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Policy Framework and Necessary Reforms

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# **Affordable Housing – Advanced Policies in Germany and Switzerland**

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## Outline

- Introduction: Affordability vs. property market
- Social housing indicators
- Traditional approach to support affordable housing
- New market-orientated policy approaches
  - New tools in Switzerland
  - New strategy in German metropolises
- Conclusions

## Responsibility vs. Market

1. Right to adequate housing and to an adequate standard of living.  
(UN – Office of the High Commissioner for Human Rights: The right to adequate housing (Art.11 (1)), 13.12.1991. International Covenant of Economic, Social and Cultural Rights (CESCR), General Comment 4, No. 1).
2. Free market forces (*without rules and strategies concerning affordable housing*) are unable to provide sufficient affordable housing supply
3. State responsibility and public intervention necessary to care for households in unadequate living/ housing conditions

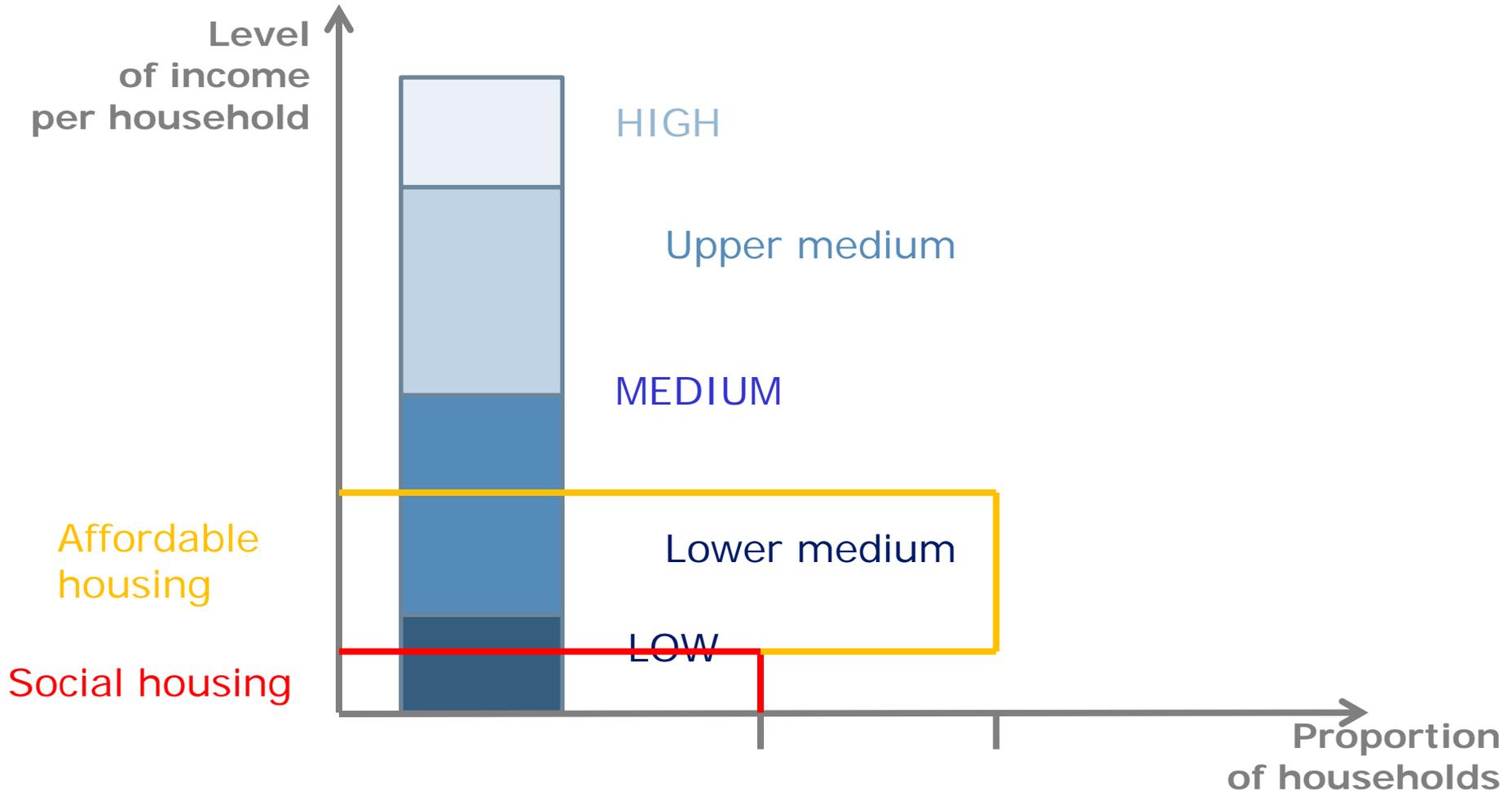
## Necessity of affordable housing

- Households considered as 'overburdened' if housing cost occupy more than 40% of disposable income
  - in 10,1 % of European households,
  - in 37 % of the population at risk of poverty (Pettini 2012)

