National Housing Policies

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Overview

- Purpose of housing policies
- How to react to market failure?
- What sort of policies?
- How do housing policies link with housing tenure across Europe?
- What instruments are and should be used?
- Essentials of effective housing policies
A general European Housing Aim

- Ensure that all households have access to decent housing at a price within their means.
- But:
  - What is “decent”?
  - What is “a price within their means”?
More specific aims

• Make housing more affordable
• Increase the supply of housing
• Improve the quality of the housing stock
• Promote increased security of tenure for some households
• Reduce homelessness
• Increase home ownership
Housing policy and other policies

- Labour markets
- Health
- Education
- Global environment
- Local environment
Market failure

Housing policies are a reaction to market failure: the failure of markets to be efficient and to be equitable.
Externalities public goods and planning

- Housing policies must be linked to land use planning policies if externality problems are to be addressed effectively
- Land use planning including housing, infrastructure, open space, social facilities is essential for effective housing policies
- Taxation and subsidies may also tackle market failure
- A strong regulatory environment is essential for effective consideration of positive and negative externalities
Institutions

• An effective set of institutional arrangements are essential for effective housing policy.
• Institutions needs to promote, support and regulate:
  • Finance
  • Building and renovation
  • Housing quality and environmental quality
  • Housing management
  • Governance
  • Land use control and building control
  • Effective property rights
Demand v Need

• Housing Demand: depends on incomes, costs, preferences, availability and cost of finance

• Housing Need: Socially determined - depends on acceptable standards of housing that are unaffordable to some
Essential housing policy problem: how to respond to a lack of demand for housing of a socially acceptable standard? What to do about unmet need?
Policy options: Demand v Supply side policies

• Arguments and ideologies

• The case for subject subsidies

• The case for object subsidies

• The externality argument
### Buildings or People?

Public funding EU28 Countries %s of total to buildings and people

<table>
<thead>
<tr>
<th></th>
<th>Capital Support</th>
<th>Housing Allowances</th>
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</thead>
<tbody>
<tr>
<td>2009</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>2015</td>
<td>25</td>
<td>75</td>
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</tbody>
</table>

Source: The State of Housing in the EU 2017 Housing Europe
## Housing Tenure

*% housing stock c2016*

<table>
<thead>
<tr>
<th></th>
<th>Owner occupation</th>
<th>Private renting</th>
<th>Social Renting</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>64.8</td>
<td>27.5</td>
<td>6.5</td>
<td>1.2</td>
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<tr>
<td>France</td>
<td>57.8</td>
<td>23.0</td>
<td>16.8</td>
<td>2.4</td>
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<tr>
<td>Germany</td>
<td>45.4</td>
<td>50.7</td>
<td>3.9</td>
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<tr>
<td>Ireland</td>
<td>67.6</td>
<td>20.6</td>
<td>8.7</td>
<td>3.1</td>
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<tr>
<td>Netherlands</td>
<td>60.0</td>
<td>10.0</td>
<td>30.0</td>
<td></td>
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<tr>
<td>Spain</td>
<td>77.1</td>
<td>13.8</td>
<td>2.5</td>
<td>6.5</td>
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<tr>
<td>UK</td>
<td>63.1</td>
<td>19.0</td>
<td>17.6</td>
<td></td>
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</tbody>
</table>

Source: The State of Housing in the EU 2017 Housing Europe
Home ownership

• Why do policy makers want more home ownership?
• Driven by efficiency, ideology or political expediency?
• Q What sort of policies best increase home ownership?
• A Those that operate at the margin
Home ownership risks

• Beware: Low income home ownership and associated lending at the centre of the GFC
• Beware: Low income home ownership can be risky for households
Housing policy essentials

- Separate the positive from the normative
- Specify the objectives of policy
- Use evidence rather than ideology to determine the best set of policy instruments
- Good policy needs to tackle market failures
- Good policy needs to reduce housing needs
- Good policy needs appropriate institutional arrangements
- Emphasise the wide economic and social benefits of efficient and equitable housing provision
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