



G7 Initiative for Affordable Housing

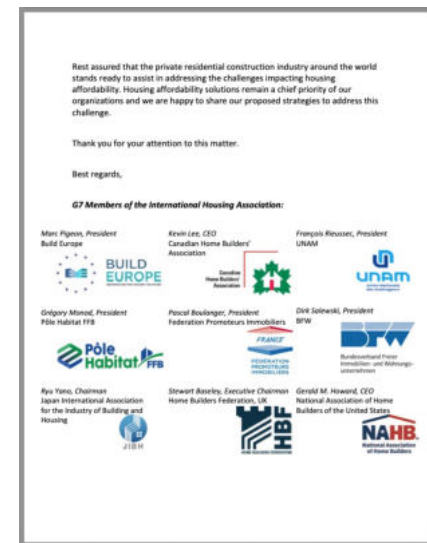
**“Access to affordable housing is the cornerstone of a balanced society”
Marc Pigeon, President of Build Europe**

Takamatsu, Kagawa (Japan)

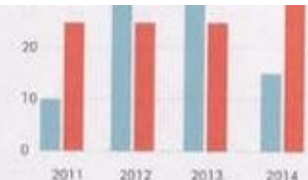
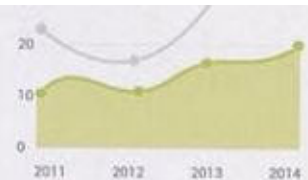
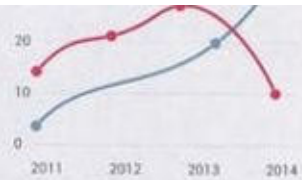
5 July 2023

Housing Affordability: Why An International Press Conference?

- To draw the attention to the **global housing affordability crisis** in view of the **G7 Urban Development Ministers' Meeting** in Takamatsu (Kagawa, Japan)
- To inform about the **challenges faced by citizens** in G7 countries seeking access to a **decent affordable home**
- To highlight that **unaffordable housing is an issue that concerns not only all G7 countries** but the whole world



Build Europe and its international partners have officially requested to the G7 governments and European institutions that the issue of housing affordability be addressed at the G7 because it is an issue that affects all countries



Sparkline Charts

Line Chart



Bar Chart



Pie Chart



Easy Pie Chart



Part 1 - State of play

Does The World Need Housing?



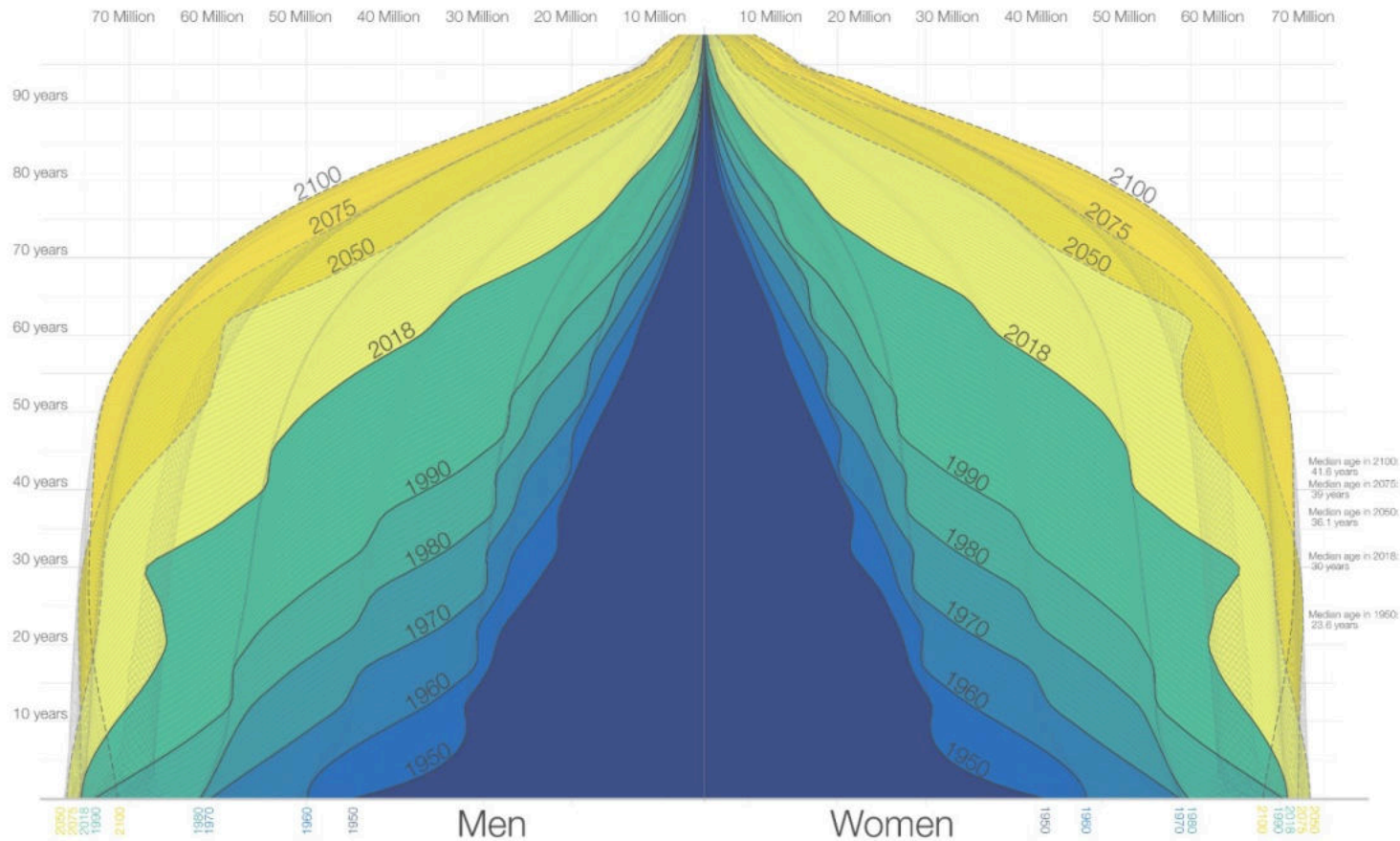
**"More than 1.8 billion people around
the world do not have adequate
housing...
and 150 million more are living in
homelessness"**

"The Global Housing Crisis", Urbanet, October 2022

The Need for Housing: Why?

- Increase of global population
- The continuous increase of our ageing population,
- Rising migration flows, including relocations due to war, poverty, and climate change
- The concentration of people in large cities and dense urban areas

The Demography of World Population (1950 - 2100)⁷

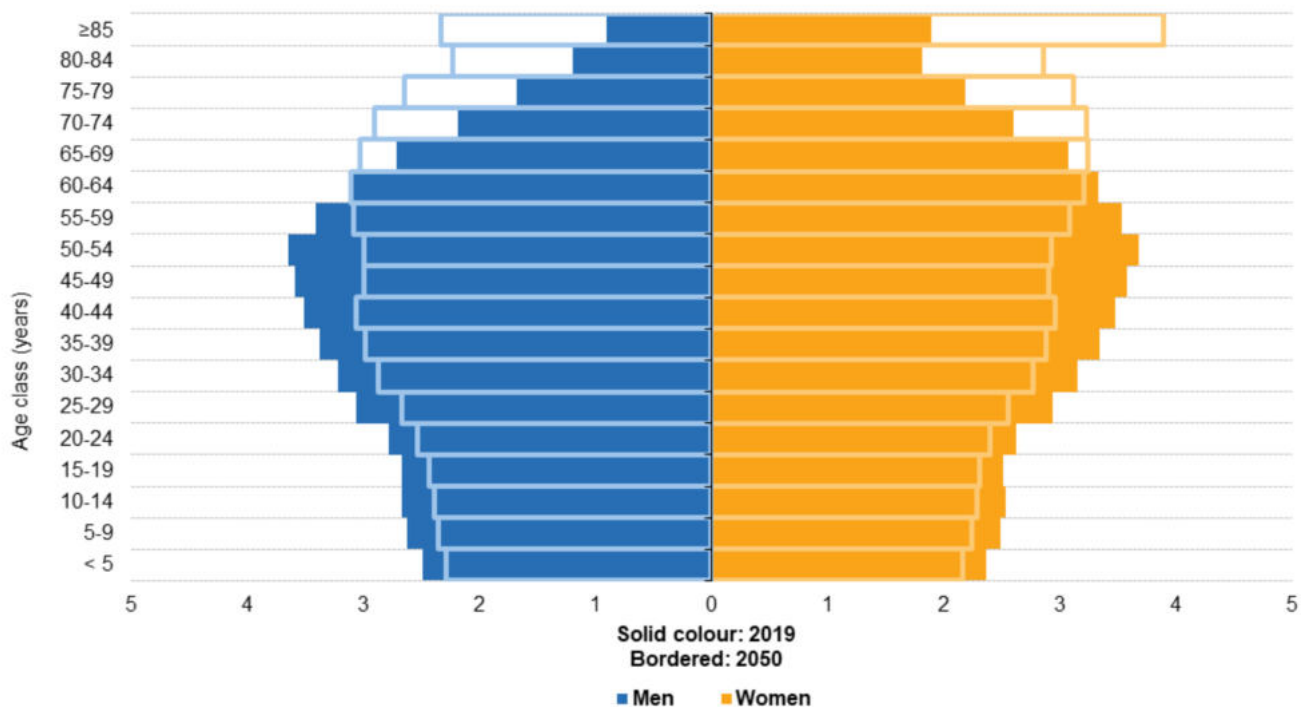


*“The **world’s population is expected to increase** by two billion people, from 7.7 billion at present **to 9.7 billion in 2050**, before **reaching a peak of nearly 11 billion by the end of the century** as fertility rates continue to decline...”*

*“... During this period, the **global population is projected to become more and more urban**, while **children below age 5 will be outnumbered by persons aged 65 or above**”*

United Nations - Shifting Demographics
[\(click here to access the article\)](#)

Population pyramids, EU-27, 2019 and 2050
 (% share of total population)



The median age in the EU-27 is projected to increase by 4.5 years between 2019 and 2050, to reach 48.2 years

In addition, **climate change is expected to be a key driver of migration** and displacement. According to UNHCR, an annual average of **21,5 million people have been forcibly displaced by weather-related events** (floods, storms, wildfires and extreme temperatures) since 2008

The international thinktank IEP predicts that **1,2 billion people could be displaced globally by 2050 due to climate change** and natural disasters



Is Housing
Affordable and
Financially
Accessible?