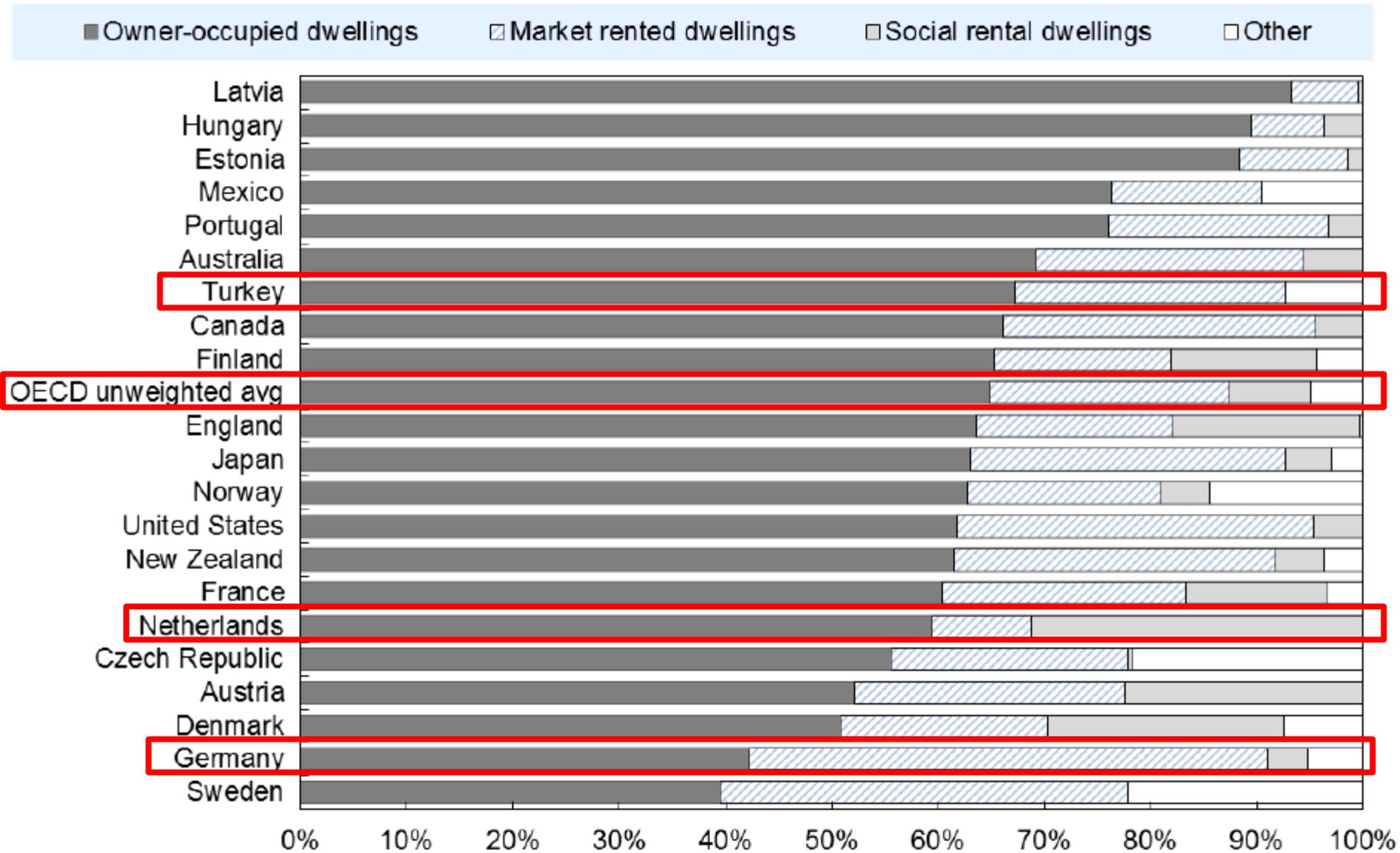
“Population at risk of poverty”: Household income below 60 % of average household income per country

- In metropolitan cities the number of overburdened households and the need for affordable housing will be much higher (40% Köln).
- In Germany: New migration tightens the task.

