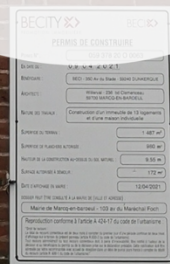


# TOOLS TO DEAL WITH VACANT HOUSING

Vol. 7 of the Series  
'Housing in the post-2020 EU'



HOUSING  
EUROPE  
OBSERVATORY





## Table of Contents

1.1 Introduction to the research .....	1
1.2 Defining and measuring vacancy .....	2
1.3 Why do some residential properties remain vacant? .....	5
1.4 Why should we address the vacant housing issue? .....	7
<b>2. Grants, subsidies and other support mechanisms .....</b>	<b>11</b>
2.1 Introducing the supportive approach .....	11
2.2 Tax and regulatory reliefs to attract investors .....	12
2.3 Public grants .....	14
2.4 Public loans .....	16
2.5 Loan guarantees .....	18
2.6 Dealing with compassionate vacancy .....	19
2.7 The potential of one-stop-shops .....	20
2.7 Cheap housing for permanent residents .....	22
2.8 Mutually beneficial temporary rental agreements .....	23
2.9 Specialist public agencies .....	25
<b>3. Fines, penalties and other dissuasive measures .....</b>	<b>27</b>
3.1 Introducing dissuasive measures .....	27
3.2 Increased tax liabilities .....	27
3.3 Fining owners of vacant property .....	30
3.4 Taking homes into public management (requisition) .....	33
3.5 Dealing with secondary residences .....	34
<b>4. The growing potential of <i>district renovation</i> in Europe .....</b>	<b>37</b>
4.1 What is district renovation? .....	37
4.2 What are the benefits of taking a district approach? .....	38
4.3 District renovation – The case of ‘ <i>Operation Town Centre</i> ’ (ACV) .....	39
4.4 District renovation – The ‘Aalborg Model’ of participative regeneration .....	41
4.5 District renovation – Gårdsten: transforming a community in decline .....	42
<b>5. Conclusions &amp; Recommendations .....</b>	<b>45</b>

## List of Tables

Table 1: Overview of Involuntary Vacancy .....	5
Table 2: Overview of Voluntary Vacancy .....	6
Table 3: Renovation versus demolition & reconstruction .....	8
Table 4: Tools to help owners to bring homes back into use .....	11
Table 5: Tools to deter owners from leaving homes vacant .....	27

## List of Figures

Figure 1: Process for assessing the tools required to address vacant housing .....	1
Figure 2: Residential Vacancy Rates .....	3
Figure 3: Circular financing model from public loans .....	16
Figure 4: Recurrent taxes on immovable property (as a % of overall national tax revenue, 2019) .....	28

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#### **Photo credits**

**Cover Photo** – A long-term vacant housing unit in the centre of the town of Marcq-en-Barœul, France – Photo Credit: Dara Turnbull

**Image 1** – Rehabilitation of vacant building in the centre of the town of Épinal, France – Photo Credit: Cabinet Bouillon Bouthier

**Image 2** – Photos of the rehabilitation and citizen engagement process of the Aalborg Øst neighbourhood, Denmark – Photo Credit: European Affordable Housing Awards 2022 - Winner in the 'Building strategic alliances' category

**Image 3** – Photos of the Gårdsten neighbourhood – Photo Credit: 'Mangan02', Creative Commons Licence: CC BY-SA 4.0: available at: <https://sv.wikipedia.org/wiki/Gårdsten>

