

HOUSING: A EUROPEAN CHALLENGE

AFFORDABLE HOUSING

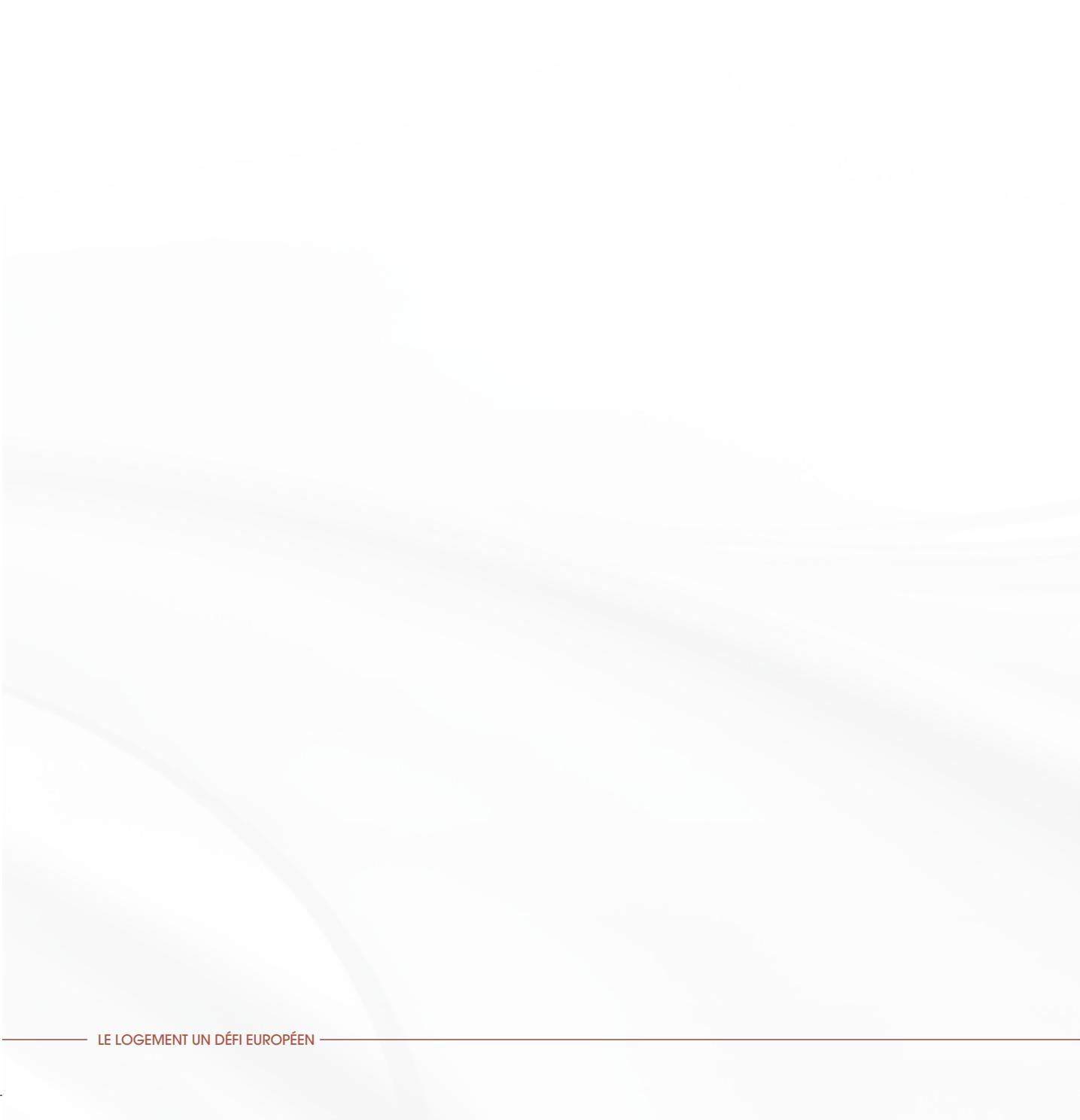
BUILD EUROPE'S REFLECTIONS
ANTICIPATED THE EPIDEMIC

JUNE 2020



**BUILD
EUROPE**
RESTORING THE PAST. BUILDING THE FUTURE





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1. BUILD EUROPE'S REFLECTIONS HAD ANTICIPATED THE EPIDEMIC

In its Manifesto on affordable housing, Build Europe pointed out several key facts.

The first of these is the importance of housing as an essential component for the quality of life of our fellow citizens.

Housing is not simply a space to live in. It must be viewed as part of a living environment that is conducive to the well-being of citizens. It is intrinsically linked to this environment and to the services to which it provides access, including local jobs, quality schools and hospitals, and a functioning public transport network.

