

5 _ Statistik Austria, *So geht's uns heute survey*, 2021-2022.

6 _ Klien and Streicher, 2021. *Ökonomische Wirkungen des gemeinnützigen Wohnbaus* (Economic Effects of Non-profit Housing).

Belgium



📍 Location: Cité Van Meulecom in Molenbeek.

➔ **HOUSING STOCK** **5,381,600**
(in 2022)

Out of which,

- ➔ **Flanders:** 3,149,781
- ➔ **Wallonia:** 1,678,583
- ➔ **Brussels Capital Region:** 553,307

SOURCE : Statbel, Construction et Logement.

Tenures:

- ➔ **66% owner occupied housing**
- ➔ **23.5% rent at market price**
- ➔ **8.9% subsidised rent**
- ➔ **1.6% other/unknown**

Social rental housing represents roughly 6% of the housing stock in Belgium overall and it's mainly delivered by public housing companies.



In the Walloon Region, **SWL (Société Wallonne du Logement)** supervises **63 public housing companies** which manage about **103,600 housing units**. **FLW (Fonds du Logement Wallon)** provides favourable mortgage loans to families on low incomes and funds and coordinates **62 associations** which manage roughly **7,000 units**.



In the Brussels-Capital Region, **SLRB (Société du Logement de la Région de Bruxelles-Capitale)** coordinates **16 public housing companies**, which own and rent out about **40,700 social housing units**. **Community Land Trust Brussels (CLTB)** offers **83 low-income families of Brussels affordable homes**.



In Flanders, **VVH (Vlaamse Huisvestingsmaatschappijen)** is the umbrella organisation representing **88 out of 90 Flemish social housing companies**, which in turn manage a stock of about **150,000 units**. Public housing companies are financed and supervised by the regional agency **Wonen in Vlanderen**.

ENERGY IN THE EXISTING STOCK

The overall **housing stock in Belgium is one of the eldest in Europe**, and despite significant improvements it's still a long way from meeting climate targets. All three Regions have a similar objective to move by 2050 towards an energy-efficient housing stock with an average energy label A (i.e. a primary energy consumption of 100 kWh/m² for the Flemish and Brussels-Capital Region and 85.5 kWh/m² for the Walloon Region)¹.

In the Walloon region for instance out of about 600,000 EPCs available, those in label F and G represent together almost 43% of certified units, and about one third D and E. However there have been significant **improvements over the past 10 years, particularly within the public housing stock which today displays a somewhat better performance than privately owned residential buildings**². In terms of the sources of energy used in social housing, by far the most widespread in Wallonia is gas at over 75%, followed by fuel oil (just less than 10%). In the context of increasing energy costs and the green transition, sharing renewable energy through **energy communities in social housing** is considered as an important area for innovation.

The table below summarizes energy performance of social housing buildings according to EPCs in the Brussels and Walloon Regions.

Energy performance of social housing buildings according to EPCs

		% Brussels	% Wallonia
A	→	0,84%	1,07%
B	→	2,83%	10,18%
C	→	4,52%	15,23%
D	→	7,26%	14,45%
E	→	6,96%	13,14%
F	→	*	12,80%
G	→	*	24,87%
Not known	→	64,19%	8,26%

SOURCE : SWL, SLRB.

*F&G together represent 13,39 % in Brussels.

RENOVATION AND CONSTRUCTION ISSUES

Public social housing companies in Wallonia are currently implementing an ambitious renovation programme of the Regional Government, the **'Plan Réno 2020-25'**. **With an investment of 1.2 billion euros, it has the goal of enhancing quality and energy performance of 25 thousand social housing units by 2030**. It is financed 75% by the Region and 25% by social housing companies.

Furthermore, the **Recovery Plan in Wallonie includes measures such as promotion of renewable energies and renovation of the housing stock as well as new supply of social housing**. Public companies will buy 215 housing units from external developers. On top of this, 800 public housing units will be built with high environmental performance which should be delivered by June 2026.

Currently, the main obstacles to achieving the government's targets are the **increase in prices of materials which entails an increase in costs of 30%**. Actually prices have recently stabilized but they are not going back to pre-2022 levels, and combined with increasing cost of energy and higher interest rates this is slowing down renovation activity and questioning the capacity of the sector to invest in new supply.

At the same time, there are significant delays in programmed activities because of **lack of technical capacity within the housing companies**. At the same time, saturation of the market leads to low participation by enterprises to tender procedures for renovation, and **lack of skilled workforce (especially in the area of bio-construction)** is also a key issue.

In Brussels, there are multiple objectives for the social housing sector. In terms of renovation and energy efficiency, the **Emergency Housing Plan (Plan d'Urgence du Logement) sets the goal of renovating 36,756 units by July 2024**. At the same time the SLRB Contrat de Gestion establishes the following objectives by December 2025: finalize renovation of 29,981 homes out of which 13,228 renovations will have an impact on energy performance, for an estimated energy gain of 73 GWh per year; install double glazing, roof insulation and central heating in all units that are still missing it, for an estimated energy gain of 7 GWh/year; overall **reach an average certification level D by 2032 and C by 2040**. As for new supply of social housing the current objective is to **add 8000 units to the existing stock by 2025** (out of which 4000 financed by the Regional Housing Plan, and 4000 by the *Alliance Habitat* programme).

1 _ P. Reusens, F. Vastmans and S. Damen (2022)The impact of changes in dwelling characteristics and housing preferences on Belgian house prices. NBB Economic Review 2022 / #02

2 _ Such comparison is hardly possible in the case of the Brussels capital region because of different scales used for private and social/public sector.

The Flemish government has allocated almost 4.5 billion euros to environmental renovation and social housing construction for the 2019-2024 period. It is also making use of RRF funding to support the renovation of social housing with a dedicated budget of 35 million EUR, while 243 million are allocated for energy subsidies to private buildings.

Furthermore, through the ASTER initiative³, over the coming five years 400,000 solar panels will be installed on 50,000 social housing units. Residents will pay a tariff that is about 25% lower than the social or market tariff when the panels are producing electricity.

COST OF LIVING CRISIS

Social housing tenants have been to some extent sheltered as they could **benefit from 'social tariffs' for energy**. Public housing companies often help their residents accessing existing subsidies, and also offer energy coaching to help reducing energy consumption. Furthermore, **social housing tenants they pay a rent based on their income**. However, in order to give tenants some extra support during the energy crisis, the Brussels social housing providers decided to give a **bonus to social tenants living in houses with a bad energy score**. This will result in a 300 euros discount on energy bills that will be received in June 2023.

More in general, the Belgian government has established a reduced VAT rate at 6% on electricity and natural gas from the first of April 2023, which is estimated will translate into an average annual saving of 300 euros per household at current prices. Furthermore, from November 2022, rents can no longer be indexed for the worst performing dwellings (those with an EPC category F or G).

OTHER RECENT DEVELOPMENTS

The Flemish social housing sector is undergoing a major merging process bringing together social housing companies and social rental agencies into larger housing companies (managing at least 1000 dwellings). Furthermore, the new agency Wonen in Vlaanderen was established in January 2023 to support housing companies administratively, technically and financially in the construction and renovation of social housing.



³ _ For further information: <https://aster.vlaanderen.nl>



Czechia

📷 Photographer: Katarína Mittáková / EyeEm.

➔ HOUSING STOCK **5,340,033**

Of which,

➔ Occupied dwellings: 4,480,139

➔ DWELLINGS COMPLETED **34,581**

(2021)

Out of total occupied dwellings,

➔ Family houses: 1,974,855

➔ Apartment buildings: 2,431,918

➔ Other types of buildings: 73,000

Tenures:

➔ Owner-occupied: 2,717,073 (60.6%)

➔ Co-operative ownership: 140,821 (3.1%)

➔ Free use of dwelling: 260,225 (5.8%)

➔ Rental: 890,802 (19.9%)

➔ Other: 133,474 (3%)

➔ Not identified: 337,744 (7.5%)

SCMBD is the Union of Czech and Moravian Housing Cooperatives. Its members manage 635,000 flats in multi-family buildings, both privately owned and in cooperative ownership.

SOURCE : Czech Statistical Office (CZSO) Census 2021.

ENERGY IN THE EXISTING STOCK

While energy efficiency improvements have occurred in the past years, mostly due to improvements in insulation of buildings, refurbishment of old buildings and improvements in heating equipment, energy intensity per floor area of residential space heating, i.e. the energy used to heat one m², is still high and remains one of the highest among OECD countries (after correcting for temperatures)¹.

More than 90% of blocks of flats (administered by member cooperatives of SCMBD) have been constructed by means of pre-fabricated technologies during 1960 – 1994. This time framework characterizes the low level of energy efficiency of these buildings, classified to belong to energy classes / categories E, F or G. A large number of blocks of various sizes (containing approximately 1,2 million pre-fabricated flats) have been built this way. Out of these residential blocks, about 80% were reconstructed for the purpose of increasing their energy efficiency since 1995. Most of blocks have thus reached the energy class / category C at the least, and the other ones have fulfilled the conditions to belong to B category (less than 10%).



SCMBD estimates that about 50% are supplied by central distribution of heat, about 30% by local boiler rooms / facilities, and about 20% by individual boilers or other sources of heating. Approximately half residential buildings are connected to district heating. Less than 10% of existing residential buildings use energy for heat and electricity from renewables such as heat pumps, photovoltaic power sources, solar panels for hot water.

Currently, a new issue is debated in Czechia: legislative regulation and definition of community energy systems. Consequently, founding energy communities is of utmost importance. We believe that this form of sharing and utilizing will lead us up to reasonable diversification of energy sources. The target : gradual decrease of energy crises. Increase of the numbers of installations for the purpose of utilizing renewables.

RENOVATION AND CONSTRUCTION ISSUES

Czech legislation does not determine any quantitative targets for renovation (however, in case the administrator or the owner decides to renovate the building they must fulfil qualitative requirements regarding the energy efficiency of the buildings).

The State Investment Support Fund (formerly called State Housing Development Fund) has implemented several programmes to encourage repairs and modernisation of housing (e.g. the Panel 2013+ programme). However, according to data from the Czech Statistical Office, the number of renovations that need building permits (started or completed) has been decreasing by a third over the past decade, to only about 0.1% of the whole housing stock².

Over the past decade, housing cooperatives were renovating on average 15000 units per year until 2020 when the number of renovations decreased due to COVID pandemic restrictions (7000 units in 2020 and 10000 in 2021). The federation SCMBD reports that most recently – linked with the raise in energy prices - they are seeing a higher demand for renovations leading to the increase of energy efficiency in residential building blocks that have not yet been refurbished. At the same time administrators / owners of insulated blocks are currently debating new measures to improve their energy efficiency (e.g. new installations of renewable sources of energy).

1 _ OECD (2021), Housing Affordability in Cities in the Czech Republic, OECD Urban Studies, OECD Publishing, Paris, <https://doi.org/10.1787/bcddcf4a-en>

2 _ Ibid.

COST OF LIVING CRISIS

During 2022 prices of most commodities including housing were raised. Consequently, after high increases in September and October 2022 it became evident that the regular advance payments connected with the utilization of flats had to be increased. However, in some cases the increase of advance payments reached the twelvefold (12 x). Therefore, the Government decided to cap the immense increase of energy prices to maximum 5 – 6 fold. Currently, we are seeing a gradual decrease of energy prices, and hoping that the situation will continue to improve. currently, the today's prices are even lower than the capped ones. The cap for electricity is about 192 EUR/MWh, the cap for gas is about 100 EUR/MWh – power energy excluding VAT.

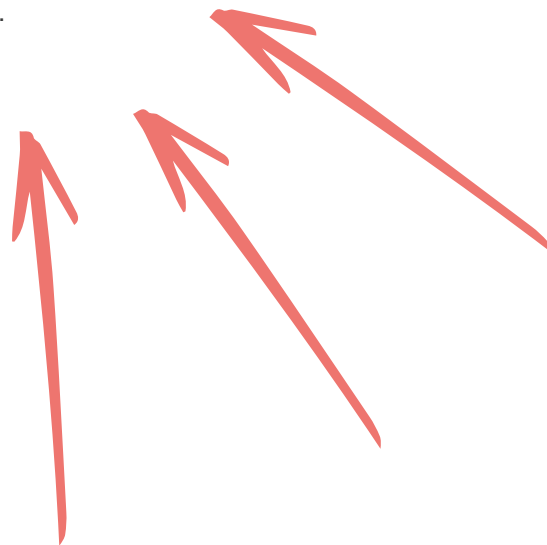
The described situation of various high increases have led to the situation of current lack of affordability and access to housing for a major part of the population.

Some housing cooperatives are offering energy coaching and guidance on how to access available subsidies as well as accelerating housing retrofit.

OTHER RECENT DEVELOPMENTS

Many Czech households are struggling to access affordable housing. House prices in the Czech Republic have soared faster than household disposable income, especially in Czech cities where house prices have often risen at a faster pace than the national average. This has made it even harder for newcomers, especially the young, to get a foot on the housing ladder³. Experts estimate that today it takes 11.4 average annual salaries to afford a new apartment⁴. With rents also rising and with relatively limited supply, the private rental market offers few alternatives for people struggling to find affordable housing⁵.

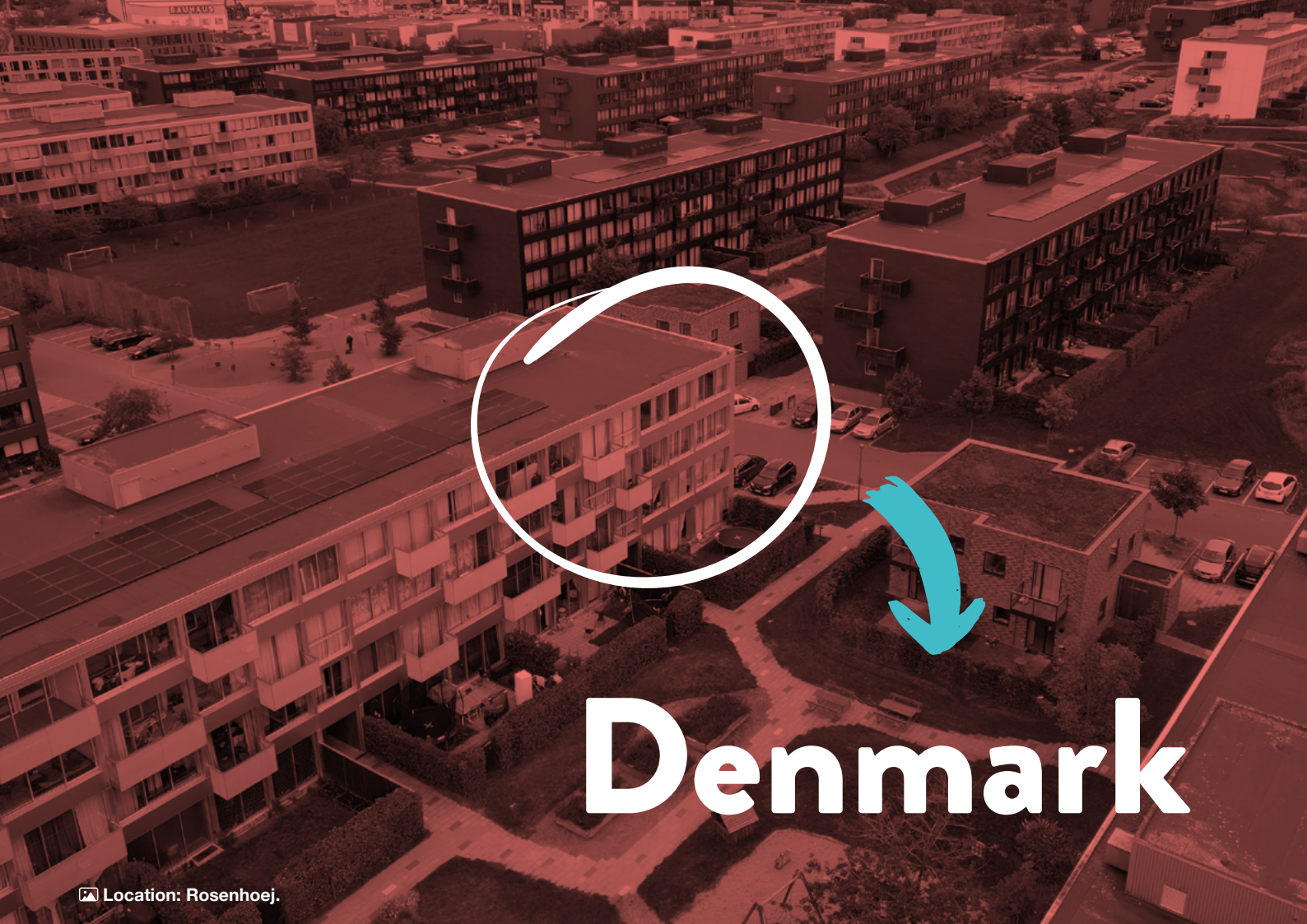
Today in Czechia the issue of “new support” of co-operative housing construction is again part of the policy debate. During the last five years approximately 1 000 flats were built by housing co-operatives which is a new and positive development.



3 _ OECD (2021).

4 _ Zsuzsanna Pósfai, Csaba Jelinek, Sara Dević, Aleksandar Tomašević, Ivon Pavlović (2023) Catalytic capital investment as an enabler of affordable rental and cooperative housing in Central and South-Eastern Europe. MOBA.

5 _ OECD (2021).



Denmark

📍 Location: Rosenhoej.

➔ **HOUSING STOCK** 2,748,569
(occupied)

- ➔ Non-profit housing: 560,931 (20%)
- ➔ Cooperative: 200,579 (7%)
- ➔ Private rental: 286,764 (10%)
- ➔ Owner-occupier: 1,585,527 (58%)
- ➔ Other/Unknown: 114,768 (4%)

SOURCE : Statistics Denmark.