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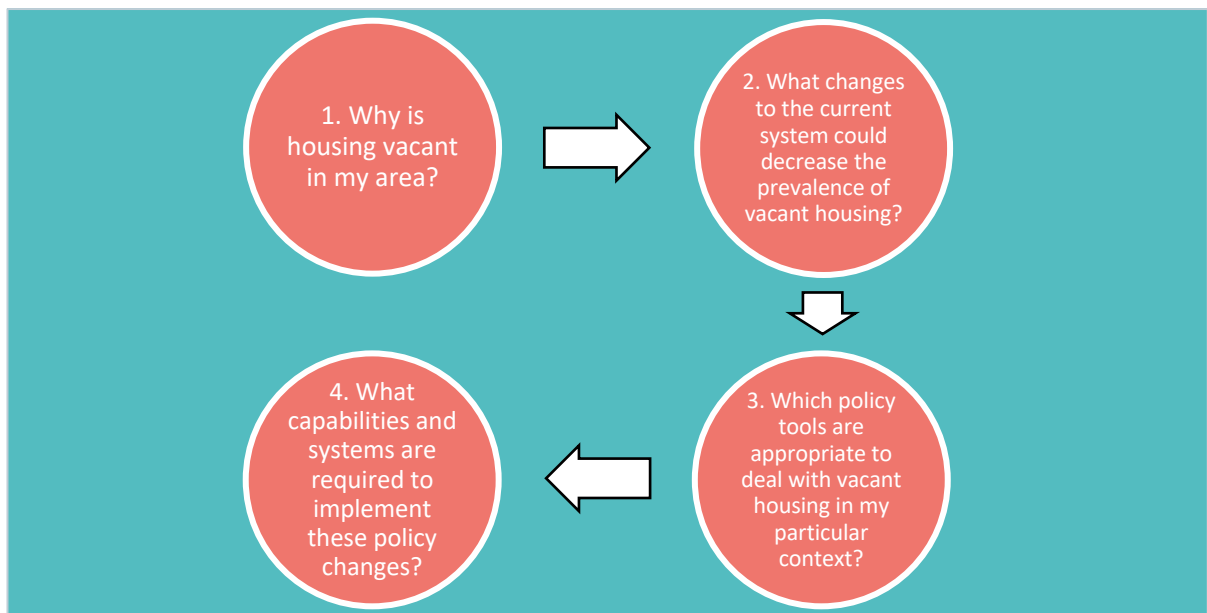
## 1.1 Introduction to the research

**Housing vacancy is a complex issue, which requires careful consideration.** Indeed, why homes become vacant can depend on many factors, which generally relate to their location, local market conditions, and who owns them. As a result, when formulating policies to deal with vacant dwellings, in an attempt to bring them back into use, **policymakers must be careful to use measures that are well suited to the particular local context.**

**The objective of this briefing is, therefore, to propose tools that can be used in order to help bring vacant homes back into use.** The tools highlighted will be drawn from across Europe, with an emphasis on presenting the different policy options in such a way as to promote their adaptation and reuse in as broad a range of housing contexts as possible. Thus, the briefing should be seen as a ‘menu’ of policy options, rather than a strict ‘blueprint’ for tackling vacancy.

Indeed, as the recent work of Housing Europe and the United Nations, *#Housing2030*, has made clear, **there is no universal blueprint when it comes to good housing policy.** Rather, as shown in Figure 1, policymakers must take a methodical approach to analysing problems such as vacancy; identifying policies to improve the situation, and then develop clear and credible strategies for their implementation. At the same time, complimentary policies, such as the preservation of local built heritage, meeting climate change objectives, finding timely housing options for refugees or those experiencing homelessness, and **insuring that there is a more sufficient supply of social and affordable housing** should also be woven in as much as possible, in order to ensure that policymakers get the best possible social return.

*Figure 1: Process for assessing the tools required to address vacant housing*



Source: Adapted from *#Housing2030* report (2021)<sup>1</sup>

**This briefing is focused only on the issue of vacant residential property.** Therefore, any references to vacant property, unless explicitly stated, should be taken by the reader to be in relation to vacant residential property. Likewise, the use of the term “owner” in the briefing can refer either to the legal owner of a residential property, or the beneficial owner<sup>1</sup>; though for reasons of simplicity and readability, a distinction between the two will only be drawn in cases where it is relevant to facilitate the potential replication of the policy tools discussed.

<sup>1</sup> The “legal” owner of a property is the person or legal entity that holds the legal title to the property. On the other hand, the “beneficial” owner is entitled to the benefit of a property (i.e. the actual value/equity), even though the title refers to someone else or another legal entity.



**Section 1 of this briefing will look at the issue of vacancy itself.** Firstly, we will look at the thorny issue of measuring, and recording vacancy in an objective and consistent manner that is repeatable. We will then consider responses to the questions: “Why does residential property become vacant?”, and “Are there different types of vacancy that we need to consider?”. Finally, the impact of vacant residential properties on communities will be discussed.

In terms of the different policy tools that we will review, **Section 2 will consider a wide variety of measures that can assist owners of vacant property and others to bring them back into use. This will include measures such as public loans and grants, as well as non-conventional rental arrangements.** We can think of these policies as representing the proverbial “carrot”. The “stick”, on the other hand, consists of various forms of fines or penalties for the owners of vacant properties. **These will be discussed in Section 3.** The objective of this category of policy measure is to raise the costs of holding vacant property in the hopes that they will outweigh any perceived benefits, and force property owners to either sell their property or to bring it back into use through the rental market.