Affordable and social housing



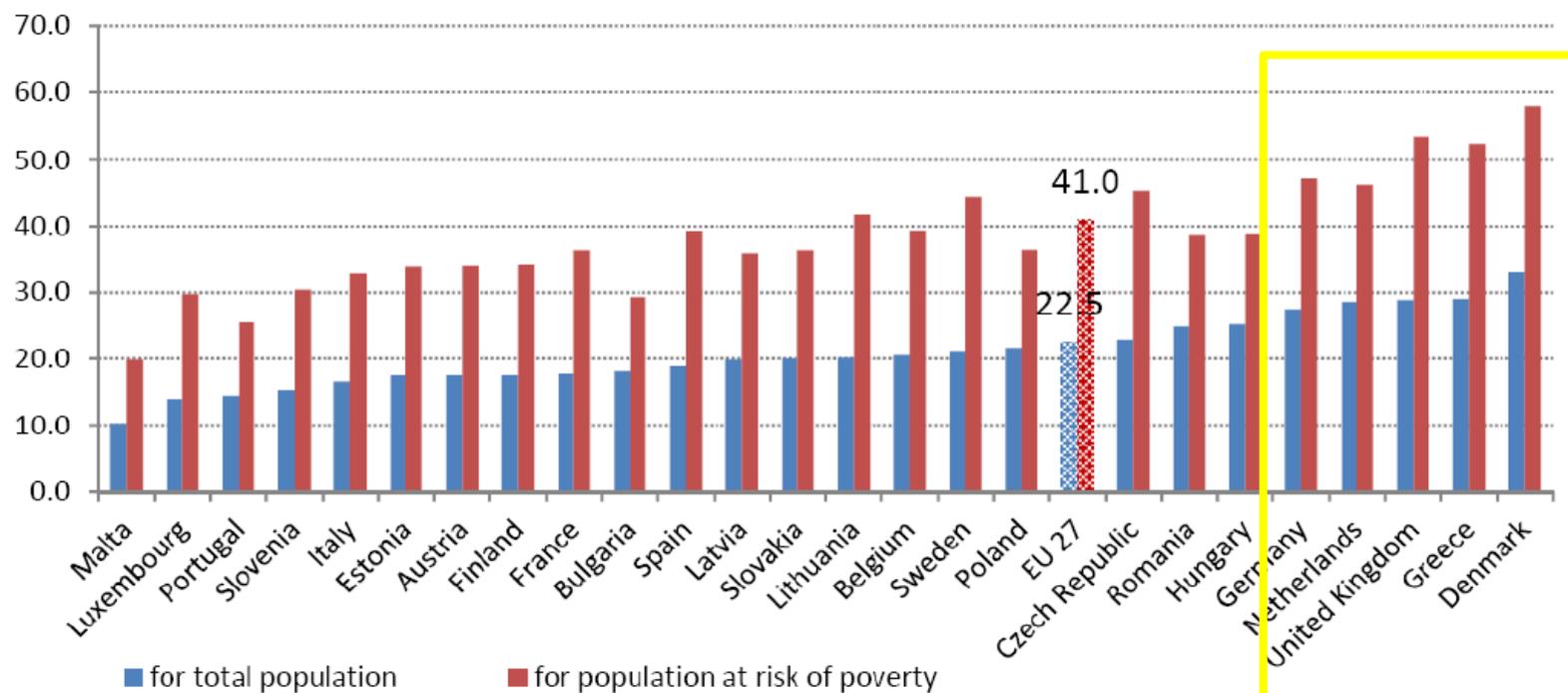
# Housing tenure across OECD countries



Source: OECD Social, Employment and Migration Working Papers No. 176 – Policies to promote access to good-quality affordable housing in OECD countries