Build Europe has already highlighted **the current trend towards the concentration of populations and investments in metropolises and large cities**. This trend had the following consequences:

- **Rising housing prices**

Affordable housing has become a crucial issue that will become increasingly important over time. Indeed, in order to respond to the dual demographic and environmental constraints, political orientations invite us to "build on the existing city, where the needs are." To put it plainly, it would be necessary to build in metropolises and large cities where land is the scarcest and therefore the most expensive. These areas are also where construction costs are the highest and taxes are constantly rising to finance new facilities.

- **Desertification of territories**

Due to a lack of jobs, equipment, services and infrastructure, small and medium-sized towns are becoming depopulated. Clinics and schools are closing down while property values are falling. Housing is more affordable, but the housing stock is ageing since it is not being renewed.

In a fast-moving world, policymakers focus on current challenges.

Thus, with the exception of the new European environmental ambition, which defines a real perspective for our fellow citizens, we are not able to anticipate

possible developments in our society due to a lack of long-term planning. The example we highlighted was digitalisation. It is now a given that digital technologies are going to revolutionise our way of life including, of course, housing, but also areas such as employment, training and education.

Our proposal that unifies all possible ways to develop an affordable housing offer was to THINK LONG-TERM. We therefore aim to deploy an active planning and development policy at each country's level but also at the European level.

We wrote: "A Europe that plays it by ear is not sustainable. A plan must be in place to prevent short- term policies from saddling our children with the consequences of dysfunctionality that could have been prevented by a long-term perspective. Today, we "suffer" from tense areas. It is necessary to foresee, organise, program, in a nutshell TO PLAN and not to build whilst running behind uncontrolled phenomena."

2. SOME LESSONS FROM THE COVID-19 EPIDEMIC ALREADY APPLIED TO HOUSING

Every day this epidemic brings new experiences and lessons which help us rediscover the ways our society is organised, ways that pre-Covid 'normal' life had overlooked. For example, we have rediscovered the solidarity and fraternity that can exist between citizens.

This experience also allowed us to have a different view on our needs and our way of consuming, but also to develop a different relationship with our work and our time. The common denominator in all these reflections was to focus on the essential importance: the health and quality of life.

Housing is at the heart of this concern. Indeed, we realised we were living in an environment of overconsumption and that we need to consume less. **WE ALSO REALISED, HOWEVER,** that we require good housing.

This is not an exhaustive vision. We can, however, draw some lessons to be learned from this event with regard to housing:

1 - THE IMPORTANCE OF HOUSING IN OUR SOCIETY

A home is a shelter, an integral part of our lives where we seek refuge and protection from the outside world. Housing is also a family place and a marker of social level, and it is even more apparent today that key characteristics of housing, for example surface area and local environment, are crucial. It reminds us that the most important thing is not the quality of services but the space available for residents. There is a race to build in metropolises where, as we have mentioned, construction costs are at their highest and the surface area available is reduced significantly. Indeed, due to the widening gap between property prices and household incomes, operators are forced to reduce surface area per housing type in order to reflect this disparity. In France, a word was even invented to describe this: "logement compact", a more business-friendly term than "small".

And as our political and administrative authorities continue to introduce new regulations, dwellings will become more and more "compact" for each type of housing. **This is not to be confused with the indispensable construction of different types of studios or two-roomed flats to respond to the different composition of households (single-parent families) or for special purposes (for example, construction for student living or businesses).**

In terms of housing, the big "winner" of the crisis is the single-family house and more spacious apartments with annexes (including those with balconies and terraces). The big "losers" are all forms of collective housing that concentrates people, including people who are co-working and co-living, which have recently become a popular housing model.

It is crucial to consider the desired density model for the future as well as the relationship of housing with its environment, while recognising the need to expand large cities and further develop small and medium-sized towns. These two visions are not mutually exclusive.

2 - THE BIG GAP BETWEEN TERRITORIES

Large cities have suffered more than cities of average size and countryside environments. Even if we take into account key factors including behaviour and available equipment, it has been found that, for the same country, the speed of propagation of a virus was "density dependent" across the globe. This was the case particularly in large cities including New York, Paris, Milan, Madrid, Moscow and London. By facilitating frequent connections between multiple inhabitants, dense cities also accelerate the transmissions of infections. This is true for all viruses including dengue fever, SARS and chikungunya. Fortunately, these metropolises had high quality medical facilities, albeit with insufficient capacity.

On the countryside, due to the lack of sufficient equipment, it was very difficult for people living there to work or study remotely.

3 - DIGITALISATION HAS BECOME AN INTEGRAL PART OF EVERY CITIZEN'S DAILY LIFE

On page 43 of the Manifesto, Build Europe detailed the opportunities that the development of digitalisation could offer.

And yet, due to a lack of anticipation when it comes to housing, we found ourselves unable to maintain usual activity levels during containment. We were unable to ensure the completion of contracts involving land purchases or sales of housing. Worse still, the processing of urban planning authorisations, such as building permits, has virtually come to a halt, which will exacerbate post-lockdown economic difficulties.