Finally, while many instances of vacancy relate to individual properties in otherwise functioning local housing sectors, so-called ‘bad teeth’<sup>2</sup>, vacancy ‘clusters’ are also a problem that require special consideration<sup>3</sup>. **This issue will be addressed in Section 4.** Clusters can lead to a negative spiral where rising levels of vacancy perpetuate a further exodus of residents<sup>ii</sup>. Tackling vacancy on the level of a whole district, as opposed to individual housing units, can require more concentrated efforts on the part of policymakers. Although, clusters may also offer the opportunity for renewal, as well as better planned communities, and better value for the public purse via economies of scale. Thus, so-called “district renovation” will be looked at in the final section of this report. This fits well within the current trend for such projects in Europe, symbolised by the new ‘Affordable Housing Initiative’ of the European Union<sup>4</sup>.

## 1.2 Defining and measuring vacancy

**When we discuss “vacancy” in a comparative sense, we quickly find that this is challenging, as there is no commonly accepted definition of this term.** This means that if we would like to assess which countries or regions in Europe can be said to be performing ‘well’, or not, with regard to vacancy, much time and effort is required to understand the methodology used by each individual local statistical agency. At the same time, relatively few countries produce frequent estimates of vacancy, with many nations relying on the once in a decade national census to collect this information<sup>5</sup>. This means the most up-to-date EU-wide estimates of vacancy that we currently have come from 2011<sup>6</sup>. However, with all member states having completed a Census in 2021 or 2022, depending on COVID restrictions, more up-to-date figures are now available for some nations. These are presented in Figure 2.

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<sup>2</sup> The phrase ‘bad teeth’ is used to describe long-term empty homes which sit alone on otherwise unremarkable urban, suburban or town streets, and in rural areas, featuring high levels of owner-occupation.

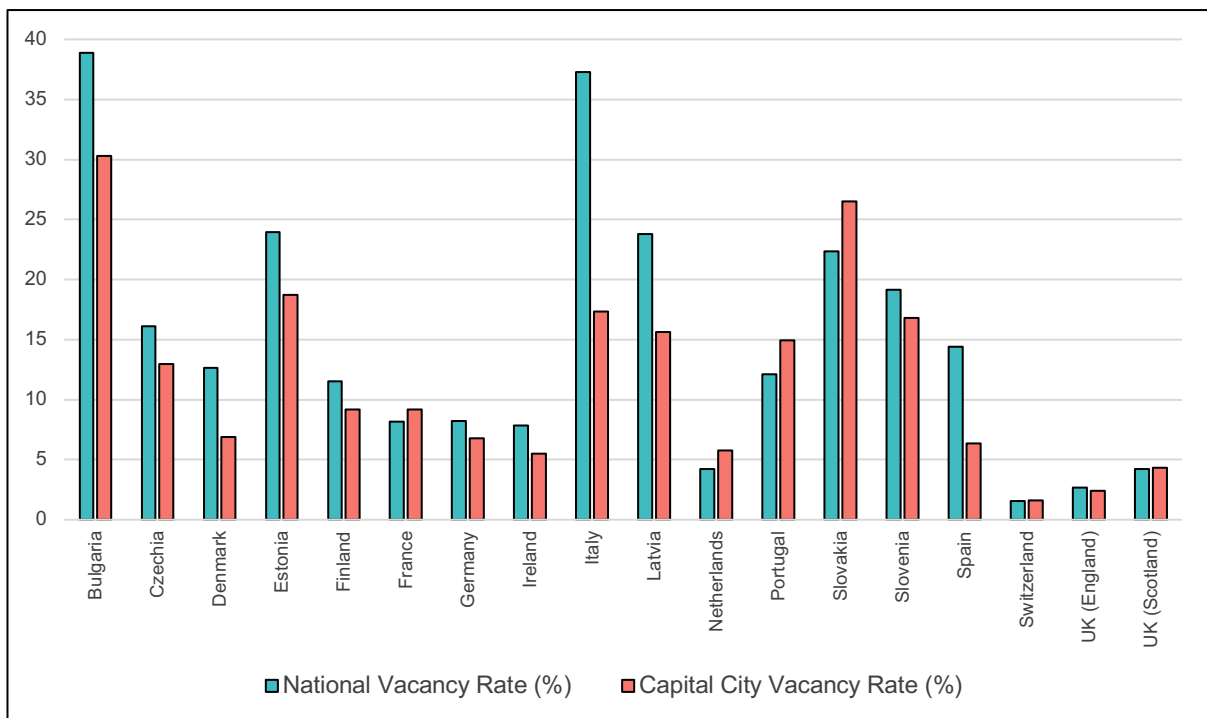
<sup>3</sup> This has been highlighted by the Collaborative Town Centre Health Check (CTCHC) Programme run by the Heritage Council of Ireland for a number of years. You can find more information on the CTCHC at: <https://www.heritagecouncil.ie/projects/town-centre-health-check-programme>

<sup>4</sup> See: [https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/affordable-housing-initiative\\_en](https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/affordable-housing-initiative_en)

<sup>5</sup> However, some EU Member States choose to carry out their Census at more frequent intervals. For example, in Ireland the Census is every five years. This provides more timely data on vacancy rates.