## House cost burden (EU 2010)

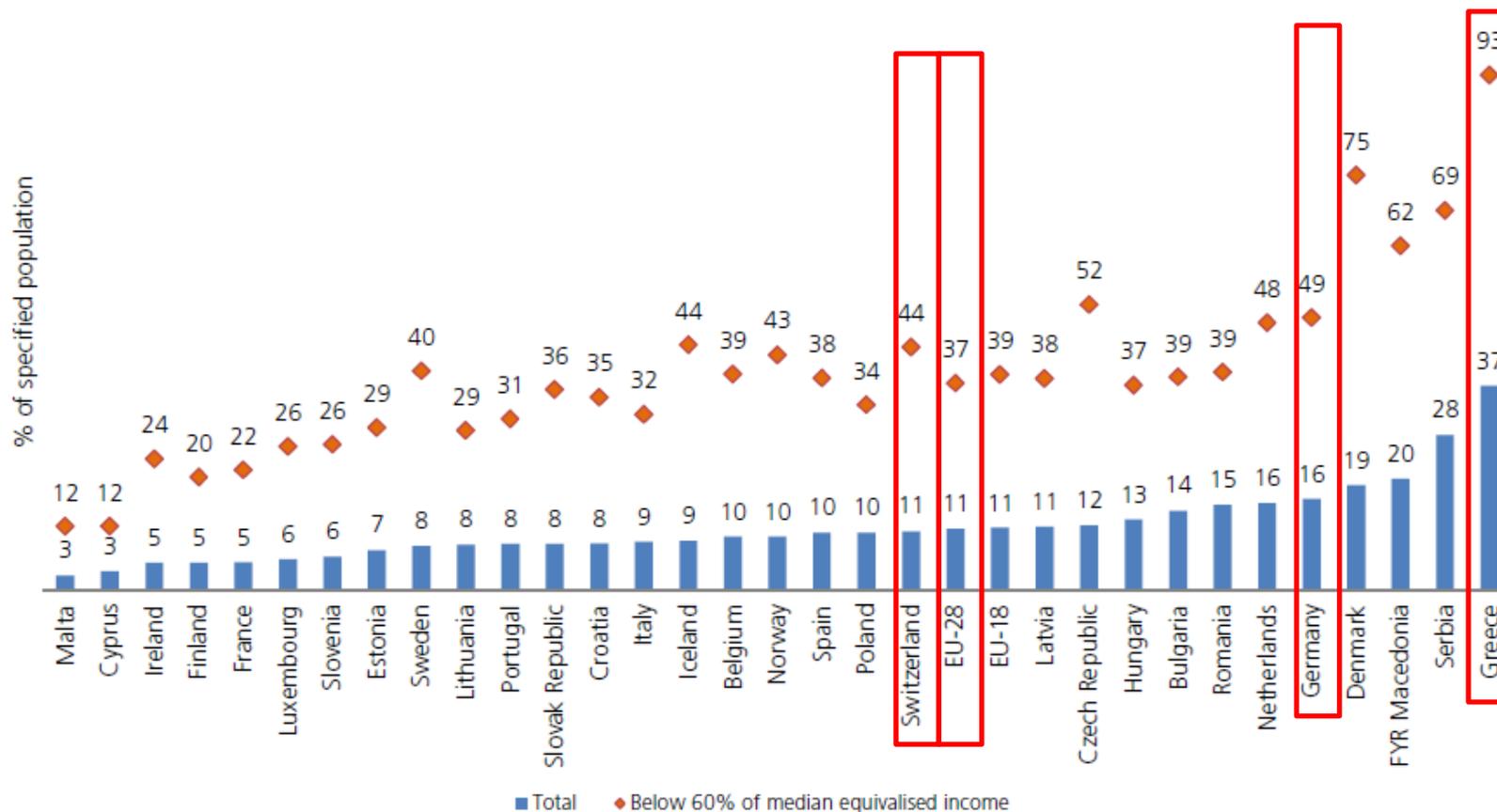
Fig. 4: Share of housing costs as a percentage of disposable income in the EU 27 by poverty status (2010)



Source: Pettini, A. 2012: CECODHAS Housing Europe: Housing Europe Review 2012, p. 3

**“Population at risk of poverty”**: Income below 60% of median national income

Figure 3.5: Housing cost overburden rate by poverty status in selected CEB member countries, 2013



Source: CEB graph based on EUROSTAT data updated on 12 February 2015, extracted on 16 February 2015 (ilc\_lvho07a).

Note: Data for "the former Yugoslav Republic of Macedonia" is for 2012.

Source: UNECE (2014): Survey on Land Administration Systems, p. 22

[http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/survey\\_land\\_admin\\_systems.pdf](http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/survey_land_admin_systems.pdf)

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## Affordable housing – Traditional approach

In Germany: State-dominated approach (1960 – 2000)

- a) Social housing – separate market sector →
- b) Special stakeholders (limited-profit-companies) →
- c) Land banking by public or semi-public bodies →
- d) Strong tax incentives (e. g. declining depreciation) →
  
- e) Financial aid (ca. 1 Bill. € p. a.)  
(subject-based subsidies)
- f) Rules and ceilings for
  - disposable income
  - size of flat, number of rooms