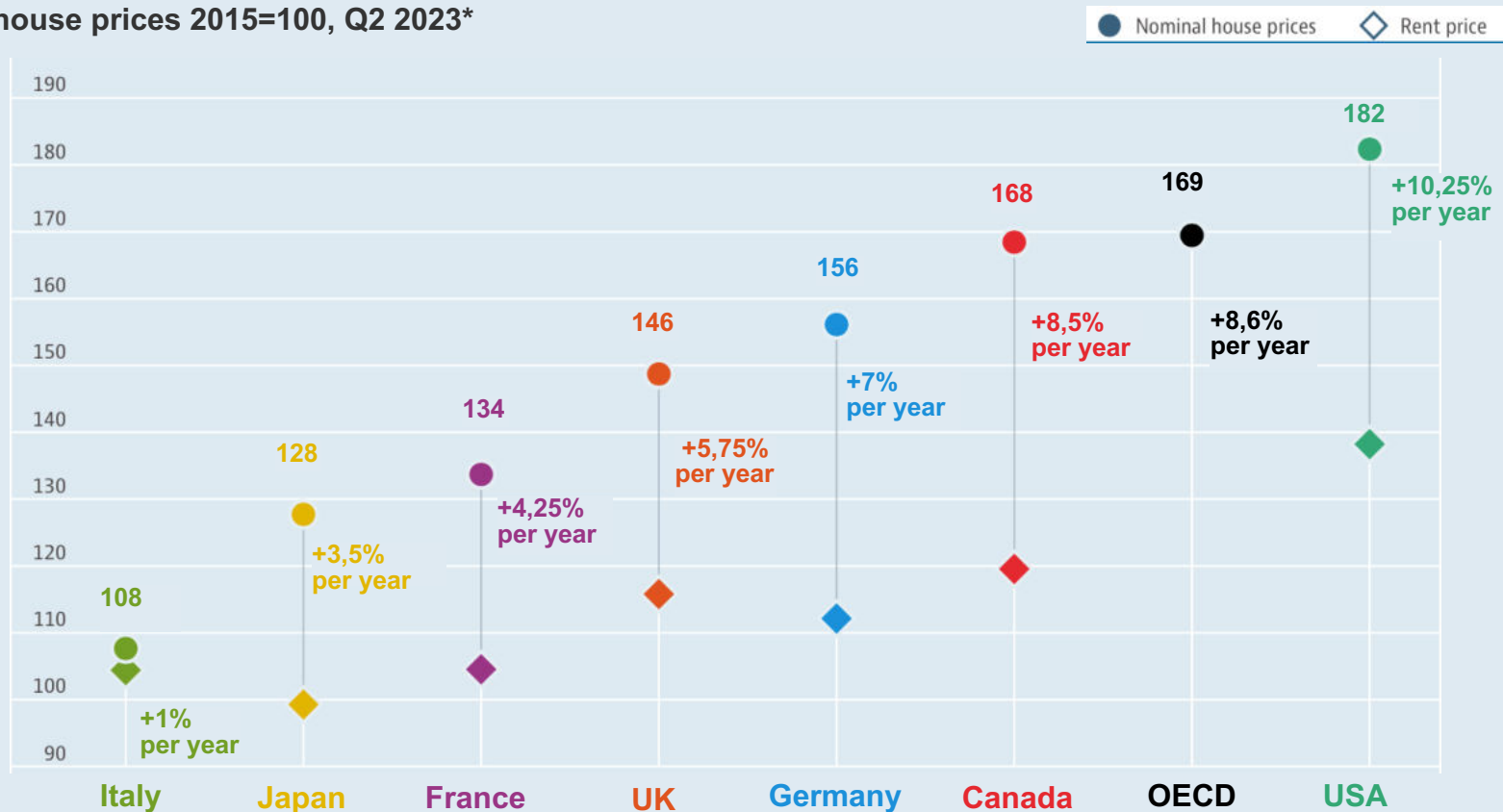
No, it's not.

Generally, in the last decade, the **price of housing has risen more than wages**

1. Evolution of Housing Prices

Housing Prices in G7 Countries (2023)

Nominal house prices 2015=100, Q2 2023*

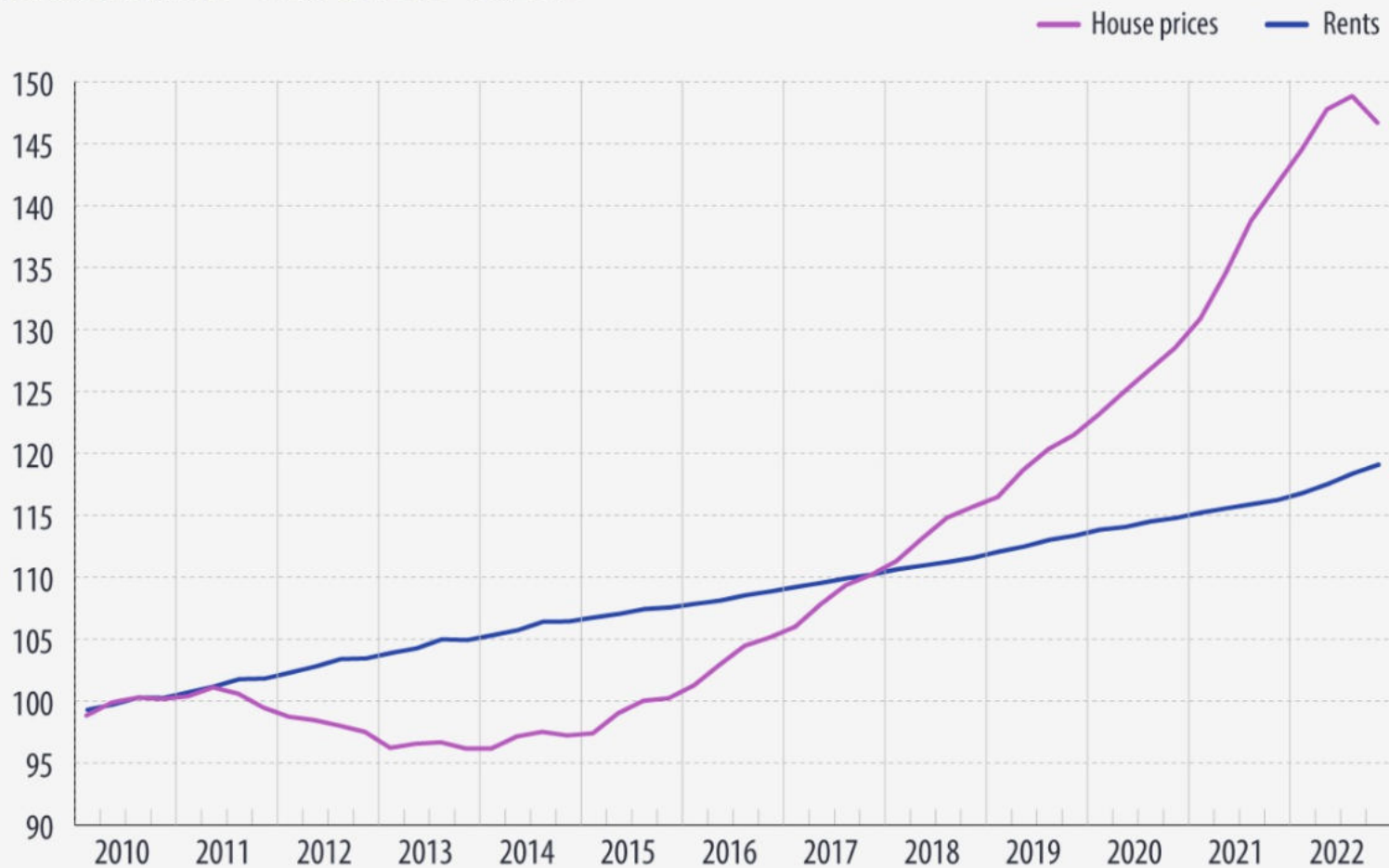


*The nominal house price index covers the sales of newly-built and existing dwellings, following the recommendations from the RPPI (Residential Property Prices Indices) manual

*Data sourced from [OECD](#)