BL (Boligselskabernes Landsforening) is the Danish federation representing 452 not-for-profit housing associations

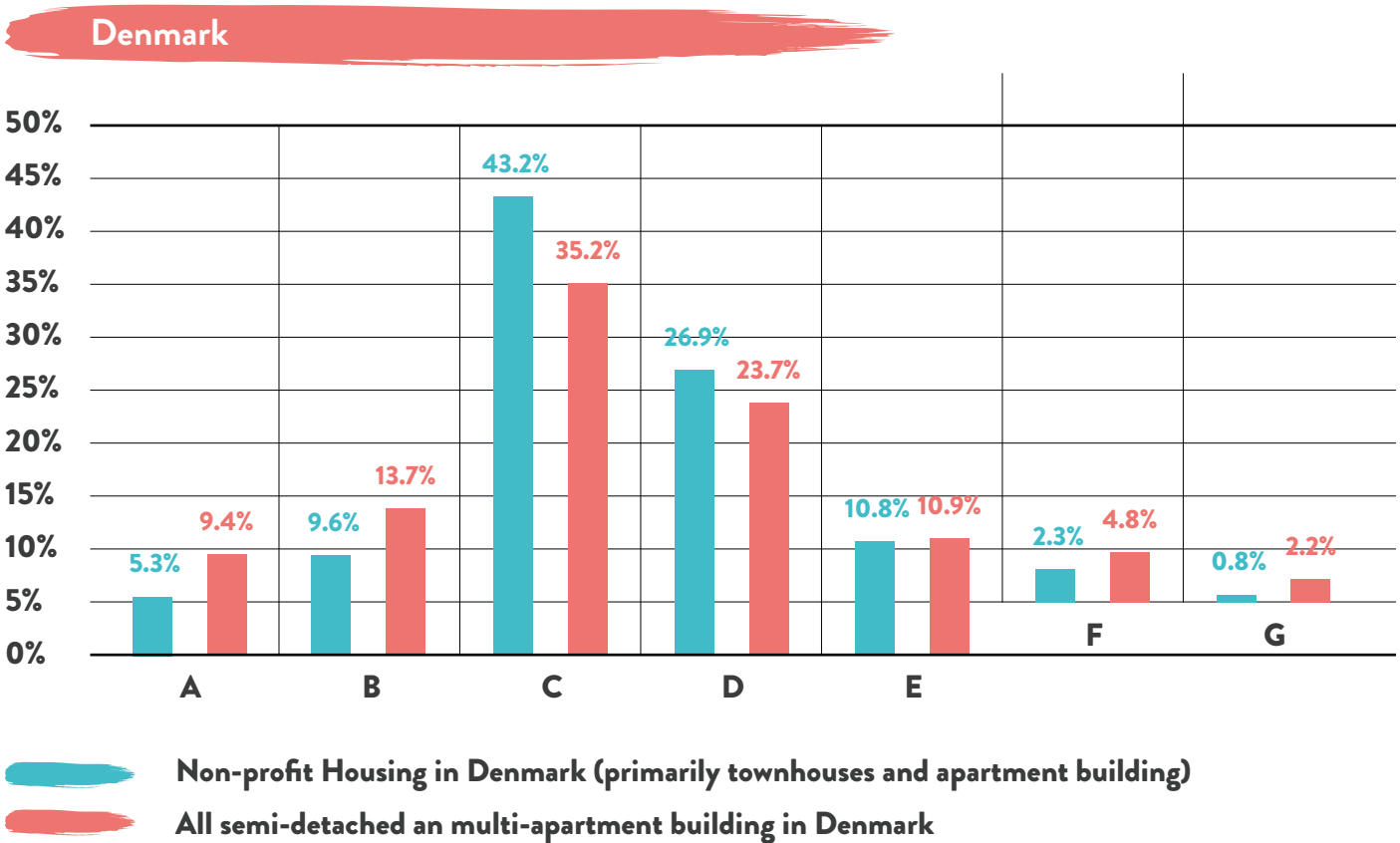
Units completed by BL members in 2021: 4,629 (out of 35,563 total housing completions in Denmark)

Units renovated by BL members in 2021: almost 40 thousand



ENERGY IN THE EXISTING STOCK

The not-for-profit housing stock in Denmark consists of 78% detached and semi-detached homes (12 and 66% respectively) and 22% multi-family buildings. The chart below presents available data on EPCs in not-for-profit housing, compared to the overall housing stock in Denmark with similar composition in terms of types of buildings¹.



SOURCE : Landsbyggefonden (28. nov. 2021)

<https://sparenergi.dk/forbrugerværktøjer/find-statistik-paa-danmarks-energimaeker>

In terms of energy sources for household use, 88% of dwellings in the not-for-profit sector use district heating², 8% gas, 2% electricity (about half electric radiators and half heat-pumps) and 2% other sources. There is no precise information on the use of renewables, however a survey among housing associations in 2020 showed that almost 7% of their dwellings had access to renewable energy produced in the non-profit housing – through solar panels or windmills.



The Federation of not-for-profit housing BL has been working to improve the possibilities of installing solar panels on our rooftops of housing associations' buildings. Current Danish legislation limits the possibilities of sharing electricity between dwellings from shared solar panels on their building's roof in an economically viable way. BL is pushing for changes to the current legislation as well as removing a regulatory barrier that exclude the housing organizations from owning and maintaining their own local electricity infrastructure.

¹ In the non-profit sector, EPC data cover around 51,000 buildings out of approximately 86,000, while for the overall housing stock there is data for 612,000 buildings out of almost 1.5 million. However, the chart only includes information on 206,000 buildings to match with those of non-profit housing.

² Information on energy sources for the district heating are not available, as there are many providers with different energy-mixes.

RENOVATION AND CONSTRUCTION ISSUES

Non-profit housing associations in Denmark can apply for financial support for renovation from the National Building Fund, which supports larger renovations - not regular maintenance or improvement projects. The latter must be covered by the savings in the organisations themselves.

The amount of renovation activity in the non-profit housing sector in Denmark is therefore influenced by the government which allows a certain amount to be used from the National Building Fund. The last governmental decision was taken in 2020 and it allowed to use up to 30 million DKK for renovation in the period 2020-2026. Out of these funds, 18.4 million DKK had to be used first to cover 453 renovation projects which were already approved but delayed, corresponding to 72,000 dwellings. The rest of the amount will be distributed in the period 2022-2026³.

A rapid increase in construction material costs, as well as general inflation and difficulties in the supply chain represent significant challenges. The not-for-profit housing sector's activities are constrained in these times due to existing rules about the maximum cost allowed for both new constructions and renovations. With respect to new construction, in the beginning of 2022 BL surveyed non-profit organizations, checking approved projects which were in the tender phase or beyond. Out of those, 31% was dropped due to the market situation and 43% was put on hold. In the remaining cases there was often changes in plans – for example with green initiatives in construction getting cancelled⁴.

However, to allow housing associations to proceed with their construction and renovation activities, in the last half of 2022 some changes were introduced to price caps as well as to the duration of tenders for non profit housing projects, and some extra funding was made available by municipalities.

COST OF LIVING CRISIS

BL estimates that, based on the development in prices up to September 2022, at least 50,000 households in the non-profit sector do not have sufficient income to keep covering their living costs⁵. According to a recent survey⁶, many households in Denmark have changed their consumption patterns –especially applies to single breadwinners and students. Over 1/3 of single breadwinners have reduced their food consumption. Likewise, over 1/3 of them had reduced heating and 40% their consumption of electricity.

Furthermore, according to a survey⁷ of eight among the largest not for profit housing associations in Denmark, the number of warnings about possible evictions increased by almost 20% in 2022 compared to the previous year. However it's important to clarify that very few of these warnings result in eviction orders, and even in these cases a long period is foreseen before the actual eviction when the municipality and the housing organisation work on solving the financial problems of a household who cannot pay the rent.

3 _ <https://www.regeringen.dk/media/9847/groen-boligaftale-2020.pdf>

4 _ <https://bl.dk/politik-og-analyser/analyser/2022/3/analyse-den-aktuelle-situation-for-det-almene-boligbyggeri/>

5 _ <https://bl.dk/politik-og-analyser/analyser/2022/9/konsekvenser-af-inflationen-for-de-almene-beboere/>

6 _ <https://bl.dk/politik-og-analyser/analyser/2022/12/analyse-reduceret-forbrug-som-foelge-af-stigende-priser/>

7 _ External survey performed by AE-thinktank for BL

In 2022, the government took several measures to support households facing high energy prices, listed below. However, BL estimates that these measures are not likely to reach all those who need support including for instance low income people living alone without children. The federation is calling for additional support in the form of increase in housing benefits which will work as a temporary heating supplement.

- ➔ A lumpsum support for households with certain types of and income categories (411,000 beneficiaries in total)
- ➔ An additional 5,000 DKK to low-income pensioners receiving the 'elderly check'
- ➔ A fund of 100 million DKK, which municipalities could use to cover expenses for households who could not cover their energy bills
- ➔ A new Winter Help Package⁸ (at the end of 2022), including among other measures a possibility to take a loan for covering excess energy bill, lowered taxation on electricity, faster establishment of district heating in remote areas

As of the February 2023, the government has allocated further 2.4 billion DKK for further inflation- related help. Interestingly, 10 million DKK are devoted to financial advice for tenants at risk of eviction. according to a survey⁹ of eight among the largest not for profit housing associations in Denmark, the number of warnings about possible evictions increased by almost 20% in 2022 compared to the previous year. However it's important to clarify that very few of these warnings result in eviction orders, and even in these cases a long period is foreseen before the actual eviction when the municipality and the housing organisation work on solving the financial problems of a household who cannot pay the rent.

Furthermore, 200 million DKK are used to subsidize the conversion from gas heating to district heating for households. 300 million DKK are devoted to help challenged families with children, 100 million DKK to local organizations working with children and their families in need and 25million DKK to local organizations which support other vulnerable citizens.

On top of that, the government decided to allocate 350M DKK from The National Building Fund to temporarily reduce rent applied by some not-for-profit housing associations in 2023. However, this measure cannot be immediately effective, as it requires changes in legislation. Rents in non-profit housing have increased by 2,9% on average over 2022 according to the Rental Cost Statistics from the National Building Fund and there's an increasing concern about affordability under current conditions.

OTHER RECENT DEVELOPMENTS

Housing organizations today put a large emphasis on coaching about budget, energy and access to benefits available, and (as mentioned above) they are lobbying the government to improve regulation so as to allow for decentralized energy production through solar panels.

8 _ Critics have pointed out that the package provides a limited, untargeted support to the entire population instead of targeting the most vulnerable. Furthermore, it's very hard in practice for housing associations to benefit from the loans available due to the decision-making process and the structure of the organisations so this measure is not really reaching the social housing sector.

9 _ External survey performed by AE-thinktank for BL.

Estonia



📍 Location: Apartment Association Puhja Kodu in Tartu County, Estonia .

➔ **HOUSING STOCK** **557,146**
(conventional dwellings)

Tenures:

- ➔ **Owner-occupied:** **68.7%**
- ➔ **Rent:** **18.4%**
- ➔ **Other:** **10.7%**
- ➔ **Unknown:** **2%**

SOURCE : Statistics Estonia, Population and Housing Census 2021
<https://rahvaloendus.ee/en>.

EKYL, The Estonian Union of Co-operative Housing Associations, represents about 1400 apartment owners associations in multi-family buildings, owning altogether about 50 thousand dwellings.

ENERGY IN THE EXISTING STOCK

About 50% of the energy used in Estonia is spent on buildings, and therefore it is a key priority to modernise and make residential buildings more energy-efficient, at the same time improving the indoor climate and quality. For this purpose, minimum energy efficiency requirements have been established for new and significantly reconstructed buildings.

The requirements are based on cost optimization studies, and they are reviewed every 5 years. From the beginning of 2020, the **minimum energy efficiency requirement for new buildings is a class A (nearly zero-energy building), while buildings undergoing significant reconstruction must reach class C.**

However, according to the building registry, **class A, B or C has been awarded to only 22% of small residential buildings and only 9% of apartment buildings with an energy performance certificate.**

68% of Estonian residents live in apartment buildings, that are mostly heated with district heating. The latter comes largely from local wood chips (the most widely used renewable energy source in Estonia), but also from natural gas, shale oil, household waste, biomass and biogas¹. Newer houses and apartments, built after 2016, often use electrically powered air or geothermal heat pump solutions. Two simultaneous heating solutions are common in apartment buildings and the table below summarises available data.

Furthermore, many apartment associations in multifamily buildings have installed solar panels but precise data are not available.

Type of heating in apartment buildings (% of apartments in apartment buildings)

		only source for heating		one of the sources for heating
Solid fuel	→	10%	→	26%
District heating	→	25%	→	87%
Electricity	→	0.5%	→	8%
Gas	→	0.5%	→	10%
Liquid fuel	→	0.5%	→	41%

SOURCE : <https://www.stat.ee/et/uudised/millega-koetakse-estli-kodusid>

RENOVATION AND CONSTRUCTION ISSUES

Buildings built before the year 2000 are considered in need of renovation. According to the **Long-term strategy for building renovation, 14,000 apartment buildings with a total area of 18 million m² is expected to be reconstructed within 30 years.** In reality though, **only around 400 apartment buildings are renovated a year**, from which 110 with a help of a state grant. The average annual area that needs to be renovated to achieve the target specified in the strategy for building renovation is ~2 times bigger than it is estimated to be today.

The **renovation of apartment buildings and public sector buildings is ongoing for the past ten years and it's progressing rapidly, but that of private houses and commercial property is just beginning to gain momentum.** Therefore apartment associations tend to perform better in terms of energy efficiency than private houses. The most frequently adopted option is to have full-scale renovations in multi-apartment buildings (including insulation, windows, ventilation, heating systems, installing solar panels, etc.). On average, the renovation of an apartment building usually results in about 55% of heat savings and 5% greater electricity consumption.

The main bottlenecks to date have been the **unstable financing of support measures and uneven regional distribution of aid.** Furthermore, recently the difficulties in accessing materials and components, as well as their increasing cost, have significantly affected the construction market in Estonia, causing **postponement of renovation projects and raising the prices to a level that is not affordable for many apartment associations** anymore. For many households their income is simply not sufficient to make the investment, and members of apartment associations are not ready to take on long-term financial commitments in the current economic situation and therefore often don't support the renovation plans (especially in very low-income regions). Furthermore, in the current context of very high inflation rate in Estonia (one of the highest in Europe), many apartment associations **have used their funds, which were initially collected for renovation, to pay for high energy, heating and service costs**, which will affect their financial ability to start large-scale renovations in the future.

1 _ SOURCE : <https://kaugkute.taltech.ee/soojuse-tootmine/>

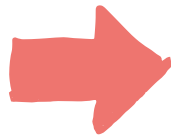
COST OF LIVING CRISIS

According to a recent survey², due to the high costs of the most recent heating season, 16% of Estonians have thought about moving from their current place of residence. Another 25% stated that they have not seriously considered moving, but they have difficulties covering the costs.

The state has developed various **measures³ to mitigate the effects of rising energy prices on household consumers**. They mainly consist of subsidies towards energy cost mitigation (resulting in automatic decrease in energy bills issued from October 2022 to end of March 2023), and price compensations for domestic consumers of electricity, gas and district heating.



OTHER RECENT DEVELOPMENTS



A subsidies program for the renovation and insulation of apartment buildings was recently announced. The **five-year program, based on EU funding, is worth €366 million and is expected to bring down the heating costs of around 43,000 apartments**. The first call of this program will be launched in April 2023. €80 million support will be distributed to apartment associations in this call. The grant finances the complete reconstruction of apartment buildings which will achieve at least an energy class C. It is also possible to separately apply for a grant to replace the old heating system of an apartment building with a device based on renewable energy, or to connect apartment buildings to a district heating network. Depending on the location of the apartment building, its size and the nature of works to be undertaken, the subsidy will cover 30 to 50 percent of the costs⁴

2 _ SOURCE: [Suured küttekulud sunnivad inimesi kolimisele mõtlema - Ärileht \(delfi.ee\)](#)

3 _ SOURCE: [Energjakulude leevendamise hüvitised | Majandus- ja Kommunikatsiooniministeerium \(mkm.ee\)](#)

4 _ The subsidy rate is higher, for example, in smaller apartment buildings or in rural areas, or if an elevator is also installed in the building during the renovation.



Finland

📍 Locatin: 2022 Nuttukuja 4, Espoo. Espoon Asunnot Oy.

➔ **HOUSING STOCK** **2,816,206**
(permanently occupied dwellings)

Tenures:

- ➔ **Owner occupied:** 61.7%
- ➔ **Private rental:** 24.3%
- ➔ **Social rental:** 11%
- ➔ **Right of occupancy:** 1.8%
- ➔ **Other/unknown:** 1.2%

SOURCE : Statistics Finland.

New construction: 39,000 dwellings in 2020, out of which 9,000 social housing units built by not for profit rental housing companies and foundations.

KOVA is a national umbrella association for non-profit rental housing companies and foundations in Finland. It has 21 members that own and manage about 160,000 rental apartments

Total Social Rental: 11%

ENERGY IN THE EXISTING STOCK

Data on energy performance of social housing buildings are not available, however it is likely to be roughly similar to the overall housing stock. Energy performance certificates in Finland show the following distribution, which is rather good compared to other countries.



In terms of energy sources, district heating is the most common energy source in Finland. Almost **half of Finland's building stock uses district heating** (45%, or to be more precise more than 80% of apartment buildings and about 15% of detached and semi-detached houses). Almost 60 percent of district heating is produced with renewable energy. Biomass accounts for about 50% and the rest is generated mainly as waste heat.

The next most common form of energy is electricity (19%), which is, however, rare in apartment buildings. In addition to these, heat pumps (16%) and to some extent also oil (7%) and gas (<1%) are used.

Energy class		Apartment buildings	Semi-detached houses
A	→	6%	4%
B	→	22%	22%
C	→	11%	20%
D	→	30%	33%
E	→	23%	18%
F	→	7%	2%
G	→	1%	1%

SOURCE : Energy performance certificate register.