Rules  
cancelled  
in 1990s

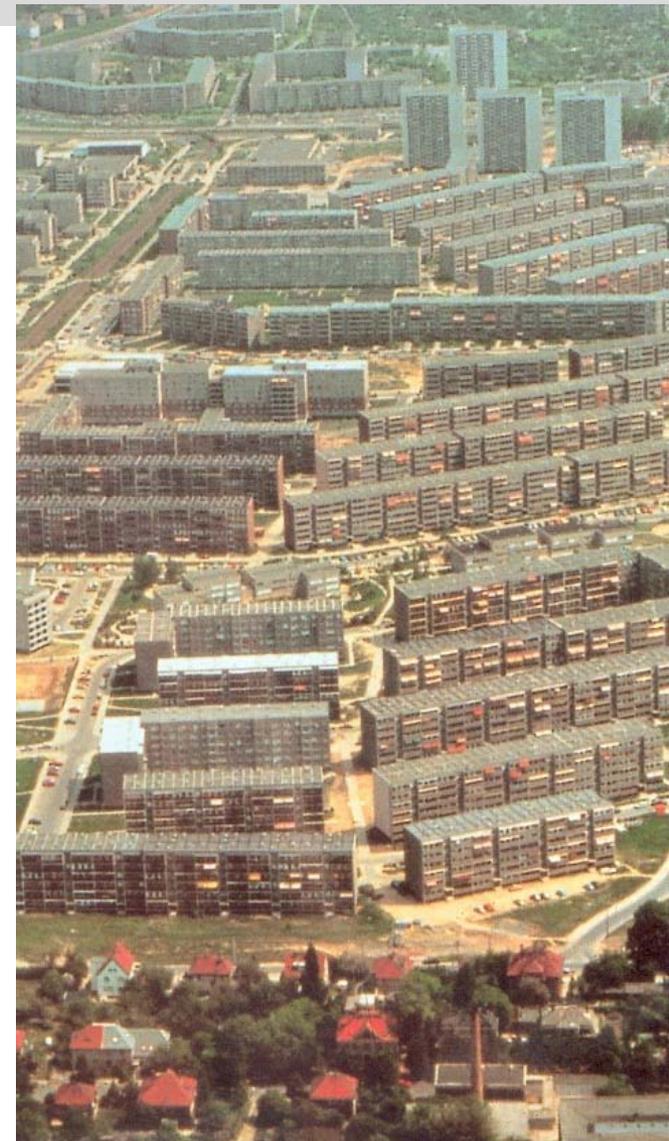


Bild: Berlin Kottbuser Tor, Soziale Stadt

## Traditional approach - results

- Big volume of new social housing stock (+)
- Expensive for the public budgets (-)
- Many side-effects (inefficient) (-)
- Unilateral urban and social structures (--)
  - today's urban renewal areas
  - „Stadtumbau“ since 2004

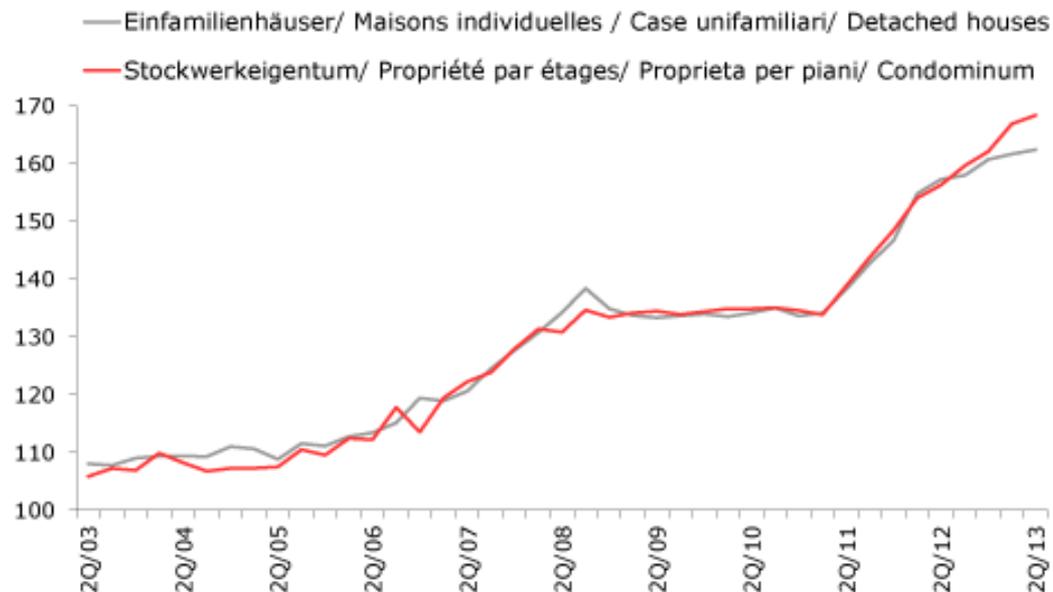
Bild: Dresden-Gorbitz, Soziale Stadt



# Switzerland

## New Aspects of land policy in Switzerland (1)

- Situation in Switzerland
  - Strong increase in population
  - High and increasing land and property prices
  - Mountainous and picturesque landscape
- settlement area limited to 40 % of the country



60 % increase of housing prices in 10 years

Quelle: IAZI AG, Preisindex  
[www.homegate.ch](http://www.homegate.ch)

## New Aspects of land policy in Switzerland (2)

- Main problems in Switzerland:

- Urban sprawl

(overflow of town into the countryside)

→ Action:

Improve planning law



Abb. 2. Wie ist der Zersiedelungsgrad dieser Landschaft zu messen? Blick vom Säli-Schlössli bei Olten auf Aarburg/Rothrist. (Foto: Klaus Ewald, 1999)

Quelle: Eidg. Forschungsanstalt für Wald, Schnee und Landschaft WSL, Zürich

- Inadequate property market

for low-income groups

→

Action: Housing policy dialogue

### Revision of Swiss Town and Country Planning Act (RPG) (Revision 15. Juni 2012, Referendum 03. März 2013)

1. Local development plans
  - New settlement areas restricted to needs of next 15 years
  - If more, revision of plan within next 5 years
  - Re-zoning may cause compensation
  
2. Improving availability of land for housing (new tools)
  - Replotting procedure
  - Timeframe for house building
  
3. Planning gain tax (20 % of gain in land value by new zoning)

## Housing policy dialogue

Aim: Promoting market forces (instead of restrictions)

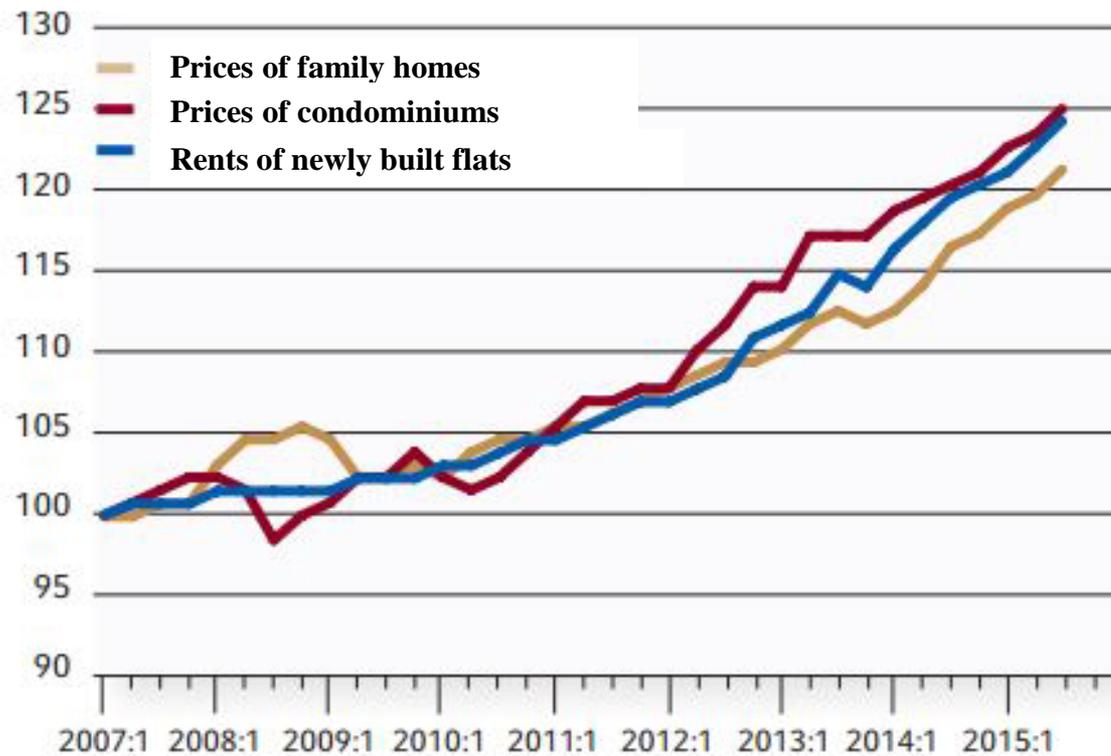
1. New land-banking activities to improve access to and availability of adequate land
2. Monitoring rents to improve market transparency and market functioning
  - If tenants change: landlord has to publish former rent level and reasons for increase of rent
  - Reduction of rent level caused by social housing subsidies has to be verified in official document

Further information: [www.are.admin.ch](http://www.are.admin.ch)

# Germany

## Prices of residential properties

Index (2007 = 100)



Source: vdpResearch

Source: vdp Spotlight\_12.2015; vdp Spotlight Immobilien - Immobilienmarkt Deutschland zum Jahresende 2015, S. 5  
[http://www.vdpresearch.de/wordpress/wp-content/uploads/2015/12/Immobilienmarkt-Deutschland-vdpSpotlight\\_12-2015.pdf](http://www.vdpresearch.de/wordpress/wp-content/uploads/2015/12/Immobilienmarkt-Deutschland-vdpSpotlight_12-2015.pdf)

## Necessity of affordable housing today

Affordable housing is indispensable, esp. in big cities.