<sup>6</sup> See : <https://ec.europa.eu/CensusHub2/> for information

**Figure 2: Residential Vacancy Rates**



Notes: Data not always directly comparable due to differences in methodologies. Figures for Denmark, Ireland, Netherlands, and UK (England) are 2022; France, and UK (Scotland) are 2020; Germany (2018); All other countries are 2021. ‘Capital City Vacancy Rate’ for Slovenia equates to the vacancy rate for Osrednjeslovenska, the region that includes the capital of Ljubljana.

Source: Housing Europe calculations, based on National Statistical Agencies and/or Census Bureaus

Figure 2 shows reported vacancy levels in a selection of European countries with more recent figures, and their capital cities. However, **extreme caution is required when interpreting the data. The lack of an agreed definition of vacancy means that the different countries and cities are not necessarily comparable.** For example, in countries like Bulgaria, Estonia, Italy, and Slovakia, all of which have high reported vacancy rates, the official data also include secondary residences and holiday homes as being part of the vacant housing stock. Indeed, in these countries the statistical agencies make a simple binary distinction between homes which are permanently occupied as primary residences and all other homes, regardless of their intended use or current habitability. Countries like England, Ireland, and Switzerland separate secondary residences from other vacant properties.

**Spain takes a unique approach by basing its vacant housing estimates on information related to how much electricity is used on an annual basis.** By this method, 14.4% of the Spanish housing stock has no electricity use, and is thus categorised as vacant. However, there are also a significant number of homes with close to zero consumption<sup>7</sup>, many of which are also likely to be vacant.

Even taking into account the differences in approaches to measuring vacancy, the variance in rates in Europe is clearly significant, with **national capitals tending to have lower rates of vacancy than the national average. This aligns with the idea that vacancy rates will be higher in more rural communities**, related to internal migration from villages and towns to cities and their suburbs and/or the increased urbanisation of the labour force (see [Section 1.3](#) for further discussion).

<sup>7</sup> The data are available by level of electricity consumed and region at: <https://www.ine.es/jaxi/Tabla.htm?tpx=59531&L=0>



An important issue when reviewing the available vacancy data is what we can consider to be a 'desirable' level of vacancy. For example, if we consider a tight housing market where demand exceeds supply, then we might instinctually think that a vacancy rate of close to zero is the objective; meaning that the housing stock is being well used, and units that could serve as homes are not simply lying idle. **However, many housing researchers argue that some level of vacancy is both normal and desirable**<sup>iii</sup>. As will be discussed in Section 1.3, natural turnover in the housing stock will always mean that there is some level of vacancy at any given moment in time. These short-term vacancies, often referred to as "frictional" or "transitional" vacancy, may not be a major concern for policymakers, as they relate to homes that will soon return to use (e.g., *when new owners/tenants move in, after renovation works*).

Indeed, it is argued that very low vacancy rates can actually be a negative, as they act to impede households who need to move, for example for education or work, as the stock of available properties will be too low to provide them with a reasonable choice of homes, and may also mean that the properties that are available are unaffordable or not well adapted to their needs. This may be of particular concern, therefore, for low-income households or households with special housing needs who could find themselves 'locked-out' of certain cities or regions. **This helps to support the argument for having available a meaningful and adequate stock of social and affordable housing**, which should help to increase the housing opportunities of households who might otherwise struggle to enter a given local housing market.

Finally, **it is also important to remember that, despite best efforts, collecting data on vacant properties is not always an exact science**. For example, while collecting census data, EU member states will record information on vacant homes, which can include information on the reason that a home is currently vacant. This information often comes from discussions with neighbours or local residents, or the "best judgement" of the census enumerators, which means that it may not be completely accurate, or may overlook certain 'complexities' innate within housing markets<sup>8</sup>.