RENOVATION AND CONSTRUCTION ISSUES

The federation KOVA identifies some challenges to scaling up renovation. First and foremost, there is an issue with **insufficient financial means**: available repair grants are not enough. At the same time, in areas with a lot of empty rental apartments (small towns and areas that are not located near growth centres), rent levels cannot be raised because the residents would move elsewhere. However, in general attitudes among residents are slowly changing and more and more people are interested in ecological living, energy efficiency and responsibility.

Lack of skills or capacity of housing providers to develop renovation plans is also an issue as they often have too little human resources, and ownership control does not support development.

In terms of newbuilt, in 2022 16 municipal housing providers (corresponding to approximately 14% of all KOVA members) voluntarily defined their construction targets, which amounted to about 4,500 apartments per year in total. However, **due to a strong increase in construction costs, high inflation and the rise in financial interest rates, construction targets were not reached last year.**

The high cost of building materials has raised the price of construction so much that it is difficult to produce affordable housing. ARA (Finnish Housing Finance and Development Agency) does not accept to support construction projects above a certain price, and this prevents receiving subsidized financing. Furthermore, there is an issue with lack of affordable building land, and financing costs have also increased.

COST OF LIVING CRISIS

Higher prices have certainly affected the tenants' ability to pay their bills and rent. This has particularly impacted those whose financial situation was weak even before the crisis. However, the majority of tenants manage to make ends meet but spending habits have changed and residents are more careful about their housing expenses.

Households on low incomes have received direct support to cope with the price of electricity. Furthermore, all households have been given the opportunity to receive a tax reduction. In addition to these measures, a separate temporary electricity subsidy has been decided, whereby households are compensated for the price of electricity exceeding a certain limit from November to February.

Most recently however, the price of energy -especially electricity- has decreased.



OTHER RECENT DEVELOPMENTS

In 2023, the average **rent increase for for social housing companies is about 4.4% compared to the previous year.** **The level of increases is moderate compared to general cost trends and inflation:** to compensate for increasing costs, rent would have to be increased by almost 9%. However, it is not possible to raise rents in line with the increased costs. This is negatively affecting financial resources of social housing providers.

Furthermore, a thorough reform of Health and Social Services entered into force at the start of 2023 which will also bring about changes in the provision of supported housing and home care services.





France

➔ HOUSING STOCK **37.4 million**

Out of which,

➔ Main residence: **30.6 million**

Tenures:

➔ Owner-occupied: **57.5%**

➔ Private rental: **24.8%**

➔ Social housing: **17%**

SOURCE : Statistik Austria, Mikrozensus 2020.

Union Sociale pour l'Habitat (USH), through its five federations (the National Federation of Public Housing Offices, the Social Housing Enterprises, the National Federation of Housing Cooperative Societies, PROCIVIS and the National Federation of Regional Associations of Social Housing Organizations), represents some 580 HLM organisations in mainland France and in the overseas territories. In 2021, HLM organizations started construction on 76,300 new housing units and residential accommodation. They own and manage 4.8 million rental units and 0.35 million sheltered apartments and house approximately 10.2 million people.

Total Social Housing:
5.2 million

ENERGY IN THE EXISTING STOCK

A large share of the social housing stock in France is classified according to its energy performance, ranging from 73% to 94% across regions. Overall, 46% of the dwellings are labelled as A, B or C, 36% are classified as D, and 18% as E, F or G. The share of dwellings in the least consuming categories is much higher in social housing than in the overall housing stock across the country (46% against 25%).¹

In terms of the different energy sources used within social housing, gas represents the highest share at 55%, electricity and district heating amount to 20% each, and the remainder consists of wood (3%) and fuel (2%). District heating supplies nearly 900,000 HLM units. Energy supplied through district heating is typical of social housing (compared to the total housing stock) and specifically of multi-family buildings, which represent 84% of the total HLM stock².

RENOVATION AND CONSTRUCTION ISSUES

Following the adoption of the so-called Climate and Resilience law³, all landlords in France must renovate housing units that fall within the E, F and G categories or they will no longer be allowed to rent them out. This applies also to social housing providers.

Accordingly, the federation USH estimates that about 1.8 million housing units will have to be refurbished. While HLM housing organisations currently invest approximately 5 billion Euros per year in renovation, they will have to increase this amount to 7.5 billion Euros to reach the objectives set by law.

Currently energy renovation of social housing is mainly financed through a specific loan (Eco- prêt) from the public bank Banque des Territoires. To complement this source of finance, HLM organisations also mobilise their own resources and support from local authorities and ERDF funding. Furthermore, renovation projects benefit from a special fiscal treatment and can benefit from the white certificates trading scheme.

Funding from the French Recovery Plan are available for projects which implement extensive transformation/ requalification of buildings and full modernisation in terms of energy efficiency.

As for new supply, every year the financial law defines targets for new production of social housing.

In recent years the number of proposals for new supply of social housing that were approved for funding decreased from about 120,000 in 2016 to 95,000 in 2021. Until 2018, social housing providers were producing about 100,000 new units per year. However, the number has been decreasing since 2019 and in 2021 only 88,000 housing units were produced (out of which 82,000 by HLM organisations), accounting for roughly 23% of the overall housing construction in France.

The current context presents significant challenges, including for instance the increased cost of materials. The federation USH carried out a survey among HLM organisations in the summer of 2022, to assess the impact of this phenomenon in terms of increased costs, delays, difficulty in finding contractors through tender procedures. The survey revealed that more than 90% of respondents were faced with changes in prices and issues with construction companies they work with. As for projects to be launched in the near future, 40% of HLM companies expect delays of more than 3 months and a significant increase in related costs (between 8 and 10% more).

1_ Union Sociale pour l'Habitat (2022), Les HIM en chiffre edition 2022

2_ Ibid.

3_ Law n. 2021-1104 of 22 August 2021.

COST OF LIVING CRISIS

In December 2022, USH released the results of a Flash survey conducted among Hlm organizations on the impact of inflation, and in particular the rise in energy costs on the financial situation of their tenants. two-thirds of responding Hlm organizations recorded an “increase in the number of households in financial difficulty”. The same proportion declares having “perceived signals warning of financial difficulties”.

Furthermore, almost half of HLM organisations have registered an increase by more than 10% in the number of households who are more than 3 months late in paying the rent in 2022, compared to 2021 - particularly concentrated among households using gas for heating. To closely monitor this worrying phenomenon, surveys on rent arrears will be regularly carried out by USH throughout 2023.

The French government has implemented measures to limit the increase in the price of electricity and gas to a maximum of 15%. In 2022, the HLM movement called on the government to extend this measure to households under a collective energy contract (representing half of the social housing stock) who were initially left out from the cap on price increase. These measures have subsequently extended and improved in December 2022.

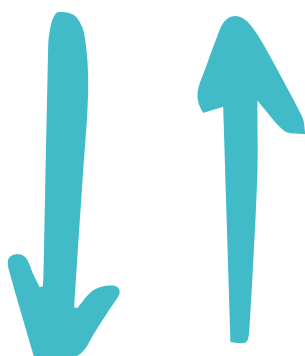


© Marwen Farhat / USH

OTHER RECENT DEVELOPMENTS

The current situation is marked by several challenges, including a decrease in social housing supply, an increasing demand, worsening financing opportunities, and at the same time increasingly ambitious energy efficiency objectives and the need to implement Housing First within social housing on a wide scale.

The number of households applying for social housing in France has reached 2.4 million - 16% more compared to 2016 and 7% more in just one year since 2021. Furthermore, 75% of applicants for social housing have very low income levels⁴. It is precisely to meet this increasing demand that the Government and the USH have agreed on a common ambition to achieve 250,000 approvals for new social housing construction 2021 and 2022.



4 _ Below income ceilings established by the PLAI funding programme.



Germany

Photographer: Ingrid Vogler.

➔ HOUSING STOCK 43.1 million

➔ HOUSING CONSTRUCTION 280,000
(in 2022)

Total Social Housing: **4%**

Tenures:

- ➔ Owner-occupied: 44%
- ➔ Rental: 56%

SOURCE : DESTATIS.

Social housing is estimated to represent about 4% of the total housing stock.

GdW, the Federal Association of German Housing and Real Estate Companies represents about 3000 housing companies managing over 6 million homes (nearly 30 percent of all rental flats in Germany) out of which about 1.2 million are social rental units.

ENERGY IN THE EXISTING STOCK

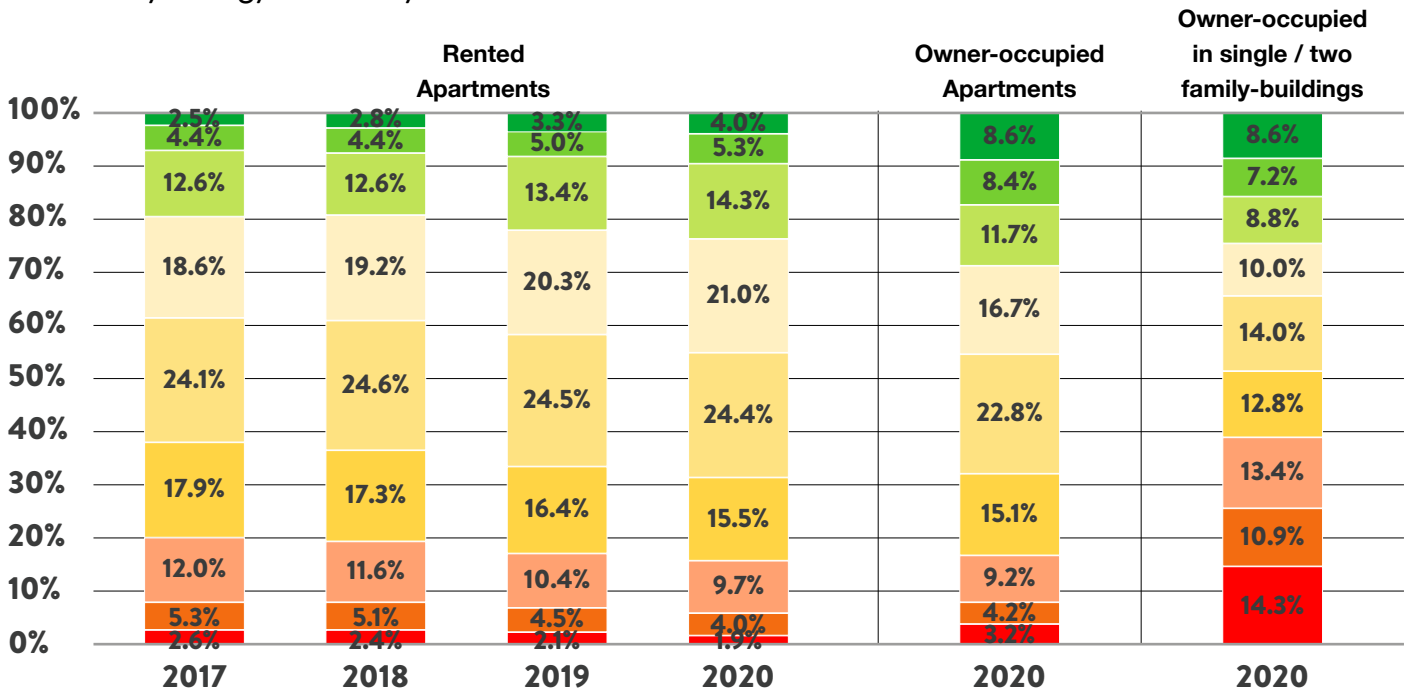
A recent study on 3.92 million energy performance certificates data (EPC of homes that are put up for rent or sale) has revealed the following picture about the distribution of residential buildings across energy efficiency classes in Germany.



Stock of residential buildings

Development of the energetic structure in Germany

Share by energy efficiency classes (A+ bis H)



Final energy consumption in kWh/m³ per year



Rental apartments in multi-family buildings - which are representative of the stock owned by rental housing companies members of GdW - are more energy-efficient than owner occupied condominiums and even more so compared to private homes in single- and two-family buildings.

Other energy data on GdW companies housing stocks support this statement: the average, temperature-adjusted **energy consumption for room heating and hot water in the GdW apartments is 135 kilowatt hours per square meter of living space and year. This value is 16 percent lower** than the national average (157 kilowatt hours per square meter)¹.

In the years between 2007 and 2015, the final energy consumption in the apartments they manage fell significantly. Since 2017, a level seems to have been reached that makes it **increasingly difficult to achieve further savings**. Actually in recent years an increase in final energy consumption in the GdW stocks can be observed again.

In terms of energy sources, homes managed by GdW members use a much **higher proportion of district heating² (49.3%)** than all apartments in Germany (14.3%). Accordingly, the proportion of oil heating systems is significantly higher overall (23.5%) than among the GdW members (only 1.6%).

¹ _ Data referring to 2019.

² _ Nearly a half of all GdW dwellings is connected to district heating. However, the percentage of district heating is a lot higher in the eastern part of Germany, territory of the former GDR, (72 %) in comparison to 34 % in the western part of Germany.

District heating in Germany is based on 30% renewable energy (including waste heat and incineration of waste). Since 49% of the GdW housing stock is supplied with district heating, this results in an estimated share of 14.7% from renewable energies. If we add heat pumps (0.6%), biomass/pellets (0.7%) and renewable shares in fossil fuels (supplementary solar thermal energy and green gases), we can estimate the GdW housing stock currently has a share of almost 20% renewable energies.

Looking ahead, **decentralized energy generation in the local district** is an important chance for securing energy supply and will become more important by 2040. Changes in regulation and state subsidies should enable the rapid spread of tenant electricity models in the future and communal energy production – also supported by ongoing technological developments – will help to further reduce dependence on fossil fuels.

RENOVATION AND CONSTRUCTION ISSUES

In recent years the GdW members have modernized on average 2.2% of their housing stock annually to improve energy efficiency. This corresponds to **around 136,000 modernized residential units per year**. However, it should be noted that energetic modernization measures

do not usually mean full modernization of the dwelling or building but rather often focuses on some components. In the last years only **0.6% of the entire housing stock of GdW members each year (corresponding to around 36,000 dwellings) was fully modernized in terms of energy** consumption.


According to a regular GdW survey, currently **almost 74% of the housing stock has been partially or fully modernized between 1990 and**

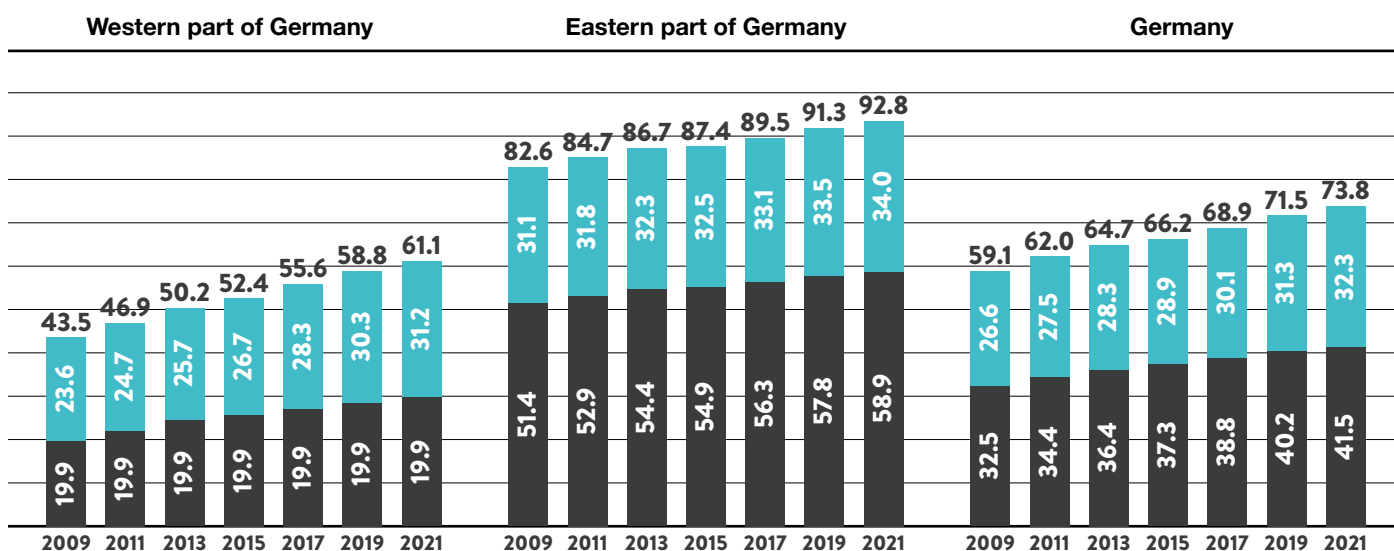
2021, and 42% of the total stock was completely modernized. Due to a 'modernization wave' in Eastern Germany after reunification, the proportion of completely modernized apartments is significantly higher there (60%) than in the western part of Germany (30%) as shown by the chart below.

As for recent developments, a survey among the GdW housing companies at the end of 2022 showed that

Energy-saving modernization measures

Percentage of apartments that have been partially or fully modernized to save energy between 1990 and 2021, GdW companies

 Partially energetically modernized
 Fully energetically modernized



NOTE : The information describes the proportion of apartments that have been partially or fully modernized in terms of energy efficiency since 1990. In other words, the proportion of the housing stock that companies touched on in the period 1990-2021 as part of energy modernization.



under the current difficult framework conditions, around a fifth of the planned modernization measures cannot be implemented in 2023/2024. This means that **in the next two years around 26,000 fewer apartments will be energetically modernized than in previous years**. In order to achieve the climate goals in the building sector, however, this number should increase significantly. Increasing **construction costs, rising interest rates, a shortage of skilled workers and a worsening of funding policies** are the main reasons for this decrease in modernization measures.