House prices and rents, EU

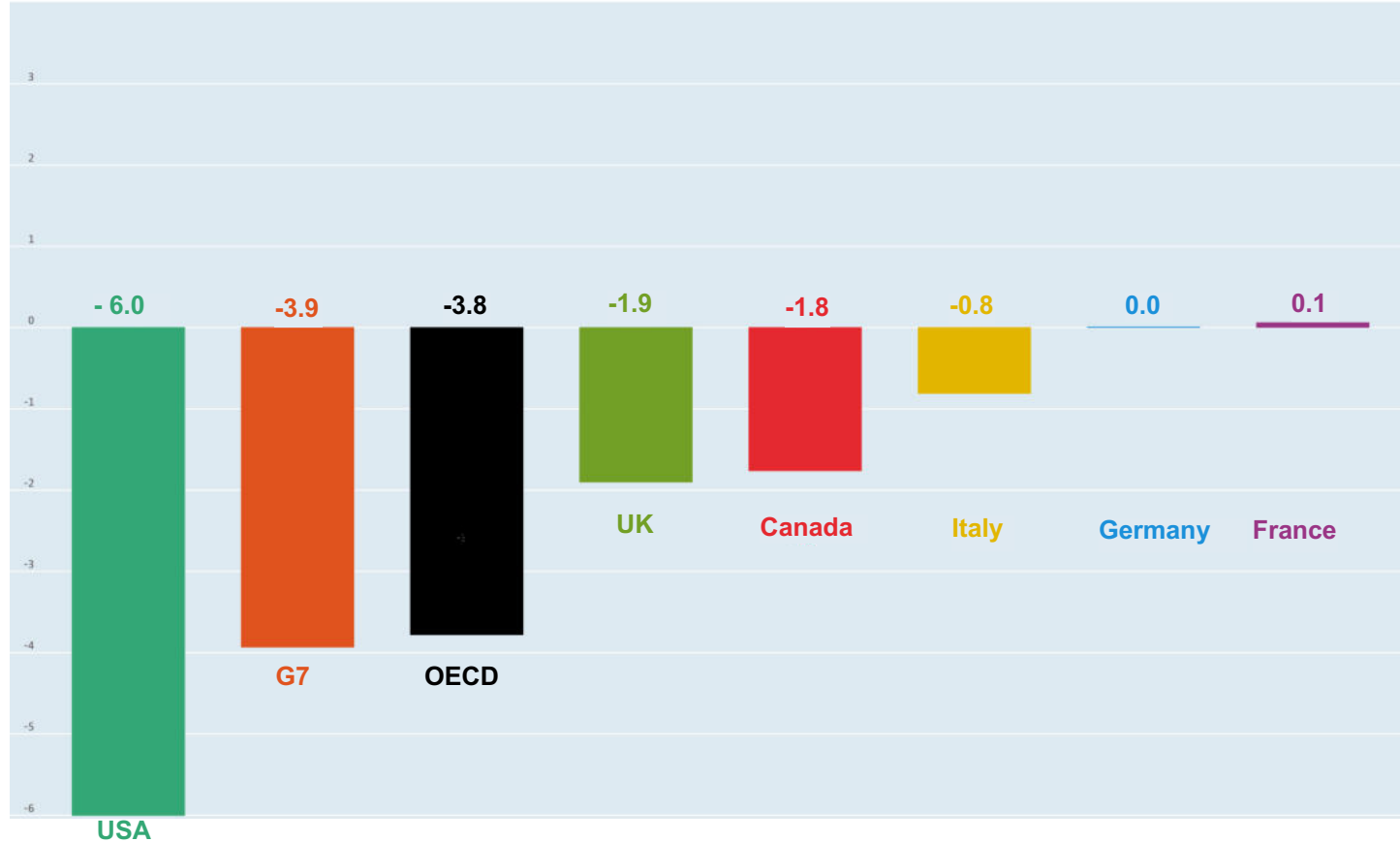
Index levels (2010 = 100), Q1 2010 - Q4 2022



2. Evolution of Income

Household Disposable Gross Income in G7 countries* (2022)¹⁹

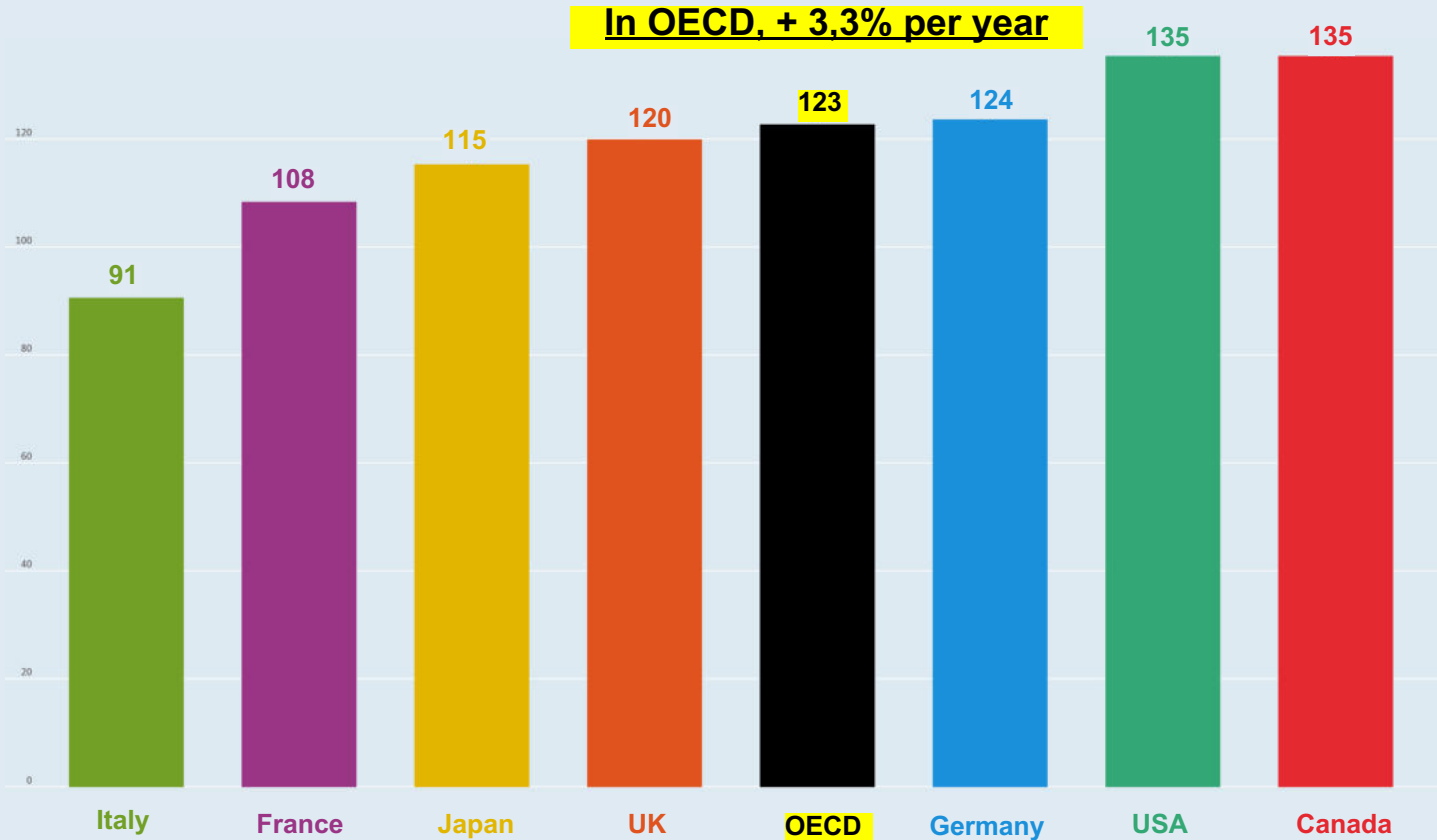
Per capita, percentage change compared to previous period



*Household disposable income is income available to households such as wages and salaries, income from self-employment and unincorporated enterprises, income from pensions and other social benefits, and income from financial investments. 'Gross' means that depreciation costs are not subtracted

3. Housing Prices and Households' Income

Price-to-Income Ratio in G7 Countries* (2022)



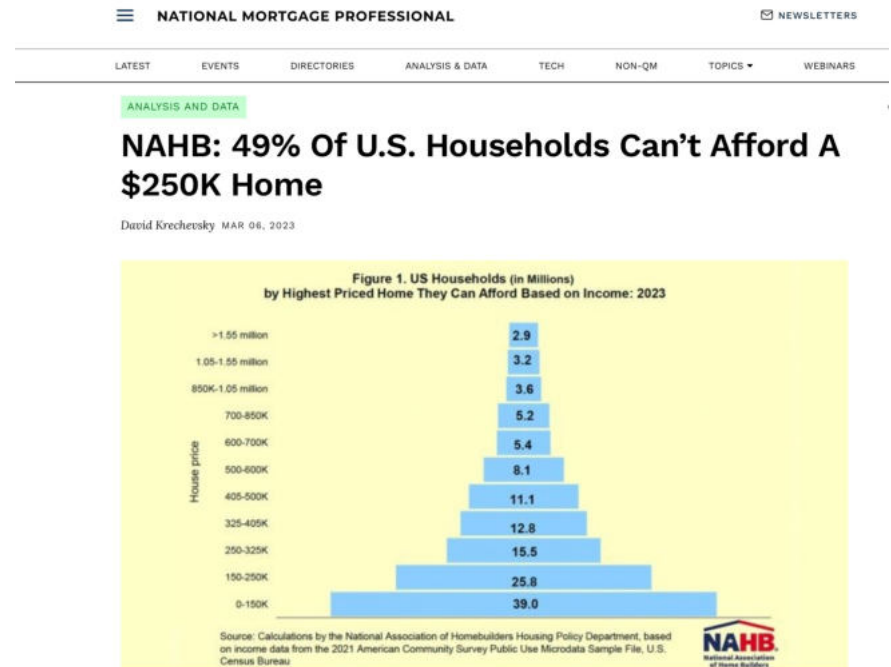
Price-to-income ratio is the ratio between the price of a median home to that of the median annual household income in a particular area or country . A higher price-to-income ratio indicates less affordability, as it implies that a larger portion of income is needed to purchase a home