For example, the results of the 2022 Census in Ireland<sup>iv</sup> show that there were 35,380 rental properties that were recorded as vacant whilst awaiting for tenants to move in (i.e., frictionally vacant on Census night). However, available information for the period of the Census shows that in all of Ireland there were only 851 homes available for private rental at the around the same time<sup>v</sup>. Even if some of this difference can be explained by properties that were empty, but where a lease had been agreed, or properties which were not advertised online, the scale of the difference in the two figures is still large enough to call into question the credibility of the census data. **The prevalence of properties available on short-term letting (STR) platforms may also be a factor that can lead to inaccurate or incomplete vacancy figures**. Thus, much caution is required.

**Many housing experts also dispute the different ways in which homes are categorised by public agencies**. For example, in England an independent review of vacant home data noted that "second homes" (which are not included as part of the estimate of vacant homes) contain no permanent residents, and in reality many of them are "unused, some approaching dereliction, and many are owned by absentee owners who hold multiple unused second homes"<sup>vi</sup>. The report concluded that "the 'second home' category is poorly defined, inconsistently applied...and facilitates property hoarding for wealth storage, as well as tax evasion and money laundering. It also restricts housing supply".

It is for this reason that **some countries and regions in Europe have developed new and innovative ways of trying to assess the levels of long-term vacancy**. For example, in the

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<sup>8</sup> For example, in the absence of information to the contrary it may be accurate to assess that a property in good condition is vacant as it awaits new tenants or owners, i.e., that it is only vacant in a 'frictional' and 'temporary' sense. However, if this is not the case, as the current owner simply will not or cannot offer the home for rent or purchase, then the assessment of the person gathering information on vacant homes will be wrong.

Belgian region of Wallonia, the government has recently implemented measures to begin using utility bills to detect vacant homes<sup>vii</sup>. If consumption is below a minimum threshold on an annual basis, then the local municipality will have the right to presume the property is vacant.

The policy tools for tackling vacancy that will be discussed in the following three sections of this briefing all rely on access to credible and timely information on the current uses of the housing stock. If owners of vacant property can evade detection, in one way or another, or even categorisation as the holders of vacant residential property, then these tools will struggle to have the desired effect of bringing homes back into use. **Therefore, strong and well-resourced systems of monitoring, evidence gathering, and enforcement are equally as important as any of the other policy initiatives outlined in this briefing.** There is no point in having a tool at your disposal if you are unable to use it effectively.

### 1.3 Why do some residential properties remain vacant?

Residential properties can be vacant for a number of reasons. As mentioned in [Section 1.2](#), in many instances **the vacancy is only temporary, for example for short periods in between rental contracts or during renovation works**, i.e., ‘frictional’ or ‘transitional’ vacancy. Typically, these sorts of vacancies are not a cause for concern and, therefore, are generally not the focus of policy interventions.

However, in other instances homes may remain vacant for long periods of time, meaning that their potential as a home for someone who needs one is wasted. **So-called “long-term” vacancies are often defined as properties that have been unoccupied for six months or more<sup>viii</sup>.** However, it is important to understand if such long-term vacancies are ‘involuntary’ on the part of the property owner, or if they are rather ‘voluntary’. This is because the appropriate policy measure to deal with a vacancy can depend on this important distinction.

#### Involuntary vacancies

We can define, for the purposes of this briefing, an involuntary vacancy as being a vacancy that occurs despite the wishes of the property owner to sell or rent their home, or otherwise through no fault of the owner.

**Table 1: Overview of Involuntary Vacancy**

<b>Why does involuntary vacancy occur?</b>	<ul style="list-style-type: none"><li>• Oversupply in the local housing market</li><li>• Shrinking populations/economic decline</li><li>• Owner has to leave their home (e.g., <i>illness, temporary change in personal circumstances, conflict/war, unsafe to remain at home</i>)</li><li>• Legal dispute (e.g., <i>in cases of inheritance, seizure of assets</i>)</li></ul>
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For example, **it may be the case that a vacant property is located in a depressed property market, where the supply of available dwellings is greater than the demand for those dwellings.** This would typically be associated with areas where there are few economic opportunities and declining or aging populations. Therefore, the current housing stock may simply be too large, or not of the right type, in comparison to what is required to satisfy local demand. In these instances, selling or renting out a property may be difficult.

Another example of an involuntary vacancy, or what we will refer to in this briefing as ‘compassionate’ vacancy, is where a home is left vacant as a result of unforeseen personal circumstances. This may include sickness or ill-health, a need to temporarily relocate due to a change in family circumstances, or situations in which someone cannot remain in their home (e.g., unsafe to do so). **These vacancies require special consideration, where policy interventions must try to avoid punishing people as a result of circumstances beyond their control.** A



good example of this might be the case of an older person living alone who is admitted to a healthcare facility or nursing home. A reasonable ‘grace period’, during which no strict action is taken to try and encourage the owner to bring the home back into use, might be recommended in the event that their condition improves and they are in a position to move home. At the same time, it must be considered that these people may not be capable of dealing with selling or renting their home, and thus appropriate public or familial supports may be required.