With regards to new supply, the current government has the political objective to build 400,000 new dwellings a year, out of which 100,000 a year should be built as subsidized social housing. However, this target will certainly not be met this year and the next: in 2022, an estimated 280,000 residential units were completed in Germany altogether. The downward trend in new construction, which had already started in the previous year, is accelerating. An even greater decline is expected for 2023 and 2024 (242,000 new apartments are expected to be built in 2023 and only 214,000 in 2024). In the past, **GdW members**

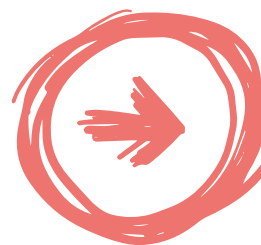
built around 30,000 apartments per year. However, a combination of historically worse building conditions and worsening funding conditions are currently causing affordable housing construction to collapse. According to a recent survey among GdW members throughout Germany, around a third of the planned new apartments will not be able to be built in 2023 and 2024, this means **almost 10,000 fewer units of the originally planned 30,000 apartments a year**³.

COST OF LIVING CRISIS

From May 2021 to the end of 2022 there was an overall large price increase for household energy (+41.7%). Since **many housing companies have concluded long-term contracts with the energy suppliers, many tenants have not yet fully realized the real price increase**.

Nevertheless, 64% of GdW housing companies have adjusted their tenants' prepayments for energy costs exceptionally until mid 2022 to avoid high levels of debt in the annual billing. In individual cases, agreements were reached on payments instalment. **Many other housing companies however are currently facing severe liquidity gaps as they have to make increased advance payments to the energy suppliers.**

Housing companies are offering energy coaching to their residents and adjusting heating optimally to reduce consumptions. They are also offering guidance to tenants on how to access available public benefits.

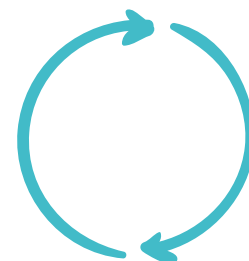


3 _ For further information see GdW (2022), Wohnungswirtschaftliche Daten und Trends 2022/2023, available at https://www.gdw-bundesverband.de/download/D_u_T_2022_2023.pdf

As for the latter, since the beginning of 2022 the federal government has passed an extensive package of measures to relieve citizens of the high energy costs and general inflation. These include⁴:

- December emergency aid
- Gas and heat price brake (from the beginning of 2023 until April 2024)
- Electricity price brake (from the beginning of 2023 until April 2024)
- Tax cutting on energy consumption
- One-off energy cost subsidy
- Increasing Housing benefits

OTHER RECENT DEVELOPMENTS



The coalition agreement of the current government has agreed the following **changes to tenancy law in the next legislature:**

- Evaluation and extension of the applicable tenant protection regulations
- Reduction of the rent increase cap for existing contracts from 15% to 11% within three years in tight markets
- Extension of the rent cap for new contracts until 2029
- Extension of the rent index (Mietspiegel) from 6 to 7 years, which will strengthen the price-regulating effect of the rent index
- Obligation for municipalities with more than 100,000 inhabitants to elaborate a rent index

On March 1, 2023, the new building subsidy Climate-friendly new building (KFN) from the Federal Ministry of Housing, Urban Development and Building (BMWSB) will start, as a sub-program of the federal subsidy for efficient buildings (BEG). The volume of new construction subsidies is expected to total EUR 1.1 billion, of which only EUR 750 million for the construction of rental apartments and EUR 350 million for owner-occupied homes. Unfortunately the new funding programme is considered by housing organisations to be less attractive than its predecessor and not proportionate to the ambitious construction targets set out by the government

⁵ _ Measures listed above are the ones more closely linked to housing/energy payments. However, there are a number of additional measures including lower income taxes, tax breaks for companies on staff payments, measures aimed at lowering the cost of transports, and more.



Greece

📷 Photographer: N. Vrantzis.

➔ **HOUSING STOCK** 6,371,901
(conventional dwellings)

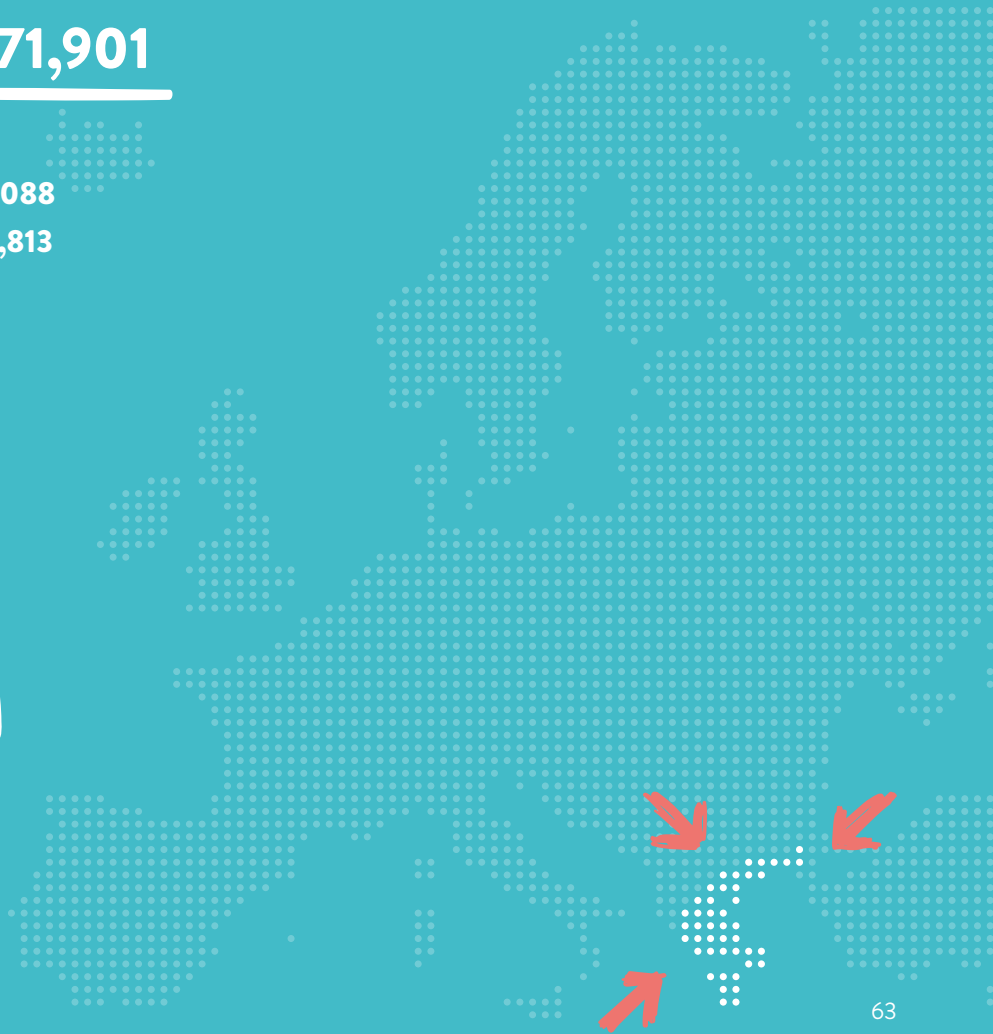
Out of which:

- ➔ **Occupied:** 4,122,088
- ➔ **Empty:** 2,249,813

Tenures:

- ➔ **Owner occupied:** 77%
- ➔ **Rented:** 23%

No Social Rental Housing Sector

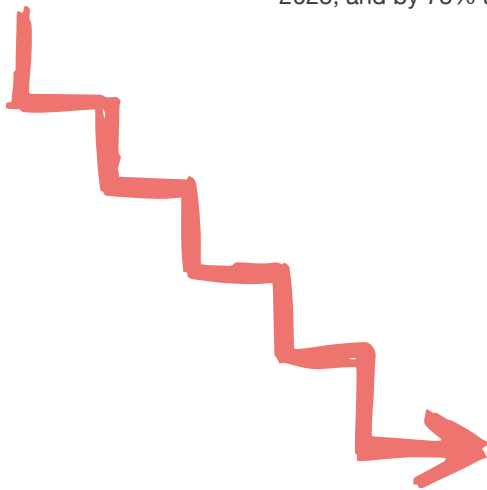


ENERGY IN THE EXISTING STOCK

According to the 2011 Census¹, 55.7 % of residential buildings, or about 3.5 million dwellings in Greece were constructed before 1980 and they are estimated to have no thermal insulation. An additional 42.7% were built until 2010 and therefore only had to have partial thermal insulation systems installed, and – due to the slowdown in construction after the global financial crisis - only 1.6% were built after 2010, after the Energy Performance of Buildings Directive was implemented². According to data on Energy Performance Certificates issued to date, most buildings built before 1980 are in energy category H³.

RENOVATION AND CONSTRUCTION ISSUES

The main facility adopted to counter the challenges of energy poverty and the goals of reducing energy consumption is the Energy Upgrade of Buildings programme, which is the continuation of the previous Energy Saving at Home programme, and channels funding from the RRF⁴. Under the National Recovery and Resilience Plan Greece 2.0, 3.1 billion Euro are expected to be invested by 2025 in energy efficiency upgrades for residential buildings throughout Greece, of which 1.6 billion Euro will be provided in the form of subsidies. The programme sets out a specific central quantitative objective of 60.000 buildings upgraded per year, and sets out the quantitative objective to reduce by at least 50% the relevant energy poverty footprint by 2025, and by 75% as of 2030.



COST OF LIVING CRISIS

According to the newspaper “Kathimerini”, Greece was the **third most expensive wholesale energy market in Europe in 2022**. The price of electricity increased on average by 141 percent compared to the previous year. In the same period, the price of imported natural gas more than doubled compared to 2021 and almost quintupled compared to 2018.

Even before the current spike in electricity and heating costs, **17.5% of households stated they couldn't afford to pay for sufficient heating during the winter**⁵. Furthermore, Greece has been consistently for over a decade the country reporting the **highest share of housing cost overburden**, particularly among lower income households (76.7% of those at risk of poverty in 2021)⁶.

In the light of increasing energy costs, the government established measures to support households paying energy and gas bills, and fuel coupons. There is also a heating subsidy provided for vulnerable households who are benefiting from the Minimum Guaranteed Income, and another category of support for persons with disabilities.

1 _ 2011 POPULATION AND HOUSING CENSUS Amenities of Dwellings / Households.

2 _ Kafetzis Alkis (2022) Energy poverty, housing and policy tools: Reproducing inequality <https://eteron.org/en/reproducing-inequality/>

3 _ Categories used: A+ A B+ B C D E G H.

4 _ MDAT (2022) Providing new homes under the Recovering Plans in the Mediterranean area: the case of Greece. Presentation at GEBALIS Conference, Lisbon, 15 November 2022.




5 _ EU SILC, 2021.

6 _ Ibid.

OTHER RECENT DEVELOPMENTS

A long-standing issue in Greece is the **lack of a national framework that can facilitate the provision of affordable housing and tailored funding resources.**

A **National Plan** was voted in December 2022 which includes a set of 8 'projects' such as, among others:

-  Low-interest mortgages for purchasing primary residences (total budget 500 million EUR).
-  Social land-for-flats programme, which foresees the provision of public land to private investors with a percentage of units to be reserved for affordable housing.
-  Kalipsi programme: continuation of the previous programme for temporary accommodation of asylum seekers through private owners. The programme is managed by the Ministry of Labour and will be implemented in collaboration with Municipalities.

The Plan has adopted a project-based approach, focusing on housing provision by private actors primarily, and it does not foresee a proper legal definition of what constitutes of social and affordable housing, nor the creation of a national framework for housing provision by a range of providers (state and non-state actors).

However, as part of the Plan, the Ministry of Employment and Social Affairs has launched a new Pilot Programme funded by the RRF to promote in the cities of Athens and of Thessaloniki Social and Affordable housing for the most vulnerable groups. The purpose of the **Pilot is to renovate empty housing stock and provide it to vulnerable households.** The Pilot will be implemented in the cities of Athens with 70 houses and of Thessaloniki with 30 houses. The total amount provided is 1.6 million. The Major Development Agency of Thessaloniki (MDAT) as the implementing agency in Thessaloniki has introduced within its operations the Social Rental Agency, with the purpose of becoming the main local vehicle for promoting and implementing social and affordable housing policies.



📍 Location: Amharc Muileann, Limerick.

➔ **HOUSING STOCK** **2,081,000**
(2021 incl. vacant homes)

➔ **Social housing:** **185,000 (9%)**
Of which: Approved Housing Bodies (AHB): **44,000 (2%)**
Of which, municipal rental: **141,000 (7%)**

Total Social Housing: 9%

SOURCE : DHLGH, NOAC, RTB.



The Irish Council for Social Housing (ICSH) is the national social housing federation for Approved Housing Bodies; representing 270 member organisations, which manage homes for families, older people, disabled people and households experiencing homelessness. Co-operative Housing Ireland (CHI) is an Approved Housing Body, providing almost 4,500 high quality homes to low-income households. As a representative body, CHI champions co-operative principles in delivering homes and supporting communities. Co-operative Housing Ireland has been a leader in providing truly affordable homes across Ireland since 1973.

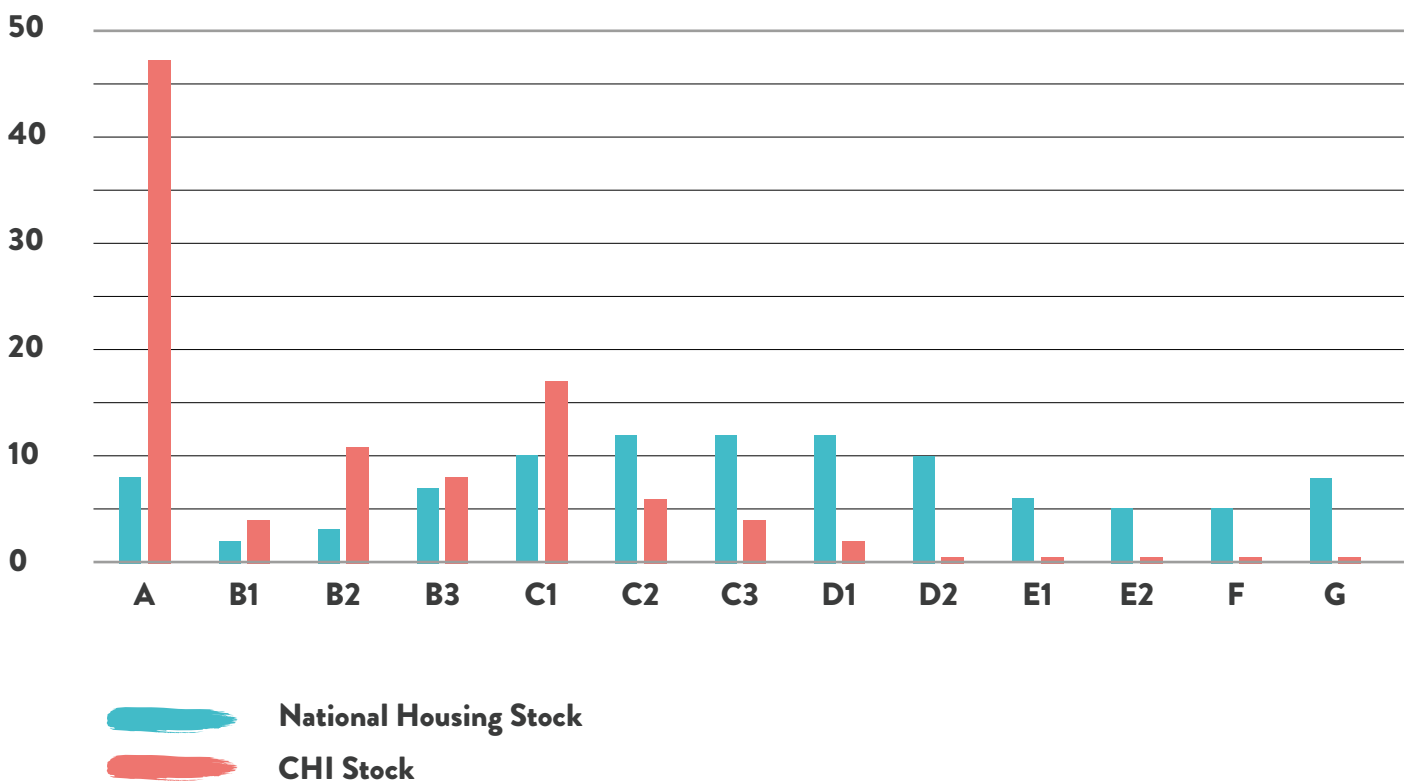
ENERGY IN THE EXISTING STOCK

The homes provided by Approved Housing Bodies (i.e., non-profit housing associations) in Ireland are overall of a higher quality than the national average, in terms of their energy performance. However, this largely reflects the fact that the AHB stock is typically much newer, having been primarily built during the last few decades. Indeed, **if we look at the AHB homes that have been delivered in recent years, the vast majority fall into either the A or B EPC rating category**, which is similar to non-AHB delivered homes. This shows that, overall, new homes in Ireland are meeting higher energy performance standards.



EPC Ratings of Homes (% of total):

Cooperative Housing Ireland v National Average



A review of the EPC ratings of homes provided by Approved Housing Bodies in Ireland conducted in mid-2022 showed that 50% of AHB provided housing had an A rating, while just 9% had an E, F, or G rating. However, the research comes with the caveat that the energy rating for tenancies is voluntarily self-reported by landlords when completing the tenancy registration form. Therefore, data is not available for all registered AHB tenancies, but only for those tenancies where the rating is provided when the AHB was registering the tenancy with the Residential Tenancies Board (RTB).