*Price to income ratio, 2015=100

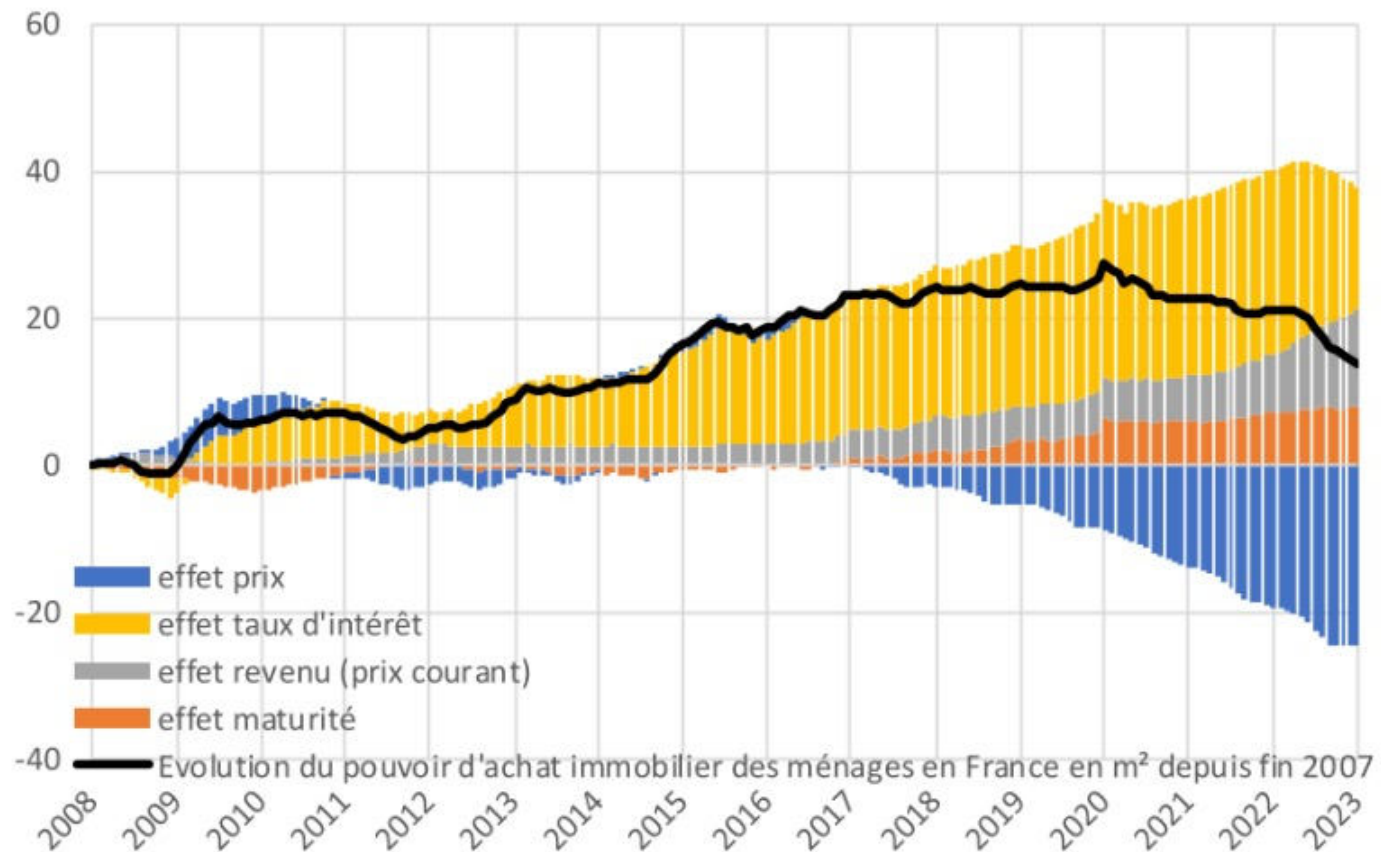
**Data from OECD

In the USA, 49% Of Households Can't Afford A \$250K Home

- According to the National Association of Home Builders, **64.8 million US households are unable to afford a \$250,000 home**
- The same study indicates that **39 million US households have insufficient income to afford a \$150,000 home**



Cumulative evolution of property purchasing power since January 2008 in France (in %)



Source : calculs Banque de France. Dernier point : mars 2023.

Part 2 - Why Is This Happening



Housing Affordability Crisis: Challenges Around the World

1. Increase in **construction costs**
2. The **lack of buildable land** at affordable prices
3. Rising **interest rates**
4. Weight of **taxation**
5. **Reduced housing supply** despite a growing population
6. **Insufficient** increase in **household income**



1. Increased Construction Costs

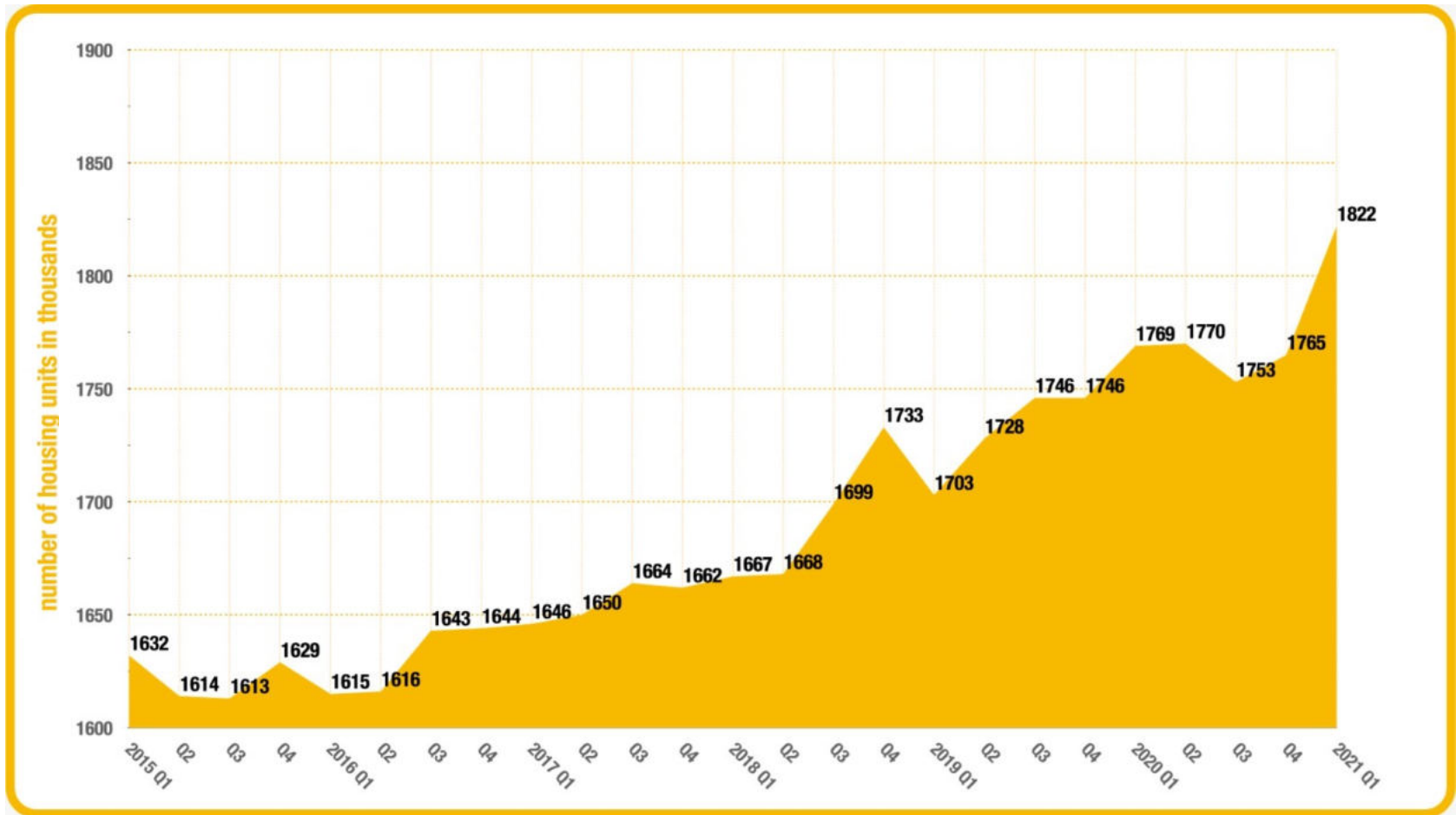
The cost of construction has increased due to:

- **Overregulation** (particular environmental regulation)
- The **increase in the price of materials and, correlatively, of labour**, in an attempt to correct the effects of inflation

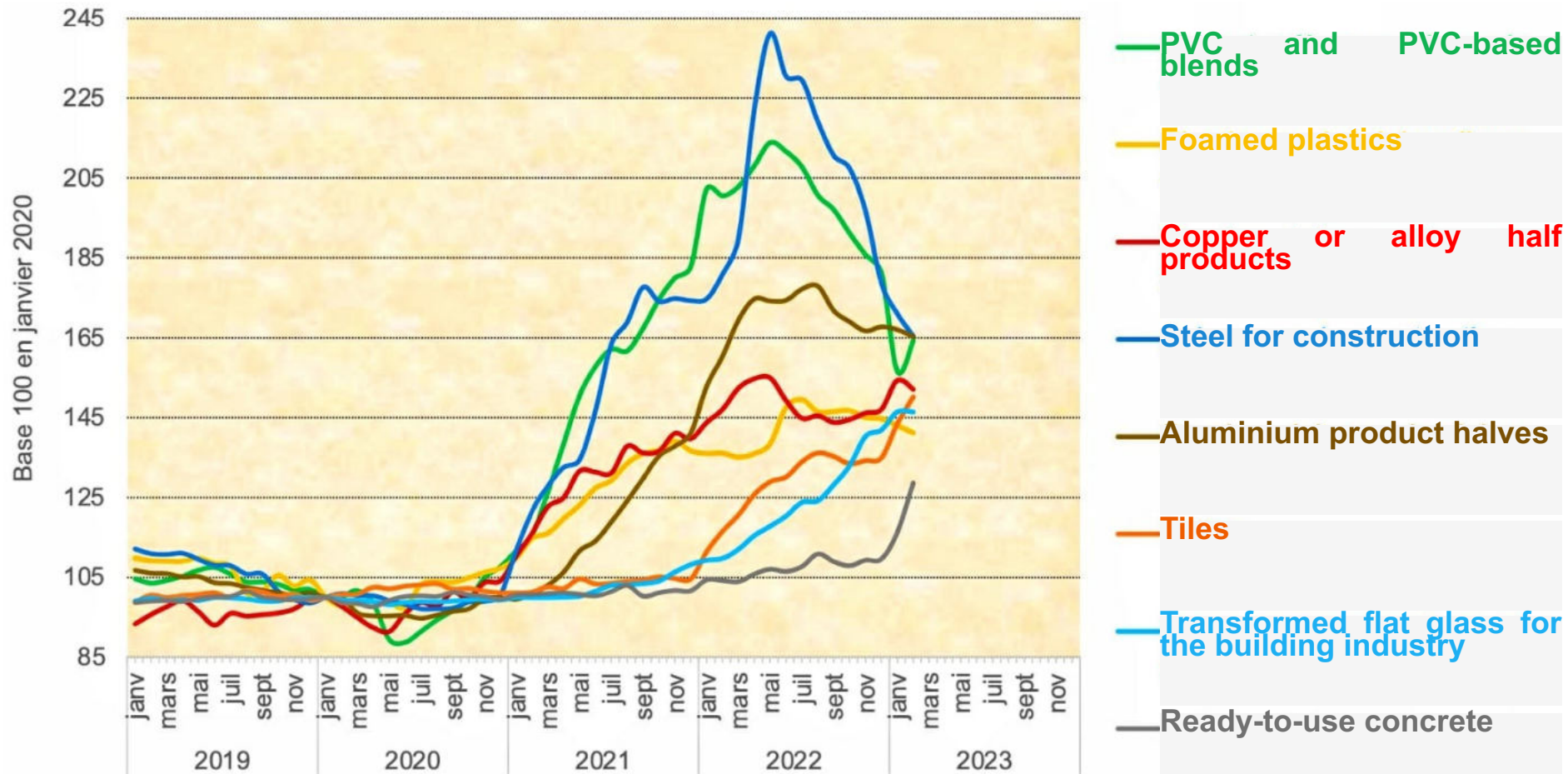


*“We find that a **key driver of the housing unaffordability problem is the overregulation of housing markets by State and local governments**, which limits supply. By driving up home prices, **overregulation adversely affects low-income Americans** in particular, who spend the largest share of their income on housing”*

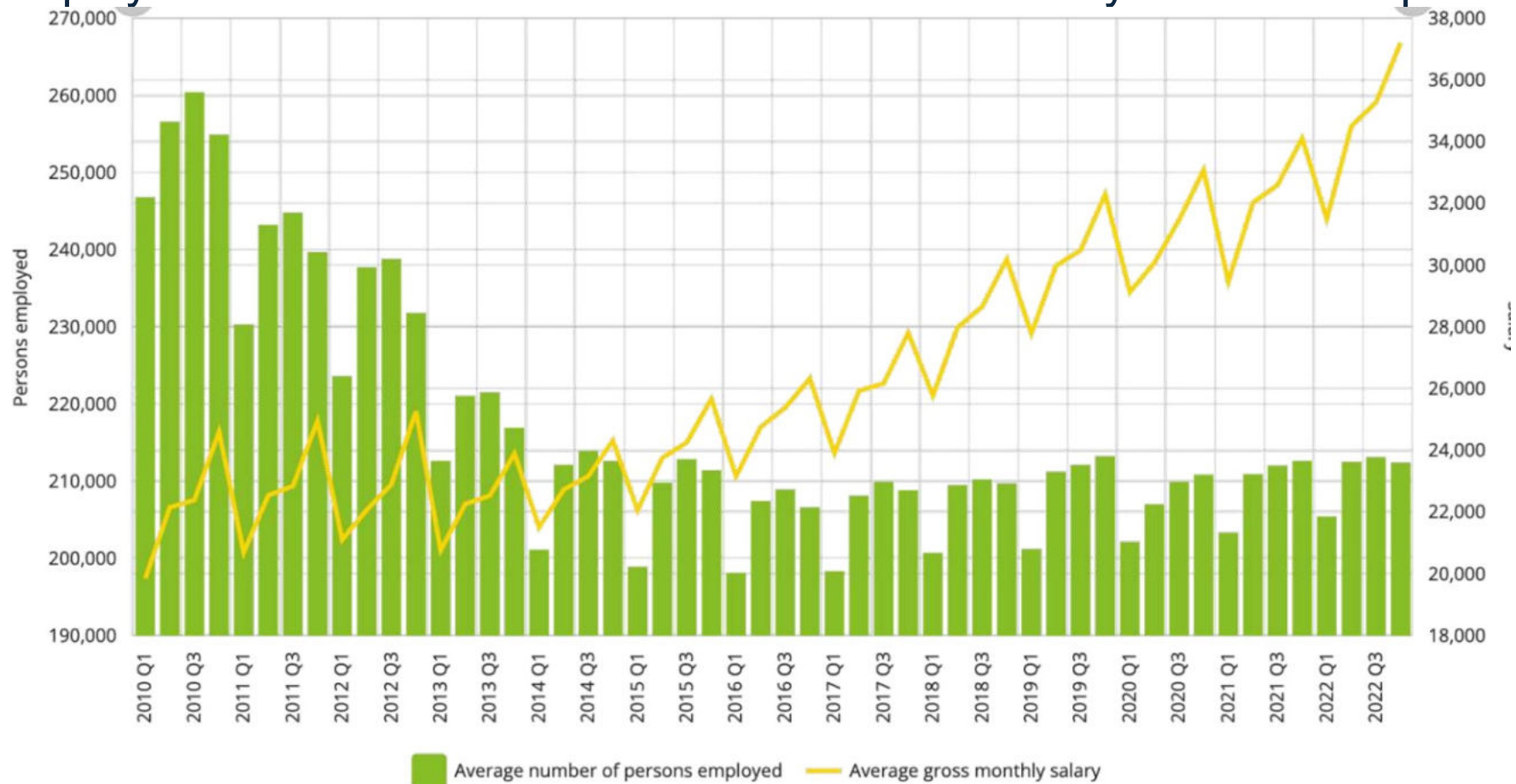
Housing Construction Cost Index in France from Q1 2015 to Q1 2021²⁸