**Overall, it would appear that adopting punitive policy measures for dealing with involuntary vacancy would be pointless.** Rather, measures aimed at working with owners and local authorities may be more effective, with the goal of offering supports to allow homes to be brought back into use.

Having said that, **efforts need to be made on the part of public authorities to verify if an involuntary vacancy is indeed legitimate**, or if it reflects, to some degree, ‘unreasonableness’ on the part of current owners. For example, it may be that some owners will be unwilling to sell or rent below a certain price level that they deem acceptable. In this case, it may not be that the vacant home cannot be brought back into use, but rather that the owner is not willing to accept the prevailing market conditions.

### Voluntary vacancies

We can define a voluntary vacancy as being a vacancy that occurs because the owner is unwilling to sell or rent their property, even though there is a clear and reasonable possibility to do so.

*Table 2: Overview of Voluntary Vacancy*

<p><b>Why does voluntary vacancy occur?</b></p>	<ul style="list-style-type: none"> <li>• Anticipation of higher prices in the future</li> <li>• Efforts to artificially constrain supply</li> <li>• Used as a second residence</li> <li>• Capital sheltering/speculation</li> <li>• Unable to afford renovations</li> <li>• Unrealistic price expectations</li> <li>• Family prefer to keep property after it is inherited</li> </ul>
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For example, **in the case of a ‘performing’ local property market, where the ‘fundamentals’ are driving prices higher, an owner could decide to hold onto a property in the anticipation of attracting a higher sale or rent price in the future.** This may be especially true if the owner does not want the perceived ‘hassle’ of becoming a landlord, even temporarily. In markets in which the rights of tenants are adequately respected (*e.g., security of tenure, protection from arbitrary eviction, long-term or open-ended rental contracts*), some owners may have concerns that putting their home on the rental market might lead to them missing the opportunity to sell the property at some future opportune moment. While this may be perceived as being rational behaviour for some individual owners, **in a tight housing market simply leaving potential homes vacant is a privilege that society as a whole cannot, and should not, sustain.**

A complex form of vacancy is one in which **the owner would like to bring the home back onto the market, but where renovations or other works would be required first, which the owner cannot currently afford.** This is especially the case for those wanting to rent out a property in need of renovation<sup>9</sup>.

<sup>9</sup> European countries typically set minimum standards for homes that are placed on the rental market. This means that some vacant homes that do not meet these standards would need to be renovated before they could be offered for rent.

It may be debatable in this case if the appropriate measure is to provide supports, or rather if it is better to use punitive or dissuasive measures to ensure the costs of retaining the vacant property outweigh the potential future benefit of holding onto it. For example, **in some instances the cost of bringing a vacant home back into use as a rental property may not be judged to be viable based on the expected return that the owner would receive.**

However, we could also fairly conclude that an owner is not obliged to rent their property, and that they could simply offer it for sale, with the cost of required renovations borne by the future buyers. In other words, if you own a vacant home and you cannot afford to bring it back into use yourself, you should simply sell or transfer it to someone who can. Thus, dissuasive measures might be warranted to prompt the current owner to sell their property.

However, as we shall see in Section 2, **some countries have found a balance between the two approaches, by offering financial incentives to renovate and bring properties to the rental market, but in return for certain concessions on allocation criteria and rent setting;** including offering the homes at below-market rents via social housing providers.

The previous paragraphs primarily relate to ordinary households, who maybe own only one vacant home. However, in recent times vacancy has become more and more associated with companies and private investors who may own many vacant properties<sup>ix</sup>. Economic theory tells us that “large inventories of vacant dwellings for sale or rent imply an affluent supply of housing that potential buyers consider as possible substitutes. This depresses the bargaining power of sellers and incentivises them to accept lower offers more quickly”<sup>xi</sup>. In other words, **there may be an incentive for some owners of vacant property to withhold housing from the market in order to avoid the possibility that too much supply will reduce their return on investment.** This is what is sometimes referred to as “speculative” vacancy or “hold-out” vacancies<sup>xii</sup>.

Alternatively, **some investors may purchase property with the aim of leaving it vacant, which is often referred to as “buy-to-leave” investment**<sup>10</sup>. This may reflect several motives, including capital sheltering, speculation, or a desire to have a transnational *pieds-a-terre*<sup>xiii</sup>.

