

## XXV. FIG - Congress 2014

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TF Property and Housing

### **Is Affordable Housing still viable in metropolitan urban development?**

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#### Outline

- Housing: State vs. Market Responsibility
- Policy for affordable housing (European perspective)
  - Traditional approaches
  - New approaches
    - (Switzerland)
    - Germany
- Conclusions

### Public responsibility vs. Market

The right to adequate housing:

- „...The human right to adequate housing, which is thus derived from the right to an adequate standard of living, is of central importance for the enjoyment of all economic, social and cultural rights.“

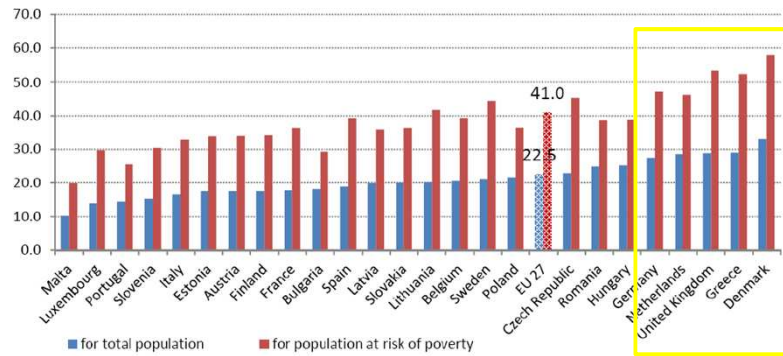
(UN–Office of the High Commissioner for Human Rights: Art.11 (1) of the International Covenant of Economic, Social and Cultural Rights (CESCR), 13.12.1991).

### Responsibility vs. Market

1. State responsibility to care for people in inadequate living/housing conditions  
→ e. g. UN (Human rights), Council of EU, National Constitution in many countries
2. Market: Housing is important part of property market, but ...  
→ Free market forces (*without rules and strategies concerning affordable housing*) are unable to provide sufficient affordable housing supply

### 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)



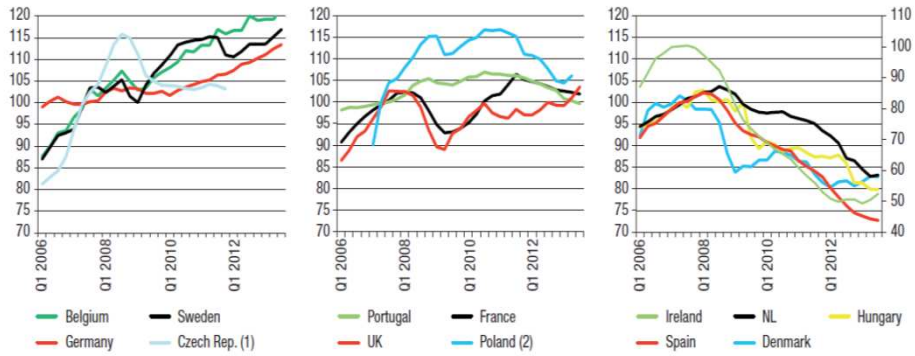
Source: Pettini, A. 2012: CECODHAS Housing Europe: Housing Europe Review 2012, p. 3

"Population at risk of poverty": Income below 60% of median national income

### Necessity of affordable housing in Europe

- 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)
- In metropolitan cities the number of overburdened households and the need for affordable housing will be much higher (e.g. City of Cologne → 40 % overburdened households)
- Average social housing construction rate in Germany: 6 - 9 % of total construction units (last decade)
- Additional problem: increasing house prices

House price development in Europe (2006 - 2013)



Source: European Mortgage Federation

Note:

(1) 2010 = 100

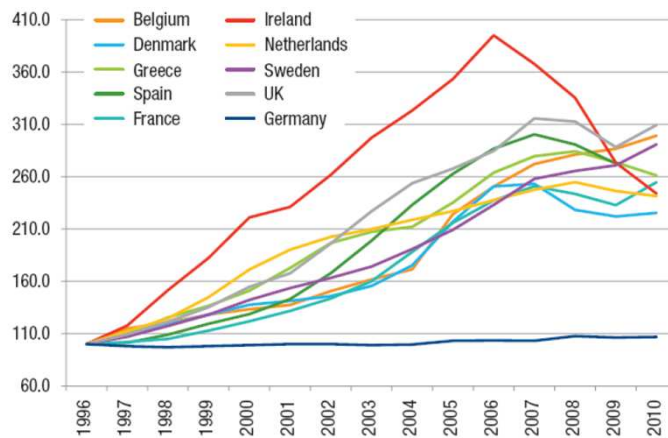
(2) Data is available from Q1 2007

\* Data for house prices is on the right hand-scale only for Ireland

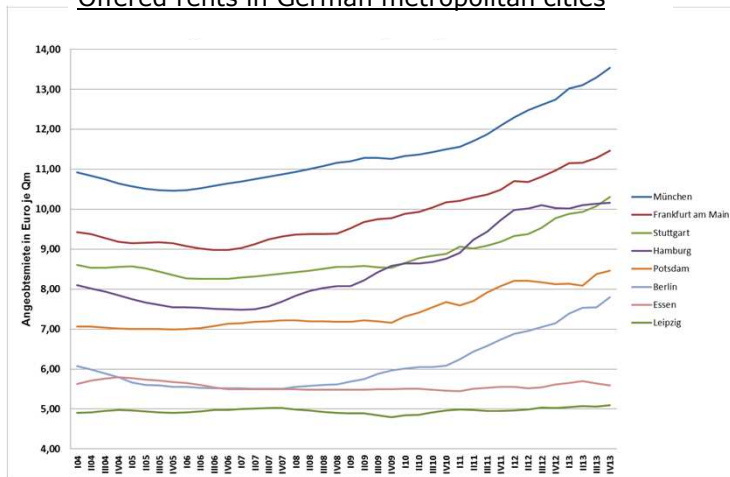
Source: European Mortgage Federation, Report Q3/2013, p. 3. Remark: It is worth mentioning that house prices are calculated according to different methodologies at the national level.

House price development in Europe (1996 - 2010)

Fig. 3: Nominal House Price Indices 1996 - 2010 (1996 = 100)



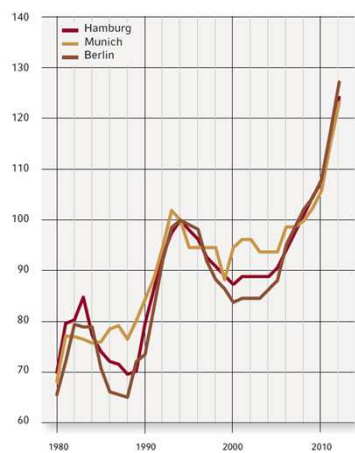
## Offered rents in German metropolitan cities



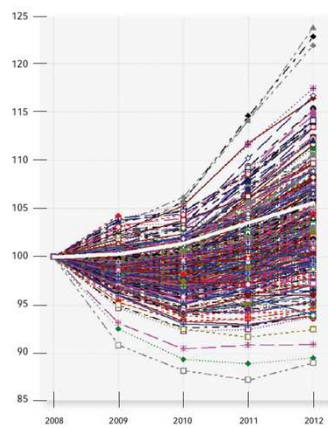
Source: Waltersbacher, BBSR, Vortrag 24.03.2014, Bonn

## Germany: Condominium price development

a. Index of nominal condominium prices  
1994 = 100



Nominal prices for condominiums  
(2008 = 100)



Source: vdpResearch, Federal Statistical Office, vdp Spotlight, Nov. 2013

Necessity of affordable housing in Germany

Affordable housing is a top agenda issue  
 esp. in big cities in Germany and other European countries.

Which approach is successful?

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)
- a) 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 (undesired) (-)
- Unilateral urban and social structures (--)