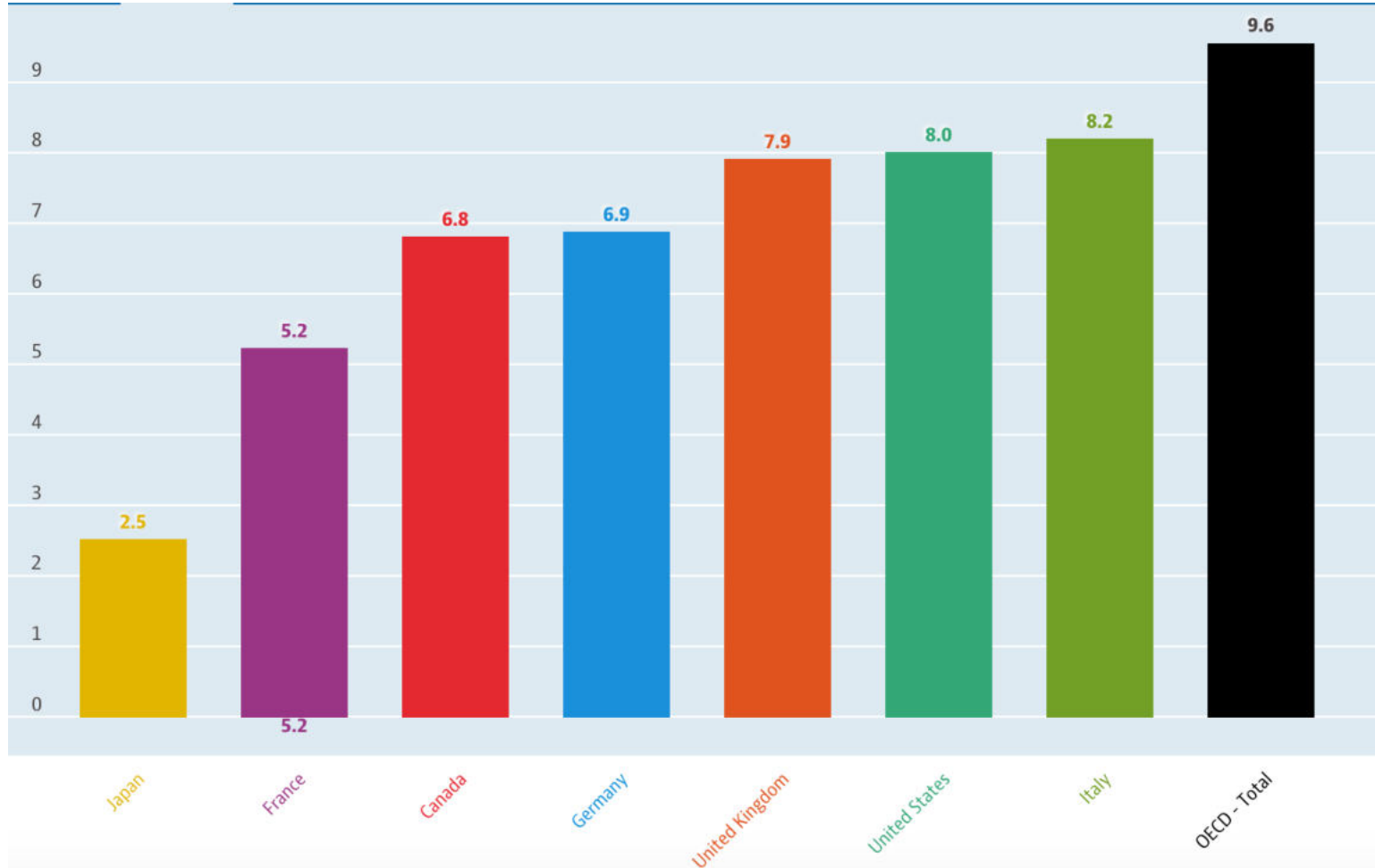
Price of Construction Materials in France (2019-2023)



Employment and Salaries in the Construction Industry in Czech Republic



Annual Inflation in G7 Countries (2022)



2. Increased land prices

- The **availability of land** suitable for housing development **is limited**.
- Many countries have already adopted measures to **counteract soil artificialisation** and **favour reuse of urban** and industrial **wastelands**
- The policy of **rebuilding the city on itself** increase the price of urban land



Affordable **land prices** are essential,
as they **account for between 20%
and 50% of property prices.**

Reducing buildable land increases
housing prices

In 2015, “*almost 75% of land in the EU was used for agriculture and forestry, while **only 2,9% was used for residential housing***”

Sustainable Urbanisation and land-use Practices In European Regions, European Spatial Planning Observation Network

*“**Exclusionary zoning laws** enact barriers to entry that constrain housing supply, which, all else equal, **translate into** an equilibrium with **more expensive housing and fewer homes being built**. Consistent with theory, the empirical literature finds a **relationship between restrictive land use regulations and higher housing prices**. For example, a study in 2005 finds that **prices of Manhattan condominiums are 50% higher than they would be without zoning restrictions**”*

[US President Joe Biden's Economic Team, 17 June 2021](#)

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U.S. Housing Market Needs 5.5 Million More Units, Says New Report

Construction of new homes in the last two decades lagged behind historical levels, contributing to a recent surge in home prices

*“In the US, for years, **local governments have erected unnecessary barriers** that stand in the way of **homeowners, homebuyers, and homebuilders** using their land as they see fit, **driving up prices** for all Americans”*

[U.S. Senator Todd Young, National Review, 6 August 2021](#)

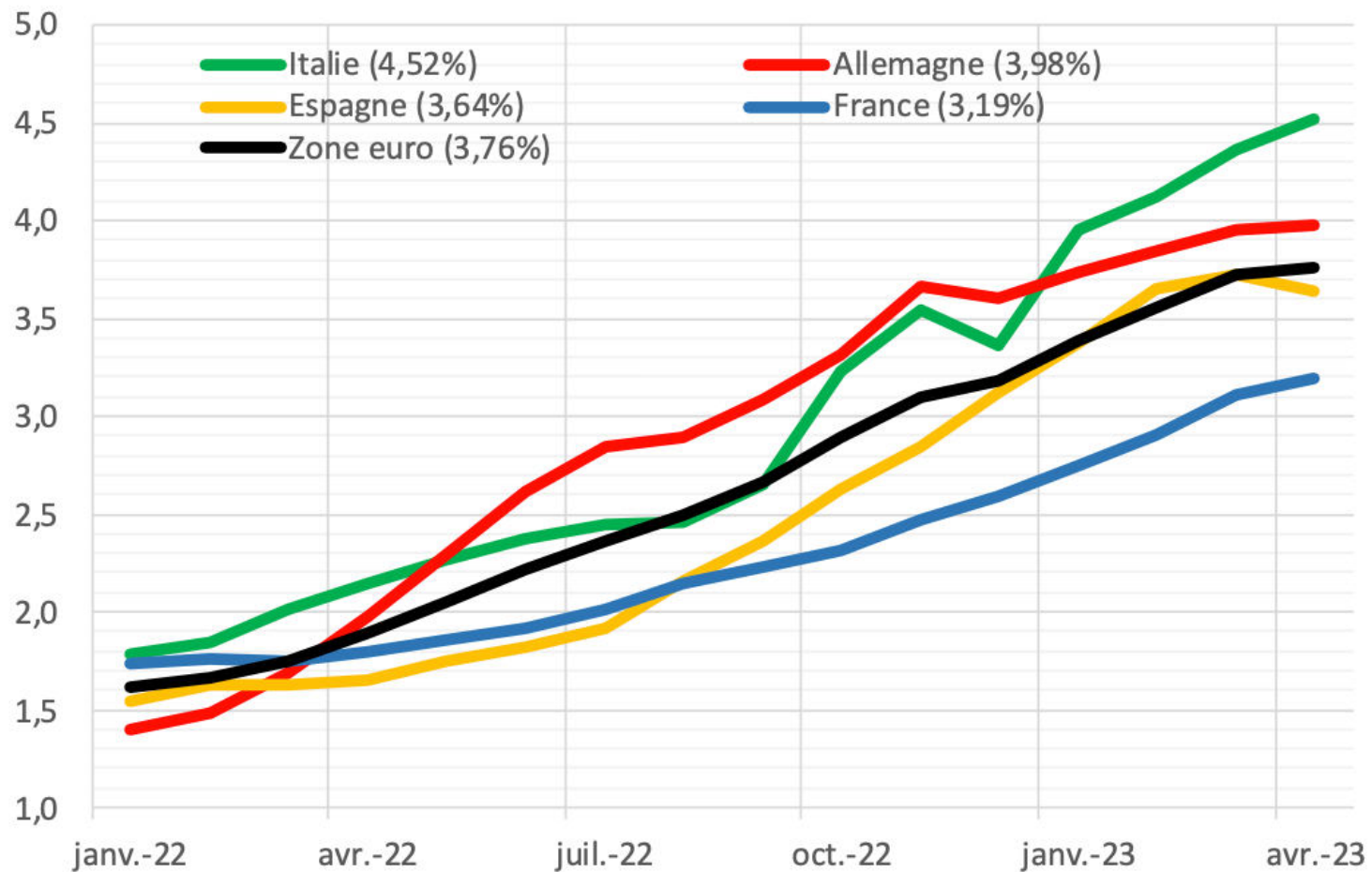
3. Increased Interest Rates

The impact of high interest rates on:

- **Buyers:** 1% rise in interest rates corresponds to an 8% loss in housing purchasing power
- **Developers:** Rising interest rates increase housing production costs



Interest rates on new housing loans (annual, in %)