Finally, the emergence of a highly professionalised class of landlords working in the short-term rental (STL) sector is a more recent phenomenon to be considered. **In areas where the demand for primary residences objectively outstrips supply, it could be decided that converting dwellings into quasi hotel rooms is another luxury that society as a whole cannot afford**<sup>11</sup>.

#### 1.4 Why should we address the vacant housing issue?

The negative consequences of vacant property are numerous. These include impacts both on the rest of the housing market (*e.g., prices*), as well as on broader social indicators (*e.g., health, crime, social deprivation, availability of vital services and amenities*).

In the remainder of this section, these issues will be addressed under the headings of:

- i. *Environmental sustainability and heritage*
- ii. *Market impacts*
- iii. *Quality of life impacts*

##### (i) Environmental sustainability and heritage issues

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<sup>10</sup> For example, Alberti, V., *et al.* (2019) found that “In Paris, around 7% of houses lie vacant – 40% of which are not even connected to the electricity grid”.

<sup>11</sup> The OECD has noted that the presence of certain online STR platforms has “contributed to a disruption of the local real-estate market.” This has led to “inflated real-estate prices, unfair competition for licenced accommodation providers, and gentrification of tourism hotspots and inner-city areas, sometimes to the point of pushing locals out of the area” – OECD (2020), *OECD Tourism Trends and Policies 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/6b47b985-en>.



It is often stated by sustainability experts that “**the greenest building is the one that already exists**”. By this it is meant that the environmental impact of building a typical new dwelling, in terms of the use of resources and associated carbon emissions, is likely to be greater than simply using a building that is already built. This is the case even if it would require meaningful renovation works to bring it up to a decent standard. This claim is supported by numerous studies (*Table 3*).

**Table 3: Renovation versus demolition & reconstruction**

Country ( <i>building type</i> )	Impact of renovation versus new build	Source
<b>Belgium (Flanders)</b> <i>(various types of house)</i>	<ul style="list-style-type: none"> <li>Energy savings are not a sufficient argument to promote demolition of old dwellings</li> <li>From a cost point of view, it is only worth to replace an old dwelling by a new one, if no thorough energy saving renovation is possible and if the house is of such bad quality that expensive non-energy related investments are needed to improve the home</li> </ul>	Verbeeck, G. (2019) <sup>xiv</sup>
<b>England</b> <i>(semi-detached and end-of-terrace family houses)</i>	<ul style="list-style-type: none"> <li>Reusing empty homes could make an initial saving of 35 tonnes of carbon dioxide per property by removing the need for the energy locked into new build materials and construction</li> <li>The new homes each gave off 50 tonnes of embodied CO<sub>2</sub><sup>12</sup>. The refurbished homes each gave off 15 tonnes.</li> <li>The total project costs for rehabilitation of existing buildings were lower than for new builds</li> </ul>	Ireland, D. (2008) <sup>xv</sup>
<b>England</b> <i>(social housing in London, mix of houses and multi-family buildings)</i>	<ul style="list-style-type: none"> <li>Existing buildings can be retrofitted to achieve the same energy performance standards as low energy new builds</li> <li>The overall lifetime costs of refurbishment may be lower than demolition and construction, with less disruption to local communities and residents</li> </ul>	Crawford <i>et al.</i> (2014) <sup>xvi</sup>
<b>The Netherlands</b> <i>(three- or four-storey houses, small family homes)</i>	<ul style="list-style-type: none"> <li>The transformation of the existing housing stock is found to be a much more environmentally efficient way to achieve the same result than are demolition and rebuilding</li> </ul>	Itard, L., & Klunder, G. (2007) <sup>xvii</sup>
<b>Spain</b> <i>(heritage multi-family buildings in need of deep renovation)</i>	<ul style="list-style-type: none"> <li>The total cost of rehabilitation was 21% lower than the budget of demolition and new construction.</li> <li>The environmental impact in terms of the ecological footprint (EF)<sup>13</sup> was 58%-68% lower in the case of rehabilitation</li> </ul>	Alba-Rodríguez M.D. <i>et al.</i> (2017) <sup>xviii</sup>

It is undeniable that the production of many common materials used for construction is, as concluded by the United Nations in a recent report, “a highly energy- and emissions-intensive process”<sup>xix</sup>. When we consider that the construction sector is responsible for more than a third of all waste generated in the EU, the consumption of half of all extracted materials<sup>xx</sup>, and that the concrete industry is responsible for 7% of CO<sub>2</sub> emitted worldwide<sup>xxi</sup>, working with what you already have, whenever possible, is typically the more sustainable option.