→ today's urban renewal areas

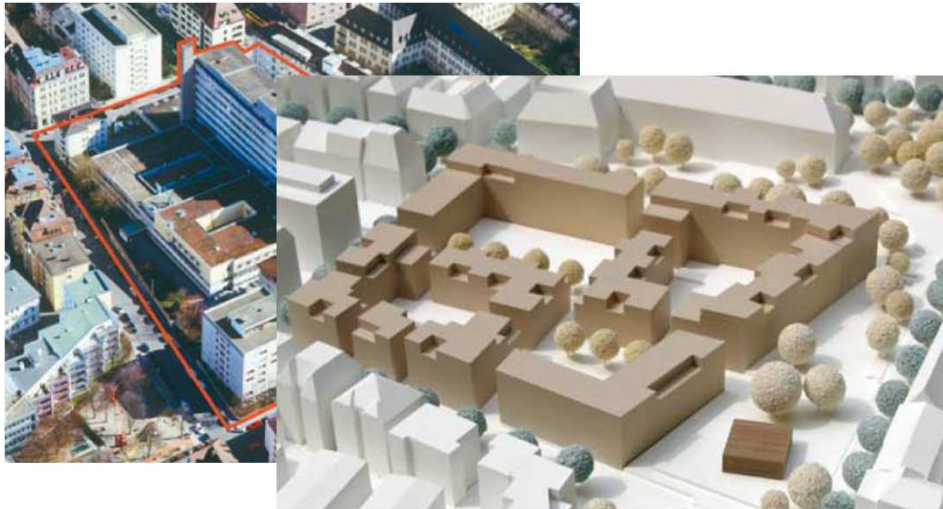


Bild: Dresden-Gorbitz, Soziale Stadt

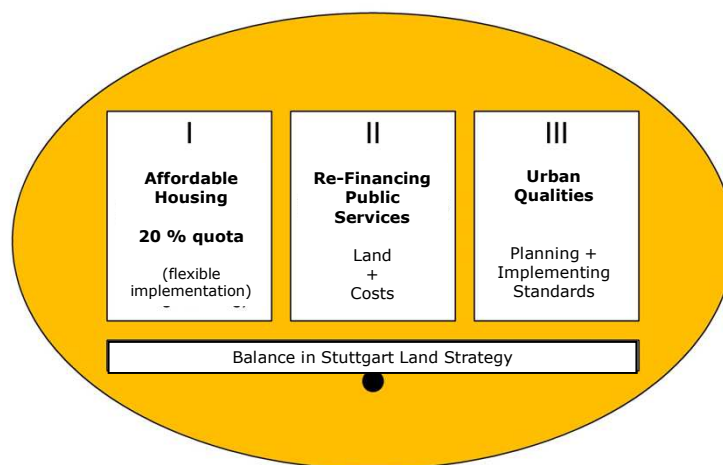
New Approaches in German Metropolitan Cities

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

Example: Redevelopment Hospital Area Stuttgart

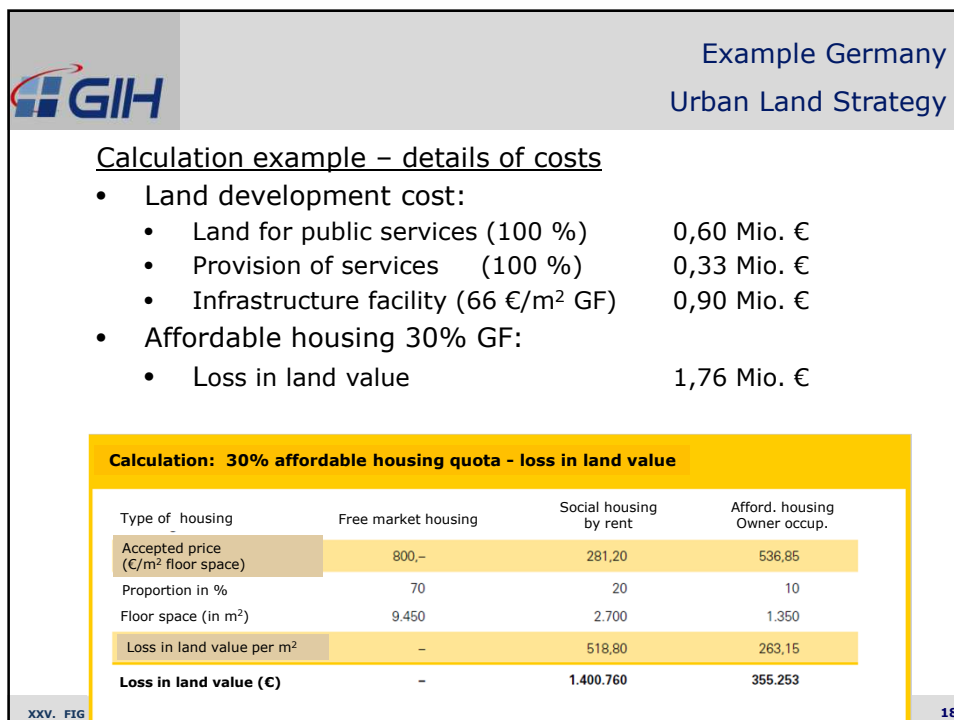
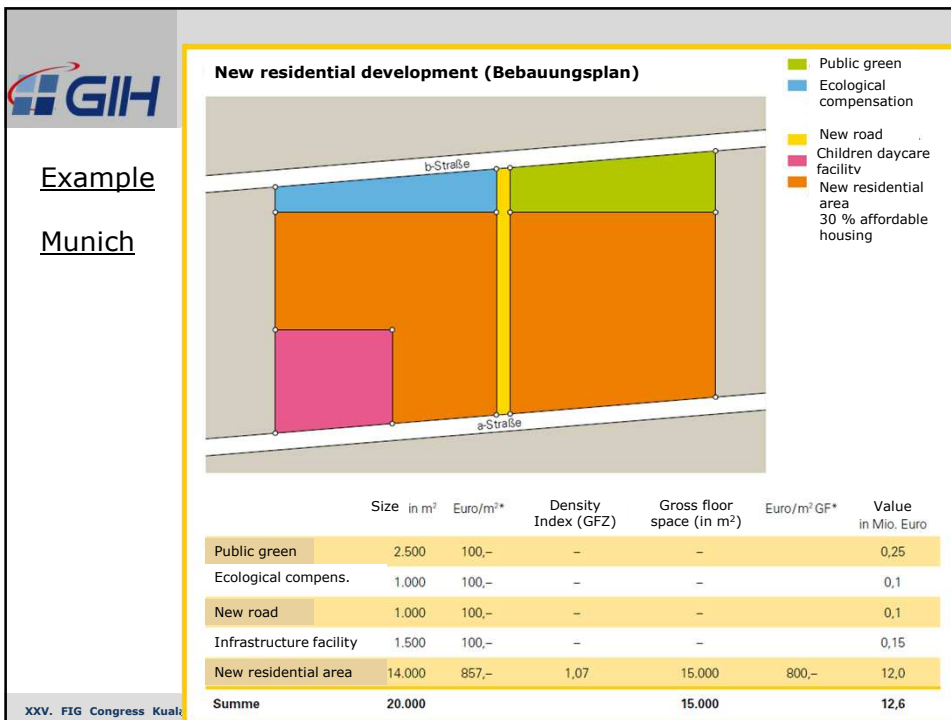