When it comes to the sustainability of homes, in terms of energy and heating, around half of homes provided by Co-operative Housing Ireland run off of gas (48%), with a minority using oil (6%). **CHI has embraced new renewable energy sources too, with 46% of homes using an air-to-water (A2W) heat-pump system.**

RENOVATION AND CONSTRUCTION ISSUES

For AHBs, access to retrofit funding comes via grants from a public agency; the Sustainable Energy Authority of Ireland (SEAI). However, the SEAI typically only funds up to 50% of the renovation works (this had previously been 80%), with the AHBs having to provide the rest of the funding. In many cases homes in need of renovation are in rural areas, and owned by smaller AHBs who do not have sufficient sinking funds to develop such projects. **A recent internal study commissioned by the ICSH showed that at a 50% grant funding rate, and with the rent paid by tenants not being impacted by the renovation works (i.e., rents do not rise to reflect lower heating and energy bills), it is hard for AHBs to justify these sorts of investments as they represent a net loss for them.**

Despite these issues, **CHI is currently working towards getting as much of its stock as possible to an EPC Rating of B2 or above.** As a short-term goal CHI has targeted 216 of its worst energy performing homes (EPC <C2) for deep retrofit by the end of 2024. To date, CHI has already managed to bring 105 of these units up to B2 or above, with the majority reaching a rating of A2. This work has been executed using the aforementioned part funding (50%) available from the SEAI grant scheme. While CHI's retrofit objectives are 'voluntary' in nature, they support, and are complementary to, Ireland's 'Climate Action Plan'.

Obstacles encountered as part of meeting CHI's short-term renovation objective include the availability of funding (SEAI only fund up to 50%), and the availability of skilled and experienced project managers and sub-contractors to deliver the works. Supply chain issues and construction price inflation have seriously impacted the cost of delivery for energy retrofit projects and if this trend continues this may have a detrimental impact on CHI's ability to deliver on its longer-term goal of getting all of its stock to a B2 rating or above. Indeed, **the aforementioned internal ICSH study noted that the estimated cost of domestic retrofit increased from an average of €400/m² to €580/m², based on recent completed projects in 2021-2022.**

Both the ICSH and CHI noted that the cost of materials (which increased by 33% in the period March 2021-March 2023), financing, and a lack of skilled

labour were important obstacles to renovation in general. A need to focus available resources on newbuild housing, rather than renovation of the existing stock, was also mentioned as an issue.

It must be noted that social housing providers, both AHBs and local authorities, have generally outperformed versus targets for the delivery of newbuilds in recent years. However, there was some under-delivery in 2022, due to issues like costs and supply of materials. Issues around long delays in the granting of final planning permissions are also unhelpful in some cases. Other issues that need to be tackled include the time it takes for developable land to be serviced and connected to utilities like water and electricity. A lack of available developable land is also a problem, particularly in urban areas.

COST OF LIVING CRISIS

Energy prices and the cost of other everyday essentials have risen in Ireland. However, this has not been translated into an observed increase in issues for AHB tenants to pay their rent. The Irish Government has also provided assistance to households, with credits to help pay energy costs provided to each household in the state, irrespective of household income or tenure. **Legislation to prevent electricity providers from cutting off supply due to non-payment has also been brought forward.**

Budget 2023 saw an enhanced electricity credit of €600 applied to electricity bills for all households. There were also revisions to eligibility criteria for the 'Fuel Allowance' payment. In addition, there was also a scheme launched called the 'Community and Voluntary Energy Support Scheme' (CVES), which provided grants to community groups, development associations, and volunteer-led organisations.

AHB's have used energy coaching for their tenants, in an effort to help them to reduce their energy bills. Some housing providers have also aided their tenants with identifying and applying for available state financial supports. The provision of essential 'materials' such as blankets and curtains, which can be a quick intervention to provide some immediate improvement in living standards, as more in-depth solutions are developed and rolled out, was also used by some AHBs.

OTHER RECENT DEVELOPMENTS

In order to tackle the acute shortage of housing in Ireland, as well as the perceived risk that factors like higher borrowing costs could act as a headwind to new construction in the coming years, in April 2023 the Government unveiled a new package of measures to support the delivery of new housing. This included measures like scrapping development levies required to connect new homes with roads, water and other services, and subsidising development levies, saving up to the value of €12,650 per home on average. This time limited opportunity should incentivise developers to deliver homes in the coming months. New measures to increase financial supports available to bring vacant homes back into use have also been announced.

In terms of social housing, the new measures include extra financing to increase the supply of new cost-rental social rental housing, which is a new 'intermediate' affordable tenure for those whose incomes may be too high for 'traditional' social housing, but too low to affordably provide housing for themselves on private markets. **The Government has committed up to €750 million as part of this initiative to complete 4,000 to 6,000 additional affordable apartments under the Cost Rental system**, particularly targeting sites where planning permission is granted, but where development works have stalled. This is a timely intervention, given the fact that in spring 2023 it was reported that a number of social housing projects had stalled as a result of the higher cost of construction¹. In addition the providing additional financing for cost-rental homes, the Government is currently examining the general viability of the cost-rental model in a more fundamental sense, and the Cost Rental Equity Loan (CREL) scheme, which funds these developments, is currently under review by the government.

In addition to construction cost increases, and cost of finance increases due to interest rate rises, access to land for development is a major issue. The Housing Agency has recently launched a land acquisition scheme and a land aggregation scheme in recognition of this. Meantime, the Land Development Agency has recently published its first report on public lands in Ireland, which has mapped public land that may be available for development.

¹ See : <https://www.rte.ie/news/ireland/2023/0507/1381194-social-housing-projects/>



📍 Location: 2010 Gola, La Grande Madre.

➔ **HOUSING STOCK** **25,690,057**
(occupied dwellings):

Tenures:

- ➔ Owner-occupied: 19,432,745 (76.7%)
- ➔ Rent: 4,306,112 (17%)
- ➔ Other: 1,607,666 (6.3%)

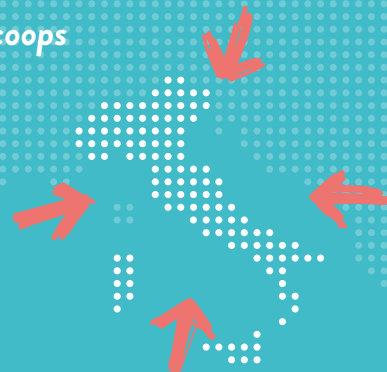
Total Public Rental: 3.5%

SOURCE : Istat, Population and Housing Census 2021.

Federcasa is an association bringing together 144 public housing companies and housing bodies at the provincial, communal and regional level, providing over 850.000 social dwellings

The Alliance of Italian Cooperatives in the Housing Sector is the main organization representing housing cooperatives and their consortia in Italy. It brings together 4.700 coops with about 550.000 registered members.

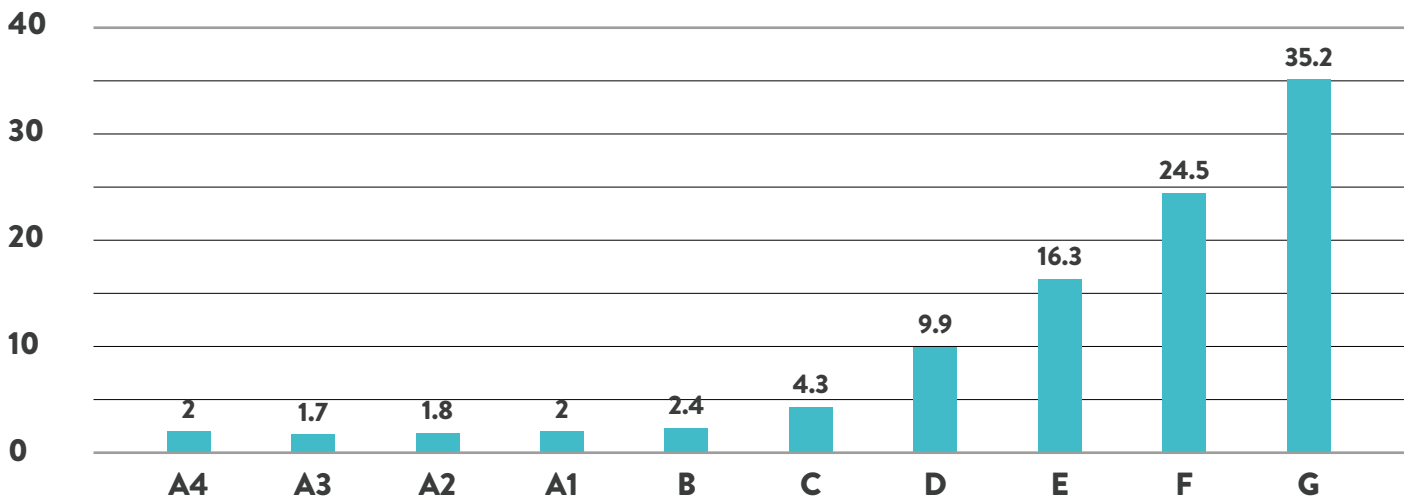
Fondazione Housing Sociale is a private, non-profit entity, whose mission is to experiment innovative solutions for planning, financing, building and managing social housing initiatives.



ENERGY IN THE EXISTING STOCK

Out of a total 2.9 million energy performance certificated in the national registry¹, distribution of residential buildings across energy classes is the following:

Share of residential building by EPC class, 2022



SOURCE : Sistema Informativo sugli Attestati di Prestazione Energetica (SIAPE).

Over half of available EPCs are in class F and G, which indicates the energy efficiency level of dwellings in Italy is relatively poor. The conditions vary across different types of stock and providers, but little information is available.

Public rental housing (Edilizia Residenziale Pubblica or ERP) is estimated at about 3.5% of the total housing stock in the country. This includes about 900,000 units managed by public housing companies and by municipalities. No centralized information is available on the energy performance of public housing, however the need to renovate public housing units is widespread - to the point that an estimated 10% of the stock is currently vacant.

There are also other forms of social and affordable housing provided mainly by housing cooperatives and other not for profit actors and foundations.

In the cooperative sector (which consists of 90% multi-family buildings), the housing stock tends to have a low energy score on average, but a higher level of maintenance and higher share of energy retrofit compared to the national average for condominiums. The reason for that is that coops have maintenance of the stock as part of their mission, and cooperative ownership leads to a smoother decision-making process compared to divided ownership.

Furthermore, there is a small and relatively new social housing sector built after 2009 financed by the Housing Investment

Fund (Fondo investimenti per l'abitare, FIA). It currently consists of 7,500 units in multi-family buildings. out of which more than 2/3 are offered with affordable rent formulas and the remaining 1/3 as affordable sale or rent-to-buy. The SIF housing stock will increase over the coming years, with the objective of creating a total of 20.000 units out of which 8000 are planned for next year. As it consists of projects developed in the past 15 years, most of the housing stock is in good state in terms of energy performance, belonging in general to an A/B EPC class. The majority of this stock relies on a share of renewable energy sources, as established by law. For buildings with a building license obtained before 2017, the required share was of 35%; if the building license was obtained between 2017 and 2022, it grew to 50% and since 2022 it is now 60%. In general, for medium or large-scale projects (more than 100 units) more sources are present in the same project with a mix of district heating when a waste-to-energy plant available in the area or geothermal pumps. For small scale projects, energy is usually provided through either geothermal pumps or high efficiency natural gas boilers.

Energy communities are spreading in Italy. The federation Legacoop, in cooperation with Banca Etica and the crowdfunding platform Ecomil, has launched an initiative to support setting up energy communities through technical support and dedicated financing. There are also recent initiatives to establish energy communities in condominiums managed by public housing companies.

¹ See : <https://siape.enea.it/>

COST OF LIVING CRISIS

RENOVATION AND CONSTRUCTION ISSUES

According to a recent survey² of 40,000 units in cooperative ownership, 6,000 units (about 15% of the stock) is currently under renovation, with an estimated investment of about 180 million euros. Most of them are class F before renovation (as they were built before entering into force of legislation around energy efficiency in buildings) and their refurbishment is expected to lead to an annual saving of 16 GWh and 3,200 CO₂ tons.

Over the past decade, fiscal incentives for energy refurbishment have been significant in terms of amount of public resources used. However, changes in regulation have been frequent and overall the focus was more on privately owned homes instead of social housing. Recently cooperatives are trying to make the most out of available incentives including the so-called 'Superbonus 110%' measure which allows for tax deduction of renovation expenses.

Furthermore, the Plan for Housing Quality (PINQUA) was set up to rehabilitate part of the public housing stock, with RRF funding.

As for new construction through PPPs, which was supported in the past by a dedicated investment fund (Fondo Investimenti per l'Abitare), at the moment there are no national funding programmes. There are however some funding opportunities at regional level.

Even the effects of increasing prices cannot be quantified yet, there is a strong awareness and concern among residents regarding the difficulties they will have in sustaining increasing costs, leading to a strong sense of instability.

The share of households with arrears on their housing payments is very low among those living in cooperative housing at 2%. However recently it increased to about 3% mainly due to the increase in energy costs. Many coops adopted measures to help their member through, for instance, setting up 'solidarity funds' and helping residents accessing the energy bonus (available to those with incomes below 15,000 euros). Furthermore, many cooperatives have decided not to apply rent indexation – just to give an example, for a cooperative managing about 2,000 dwellings this corresponds to about 1 million euros less revenue per year.

Fondazione Housing Sociale reports that at the time being there is hardly any defaults among residents in the social/affordable housing sector. Some measures were experimented in the past years to support residents in financial difficulties (especially in cases where tenants were unable to pay their rent due to job-loss during the covid pandemic), which could be replicated if needed. Overall, residents became more aware of the need to reduce consumption, adopting measures both at individual level and as a community.

There are also measures put in place by the government to help the population cover rising energy costs. The main measures come in the form of a bonus, that individual with an income below a certain threshold can apply for. As the bonus goes directly to the individual who requires it.

Investment in new supply of social and affordable housing is extremely low especially considering increasing demand. It is estimated that at least 100,000 new units of public rental housing would be needed, as well as additional measures to provide affordable rental homes including for students and workers, and support for those in arrears on rents.

OTHER RECENT DEVELOPMENTS

Following the launch of a national Committee for Social Housing bringing together public, not for profit and cooperative actors involved in social housing provision, work is ongoing to build more synergies across sectors and develop integrated projects mixing public and affordable housing.

2 _ Rossana Zaccaria and Sara Zoni (2022) Next Green Housing. Il mutualismo abitativo per le sfide ambientali e sociali. Fondazione Barberini and Legacoop Abitanti.

Netherlands



📍 Location: Social Mix Community Buildings in Eindhoven.

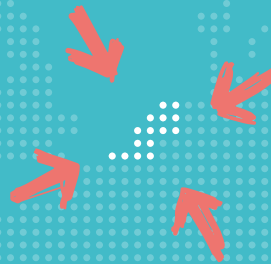
➔ **HOUSING STOCK** **8,045,850**
(in 2022, incl. vacant homes)

➔ Social housing:	2,300,050 (29%)
➔ Private rental:	1,134,450 (14%)
➔ Owner-occupied:	1,134,450 (57%)
➔ Other:	365,100 (0.2%)

Total Social Housing: **29%**

SOURCE : CBS.

Aedes is the sector association of social housing companies in the Netherlands, whose 262 members employ around 28,000 people. The members of Aedes are jointly responsible for approximately one third of all homes in the Netherlands.



ENERGY IN THE EXISTING STOCK

Social housing providers in the Netherlands have been making a strong and concerted effort to improve the performance of their stock in recent times. As a result, **over 50% of Dutch social housing now attains an A or B EPC rating**. While 11.8% of homes still obtain the worst E,F, and G ratings, this is decreasing year on year with 31,800 fewer such homes recorded in 2022 compared to 2021. Overall, the latest national data show that the social housing stock in the Netherlands is the best performing part of the housing sector. While 75% of social dwellings record a C rating or above, for the owner-occupier and private rental segments, the percentage is 69% and 65%, respectively¹.

In terms of the energy use of the social housing stock, as with all homes in the Netherlands, the use of natural gas boilers still dominates, with around 80% of social tenants using gas boilers. However, **under the national Heat transition Plan (*Transitievisie Warmte*) homes will make the transition away from gas during the coming years**.

Already 9% of social housing is heated using district heating. Heat pumps now meet 3% of the heating needs of social tenants. In addition, 16.1% of social dwellings in the Netherlands have solar panels installed on the roofs.

RENOVATION AND CONSTRUCTION ISSUES

When it comes to the renovation of social housing in the Netherlands, as already stated, more and more of the worst performing dwellings are being upgraded each year. Indeed, social providers have signed up to voluntary National Performance Agreements (*Nationale Prestatieafspraken*) on renovations. **This will see them collectively carry out deep renovations in 675,000 social dwellings (roughly one-third of the stock) by 2030², with all E, F and G rated homes to be phased out by 2030**. Importantly, these renovations will not lead to rent increases for tenants, in order to allow them to benefit from the increased disposable income they can expect as a result of lower energy and heating bills. At the same time, **450,000 social dwellings that currently rely on natural gas will make the transition to other more sustainable forms of energy**.

However, some challenges to the targets set out under the National Performance Agreements exist. Most notably, a lack of available skilled labour. The cost and time taken to renovate homes is also a factor that needs attention from policymakers. **In terms of energy systems, supply and demand are not well aligned in many cases, with access to heat pumps, solar panels and other sustainable energy systems not sufficient**. Another ongoing concern in the Netherlands is that the national electricity grid is currently at capacity, due to the increase in the use of solar panels and other electrification efforts. Thus, the supply-chain and grid access issues are creating real bottlenecks when it comes to social housing providers adopting more sustainable energy practices, and making the necessary transition away from gas.

When it comes to the construction of new social housing, under the Performance Agreements 250,000 new social homes will be built by 2030. In addition 50,000 new intermediate rental homes will be built to help those whose incomes are too high to access social housing, but too low to affordably access private market housing.

However, as with renovations, there are many issues that are acting as headwinds to the achievement of newbuild targets. The most notable issue is the lack of land. 'Hoarding' or 'land speculation' by private owners of land are issues that need to be resolved. At the same time, labour force, supply-chain, and cost issues are also important. The slow permitting process has also been cited as a factor leading to bottlenecks in the development of new social dwellings.