And yet it works! In a short timeframe, videoconferencing, online learning and teleworking have become common practices for those connected to a network. There is no doubt that the coronavirus outbreak will change our ways of working and studying. As we have suggested, this change in our way of life must improve our quality of life.

4 - WE HAVE LOST ALL INDUSTRIAL AUTONOMY

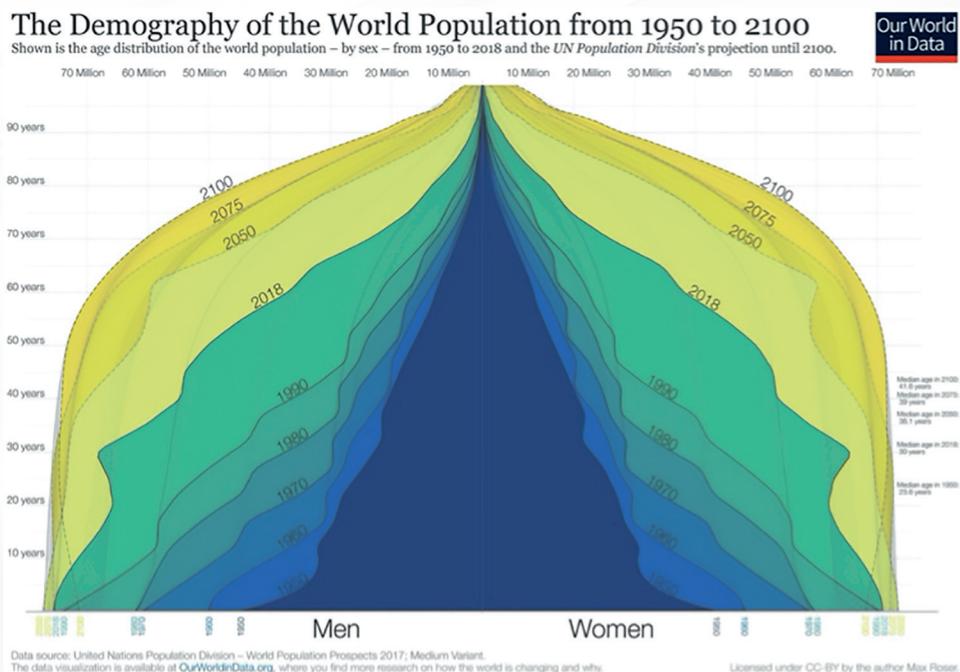
In difficult times, we depend on Asian or Middle Eastern industrialists, including in strategic sectors. We also depend, for some countries, on labour from outside of the EU. Current events show that this is not a problem of skills, but a problem of choice or even of an absence of choice, dictated by the market, due to a lack of knowledge over what the future could be. At a time when our politicians are becoming aware of this, the problem of regional planning will inevitably arise.

If we imagine reindustrialisation, will solutions be sought at the national level? Or in coordination with other European countries? Are we going to take advantage of the opportunity to integrate them in the framework of a regional planning policy? It is obvious that **the subject of infrastructure will be at the heart of the debate.**

5 - WE THOUGHT ABOUT THE ELDERLY AND REALISED THAT THEY WERE NUMEROUS AND COULD BE FRAGILE

This phenomenon will develop over time. By the 2060s, according to current demographic trends in terms of life expectancy and birth rates, the number of people aged over 60 **could increase by more than 80% compared to current data.**

What are we going to do? Are we going to let a catastrophe happen?



3. POSSIBLE PATHWAYS TO SUCCESS FOR AFFORDABLE HOUSING

We have made the following points:

Housing and employment are linked. People settle, as much as possible, close to the place where they work. Similarly, activity attracts further activity: today one sets up businesses in areas that are already active.

Transport, mobility and housing are linked. People and activities are concentrated in areas where transport is easy to access, allowing simple exchanges between areas where there is demand.

Employment, education and training are also linked. The proximity of business and universities allows exchanges between research and application, the spin-off of innovation, and the transfer of human skills. It is also in the vicinity of businesses that new requirements concerning training and staff are thought through. A continuous training policy is defined according to the needs expressed by businesses in the region. An active policy aimed at maintaining employment is a condition for preserving the activity in a territory and, therefore, its attractiveness.

As a result, populations, employment, activities, knowledge, skills and quality of life are increasingly concentrated in the same areas, and the gap is widening between dense areas and sparsely populated areas with little activity.

6 KEYS TO SUCCESS

1 - THINKING AHEAD

Ad hoc management is not sustainable. Today, political responses to housing issues are made on an ad hoc basis. More often than not, this has contributed to slowing down the production of housing via overly restrictive planning or draconian regulations. Other measures include financial support to households whose houses have lost value due to excessive regulation.

In fact, politicians are trying to respond to the housing crisis with short-term spending. This is an ineffective remedy, considering new upcoming regulations (for example, the European Green Deal) will likely generate a new increase in costs and thus accentuate the problem of affordable housing. This aid on demand can also be a waste of public money, as we will discuss in the third key to success.