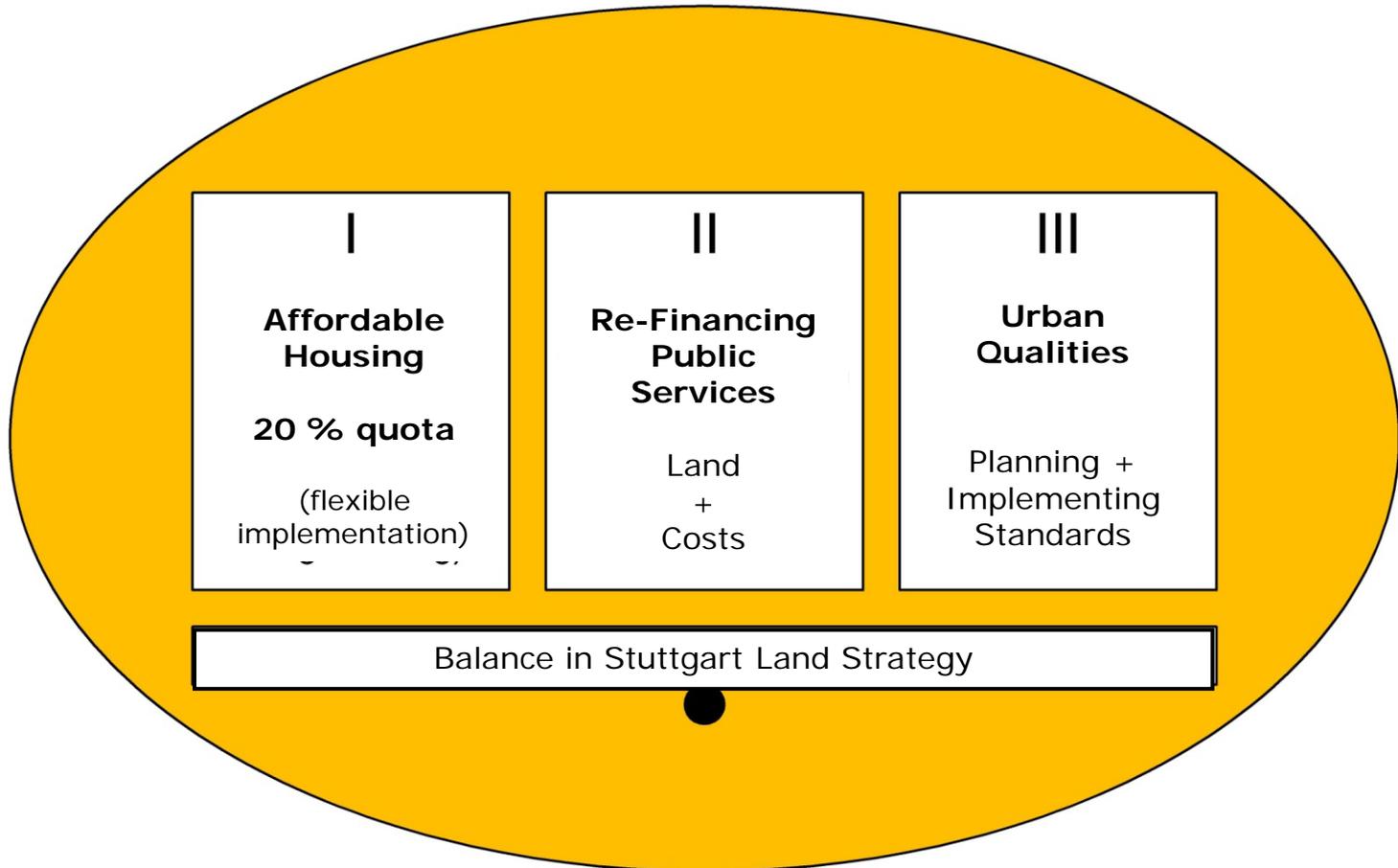
But ...

- Social housing construction rate in low (Germany 6-9 %)!
- Main problem: Availability of land at an adequate price!  
(→ Land invest. often ~ 50 % of whole property investment)
- Public land policy: Top-down vs. laissez-faire-approach  
→ Today German land policy favors solutions in cooperation with private stakeholders (Urban development contracts)