High Interest Rates Make Housing Less Affordable

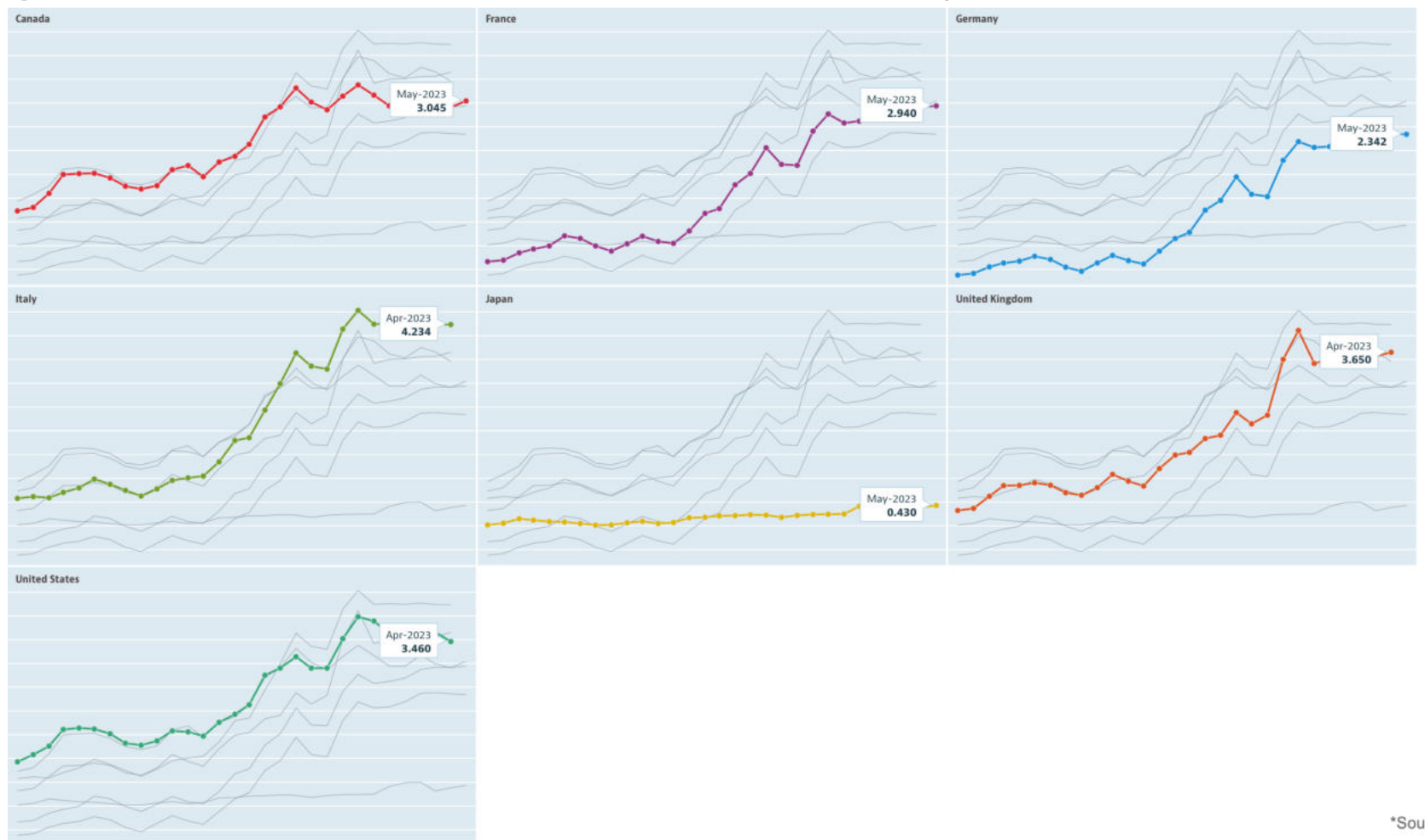
- In the EU, the rapid increase in **interest rates** has immediately affected the **solvency of individuals seeking to acquire housing** or invest in rental real estate
- On 14 June, **Build Europe** contacted the **European Central Bank** to share its analysis and concerns over the decline in the housing production due to high interest rates



Build Europe alerted President of ECB Christine Lagarde about the danger for housing affordability if interest rates were increased

“The leading indicators at our disposal point to a decline in housing production activity ranging from 20% to 40% depending on the country for the year 2023. These difficulties, coupled with the increased costs of producing new homes due to new EU environmental regulations, are increasingly excluding low- and middle-income households from accessing decent housing”

Long-term Interest Rates in G7 Countries (Dec 2020 – April 2023)



*Source: OECD

4. High Taxation and Housing Taxes

Country	Average House Price*	Gross National Income per capita*	Income tax rate**	Net Income	Indicative estimation of the number years for housing purchase (calculated on net wages, without additional expenses)
Canada	229,667.90 \$	42,610 \$	33%	28,249 \$	8 years and 2 months
France	296,295.70 \$	38,530 \$	45%	21,192 \$	14 years
Germany	381,631.00 \$	45,620 \$	45%	25,091 \$	15 years and 3 month
Italy	404,800.60 \$	35,540 \$	43%	20,259 \$	20 years
Japan	368,830.40 \$	37,790 \$	51%*	18,517 \$	19 years and 11 months
UK	275,515.20 \$	38,160 \$	45%	20,988 \$	13 years and 1 month
US	146,200.00 \$	53,750 \$	37%	33,862 \$	4 years and 4 months

In countries with higher taxes, housing prices are also higher

*Data sourced from [Towergate Insurance](#)

** Data sourced from [Trading Economics](#) and [KPMG](#)

5. Reduced housing supply despite a growing population

Even if additional housing does not always cause a drop in prices, **insufficient housing always results in an increase of housing prices**



Dwellings built in Germany by year of construction

	New dwellings built (in thousands)	
Germany	Between 1991 and 2010	From 2011 to 2018
	6,736	1,250

Press release - 16 June 2023

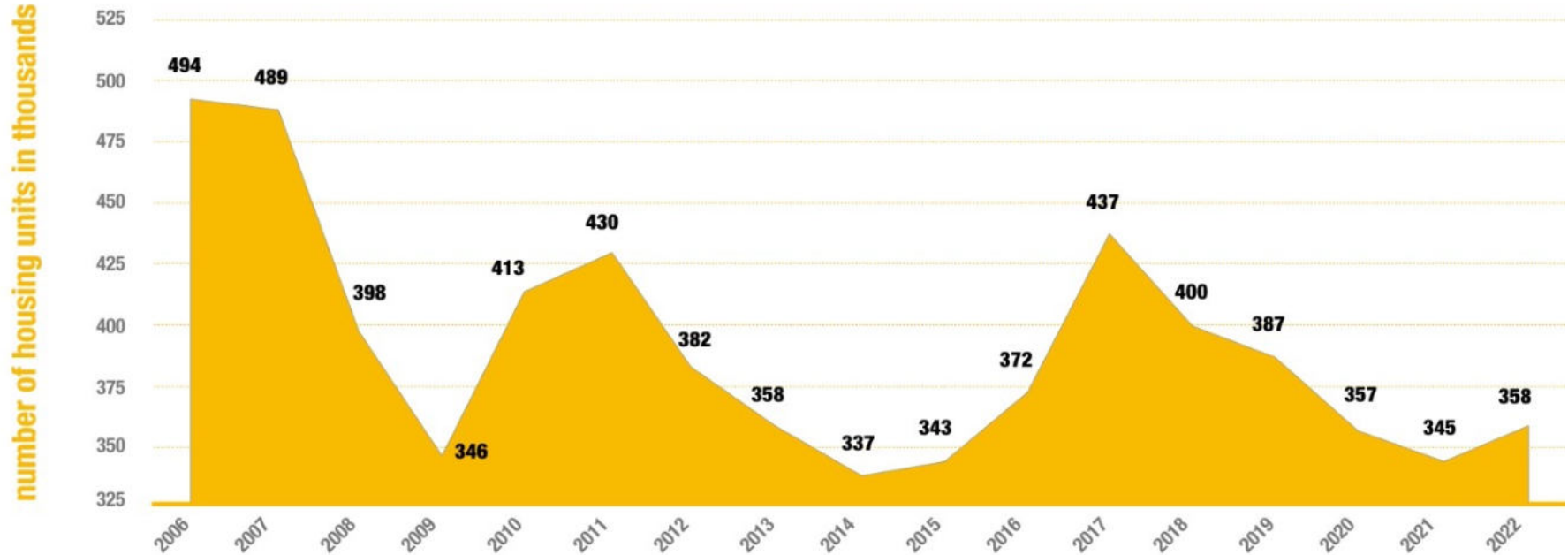
Significantly Fewer New Dwellings in Germany by 2025

*“The ifo Institute expects a **drastic decline in residential construction in Germany.***

*According to the Institute’s calculations, **around 245,000 dwellings will be completed in new residential buildings in 2023, with another 210,000 to follow next year but only around 175,000 in 2025.** Together with the other completions, **only about 200,000 housing units will be built in 2025.***

The German government’s target, however, is 400,000”

Housing Production in France from 2006 to 2022 (in thousands)



The Causes of the Global Housing Affordability Crisis in a Nutshell



Rising construction costs

Construction costs have been rising in many parts of the world



Interest rates and taxation

Rising mortgage rates make it difficult for low-income households to secure financing for housing, which is often taxed throughout its lifetime: production, sale, ownership, lease, and transfer



Reduced housing supply

The increase in population has not been accompanied by a directly proportional increase of housing supply



Increased land prices

People tend to move to big cities, where the availability of land suitable for housing development is limited, leading to a shortage of housing supply in urban areas



Insufficient income growth

Wages did not increase as fast as housing prices

The global housing crisis is a complex issue with many contributing factors. It is important to understand the general causes of this worldwide phenomenon in order to develop effective country-specific solutions around the world

A hand holding a white marker with a red tip is drawing a red path on a sheet of graph paper. The path starts with a red dot and moves in a series of steps, resembling a staircase or a zig-zag pattern. The graph paper is surrounded by numerous crumpled pieces of white paper, suggesting a process of trial and error or iteration. The background is dark, making the white paper and the red path stand out.