Of course, we have to deal with the short-term issue of housing for all according to aspirations but, in the light of the likely evolution of our lifestyles, we have to prepare a strategy for tomorrow to face demographic (eg senior citizens) economic and environmental evolutions.

To summarise, Build Europe's recommendation is specifically meant to deal with the interruption of spatial planning policies that started many years ago.

2 - DEFINE A NEW URBANISATION MODEL FOR METROPOLISES

Of course, we have to reclaim urban centres

However, since recycling or rehabilitating existing commercial, industrial or residential land for the construction of new housing is generally more difficult and costly than the development of unbuilt land, the EU should ensure that public funds are allocated to urban transformation (examples including deconstruction and depollution). The EU should also support investments in this direction and encourage Member States and their competent authorities to do the same. In France, on average, 4% of development costs can go to demolition and rehabilitation in the case of urban renewal. In Paris and neighbouring cities, it can be as high as 12%. Public funding would help offset these additional costs to facilitate the production of affordable housing.

It is also necessary to recapture commercial areas, most often on the outskirts of cities. These areas are characterised by big surfaces of parking lots, and therefore a high degree of land artificialisation and a low density of single-use buildings. There must be more housing in these areas and mixed use. These areas have building spaces that are generally connected to public transport and can be improved in architectural terms. Today, it is no longer acceptable to develop this type of exclusively commercial programme, which technological developments and competition from online sales tend to make less relevant.

Reclaiming urban centres, but with an acceptable density that allows the city to "breathe"

We obviously have to build in big cities and metropolises. Given the quality of life, however, which may not suit everyone, it is true that density will not solve the problem of housing prices since operators set the price of land in proportion to building capacity. Density must be made acceptable, allowing the city to breathe by creating different neighbourhoods with more greenery (for example, trees or vegetated facades) and easy access to key features including rivers, playgrounds, squares, and shared gardens. It is this mindset, exemplified by the population of New York, which led landscape architect Frederick Olmsted to create Central Park in 1857 to cope with a health crisis linked to overpopulation.

In addition to this urban policy of desirable density, we must also seize the opportunities for future development in small and medium-sized cities, especially as our citizens would be ready to move.

As Dean Mon, President of the National Association of Home Builders, the largest US trade association representing the interests of builders and developers, noted: "We expect the virus could affect future housing preferences for those currently living in the hardest-hit, high-density environments like central cities and that housing demand will continue to increase in medium- and low-density communities".

3 - MAKING SMALL AND MEDIUM-SIZED CITIES MORE ATTRACTIVE

The current trend towards the concentration of populations in metropolises and large cities should not be a foregone conclusion. We know that this attraction is mainly linked to economic attractiveness and a wider range of services and amenities. The policy guidelines are mainly focused in these areas, whereas the response to the aspirations of European citizens should lead us to produce a diversified housing offer.

The European Union should first of all encourage Member States to put in place spatial planning policies to make medium-sized cities - where land and property values are still reasonable - attractive through investment in infrastructure and innovative technology, including fibre optic. Today, many people, for example students, employees and shopkeepers, have been unable to work to a satisfactory standard due to insufficient network access.

We must reject the desertification of medium-sized towns, which implies the destruction of assets (including a fall in property values and reduction of access to key services such as maternity wards, hospitals and schools) On the contrary, **job creation must be encouraged: :**

- **Through the digitalisation of our economy,**

Covid-19 has demonstrated the growing importance of teleworking. According to a report by Dell and the Institute For The Future (IFTF), in 2030, 85% of workers will have new types of jobs, ones that do not exist as of today.

Training, even at the highest level, will no longer be done through face-to-face lectures. From anywhere in the world, it will be possible to follow a live lecture given by professors at the world's leading universities. The student, their work and their progress will be followed remotely.

Individual entrepreneurship will develop without necessarily requiring specific premises. Communities and networks will be able to function in new ecosystems and will be included in a network with other entrepreneurs.

Digitalisation does not mean that everyone will stay isolated individually. We will have to find spaces for meetings, debates and collaborative working, which will require infrastructure and support.

- **Giving directions to the reindustrialisation of our economy**

The European Community must define a specific reindustrialisation plan and financially support investment in the regions as a matter of priority, particularly as land is cheaper, wages are lower and production costs are more competitive. Of course, skills, housing and infrastructure will have to be found there, but, as we said before, everything is interconnected.

ADDRESSING ONLY ONE ISSUE WOULD LEAD TO A CERTAIN FAILURE.

The wrong example:

There is no point in wasting public money, as the "Cœur de ville" operation in France does. There, to please local elected representatives, a sum of €5 billion was spent on renovations over five years for 222 towns! That represents €4,500,000 per year per city for the renovation of housing in the city centre. Regardless of whether there was real demand or a real need, what did this lead to? Limited and temporary activity. We invested in improving city centres where we relocate a local population without creating a new dynamism capable of bringing long-term activities.

Yet these small and medium-sized cities can be an alternative to affordable housing.