## New Approaches in German Metropolitan Cities

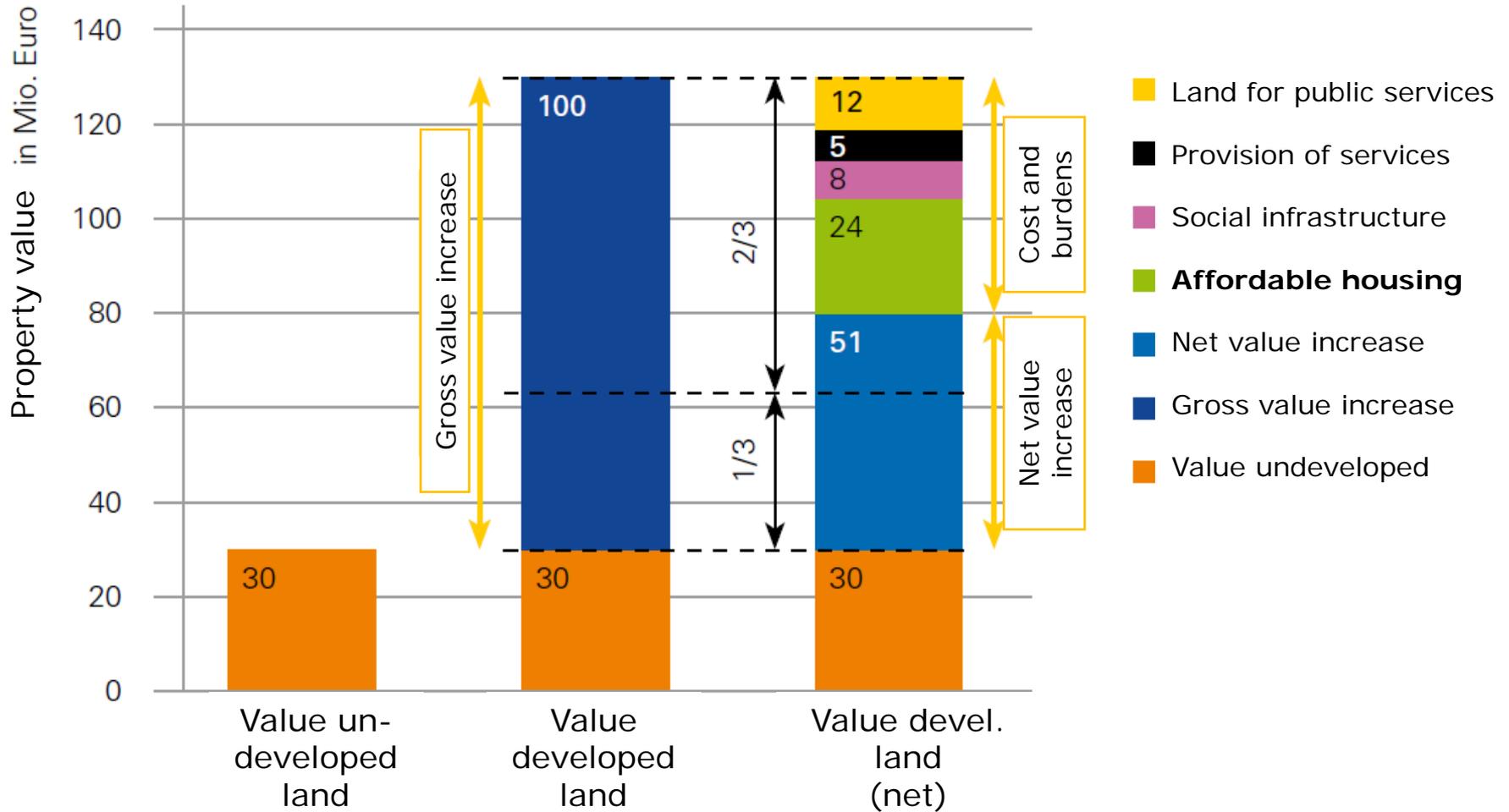
- „Baulandmodelle“ (Urban land strategies)
- Local framework to implement urban development projects
- Cooperative models
  - Aim: Transparent cooperation between local authority and each investor
  - Affordable housing: One part of the agreement (quota)
- Details fixed in „urban development contracts“  
before detailed development plan is passed

Fields of action of Urban Land Strategy (Stuttgart)



Source: Stadt Stuttgart,  
Stuttgarter Innenentwicklungsmodell, [www.stuttgart.de](http://www.stuttgart.de)

### Economic impact of the Munich Land Strategy





## Example: Arabellapark Project Munich



Premises with  
30% affordable  
and  
70% free market  
housing

in favorable  
location!

## Essentials of urban land strategies

- Distribution of powers:
  - Planning law must be used progressively
  - Planning administration must be (made) strong
- Agreement in local politics (about land question)
- Willingness to make project transparent (calculation)
- Property valuation is most important
- Surveying departments are coordinaters

## Conclusions – Support affordable housing

- Traditional approaches  $\leftrightarrow$  More-market-approaches
- Switzerland:
  - Using scarce urban land more efficient
  - Improve markets by strengthen rent transparency
- Germany:
  - Urban land strategy for metropolitan regions
  - Min. 1/3 net value increase
  - Transparency necessary (project costs, land values)
  - Basis to negotiate win-win-situation
- Assignable to other countries?  $\rightarrow$  Yes!

# Thank you for your attention!



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