

# 1 European Housing Markets – An Overview

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## 1.1 Introduction

The performance of the housing and the real estate markets is important for nations, regions and individuals. When major changes take place on these markets they often have impacts on other sectors of the economy. Everyday life of people is very much influenced of where and how they live and reside as well.

For any analyst entering this field of research it is evident that there are differences as well as similarities between housing markets in different countries and regions. For example, most countries in Europe have a regime of regulation of rents, but there are differences with respect to how these policies have been implemented. In general, rent regulations were introduced during the time of the World Wars with the purpose to prevent landlords from taking advantage of the problems related to extreme scarcity. This first generation of rent control aimed at freezing the rents. The second generation of rent control regimes of the 1960s and 1970s were more flexible, allowing rents to adjust with respect to changes in construction costs and inflation. A third generation of rent control, introduced in the 1980s and the 1990s, is the so-called ‘tenancy rent control’, where rents are regulated within a given tenure, but unregulated for new tenures. Different countries have transformed their policies to different degrees. Currently, there are countries that have rent regulation from either the second or the third generation, while some countries have abandoned rent regulation. The situation is similar for subsidies, allowances, and other policy instruments.

When looking back on the historic development of the housing markets in Europe, the influence of the World War II is evident. Firstly, a substantial new construction took place after the war had ended, which now is in ripe for renewal and upgrading. Secondly, the fear of problems that were expected to follow after the war led to a number of policy interventions during the decades following the war. Construction programmes and rent regulation are examples of the post-war

policy. Many countries have developed their hard rent control into second, and even third, generations of rent regulation regimes. In some countries (for example Norway and Finland) regulations have been abandoned during recent years.

This book offers a number of studies from metropolitan regions of different European countries. The metropolitan regions belong to the same size class in order to provide a useful comparative overview. The metropolitan regions of Amsterdam, Brussels, Copenhagen, Glasgow, Hamburg, Helsinki, Milan, Munich, Oslo, Stockholm, Zurich and Vienna are included in the analysis. The size of these metropolitan regions spans from around one million to a bit less than four million inhabitants.

The case studies in this volume focus on the development during the recent decades and include both quantitative and qualitative analysis. In this way different aspects of the interactions between urban structures, the economy and the housing market is revealed.

The housing markets of the different metropolitan regions differ. The overview of the metropolitan regions included in the study reveals differences in market performance (Temaplan 2003).<sup>1</sup> In Vienna and Milan more than 90 per cent of all housing is found in multifamily houses. In these metropolitan regions the interaction with the single-family housing market plays a minor role. The situation is the opposite in Oslo, Amsterdam and Brussels, where multifamily houses represent only less than 45 per cent of the market. Multifamily houses dominate the housing market in the average metropolitan regions, with market shares of 60 per cent or more.

There are also substantial differences between the metropolitan regions with respect to the growth of the total number of apartments during the 1990s. Helsinki had a growth rate of 18 per cent of the number of apartments in multifamily houses between 1990 and 2000. The corresponding growth rate in the other metropolitan regions was between 7 and 12 per cent, except for Copenhagen and Milan, which had the lowest increase in the number of apartments of only 3–4 per cent in the same time period.<sup>2</sup> A panel of experts from the regions have indicated that there was an excess demand in all the metropolitan regions, except for Brussels and Vienna in 2001/2002.<sup>3</sup> The panel of experts also reported small housing construction activities in most of the metropolitan regions. Construction was judged to be in balance ‘with long-term market conditions’ in Brussels and Vienna only.

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<sup>1</sup> The descriptive comparison in this analyse is based on Temaplan’s publication ‘Benchmarking av Stockholms bostadsmarknad’ [Benchmarking of the housing market in Stockholm] from 2003.

<sup>2</sup> Data were not available for Brussels.

<sup>3</sup> Local experts were contacted at the time when this project on ‘European Metropolitan Housing Markets’ was carried out. These experts were asked questions about regional conditions that could not be answered by analysing statistical sources. The experts were people that acted professionally on respective markets.