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Is housing turning into a headache for European nations?

Mass privitisation of European housing stock has created a class of 'poor owners', trapped in a cycle of poverty

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Guardian Professional, Thursday 2 May 2013 08.45 BST

A new class of 'poor owners' of former Soviet bloc state housing cannot afford to meet the cost of maintenance, creating a cycle of poverty. Photograph: Spencer Platt/Getty Images

Europe is often thought of as having a more developed housing sector than many other parts of the world. However, as the continent faces an ongoing economic crisis, international attention has focused on several types of housing poverty that have been spreading across European countries.

Families in Europe are facing rising housing and utility prices. Housing related expenditure is the biggest component of consumer spending in the European Union. According to Eurostat, housing expenditure accounted for 23% of total expenditure in 2011. For 12% of the population, housing accounts for 40% of their expenditure.

In central and eastern Europe, previous construction and heating methods did not focus on energy efficiency. As a result, families pay more for energy and many live in energy poverty. EU statistics on income and living conditions show that one in 10 Europeans lives in a household that was unable to pay utility bills in 2010.

Another big problem is the affordability of housing. The share of social rental housing within overall housing stock across the EU averages 11%. In new EU member states, and in the countries of the former Soviet Union, the share social housing dropped to just 3-5% of the total housing stock after transition to a free market economy. The constant reduction of public housing has resulted in long waiting lists, leaving a large number of people in inadequate housing.

Mass privatisation of housing in eastern Europe has created a new class of "poor owners", unable to meet the costs of managing and maintaining a private home. These sitting owners are also responsible for ineffective condominium management, as they cannot afford to contribute to maintenance and repair of general parts of the buildings in which they live.

The quality of the housing stock presents problems across central, south and eastern Europe. A large percentage of European housing stock was built from low-quality pre-fabricated materials and has been seriously damaged by under-investment over decades. If in western Europe between at least 90% of apartments are equipped with basic utilities such as fixed bath or shower and central heating, only 75% meet this criteria in central Europe and below 50% as you head further east.

The most disadvantaged groups facing housing problems are single parents with young children, retired households, families with three or more children, and marginalised communities, such as Roma people, migrants and refugees. According data provided by the United Nations Development Programme, 43% of the population of Romania suffers from housing deprivation, with deprivation most acute for disadvantaged Roma groups.

Obviously poverty influences housing. But does poor housing also lead to poverty? Some researchers suggest that poor housing conditions contribute to a poverty trap. When housing costs go up for those who have few economic resources, household income available for other basic needs goes down. The devaluation of the local currency in Hungary and Romania, for example, has drastically increased the cost of housing for many families with complex consequences.

At the same time, stable housing is linked to good physical and mental health and the ability to acquire and maintain employment. Without an adequate home, many families are simply unable to be entrepreneurial and struggle to break through the vicious cycle of poverty.

Housing is much more than shelter: across the world, it is the biggest asset of private households. Decent accommodation provides opportunities for family businesses; it is a precondition for a sound education of the young and a dignified later life. Construction of new housing is a reliable motor for business and jobs.

Housing works as an efficient social shock absorber. But if it causes headache – as for many Europeans and EU governments today – it is a real headache.

Wolfgang Amann is an associate professor at the Institute for Real Estate Construction and Housing in Vienna, Austria. He has been working with Habitat for Humanity Europe, Middle East and Africa on a housing overview for Europe and Central Asia. Preliminary findings were shared at the second Housing Forum event in Geneva, Switzerland in April.

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