Fields of action of Urban Land Strategy (Stuttgart)



Source: Stadt Stuttgart, Stuttgarter Innenentwicklungsmodell, www.stuttgart.de





Urban Land Strategy: Calculation example

**Valuation I (undeveloped):**

- Size project area 20.000 m<sup>2</sup>
- Value undeveloped land **100 €/m<sup>2</sup>**
- Investment undeveloped land 2.000.000 €

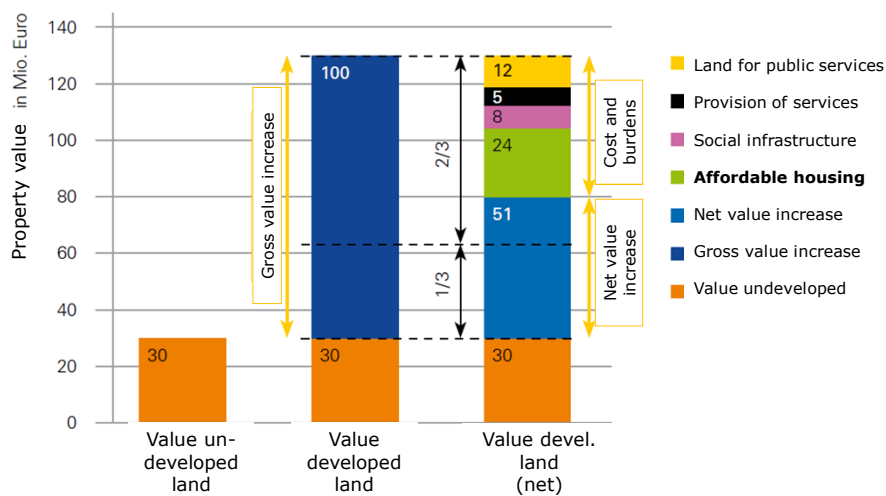
**Valuation II (developed):**

- Size of developed land 14.000 m<sup>2</sup>
- Value of developed residential land **857 €/m<sup>2</sup>**
- Value developed land 12.000.000 €
- Value public space (6.000 m<sup>2</sup>) 600.000 €

**Calculation (developer & municipality):**

- Gross land value increase 10,60 Mio. €
- Land development cost ./ 1,83 Mio. €
- 30 % afford. housing (loss in value) ./ 1,76 Mio. €
- Net value increase 7,01 Mio. €
- (Minimum 1/3 net value increase 3,53 Mio. €)

Economic impact of the Munich Land Strategy



Many successful example. Here: 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 ↔ 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? → Yes!

**Thank you**  
**for your attention!**

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