1 _ See : <https://woononderzoek.nl/mosaic/dashboard/7--duurzaamheid-en-energie>

2 _ See : <https://aedes.nl/nationale-prestatieafspraken/wat-omvatten-de-nationale-prestatieafspraken-op-hoofdpijnen>

COST OF LIVING CRISIS

Research by the TNO research group suggests that between 2020 and 2022 the number of households living in energy poverty increased by 90,000, across all tenures. As a result, 600,000 households in the Netherlands are thought to live in energy poverty³. **TNO estimates that the costs for energy (heating and electricity) have gone up from €125 per month to €190 per month for the average household.** As a result, the estimated energy poverty rate has increased from 9% to 12.7% from 2020 to 2022.

The Government has taken some measures to try and combat the increases in the cost of living. In 2022, each household received €380 cashback from their electricity supplier. In 2023, the government set a price cap on gas, district heating and electricity. For consumption of up to 1,200 m³ of natural gas, the price cap is set at €1.45; for district heating it is set at 37 GJ and €47.39 per GJ; and for electricity it is set at 2,900 kWh and €0.40 per kWh. However, at present these price controls are only effective in 2023, and thus the outlook for vulnerable households in 2024 is unclear.

In addition, social housing companies have provided energy coaching (e.g., guidance on how to operate heating and ventilation systems, or how to ventilate properly) and sent teams of technicians to their dwellings to install small non-intrusive energy saving measures (e.g., foil behind radiators, foam strips that stop draught, LED-bulbs, etc.). The aforementioned renovations of the poorest performing homes will also help to reduce the energy bills paid by many social tenants. In addition, social housing providers report that there has been an increase in tenants requesting thermal and efficiency renovations in their homes.

OTHER RECENT DEVELOPMENTS

One major development for social housing providers is that the so-called 'landlord levy' (*Verhuurderheffing*) has been repealed. The levy was a tax on social housing providers, which in turn reduced their available capital for construction and renovation activities. Indeed, nearly €14 billion in levies was paid by social housing providers by the time it was abolished earlier this year. The signing of the National Performance Agreements was agreed as part of the Government's decision to lift the levy. However, finding solutions to the aforementioned issues related to land, skilled labour, costs, and supply-chain issues needs to be resolved in order to make sure that the Agreements can be fulfilled, and the benefits of the lifting of the levy are maximised during the coming years.



3 _ <https://www.rijksoverheid.nl/documenten/rapporten/2023/01/27/tno-rapport-energiearmoede-in-nederland-2022>

Norway

Photographer: Nadia Frantsen for NBBL.

➔ **HOUSING STOCK** **2,694,000**
(occupied 2023)

➔ Municipal Housing:	108,000 (4%)
➔ Cooperative Housing:	371,000 (14%)
➔ Apartment Associations:	363,000 (13%)
➔ Independent Owner-Occupiers:	1,347,000 (50%)
➔ Private Rent:	385,000 (14%)
➔ Non-commercial Rent: (e.g., student housing)	55,000 (2%)
➔ Other rental: (e.g., from family)	65,000 (2%)

SOURCE : NBBL, based on statistics from SSB – Statistics Norway.

NOTE : 'Independent owner-occupiers' are those who are neither part of a housing cooperative or a condominium association, and primarily represent private single-family dwellings. Apartment associations are distinct from cooperative housing, as they represent a collection of individuals, rather than a single legal 'company', as is the case for cooperatives.

The Cooperative Housing Federation of Norway (NBBL) is a national membership association that represents 41 co-operative housing associations—so-called building co-operatives. 14,700 housing co-operatives and condominiums, counting 570,000 housing units, are managed by these member associations. The 41 associations have a total of 1,135,000 members.

Cooperative Housing: 14%

ENERGY IN THE EXISTING STOCK

Based on EPC ratings, the overall residential building stock in Norway is in need of reinforced efforts on renovations. The latest data show that around 60% of homes are rated E, F, or G. Only 11% of homes are rated as A or B. While there are no specific figures available, cooperative housing associations affiliated with the NBBL are likely to be broadly in line with the overall national EPC data.

However, **while the energy performance of the Norwegian housing stock could certainly be improved, the impetus to do so may be weaker than in many other countries in Europe. This reflects the fact that the energy market in the country is almost completely decarbonised**, as Norway's landscape has led to the development of a primarily clean hydropower-based system. This has also allowed the country to, since 2016, ban the installation of fossil fuel-based heating systems and, since 2020, the use of heating oil; with most homes now completely electricity-based.



Energy source		Percentage of final consumption (households)
Electricity	→	83.2%
Wood	→	13.0%
District heating	→	3.6%
LPG, heavy oil	→	0.2%
Natural gas	→	0.0%

As a result, and as the IEA concluded in a recent review of Norway, **“many of the easy wins for reducing emissions have already been achieved and the remaining emissions reductions will be more complex”**¹. One measure that has been taken, though, is that since 2016 all new homes or deep renovations must be to passive standard.

RENOVATION AND CONSTRUCTION ISSUES

There are currently no strict renovation or construction targets for residential buildings in Norway. At the same time, the number of homes that are renovated each year is not known, as public agencies do not gather such information. On the hand, we do know that the number of new homes being built is declining. Indeed, in 2022, the construction of just 23,000 new homes commenced. This compares to a recent peak of around 34,000 homes in early 2017.

There are many factors behind this recent trend. The cost of construction has risen, and labour shortages are also reported. More fundamentally, **demand for housing has softened, with higher interest rates, energy prices, and general housing market uncertainty all issues that cast doubt on the viability of new construction projects.**

¹ <https://www.iea.org/reports/norway-2022/executive-summary>

COST OF LIVING CRISIS

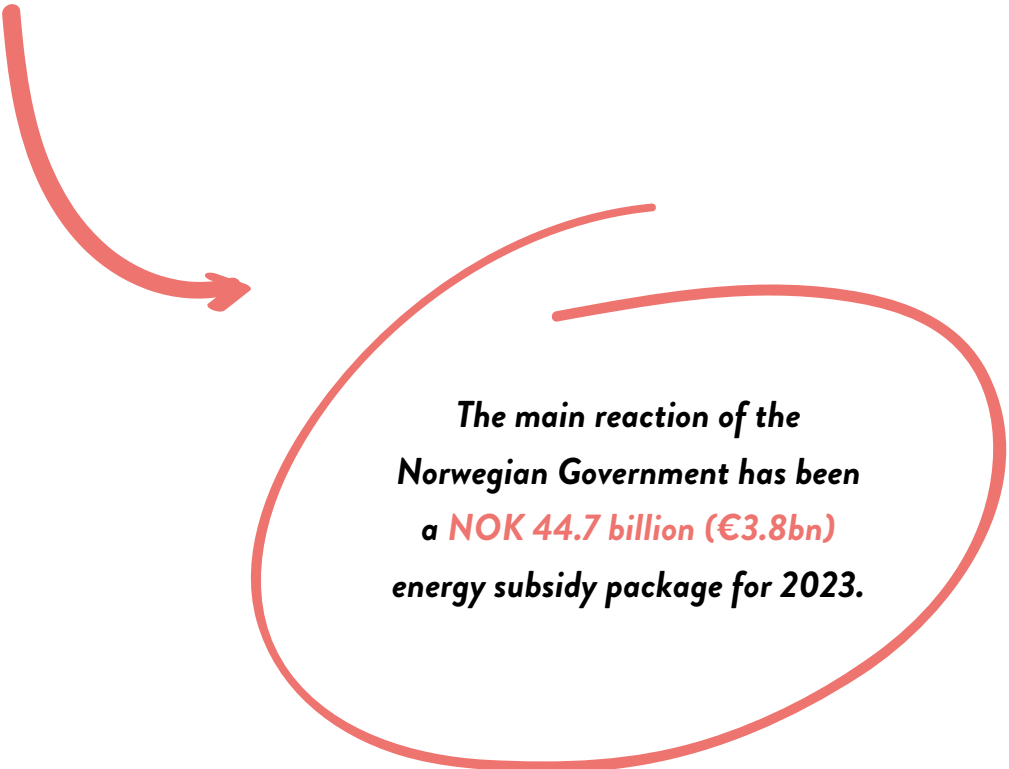
Low income households have been particularly impacted by the increase in the cost of living, as they dedicate more of their disposable income to energy. **The main reaction of the Norwegian Government has been a NOK 44.7 billion (€3.8bn) energy subsidy package for 2023.**

Under the package, when the average market price (electricity spot price) for the month exceeds 70 øre (€0.06) per kilowatt hour (kWh), the state will pay a percentage of the excess cost above this rate. This excess rate will be higher during traditionally colder months. For example, in the period April-September the excess will be paid at a rate of 80%, while in October-December it will be at 90%. This support measure also applies to jointly measured household consumption in cooperative housing associations and condominiums. Lower income households (estimated to be around 100,000 in total) can avail of higher allowances.

OTHER RECENT DEVELOPMENTS

The expectation of the NBBL is that house prices will remain high, in part due to the fall-off in construction rates. As such, for many households, becoming a homeowner will remain difficult.

However, **many of the cooperative housing associations in Norway have created home purchase models such as “rent-to-own” and “shared ownership” to help households household who might otherwise struggle.** This may be particularly relevant for younger people who have the income to service a mortgage, but who cannot easily access mortgage financing due to macroprudential and other banking rules².



The main reaction of the Norwegian Government has been a NOK 44.7 billion (€3.8bn) energy subsidy package for 2023.

² _ See : <https://www.nbbl.no/boligpolitikk/boligetablering/leie-til-eie/>



Slovenia

📍 Location: a new neighbourhood Pod Pekrsko gorco in Maribor.

➔ **HOUSING STOCK** **698,747**
(in 2021, excl. unoccupied)¹

- ➔ **Owner-occupier:** 549,652 (79%)
- ➔ **Rented:** 63,119 (9%)
 - Of which, public housing: 35,391 (5%)
 - Of which, private landlords: 27,728 (4%)
- ➔ **Other:** 85,976 (12%)

Total Public Housing 5%

SOURCE : Housing Europe, based on Republic of Slovenia Statistical Office.
NOTE : 'Other' primarily consists of "user dwellings", which are homes in which the occupants neither own the property or pay rent for its use. The owners are typically relatives or friends.

The Housing Fund of the Republic of Slovenia (HFRS) is a public fund that finances and implements the national housing programme, promotes house building, renewal and maintenance of flats as well as residential buildings. The HFRS provides approximately 7,000 rental apartments, making the largest single provider of public housing in Slovenia.

¹ <https://www.stat.si/StatWeb/en/News/Index/10265>

ENERGY IN THE EXISTING STOCK

The largest provider of public housing in Slovenia is **the Housing Funds of the Republic of Slovenia (HFRS), which controls roughly 7,000 homes directly and through two subsidiaries.**

In terms of the stock of homes that it manages, there is a mix of older socialist-era buildings, and newer homes. The difference in the energy performance across its stock of homes is, not surprisingly, quite pronounced.

The HFRS notes that about 35% of its stock is over 40 years old, and is mostly E, F, or G in terms of its EPC rating. However, around 20% of its stock of public housing has been built in the last seven years, and is A or B. The balance is mostly C or D rated housing.

In terms of the overall performance of the housing stock in Slovenia, data show that there has been a marked improvement in energy efficiency and performance. Indeed, **final residential energy consumption of the entire housing stock in 2018 was 5.4 % lower than in 2000².** Interestingly, the improved energy efficiency of homes was able to more than cancel out the impact of factors such as the larger size of homes, the greater number of homes, and the increased use of electrical appliances. Government policies such as financial incentives to replace old and inefficient heating systems, stricter technical requirements for building performance, and incentives to renovate older homes were all important in achieving this result.

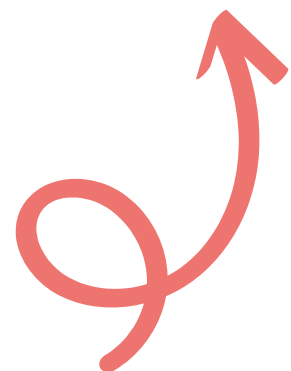
RENOVATION AND CONSTRUCTION ISSUES

The main priority that has been set for the HFRS by the government has been to develop new affordable housing, either directly or through other non-profit providers that it supports. Thus, within its current budget and available financing, newbuild homes are the priority, rather than renovations.

However, **when it comes to renovations, the current high cost of materials and some issues around the supply of labour are acting as headwinds.** Another issue that needs to be resolved is that while renovations can lead to lower utility bills for tenants, it does not impact their rent. As such, funding such investments poses a challenge for the HFRS and other public housing providers.

In terms of the new construction of affordable housing, certain targets are set out as part of the Government's housing strategy. While the HFRS is broadly managing to reach its targets,

the last two years has seen some challenges and disruptions. COVID, higher costs, and the war in Ukraine were all obstacles. This led to, amongst other things, higher than anticipated procurement costs, as well as issues with the completion of on-going housing projects, with some contractors looking for additional compensation to cover their own costs on the projects. Many planned projects were also delayed or had their deadlines extended. **The HFRS judges that the medium-term outlook for new construction remains challenging. Factors like access to developable land and poor transport infrastructure to service areas where new homes could be built add to this assessment.**



2 _ <https://www.odyssee-mure.eu/publications/efficiency-trends-policies-profiles/slovenia.html#buildings>

COST OF LIVING CRISIS

Energy prices rose sharply in Slovenia during the last two years. Indeed, when energy prices reached their recent peak in July 2022, they were 56% higher than they had been at the start of 2021. While energy prices have declined slightly in recent months, they are still well above where they were in early 2021. **Overall price inflation remains extremely elevated, holding in a 9-10% range since late 2022.**

As a result of the sharp increase in the cost of living, the Slovenian state adopted financial measures to aid the most vulnerable groups of the population. At the same time, the Government has taken measures to reduce the cost of electricity and natural gas more generally. In September 2022, it set the maximum permitted retail price of electricity for household and small business customers, and it also set the maximum permitted retail price for natural gas from the system for some protected customers.

Despite this, **many households have still found themselves in greater financial distress. In the case of tenants, this can create some issues for the housing system.** In the event that a tenant cannot pay their rent, the owner of the apartment has subsidiarity responsibility for paying these costs. The obligation of the tenant expires one year from the end of the year in which the claim becomes due for payment. As court proceedings can take a long time, and also given that there is a lot of sympathy for households who find themselves in financial difficulties, the end result can be that building owners must accept a loss from unpaid bills. However, this can in turn limit the available resources of housing providers to finance new housing projects.

The HFRS has adopted a number of approaches to try to work with its tenants to help with their higher living costs. This includes energy coaching, offering guidance on how to access available benefits, deferral of rents, deploying teams to carry small-scale renovations to improve thermal comfort, and accelerating the roll-out of renewable energy, like solar PV.

OTHER RECENT DEVELOPMENTS

Responsibility for housing policy has recently been transferred from the Ministry of the Environment and Spatial Planning to the Ministry for a Solidarity-Based Future.

The Minister who is now responsible for housing, Simon Maljevac, has stated recently that:

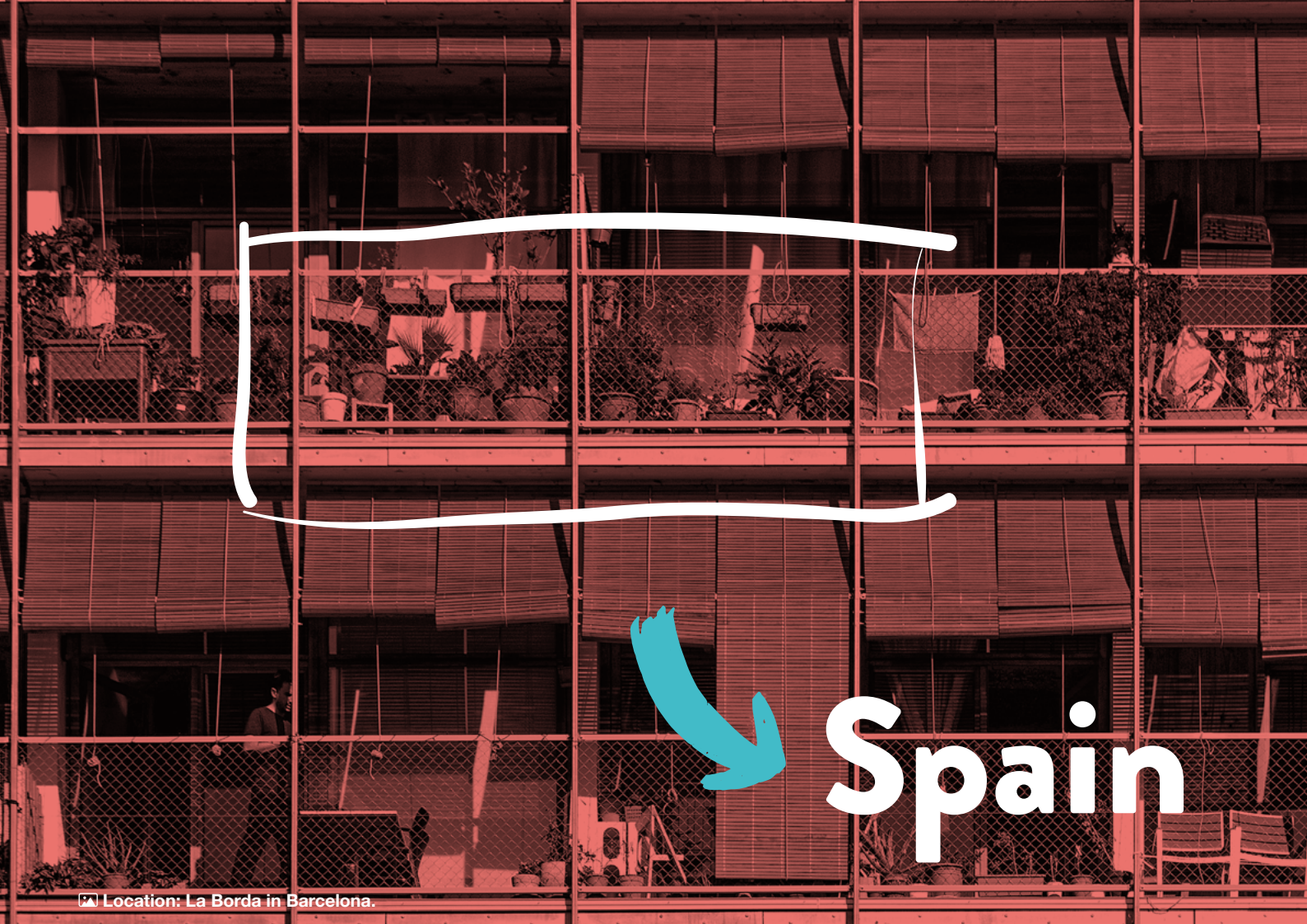
“[w]e want to establish a robust system for financing and building affordable rental housing; a system that is long-term, clear and predictable for everyone” and that “with guaranteed public funding” the state can deliver “3,000 affordable rental homes per year”.