THIS IS THE FUTURE! says Stefano Boeri, designer of the Vertical Forest in Milan and professor at Milan Polytechnic. "Returning to the villages, that's the future. This is a national project. Italy has 5,800 villages with less than 5,000 inhabitants, and 2,300 these villages are virtually abandoned. If the country's metropolises adopt these small centres, giving them benefits including tax advantages and means of transport, it would be a way out. This is the future", he told Italian newspaper La Repubblica.

And the issue is the same in France, Spain and Germany, which are also countries where cooperation between metropolises and small and medium-sized cities must be initiated.

4 - CREATING NEW SMART AND GREEN CITIES, OR VILLAGES

Rather than pursuing development on the outskirts of metropolises, it would be preferable to create new cities or villages in conjunction with them.

Smart and green cities should be built ex nihilo on land that is today in a natural area with no particular ecological appeal but located close to carbon-free transport infrastructure, allowing them to be linked to the metropolises in a reasonable time.

The land on these cities or towns would be affordable. They could be designed on the basis of future aspirations and objectives, and would therefore take into account all the principles of diversity including short-circuit production, controlling energy consumption, the production of renewable energy, the imperatives of sustainable development and the reduction of ecological footprint (including via water, waste and hazardous materials).



Exemple de Babcock City en Floride.

These smart and green cities would be connected to towns and would be of high architectural quality. These towns would not be dependent on cars, but would organise safe, automatically controlled public transport and would prioritise eco-friendly traffic.

These cities would be very efficiently run. It would involve low-cost developed land, control of production costs outside dense urban areas and the control of operating costs via artificial intelligence (for example, a smart grid), all of which would open up new prospects for affordable housing.

All the more so as, with fewer construction constraints than in city centres, we could use new and future construction methods to lower costs, possibly with 3D printers and the use of industrial manufacturing using ecological materials such as wood or even materials from the site itself.

Cities which would thus privilege short circuits with large urban farms on the outskirts, and which would be self-sufficient energetically, since they would be created on the principle of renewable energies.

5 - FINDING ALTERNATIVES TO PUBLIC FUNDING, WHICH HAS BEEN UNDERMINED BY THE CRISIS, TO DEVELOP AFFORDABLE HOUSING

A. MASSIVE DEREGULATION

Public finances will likely be heavily mobilised to deal with the current situation. If affordable housing is to be developed, it is essential to **implement a supply-side policy**. And there are only four possible ways to make the supply more affordable:

- **Planning**

In order to address the issues of affordable housing, local authorities have imposed control measures (including rent freezes) or obligations to build certain types of housing (including social and intermediate). But in fact, as Vincent Geloso points out: "governments that call themselves firefighters are in fact the arsonists who started the fires". Thus "the supply of housing depends on zoning regulations as well as on the costs of complying with these regulations. When regulations are numerous, restrictive and costly, the supply of housing decreases and their cost increases".

Figures reported by the Economic Journal in 2016 show that, in the absence of such regulations, the cost of housing in Britain would be 35% lower. The same applies to the United States and Canada. In cities where regulations are the most restrictive (including Los Angeles, San Francisco, Toronto, and Vancouver), the cost of housing is rising faster than the median income, unlike Montreal or Houston, which have less regulations and a housing supply that is as accessible as it was in 1996.

Planning is decided by our elected officials. Only they can promote the development of affordable housing.

- **Deregulation**

If we want everyone to live in luxury, a certain number of people will necessarily be excluded. Otherwise states will have to give more and more housing subsidies, or we will produce increasingly "compact" housing to adapt to household incomes. And yet, the first luxury of housing is space, which is something this period of confinement has reminded us of. So, we must embark on a policy of massive deregulation, while keeping environmental requirements as our main priority or, at the very least, by suspending all new regulations for five years and beyond for each state. Moreover, the over-implementation of European regulations should end immediately.

What is deregulation?

It is important to clarify that this does not determine the production of low-cost and poor-quality housing. In fact, when we look at the rate of depletion of existing buildings, it is a sign that more standards does not automatically mean a higher quality.

Hence, deregulation means:

- making regulations that prevent technical sophistications in housing use. These complex rules are only understandable by engineers and are implemented at high cost without ever being useful.
- releasing the regulatory constraints and the accumulation of various standards and regulations
- trusting in the ability of architects and craftsmen. Professionals, are currently often obliged to carry out the instructions of a powerful administration and have to respect the correct design standards (for example, on window dimensions)



- not imposing on the individual that which falls under the responsibility of the community (for example, parking lots in residences, or oversized electrical transformers that serves the entire neighbourhood instead of the needs of the project)

- refusing to define the typology or size of the dwellings

- stopping protecting national products with standards, thus rejecting the European equivalent which could be more competitive

In our Manifesto, we called for the creation of a European Construction Council that would include all construction stakeholders and citizens' representatives who would be consulted by EU bodies on new regulations with a direct or indirect impact on housing costs. This institution could better monitor the usefulness of regulations.