Part 3 - Pathways to success

Creating Sustainable Affordable Housing Supply: Intervene on the Whole Housing Chain

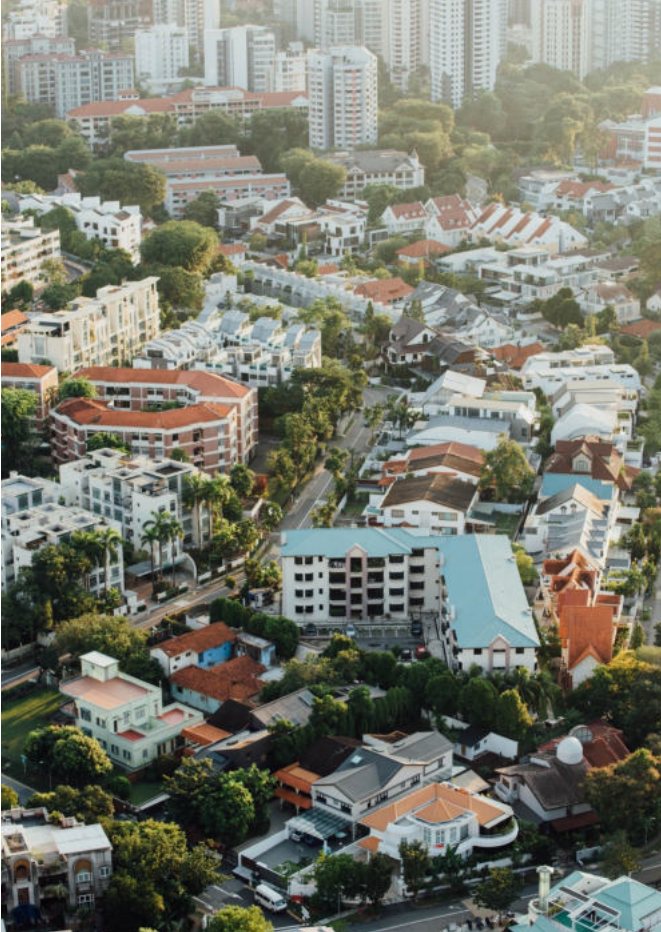
1. Land

2. Financing

3. Public Policies

4. Operators

1. Land



We must develop a plan to **build enough housing** to meet the needs of the population. For this reason, it is necessary to:

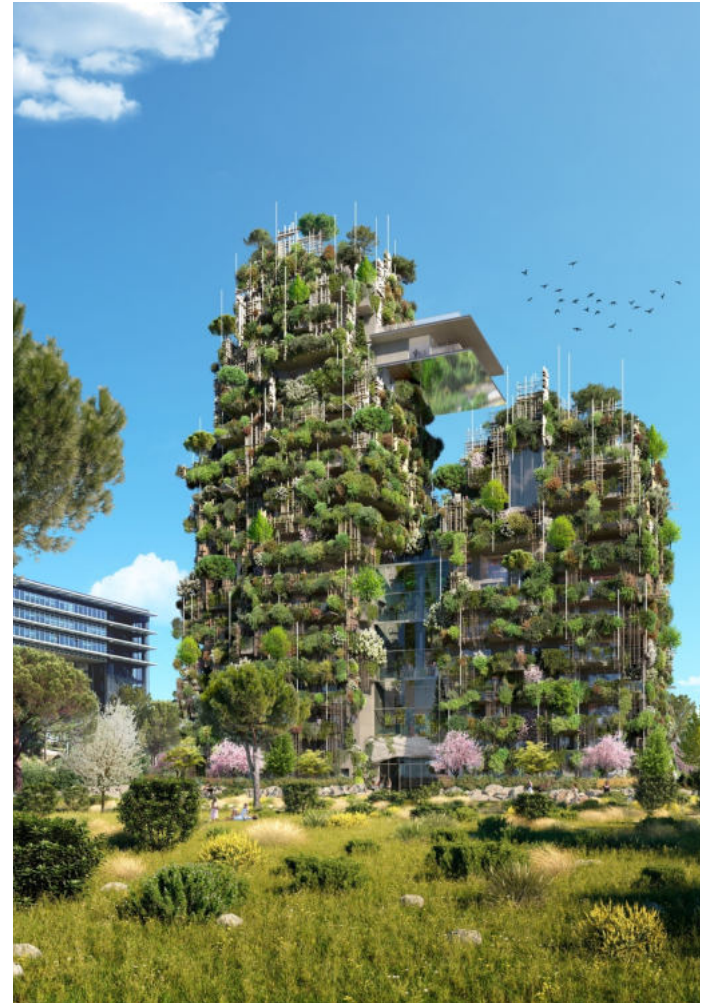
- **Develop planning policies** at the level of each State, Region, or Metropolitan area **to meet housing needs**
- **Control the execution** of planning projects
- **Accelerate the implementation of projects** with a rapid processing of contentious appeals and a reduction in the time taken to process building permits, in particular **through digitalisation**
- Initiate a **policy of increasing building density** in line with the environmental policy of reducing land artificialization, and reclaim underdeveloped land - e.g. commercial zones

We need also to consider that the **lack of housing penalises also employment and the economy**

ATTENTION: In the EU, the No Net Land Take By 2050 policy will penalise the development of small and medium-sized towns and cities

2. Financing

- **Mobilise both public and private resources** to facilitate the growth of affordable housing supply
- **Encourage private investment** in affordable rental housing. Private landlords have an economic role that must be recognized and encouraged
- Develop **financial engineering** to reduce the cost of housing for households (e.g. separation of land and buildings, Help-To-Buy scheme, etc.) or find **other sources of housing finance** (tokenisation, etc.)
- **Help households** financially, in particular for **first-time buyers of ecologically efficient housing**





3. Public Policies

- **Planning the territory:** we need to adopt a forward-thinking mindset and cultivate a comprehensive strategy encompassing employment, housing, education, transportation, and other vital aspects.
- **Investing in infrastructure** to enhance the appeal of medium-sized towns, where property expenses and costs are comparatively lower, is crucial in countering the exclusionary trend of *metropolisation*, which marginalises households with modest and average incomes
- **Taxation:** lower taxes, reduce the financial burden on salaried labour, and encourage 'green' investment
- **Financial policy:** interest rate policy in line with current economic parameters
- **Deregulate** responsibly and **avoid introduction of additional excessive rules**

“We are implementing what we have decided, but we must stop adding to it. The risk we run is, basically, of being the best performers in terms of regulation and the worst performers in terms of financing”

[Emmanuel Macron, President of France, 11 May 2023](#)



4. The operators

- It is essential to **federate the public and private actors around affordable housing**. Thus, both public and private operators should be able to **develop a supply of both affordable and social housing** - under the same conditions, constraints, and advantages - to put a roof on our citizens' head

A close-up photograph of several people's hands clasped together in a circle, symbolizing unity and commitment. The hands are wearing various colored knitted sleeves: red, orange, teal, blue, and grey. One hand has a ring on the ring finger. The background is blurred, focusing attention on the hands.

Part 4 - Our Commitment

To ensure the preservation of our planet, **developers and homebuilders** strive to **create housing that combines exceptional comfort**, design, and **environmental performance**.

Our environmental commitment

While acknowledging our industry's greenhouse gas emissions, we have already taken steps to:

- give preference to **short distribution channels**
- develop the **use of new materials**, such as wood and natural insulation
- undertake renovation and restructuring operations
- take account of the new thermal regulations to achieve the **goal of zero energy**
- incorporating **nature into residential and development projects**, as well as into the urban landscape, and develop new projects on **urban wastelands**
- **reuse materials, prioritising deconstruction** over demolition

Our social commitment

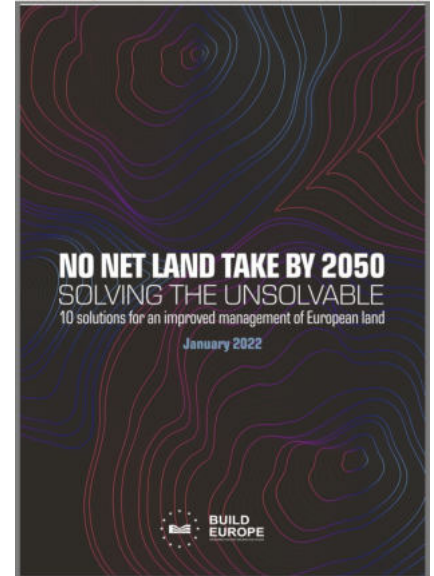
We are aware of the **social role** we play in **providing a service essential to our communities.**

We are therefore **fully committed to developing affordable housing**, as we believe that it is entirely possible to **reconcile housing affordability with the environmental policy.**

All we need is for politicians to **give us the means to do so**, by taking the 4 pathways we have developed

We hope that the forthcoming **G7 Urban Development Ministers' Meeting** will formulate action guidelines, **propose tangible measures and funding**, aiming to accomplish the goal of **affordable housing** development

Build Europe' Publications



Build Europe's publications were designed to inform and advise policymakers on how to implement legislation without endangering housing affordability

New houses are the greenest option on the residential market. It is therefore crucial to provide citizens with homes with the lowest environmental impact. Access to new housing and buildable land must be incentivised and properly financed to radically decrease housing stock's emissions while guaranteeing sufficient housing supply for all!

Thank you !

We will now start our Q&A

In case, due to time constraints, we are unable to answer your questions today, or should you wish to send them to us by email, please get in touch

info@buildeurope.net

www.buildeurope.net



March 2022



Build Europe invites you to read our comic book, designed to simplify the complex macroeconomic factors contributing to the housing crisis, making it accessible to policymakers and the general public