The Minister also stated that:

“Housing is a right, not just a commodity!”³.

While the final details of the new housing strategy are not yet confirmed, the HFRS will play the most important role in the implementation of the state’s future housing scheme. This will include access to stable financing, the provision of land, and implementing foreseen changes to existing legislation on housing.

3 _ <https://www.gov.si/en/news/2023-02-07-summary-of-the-ministers-statement-on-housing-policy/>



Spain

📍 Location: La Borda in Barcelona.

➔ **HOUSING STOCK** 25,900,000
(approximately)

Tenures:

- ➔ **Owner-Occupied:** 75.4%
- ➔ **Private rent:** 14.4%
- ➔ **Subsidised rent:** 3.3%
- ➔ **Other/unknown:** 6.9%

AVS is the Spanish Association of Public Managers of Housing and Land. It brings together 145 public housing companies and entities at local and regional level. They manage 270,000 rental units and rental with an option to buy, consisting mainly of multi-family buildings (97%)

CONCOVI is the Spanish Confederation of Housing Cooperatives, a national representative association formed to defend, coordinate and assess affiliated cooperative entities.

ENERGY IN THE EXISTING STOCK

Half of the building stock in Spain was built before the 80s, without energy efficiency regulations. When the first insulation regulations appeared, an average of two to three centimeters of insulation was required; currently, some autonomous communities require 10 centimeters of insulation on the façade, so the differences are considerable. Of the 5 million buildings with an energy performance certificate in Spain, only 13,000 have a level A or maximum efficiency energy certification, 0.26%.

According to the Institute for Energy Diversification and Saving (IDAE), the Basque Country has the highest percentage of very inefficient buildings (86.52%), followed by the Canary Islands (85.48%), the Balearic Islands (84.89%), Murcia (83.84%), Valencia (83.08%) and Cantabria (82.25%). On the contrary, regions with the lowest percentage of buildings with E, F and G ratings are Navarra (72.64%), Castilla y León (76.09%), La Rioja (76.43%), Madrid (77.15%), Galicia (78.66%) and Andalucía (78.68%).

Distribution of dwellings according to energy label in Spain – EPCs for new and existing buildings

	A	B	C	D	E	F	G
New buildings total →	30,062	46,375	18,483	12,649	11,423	519	1,318
New buildings % →	24.9%	38.4%	15.3%	10.5%	9.5%	0.4%	1%
Existing buildings total →	16,811	47,033	237,003	711,083	2,803,308	57,0021	743,069
Existing buildings % →	0.3%	0.9%	4.6%	13.9%	54.7%	11.1%	14.5%

In terms of energy sources for household use, the shares among the total residential sector at national level are as follows:

Biomass →	33.96 %
Natural Gas →	25.78 %
Diesel →	24.33 %
Electricity →	7.42 %
LPG →	6.73 %
Others →	1.78 %

Data are not available for social rental housing specifically. In general, AVS members depend to a large extent on non-renewable energies supplied by gas and electricity companies, although the climatic conditions of the areas determine a greater use of one or the other source of supply.

Following the increase in the price of gas, many public housing companies are considering a change of model, promoting the electrification of the building stock as a reasonable option, complemented by maximising the surface area used for solar energy collection through photovoltaic panels. About 20% of buildings have installed solar and photovoltaic panels.

The shift towards electricity should be complementary to the energy demand reduction strategies (through insulation, double-flow ventilation, airtightness...) that have been in place for years.



RENOVATION AND CONSTRUCTION ISSUES

Many public managers of rental housing stock have set themselves the objective of reducing primary energy consumption by 60%. In addition, another essential objective of AVS is the rehabilitation of public building stocks in terms of accessibility, as a complement to the energy rehabilitation, which has been seen as increasingly necessary in the context of an ageing population.

Support for housing renovation and supply of energy efficient social housing is available since 2021 in the framework of the Recovery, Transformation and Resilience Plan. In total, 510,000 renovation actions are expected to be carried out during the entire period of the Plan, which implies an average rate of 71,000 dwellings per year. The overall objective of the actions is to reduce non-renewable energy consumption in households by at least 30% and to decarbonize and lower heating and cooling demand by at least 7%.

This represents a huge opportunity for transformation, renovation and supply of housing, but it risks being overshadowed by the following challenges: the increase in construction costs and lack of qualified workforce in the construction sector, and the increase in interest rates. All these elements risk slowing down the implementation of the programme which is characterized by particularly stringent deadlines¹.

Furthermore, following transfer of funding from the national level to the regional 'autonomous communities', competence for implementation lies at the regional and local level, which can create administrative and bureaucratic problems. To accelerate renovation of the city's aging and energy-vulnerable housing and uptake of available funding, the Barcelona Metropolitan Housing Observatory recently researched the potential for energy-efficient rehabilitation of the residential stock, in the framework of Next generation EU funds². The data generated through the energy simulation of this project has recently been utilized to create an open-access web portal, where citizens can verify which improvements are applicable to their building, the economic savings they produce and how they can finance them with the help of Next Generation EU funds.

COST OF LIVING CRISIS

Measures have been taken by the Spanish government to deal with increasing energy prices:

- The so-called 'Iberian exemption' - a "political agreement" with the EU to cap the price of gas used to generate electricity at an average of €50 per megawatt hour
- A cheaper tariff that will benefit those who have a heating system based on a boiler owned by the community of homeowners, extending the advantages of last resort gas tariffs for small consumers, be they SMEs or families
- Extending the thermal social bonus.
- Strengthening the electricity social bonus.
- Making industrial contracts more flexible and bills more transparent.

Furthermore, housing companies have developed specific information and support services, and implemented workshops and campaigns towards their residents in order to reduce energy consumption.

OTHER RECENT DEVELOPMENTS

Housing providers are looking into innovative practices such as cohousing and intergenerational living. Another key area for development is digitalisation, as well as industrialization of construction processes and circularity.

1 _ Montes Maria (2022), Recovery Plan in Spain - focusign on hosuing: from expectation to reality. Presentation at GEBALIS Conference, Lisbon, 15 November 2022.

2 _ Mireia Sender Marti (2023), Potential for residential building renovation in the city of Barcelona in relation to the Next Generation EU funds. Observatori Metropolità de l'Habitatge de Barcelona.

Sweden

➔ **HOUSING STOCK** **5,158,699**

(in 2022)¹

- ➔ **Public Rental Housing:** 834,083 (16%)
- ➔ **Cooperative Housing:** 1,245,806 (24%)
- ➔ **Owner-occupiers:** 2,056,234 (40%)
- ➔ **Private Rental:** 785,457 (15%)
- ➔ **Other:** 237,119 (5%)

Public Housing Sweden (Sveriges Allmännyttan) is the organisation of municipally owned public housing companies and long-term private housing companies that contribute to the public interest in Sweden. Their over 300 member organisation provide more than 950,000 homes in Sweden.

HSB Riksförbund is a member-owned, cooperative organisation that works with housing savings, construction and management. HSB has about 545,000 members, 3,900 tenant-owner associations, and 31 regional associations.

Riksbyggen is a cooperative company, and one of Sweden's largest property managers working with condominium associations, companies and public property owners. It manages over 200,000 apartments in over 4,400 local associations. In addition, they manage more than 100,000 rental apartments in Sweden.

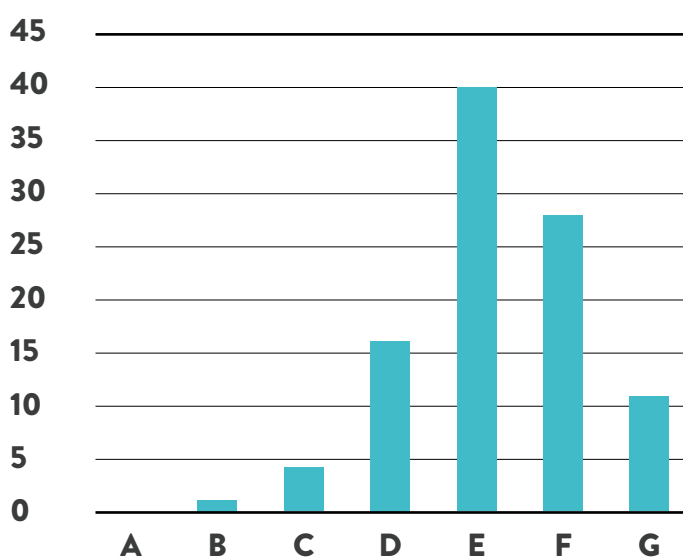
Cooperative Housing: 24%

¹ https://www.statistikdatabasen.scb.se/pxweb/en/ssd/START_BO/BO0104/BO0104D/BO0104T03/

ENERGY IN THE EXISTING STOCK

In Sweden, providers of public rental housing are represented by Public Housing Sweden (PHS). Local cooperative housing associations are represented at the national level by either HSB Riksförbund or Riksbyggen. While none of the national federations have specific information on the energy performance of its members, given the type of homes provided and when they were built, the public and cooperative housing stocks are likely to be broadly in line with the overall national picture.

EPC Rating of Swedish Multi-Dwelling Buildings (%)



While few apartments in Sweden manage to obtain the highest energy performance ratings, it is also the case that the energy consumed in these homes is amongst the least carbon-intensive in Europe, meaning that lower energy performance is generally not translated into higher CO₂ emissions. Indeed, looking just at multi-family buildings, 90% of heating needs are met through district heating schemes, with around a third of these using district heating in combination with other energy sources – mainly heat pumps. Around 85% of the district heating is based on renewable sources.

In the cooperative housing sector, HSB notes that around 95% of new or renovated buildings are connected to district heating networks. Riksbyggen notes that other than district heating, its cooperative members also derive energy from biofuels.

RENOVATION AND CONSTRUCTION ISSUES

There is a need for PHS members to renovate their stock of housing, as almost half of these homes were built in the period 1960-1975. However, there are no current national renovation targets, with each public housing company setting its own renovation agenda. PHS members renovate or reconstruct around 12,000-15,000 homes each year². However, there are a number of challenges at present to carrying out renovations. The most significant among these is the cost, with higher prices for materials acting as a serious headwind. A lack of financing is also a major obstacle at the present time.

In terms of the delivery of new homes by public housing companies, 8,500 new homes are expected to be built in 2023, which is in line with pre-COVID levels. However, there are significant issues and obstacles to delivering new homes in Sweden. This includes costs, lack of financing, lack of available land, and weak political support for such investments in some areas. There is also a lack of competition when it comes to the number of construction firms capable of developing multi-family building projects.

In terms of housing cooperatives, HSB has set out climate goals to be reached by 2040, with interim reviews every five years, beginning in 2025. Renovation of existing buildings will be the most important part of its strategy, though the final outcome of the ongoing revision of the Energy Performance of Buildings Directive (EPBD) may alter the current plans. Meantime, Riksbyggen-linked cooperatives are developing their own voluntary climate strategies. The obstacles to renovations in the cooperative sector are familiar, with the current cost of materials and other inputs top of the list. A lack of financing is also an issue, with the cost of renovations having to be met by the members of each local cooperative. Higher borrowing costs are thus an important recent development.

When it comes to the development of new cooperative housing units, HSB has an objective to deliver 2,000 additional homes a year, while the goal from Riksbyggen is 2,500. However, meeting these objectives may prove to be somewhat challenging. The cost of new delivery is cited as a major obstacle. Accessing land is also seen as an issue. At the same time, both HSB and Riksbyggen note the headwinds coming from the current economic situation in Sweden. It means that new construction of apartments is decreasing rapidly all over the country, due to increasing interest rate levels, inflation and uncertainty on the part of construction firms regarding the actual final cost of delivering new homes.

2 _ <https://www.sverigesallmannytta.se/allmannyttan/statistik/>

COST OF LIVING CRISIS

Public housing companies have taken a number of measures to shield their tenants from the increase in the cost of living. For example, recent rent increases were lower than what was permissible. For those living in cooperative housing, the situation is somewhat different, as they are what is referred to in Sweden as “tenant owners”, with responsibility for the costs of their own homes. Having said that, cooperative associations did work with tenant owners to help them to better access available financial supports. Energy coaching was also used by some cooperatives, as well as public housing providers.

Going forward, it is noted that the current cost of living crisis has helped to reemphasise the need for the quicker rollout of renovation and solar PV installation programmes by both public and cooperative providers. However, in the absence of additional financial supports from government or public agencies, this might mean that in some cases existing funds are simply diverted from other projects deemed to be less essential in the current context, meaning the net investment in the sector would be the same.

For its part, the Swedish Government has adopted a package of cost of living measures. For example, during winter months, a grant was provided to households consuming >700 kWh electricity per month. Other direct household grants were provided for all households. Some regionally specific grants were also provided by regional governments.



OTHER RECENT DEVELOPMENTS

While already high by EU standards, the cost of construction in Sweden has increased even further. Indeed, figures from Eurostat show that the Construction Cost Index for new residential buildings increased by 22% from the end of 2020 to the end of 2022. A recent report from PHS looked at this issue. It showed that many public housing companies have received notices of increased construction prices, even in buildings with agreed fixed price contracts with construction companies. This has led to great uncertainty about what the final cost of construction projects will be³.

Meanwhile, according to the Swedish Financial Supervisory Authority (Finansinspektionen), rising interest rates are putting much greater pressure on household finances, including some tenant owners in cooperatives. For many households, interest payments have become a growing expense, and for new borrowers, 12% of their disposable income on average is spent on interest rate payments alone. This is almost three times as high as the same figure in 2021. Based on current forecasts, interest rate payments could increase to almost 16 per cent of disposable income by the end of 2023⁴.

For households that experience financial difficulties, the banks may grant exemption from the amortisation requirement. The exemption is being applied to a significantly higher extent today than in the past few years. Between September 2022 and the end of February 2023, approximately 15,000 mortgage customers received a temporary exemption from the amortisation requirement. As many tenant owners in the cooperative sector are also mortgage holders, they are also exposed to higher interest rates. Over half of mortgage holders in Sweden have variable rate mortgages, which rise (or fall) in line with central bank interest rates. The Swedish Central Bank's main interest rate rose sharply during 2022 and the first part of 2023, reaching 3.5% in May 2023. It has previously been at either zero or negative for the majority of the period since the end of 2014.

3 _ <https://www.sverigesallmannytta.se/trycksaker/onormala-prishojningar-i-byggandet/>

4 _ <https://fi.se/en/published/press-releases/2023/rising-interest-costs-putting-pressure-on-mortgagors/>



Northern Ireland

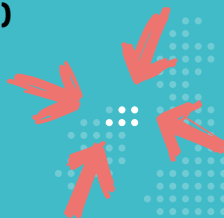
📍 Location: Northern Ireland Housing Executive retrofit pilot project.

➔ HOUSING STOCK **822,083**

- ➔ Social housing: **106,871 (13%)**
 - Of which: Northern Ireland Housing Executive (NIHE): **73,988 (9%)**
 - Of which: Housing Association: **32,883 (4%)**
- ➔ Owner-occupier: **600,121 (73%)**
- ➔ Private rented: **106,871 (13%)**
- ➔ Rent free: **8,221 (1%)**

Total Social Housing: **13%**

SOURCE : Housing Europe estimates, based on Northern Irish Department for Communities data
NOTE : Figures for social housing are likely to be an underestimate of the true value, with the NIHE recently reporting that it owned over 80,000 homes.



The Northern Ireland Housing Executive (NIHE) is the strategic housing authority for Northern Ireland, as well as being the largest provider of social housing in the nation. Their strategic work includes assessing housing need, managing the Social Housing Development Programme (SHDP) with our partner housing association, supporting services for the homeless, and producing research.

