

Affordable housing: Three Versions

**Professor Michael Oxley, Emeritus Senior Fellow
Department of Land Economy University of Cambridge,
Associate Member Cambridge Centre for Housing and
Planning Research**

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Introduction

Housing Tenure in Europe (it is not always what it seems!)

3 versions of Affordable Housing:

1. Commercially orientated housing associations
2. Affordable housing through planning
3. Privately owned but socially allocated housing

Housing Tenure % housing stock c2016

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

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

Housing Associations in England

- Independent private sector, not-for-profit bodies
- Provide rented homes at sub-market rents and access to home ownership and provide other neighbourhood and community services
- 1,775 HAs managing 2.4 million homes; smallest HA controls less than ten homes, the largest, around 140,000
- HAs are commercially orientated non-profit organisations and several are substantial developers of private sector housing. The surpluses made must be reinvested in housing
- Proceeds from market sector completions can be used to cross subsidise sub-market rental housing
- Some have stock transferred from local authorities
- Strong regulation
- Good credit ratings

Housing Association Development Funding

- Public subsidy
- Social rents offered by councils and housing associations are generally 40%-65% of market rent or lower rent. Public funding has increasingly supported “Affordable Rent” dwellings that are let at higher rents (80% of market rent) rather than “social rents”
- 70% of rents are paid directly to landlords from Housing Benefit which is a means tested housing allowance
- Private finance has become the main source of investment funding
- Bank and building society lending have predominated
- but the capital markets are becoming more important
- Larger HAs have issued their own bonds, raising large volumes of funds on the open market
- The Housing Finance Corporation (THFC) obtains funds from bond issues, (public issuance and private placements) and bank loans including funding from the European Investment Bank (EIB). It then lends to housing associations to support investment

Affordable housing through land use planning

- Section 106 arrangements involve a cross subsidy through the private development process to provide socially allocated rental and low-cost home ownership dwellings
- Over 40% affordable housing starts in England 2016/17 from S106
- Section 106 agreements (often referred to as planning obligations) are the result of site-specific negotiations between a planning authority and a private developer. In relation to affordable housing they will typically state that a given proportion of new housing on a site will be affordable
- Negotiations will take account of assessments of local housing needs and the viability of the development
- Outcome will be a mix of affordable housing and market housing on a new residential development

More on Section 106

- Developer may, exceptionally, offer a sum of money in lieu of affordable housing provision which might be accepted by a local authority
- S106 costs to a developer can be met from the increase in land values that arise from the granting of residential planning permission
- Some S106 developments are supported by public subsidy. However, the distinctive nature of S106 affordable housing is support from a cross-subsidy from the private development process
- Section 106 agreements can include more than housing e.g. transport, leisure and healthcare facilities.

What counts as private rented housing?

Categories	Ownership	Allocation
1	Private ownership by individuals and companies	By market forces Market rents
2	Private ownership by individuals and companies	Not by market forces Linked to employment or family relationships
3	Private ownership by individuals and companies	Not by market forces Social allocation criteria linked to receipt of a tax concession or soft loan Rents limited Incomes of occupants limited Concessions, rent limitations and allocation conditions often time limited
4	Non-profit organisations and public bodies	By market forces Market rents

Privately owned rental housing and social allocation

- Privately owned housing can be socially allocated
- Some privately owned rented housing is socially allocated in several countries (e.g. Belgium, France, Germany, Ireland)
- Landlords incentivised to make a social offer through:
 - Use of social rental agencies
 - Tax incentives
 - Rent guarantees
 - Risk reduction through insurance
 - Use of vouchers

Social allocation and home ownership

- Some owner occupied housing is socially allocated (e.g. Spain)
- Spain: Vivienda de Proteccion Publica (publicly protected housing)
- Subsidized by the State (e.g. grants or cheap loans). Conditions concerning size and quality are sold at prices below market to people with incomes below ceilings.

References

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Changes in housing tenure in England

	1969	1995	2017
Owner occupied	50.9	67.7	62.9
Rented privately	21.3	9.8	19.9
Rented from housing associations)		4.2	10.2
Rented from local authorities	27.8	17.6	6.7

Source: Own calculations from Ministry of Housing Communities and Local Government, 2018, Live table 104 Dwelling Stock by tenure England (Historical series) <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

Changes in housebuilding in England

	1969-70	2017-18
Total dwellings completed	306,320	185,000
Of which % by		
Local Authorities	44.2	1.2
Housing Associations	2.3	16.9
Private Enterprise	53.5	81.9

Source: Own calculations from Ministry of Housing Communities and Local Government, 2018, Live Table 209 Permanent Dwellings Completed by Country <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>