- **Amend the fiscal system**

- a. Property taxation on building land**

A larger quantity of available land does not always lead to a fall in prices, but too little land available will inevitably lead to a rise in prices.

As part of a supply-side policy, we reiterate the terms of our Manifesto "to encourage owners to sell building land and to reduce the cost of such land for operators with constant margins, it would be desirable to apply a tax incentive" through tax relief measures. These measures could also support affordable housing.

- b. VAT**

Regarding rates, the new approach adopted by the European Commission, which marks a clear break with the past and provides Member States with greater autonomy in the choice of VAT rates, including super-reduced rates (below 5%), should be encouraged.

This new approach paves the way for the creation of a mutually supportive framework to which all Member States should adhere equally when applying VAT rates to goods and services.

We support in particular the European Commission's decision to replace Annex III ("List of products and services to which reduced rates referred to in Article 98 may be applied") by Annex III a ("List of supplies of goods and services referred to in Article 98(3) to which reduced rates may not be applied").

This revised Annex would create a level playing field for real estate operators in the Member States by effectively extending the possible application of super-reduced VAT rates to all forms of housing instead of applying only to the "supply, construction, renovation and alteration of housing, as part of a social policy", as previously stated in point 10 of Annex III, provided that the application of reduced VAT rates benefits "the final consumer and... in a consistent manner promotes the general interest".

As a matter of good practice, it is important to note that, in Italy and Luxembourg, super-reduced rates (i.e. below 5%) are **applied to housing**, in particular for first-time buyers. This clearly stimulates investment and helps young consumers to become homeowners.

- **Facilitating financial engineering**

One may think that, following this period of crisis and despite the financial efforts made by the Member States and the European Union, household incomes are likely to deteriorate overall. We will have to be inventive to reduce the financial burden of housing. Financial engineering can help us to do this, by separating land from buildings, or from bare ownership and usufruct or shared ownership.

B - ALLOWING PRIVATE INVESTMENTS IN SOCIAL HOUSING

Public funding should become scarcer in the future. We therefore believe that all public and private actors must be mobilised with the same rights and duties to meet all the needs of our fellow citizens.

In this difficult period private operators and investors are willing to support public operators to meet the existing demand. Social housing is naturally part of the scope of affordable housing, the need for which is now so great that all energies and all sources of funding must be mobilised to achieve the objective of providing adequate housing for the greatest number of European citizens.

The majority of European countries have an "open" system for social housing but, in a few countries, there still is a system that is "closed" to private operators, both when it comes to owning property or renting and supporting households (including France, Belgium and Poland). In these closed systems, private operators can only build social housing on the behalf of public social housing companies. In principle, the selling price should be fixed by a mutual agreement between the parties and freely negotiated to take into account production costs. In reality, the sales price of social housing, which is capped, is unilaterally fixed on a flat-rate basis. Prices charged to developers are so low that they are usually below production costs and may even be lower than those for similar housing built by public bodies and for the construction of which the latter have received public aid. This constitutes an extra cost, which forces the private operator to revise upwards the selling prices of housing in the private market, making housing less affordable.

Countries with a "closed" system are depriving themselves of the possibility of seeing private operators and private funds intervene to develop an affordable and social housing offer, while obtaining public financing for specialised operators is becoming increasingly difficult.

However, social housing was created in many European countries at the initiative of the private sector (for example, companies that built to house their employees including charitable institutions and cooperatives) as a response to the needs that arose with the industrialisation and urbanisation of the early 20th century and were accentuated by the two World Wars.

For closed social housing systems, we believe that the European Union should invite the Member States concerned to allow private funds and operators to build, own and manage these social rental stocks as a complement to a public sector that is very often on the verge of saturation, and **make the open system the reference in terms of social housing.**

6 - FINALLY, IN AN EXCEPTIONAL SITUATION, WE WILL HAVE TO TAKE EXCEPTIONAL MEASURES TO SUPPORT DEMAND AND INVESTMENT

There is a high risk that this epidemic will lead to an economic recession that will cause a decrease in the supply of housing and the disappearance of businesses that are part of the housing chain.

Therefore, even temporarily, it will be necessary to support demand and help households, if only to cope with the increase in production costs that the new European environmental policy will generate. This support must be based on fiscal and budgetary measures, **in accordance with our proposals for recovery addressed to the President of the European Commission.** This support provided to households will have to be combined with support from financial institutions which, before the health crisis, had tightened the conditions for granting loans to households wishing to invest in housing.

Finally, we must prevent the destruction of the production system that provides housing services by injecting sufficient liquidity to enable companies to get through the crisis and by pursuing an investment policy in the directions defined above, but also by encouraging investment funds to acquire affordable housing buildings on the private market. In this way, we would provide a dual response to the need and support for economic activity.

European authorities are considering a massive investment plan of €750 billion, and it is essential that housing is at the heart of this plan.