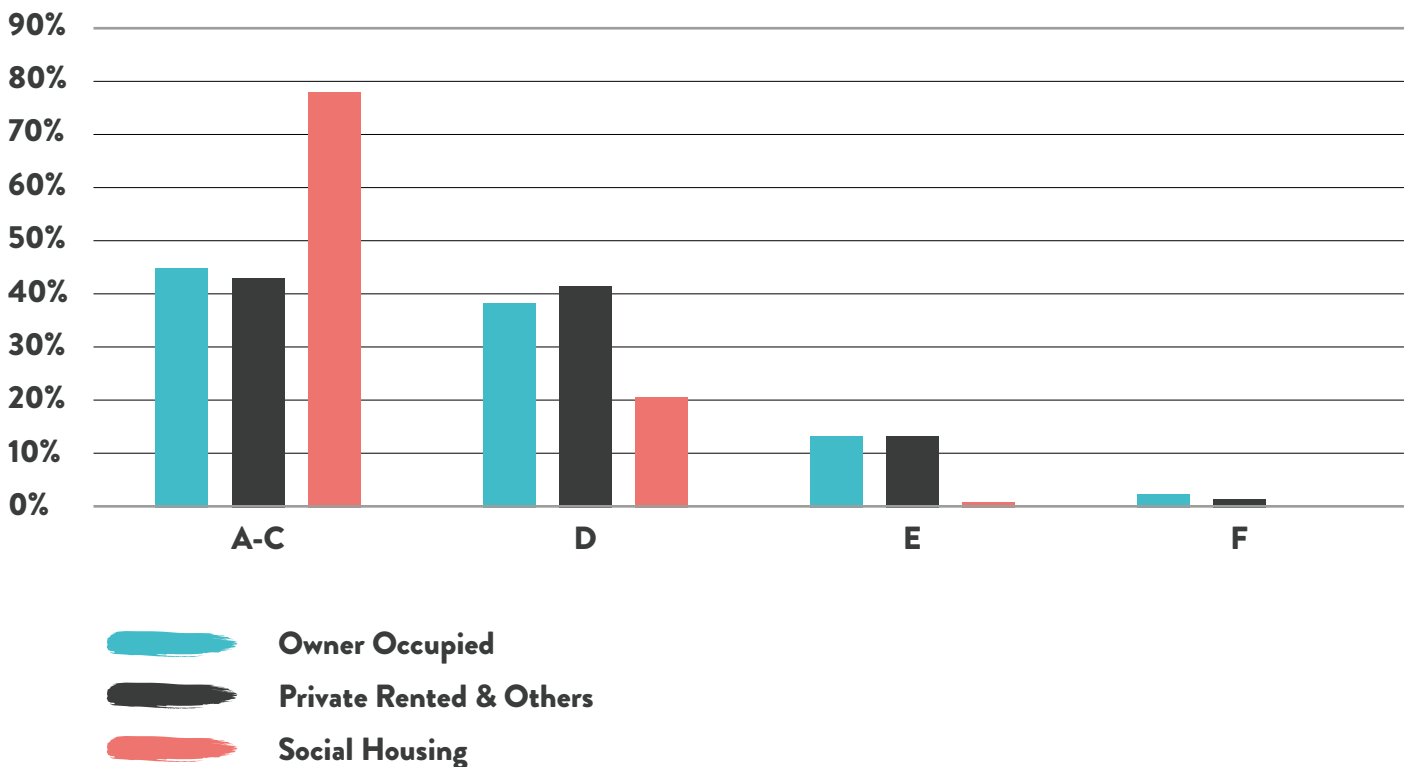
ENERGY IN THE EXISTING STOCK

The Northern Ireland Housing Executive (NIHE) carries out periodic reviews of its housing stock, with the next review to be carried out in 2023. The most recent review for which we have complete figures comes from 2016¹. It showed that **close to 80% of the total social housing stock in Northern Ireland (i.e., both NIHE and Housing Associations) achieved an A-C EPC rating**. This is significantly better than both the owner-occupied (45%) and private rented (43%) sectors.

In terms of the power used by NIHE-provided homes, this is primarily electricity from the national grid, with the exception of a very small number of properties (around 1.2% of stock) that had solar PV panels installed as part of a pilot project in 2016. As regards heating, there is still a strong reliance on fossil fuels, with gas (62%) and oil (34%) the main sources, way ahead of electricity-based heating systems (3%) and a very small amount of homes that still use solid fuels (1%). At present, district

heating systems have not been used in NIHE homes. In addition to the small number of homes with solar panels, a pilot project has seen the installation of heat pumps or hybrid heat pumps in a small number of homes. In the event that sufficient funding becomes available to deliver a retrofit programme at scale, **the Housing Executive's preference is to take a 'fabric first' approach to energy efficiency, focusing on improving insulation to reduce heat loss and thereby reduce energy use and cost.**

EPC Rating of the Northern Irish Housing Stock (% of total, 2016)



SOURCE : 2016 Northern Ireland House Condition Survey.

1 _ <https://www.nihe.gov.uk/working-with-us/research/house-condition-survey>

RENOVATION AND CONSTRUCTION ISSUES

The NIHE's renovation and investment programme is primarily delivered through estate-based cyclical component renewal schemes, some single element (e.g. kitchens, bathrooms, windows, heating, roofs etc.) and some, where appropriate, multi-element (e.g. combined bathroom/kitchen/rewire schemes).

The Housing Executive is continuing to improve heating, loft insulation and windows as part of its planned maintenance programme, all of which helps the energy efficiency of the properties concerned. Total planned spending in 2022/23 is approximately £260 million. In recent times, the NIHE has also developed and begun to implement its 'Tower Blocks Action Plan'², which aims to improve the quality of its stock of multi-family buildings through a mixture of refurbishment, demolition, redevelopment and sale.

The NIHE has, as part of its Sustainable Development Strategy, a target of achieving an EPC Band C or above across all of its dwellings by 2030. However, this is entirely predicated on a long-term sustainable funding solution being developed to allow it to achieve this goal. **The Housing Executive continues to experience a significant shortfall in the funding required to meet its current and future stock investment needs.**

Although, the Department for Communities, which oversees social housing matters, has initiated a project – *Housing Executive Revitalisation* – to develop a long-term sustainable solution to providing the necessary funding to allow the NIHE to tackle the maintenance backlog, achieve and maintain a modern standard of social housing, and introduce and deliver a stock-wide energy efficiency/decarbonisation retrofit programme³.

While funding is the key constraint in terms of the delivery of the necessary investment programme for the existing NIHE stock, there are also delivery issues related to the impact of the rising cost of materials and labour; while some of the specific skills required to renovate or retrofit homes are lacking. In addition, there is a relatively small number of contractors in Northern Ireland who are currently interested in tendering for NIHE contracts.

When it comes to the new development of social housing in Northern Ireland, this is carried out by the various Housing Associations, rather than the NIHE; which has not built new housing in over 20 years. The NIHE does, though, manage the three-year rolling Social Housing Development Programme (SHDP) and associated funds that are used by the Housing Associations to build new homes. **Of the 7,298 new dwellings built in Northern Ireland in the 2021/22 financial year, 922 were developed by Housing Associations, or around 13%.**

The construction of 1,713 new social homes began in the same period. The headline SHDP delivery target is to secure a minimum number of annual new social housing starts, which is set at 1,950 units for 2022/23. The current intention is to incrementally increase the starts targets for the next three-year period to 2,000 units in 2023/24, 2,050 units in 2024/25 and 2,100 units in 2025/26 – subject to the availability of funding.

The main factor that is currently holding back the development of new social dwellings in Northern Ireland is seen as being the current legal and regulatory framework, with the length of time taken to secure Planning Approval the main issue. The cost of materials and the lack of affordable land are also significant issues that need to be addressed.

2 _ See : <https://www.nihe.gov.uk/about-us/corporate-strategies/tower-block-strategy>

3 _ See : <https://www.communities-ni.gov.uk/news/hargey-updates-housing-council-housing-executive-revitalisation>

COST OF LIVING CRISIS

Northern Ireland has the UK's highest proportion of low paid jobs (almost one in five), the lowest discretionary disposable income, and local households spend disproportionately higher amounts of their income on energy, food and fuel relative to the rest of the United Kingdom. Home heating oil prices in Northern Ireland were more than double the ten-year average in mid-2022. It was estimated that the combined effect of heating, electricity and fuel price increases meant the average household (irrespective of tenure) would have to find an extra £1,300 or more to cover higher utilities bills⁴.

By summer 2022, the rise in the cost of living had already started to impact Housing Executive tenants in relation to income collection and tenants' ability to make payment for rent and local property taxes. **Net current arrears had increased by £614,000 since the start of 2022/23. It was estimated that approximately £171,000 of the increase was primarily due to the impact of the cost of living increases** (including energy costs) affecting Housing Executive tenants, with the balance due to reforms of the social welfare system.

In a development that slightly pre-dates the onset of the cost of living crisis, the Housing Executive has been delivering its financial inclusion services through Financial Inclusion Managers since 2020. The key role of these managers is to improve the financial wellbeing of tenants by, amongst other things, performing benefit checks to ensure tenants are receiving everything they are entitled to; helping to resolve outstanding claims for benefits, Resolving complex benefit problems and advocating for tenants in the claim or appeals process where necessary, and providing debt advice and onward referral to specialist debt services. Additional staff are planned to be recruited to expand the current programme. In addition, the NIHE has been providing "energy coaching" to tenants, to help them to become more efficient in their use of energy, and thus reduce their bills.

In early 2023, households in Northern Ireland received a single payment totalling £600 to help with their energy bills. The payment was made up of the Energy Bills Support Scheme (£400) and the Alternative Fuel Payment (£200), and was provided by the UK government through electricity suppliers. This was in addition to UK-wide income and support measures developed by the Government in Westminster.

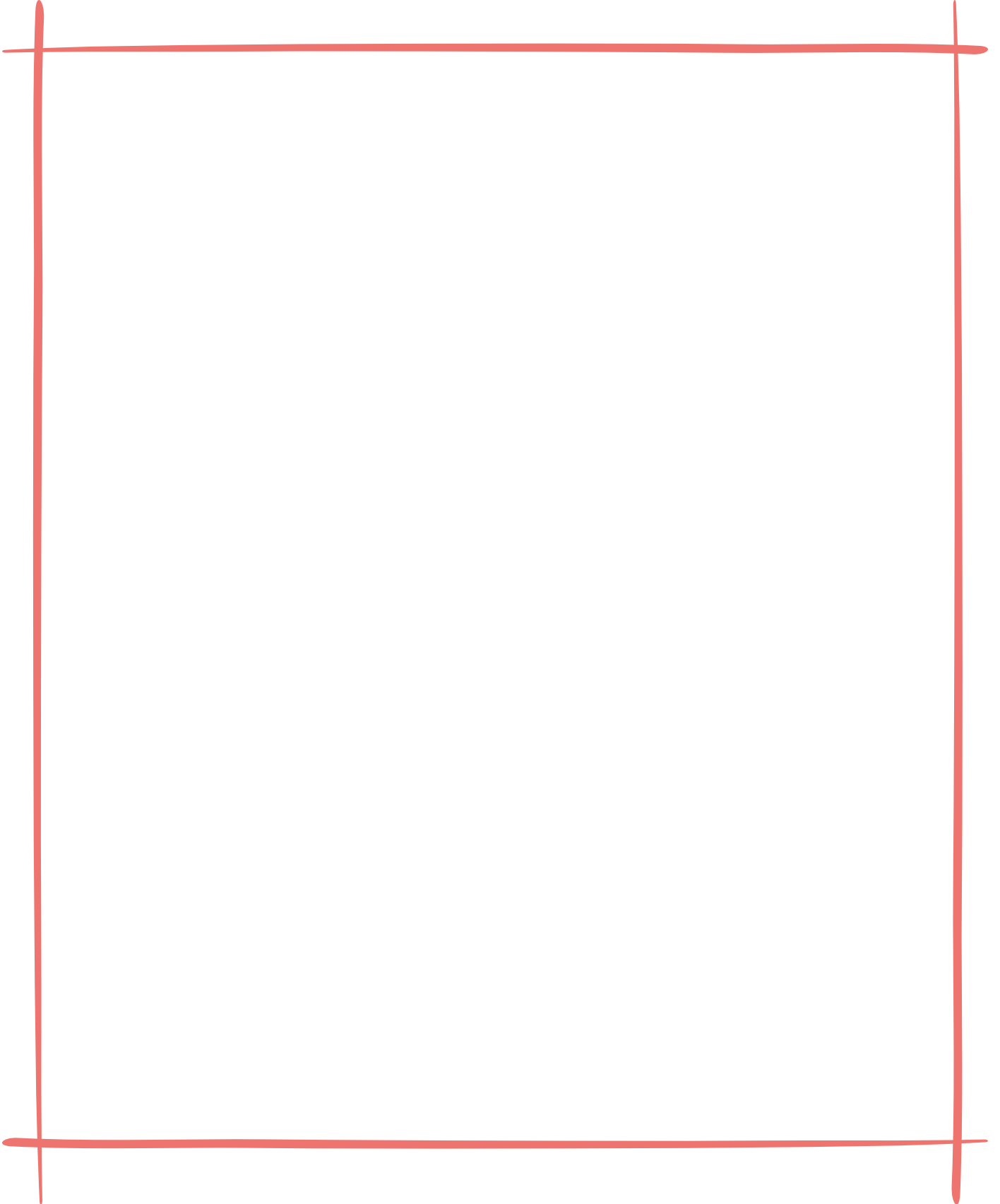
OTHER RECENT DEVELOPMENTS

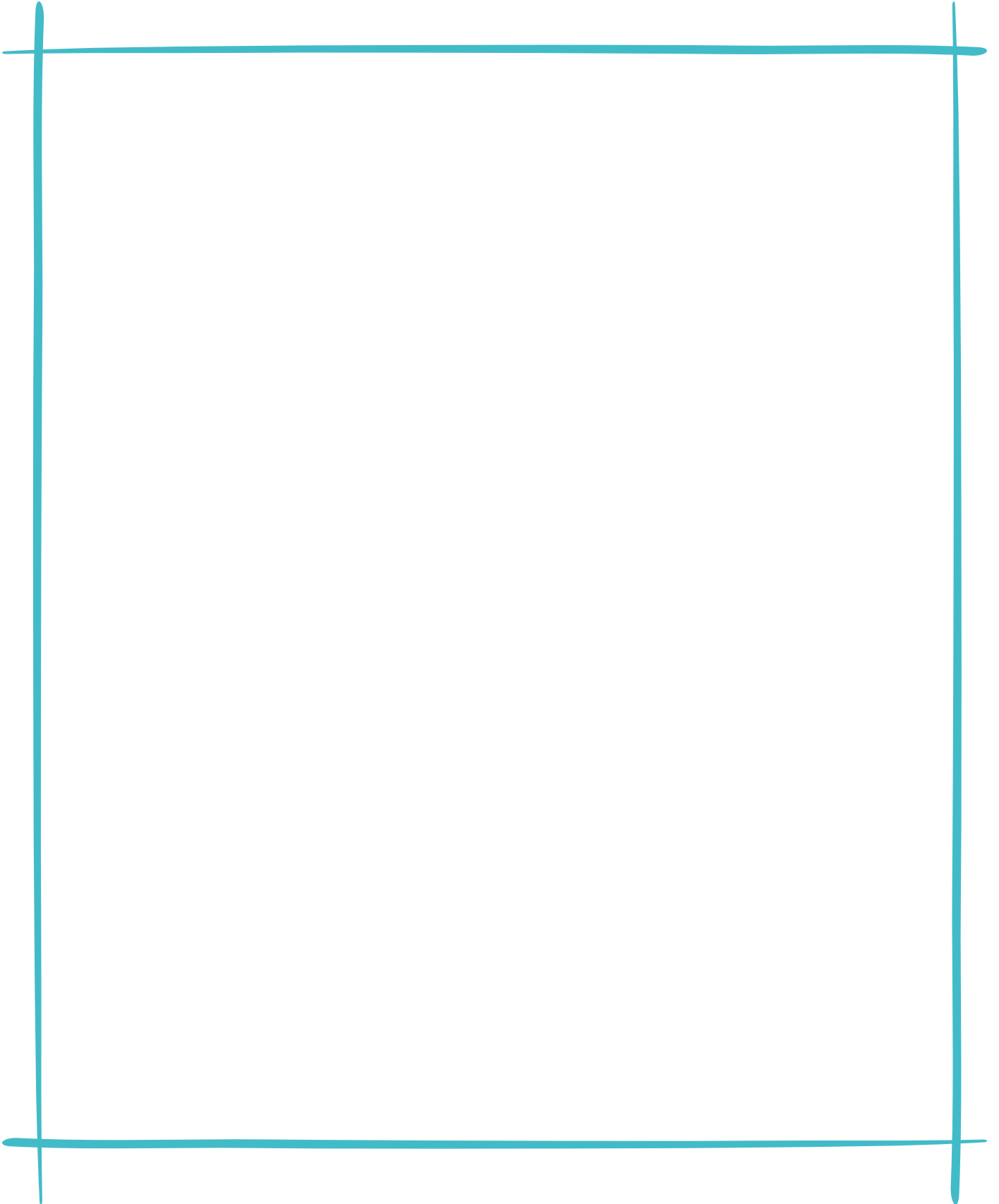
The local political context has been, and remains, a key determinant of the work of the Housing Executive and the housing sector generally. In February 2022, the power-sharing government of Northern Ireland collapsed. Disagreements over the status of Northern Ireland and the impact that Brexit was having was the main reason for this. Without a functioning government, there is no agreed multi-year budget for public institutions like the NIHE.

The political uncertainty impacts the ability to make strategic progress on issues such as the aforementioned Revitalisation of the Housing Executive. The organisation's ability to move forward with a significant programme of retro-fit and capital investment depends on progression of the Revitalisation project.

The Climate Change Act for Northern Ireland was adopted in 2022. It sets a target of an at least 100% reduction in net zero greenhouse gas emissions by 2050 compared to the baseline, with interim targets including a reduction of at least 48% by 2030. The Act also sets other sectoral targets including that **by 2030 at least 80% of electricity consumption should be from renewable sources**. The Housing Executive's Sustainable Development Strategy sets out its vision to work collaboratively with government and other partners to insulate homes and replace fossil fuel heating systems with 'clean heat' technologies, and encourage other housing providers to do the same.

4 _ <https://www.communityni.org/news/global-oil-price-factors-costing-northern-ireland-consumers-ps1300-year>







THE STATE OF HOUSING IN EUROPE 2023



HOUSING EUROPE IS THE EUROPEAN FEDERATION OF PUBLIC, COOPERATIVE AND SOCIAL HOUSING. ESTABLISHED IN 1988, IT IS A NETWORK OF 45 NATIONAL AND REGIONAL FEDERATIONS WHICH TOGETHER GATHER ABOUT 43.000 PUBLIC, SOCIAL AND COOPERATIVE HOUSING PROVIDERS IN 25 COUNTRIES. **ALTOGETHER THEY MANAGE OVER 25 MILLION HOMES, ABOUT 11% OF EXISTING DWELLINGS IN THE EU.** SOCIAL, PUBLIC AND CO-OPERATIVE HOUSING PROVIDERS HAVE A VISION OF A EUROPE WHICH PROVIDES ACCESS TO DECENT AND AFFORDABLE HOUSING FOR ALL IN COMMUNITIES WHICH ARE SOCIALLY, ECONOMICALLY AND ENVIRONMENTALLY SUSTAINABLE AND WHERE EVERYONE IS ENABLED TO REACH THEIR FULL POTENTIAL.

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