CONCLUSION

This crisis seems to have restored the importance of human life and has likely led everyone to rethink their relationship with the essential and the accessory. Housing, in times of confinement, has become one of the priorities of our fellow citizens. The conclusions of our Manifesto, proposed before the crisis, remain surprisingly topical.

“Housing is an essential pillar of our societies, and access to it is a priority.

How can we build more affordable housing, though, if we continue to reduce building land, reduce density, increase regulation, while accepting as a social reality the concentration of populations and investment in metropolitan areas?

We must give our youth a chance and change the paradigm.

Despite the diversity of situations and housing policies among different European countries, we imagined different levers for policy that can meet the expectations of our fellow citizens, which ultimately leans in two fundamental directions:

First, we need to think in the long term, by defining a project for Europe which takes into account the diversity of its territories. A project whose perspective goes beyond current policies, which are trying to mitigate today’s difficulties with tools, arguments and attitudes of the past; and

Then, by listening to citizens, the construction of this project can be undertaken on the basis of reciprocal trust between politicians, administration, professionals, whose concern for the collective interest should not be in doubt.

Our movement, which is today – and by far – the largest builder of dwellings in Europe, affirms its willingness to participate in this major project, which would give European citizens the ability to find housing according to their aspirations.”

It is time to move away from outdated patterns.

Marc PIGEON
President of Build Europe



POLICY RECOMMENDATIONS SENT TO THE PRESIDENT OF THE EUROPEAN COMMISSION

URGENT AND TIME-LIMITED MEASURES

1. Supporting – financially and fiscally – the functioning of the housing market supply chain in Europe

Building affordable housing requires companies involved in building, promoting and planning housing. SMEs are the bedrock of Europe's economy. They are being seriously and adversely affected by the economic shock caused by Covid-19. They require significant and urgent injections of liquidity to avoid bankruptcy, and to prevent existing and prospective housebuilding projects also toppling into administration or bankruptcy. In view of the unprecedented circumstances we face, we believe the EU institutions should:

- Consider a temporary suspension of budgetary restrictions and financial constraints on the Member States: this would enable Member State governments to offer low or zero interest rate loans to companies in need.
- Encourage EU Member states to deduct taxes applicable to companies to mitigate the financial losses of developers and homebuilders resulting from their inability to generate income from sales and rents.

These measures should be implemented urgently, on a time-limited basis, to prevent European Union countries being exposed to the risk of a dramatic and irrecoverable escalation in their sovereign debt levels, which would weaken significantly further the economies of those Member States that are already registering critical deficit-to-GDP ratios. Nevertheless, similarly to what it is being done in the US by the Federal Reserve's Main Street Lending Program (MSNLF), the EU financial authorities need to support banks and financial institutions lending to SMEs which were in good financial conditions before the Covid-19 pandemic.

2. Incentivising and supporting public and private investment funds to buy private sector apartment blocks in order to increase affordable rental options for EU citizens

The EU institutions should incentivise, through favourable legislation, regulation and economic incentives, the creation of (eventually mixed) public and private investment funds that can be deployed to acquire apartment blocks from manufacturers and developers and ensure the continuation of a flourishing market in the provision of affordable renting for EU citizens. According to Build Europe,

there will be significantly enhanced demand for this kind of housing option in the short term, in view of lower consumer income resulting from the post-Covid-19 economic crisis and the significantly increased unmet demand for this type of housing.

This type of liquidity measure would encourage planned building work for new developments to go ahead and provide much needed support to SMEs and family businesses working in the sector. This would enable them to continue operating and would be beneficial to local and national economies.

This measure would also help to resolve a wider range of longer-term, strategic housing challenges: the coexistence of public and private investment funds would provide effective and sustainable solutions in respect of EU-wide social housing, by lowering prices, curbing speculative incentives, and increasing the supply of rental solutions within this segment of the market.

These incentives could in turn be conditioned by investments in energy-efficient buildings and could as such contribute in the realisation of the Green Deal.

3. Introducing a moratorium on new building regulations and reviewing European environmental goals

The introduction of all recently approved new building regulations should be put into abeyance for a period of not less than five years. A moratorium would give developers, and in particular SMEs, time to comply with regulations already in force and optimise standards accordingly.

This policy recommendation includes within its ambit current emissions from new buildings and dwellings: independent studies have found that new build properties produce the equivalent of only 25% of the CO₂ emissions that older housing stock generates. Incentives for the construction of new build would contribute significantly and positively to the delivery of the EU's overall emissions targets, which would be in line with the environmental ambitions of the European Commission and would contribute powerfully to lowering costs of housing to first-time buyers and tenants.

4. Restoring freedom of movement within the EU to enable cross-border workers to return to work

Cross-border workers are facing unprecedented personal difficulties during the lockdown, as are their employers, as many EU States have closed their national borders or imposed draconian controls that militate against these workers being able to reach or access the construction sites in which they are contracted to work. Re-opening the EU's external border, including EEA borders, in a timely and effective way, would be a cost-effective measure that would bring immediate economic and social benefits and relief.

In order to prevent a further increase in unemployment among posted workers, borders in Europe – the closure of which runs entirely contrary to the founding principles of the EU – should be immediately re-opened in order to enable cross-border workers to return to work and allow housebuilders and developers to complete their projects, generate housing supply for their immediate customers and provide a much needed economic stimulus for EU/EEA Citizens and businesses to help kick-start Europe's stalled economy.

5. Providing tax and financial incentives to support the demand side of the market

Exceptional situations require exceptional policies. EU Member States should be encouraged to:

- to reduce residential and commercial property transfer taxes, and
- lower VAT rates for first-time buyers and tenants of new dwellings, and
- provide loans at 0% interest rate (or very low) to people who buy their main home, including first-time buyers.

The EU's retail banks must not be permitted to repeat the mistakes made in 2008: namely, that they declined a majority of mortgage applications to prospective homeowners and increased the percentage of the asking price required for the deposit, which consequently reduced the supply of mortgages and critically impaired consumer demand which, in turn, worsened the effects of the economic crisis.

The consequences of this structural failure have been unnecessarily serious and long-lasting.

We therefore urge the EU Institutions and Member States to work closely together to facilitate the sustainable provision of affordable loans and ensure retail banks continue to inject liquidity into the system in order to support sustained demand during this challenging period.

STRATEGIC AND LONG-TERM MEASURES

6. Reforming the EU's planning systems to expand the supply of land and promote policies to create more environmentally appropriate and sustainable land development

There is a continued need to generate a sustainable pipeline of new build homes: the EU and Member State governments need quickly to stimulate supply in order to prevent existing levels of available housing stock from reducing further and, consequently, driving up prices to prospective consumers (homeowners and tenants). We therefore encourage the EU institutions actively to promote positive new policies on land use to encourage national and regional regulatory authorities to reform their planning systems in a progressive, supply-developing way.

Land designated for new planning development would meet the EU's existing environmental requirements and take adequately into account the fact that all new buildings now possess a significantly reduced emissions footprint.

7. Speeding up the process of digitalisation

National administrations have, as a consequence of the Covid-19 crisis, halted their normal peacetime administrative processes, or very significantly slowed them down. Europe's housing sector has been seriously and adversely affected by this phenomenon, particularly in regard to the granting of new building permits, which has not only slowed housebuilding but has also reduced the pipeline of future supply. This means a return to a more normalised economy will take much longer; and Europe's prospective homeowners, including first-time buyers, will be penalised as a consequence.

This crisis has demonstrated how digital technologies have reached a degree of sophistication that enables business and people to use them across a wide range of sectors, from finance to the construction industry. It is high time for developers and homebuilders to benefit from these technologies and, for this reason, all the social and political impediments to their implementation need urgently to be removed. It is imperative that the digitalisation process is sped up in all stages and procedures of the business chain, from the request and granting of building permits through to the notaries' intervention during the sale agreement. The benefits of digitalisation will have an immediate and positive impact on the sector: it will ensure the delivery of faster and more efficient and accountable public services; improve production; cut costs; lower prices; and save time.

Swifter, more efficient delivery of public services will, in turn, play a decisive role in helping the EU recover from the economic headwinds caused by Covid-19. Fostering the use of digital technologies would be a timely and cost-efficient measure whose benefits would have long term benefits for economies and communities. We expect from the European Commission and the national governments to set out the framework for replacing the old systems with digital ones.

8. Reducing supply-side production costs by eliminating, simplifying, and standardising regulations

The EU institutions must initiate and promote a comprehensive package of deregulation measures whilst keeping key environmental requirements in place. The EU's home building and developer sector is currently exposed to growing and accumulating levels of regulations, at all stages in the development and construction process. This massively increases the cost of bringing new housing supply to market.

In the last 15 years, the time required to design and build a dwelling has doubled. It should come as no surprise that we are not in a position to develop an offer in line with the population's needs. In this period of extraordinary and unprecedented economic challenge and weakness, a structured and sustained programme of deregulation would play a pivotal role in helping the construction sector recover from the economic shock of 2020 and prevent a further reduction in housing supply, and, therefore, avert a further constraining of housing affordability.

These kinds of measures would help to kick-start the recovery and stimulate much needed consumer demand. They would also take a significant step toward reducing construction costs, with a positive net impact on the final price of new housing stock, enhancing its affordability and attractiveness to prospective EU homebuyers.

9. Supporting 'help-to-buy' schemes across Europe

Many EU Member States have already put in place programmes designed to support families, young people and those on low incomes. We must not allow the medium-term economic effects of Covid-19 to extinguish the legitimate hopes and aspirations of first-time buyers and families and prevent them from benefiting from the long-term security that home ownership affords. We therefore call on the EU Institutions, working together with the Member States governments, to do everything in their power to build market confidence and implement thoughtful, practical policies at European, national, regional, and local levels in order to maximise open access to the housing market, especially for first-time buyers and low-income households.



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