At the same time, “[r]etrofitting existing buildings can provide other benefits, by maintaining the cultural heritage offered by the built environment and the personal attachment people

<sup>12</sup> ‘Embodied carbon’ is the carbon dioxide (CO<sub>2</sub>) emissions given off during the housebuilding or renovation process.

<sup>13</sup> The EF is the amount of land that would be required to provide the resources (wood, cement, steel, clay, glass, etc.) and absorb the emissions (CO<sub>2</sub>) emitted by a project

**feel for their homes and local communities.** Unlike building from new, retrofitting can be quicker, less disruptive to residents and less dependent on dry weather conditions<sup>xxii</sup>.

Of course, this does not mean that the optimal spatial configuration of the places that we live do not evolve over time. Low-rise and low-density homes that were once appropriate may no longer be so in some areas. Indeed, **we have to balance the sustainability of working with existing buildings with the sustainability of avoiding never-ending expansion of the urban environment and the damaging soil sealing<sup>14</sup> that goes along with it.** However, where homes that are appropriate for the local context are vacant, utilising this stock first, ahead of new construction, is typically the more sustainable path.

Reusing existing vacant buildings can also be important from the perspective of protecting local heritage. **Many vacant homes in Europe are older units located outside the main urban hubs. These properties can play an important role in defining the character of their surroundings.** When such homes are left to vacancy, and potentially dereliction or obsolescence<sup>15</sup>, this undermines local heritage and creates negative impacts for local residents.

### **(ii) Market issues**

**Many studies have looked at the impact that vacant property can have on local housing markets; especially with regard to the impact on prices. However, the results are mixed.** In some instances, high vacancy rates are associated with high house prices, while in other cases they are observed to put downward pressure on prices. The impact seems to reflect a number of other local factors, especially population growth and economic performance.

For example, high levels of vacancy in some parts of the Mediterranean region have been shown to be associated with high house prices. This is in the context of a strong market for holiday homes, strong historical internal migration, and a related cultural preference by children to hold onto the family home, though leave it vacant, after they inherit it<sup>xxiii</sup>.

In contrast to this, research from Germany<sup>xxiv</sup>, a country with relatively few holiday homes, strong internal migration (leading to population decline in many parts of the country) and with less preference to retain the family home, shows that increasing levels of vacancy are associated with declines in property prices<sup>16</sup>.

The different impact of vacant housing on prices is interesting. For the purposes of tackling vacancy it may also be useful, as it could help policymakers to determine if local vacancy is related to voluntary or involuntary vacancies; i.e., **rising vacancy and rising prices may be more indicative of voluntary vacancy, while rising vacancy and falling prices may suggest involuntary vacancy.**

### **(iii) Quality of life issues**

Anyone who has experienced life in an area with noticeable levels of vacant housing can likely attest to the fact that it can negatively impact on their quality of life. **In instances where high levels of vacancy are also associated with general economic and social decline, vacancy**

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<sup>14</sup> Soil sealing can be defined as the destruction or covering of the ground by an impermeable material. It is one of the main causes of soil degradation in the EU. Soil sealing often affects fertile agricultural land, puts biodiversity at risk, increases the risk of flooding and water scarcity and contributes to global warming.

<sup>15</sup> Obsolescence is a very tricky issue, as it often implicitly assumes that all buildings that are demolished must have been obsolete and thus in need of demolition. This is of course not the case. In addition, obsolescence can be avoided by taking timely action on dealing with vacant housing. See: <https://www.savills.com/insight-and-opinion/savills-news/273944/john-mccartney--housing-obsolescence-commonly-overestimated--and-depreciation-heavily-concentrated-in-rural-ireland>

<sup>16</sup> The research shows that : “a doubling of the vacancy rate at the level of the local municipality...[being]...associated with an 8-12% decrease of individual single-family home selling prices”.

**also precipitates the withdrawal of public services and local amenities, such as shops and other businesses<sup>xxv</sup>.** Research has also demonstrated links between vacancy and other undesirable outcomes. This includes increased levels of crime<sup>xxvi</sup>, as well as stress and anxiety<sup>xxvii</sup> amongst the remaining residents.

There is also a broader quality of life issue that must be discussed in the context of this briefing. Namely, the impact of not being able to access housing in the first place. In the context of high levels of housing unaffordability in many parts of Europe, and high rates of homelessness and housing exclusion<sup>17</sup>, **for any community to have a stock of potentially habitable housing simply lying vacant is something that needs to be urgently evaluated.** While it may be that some vacant housing is simply not optimal for regeneration and reuse at this time, those units that can clearly serve a useful purpose need to be brought back into use as a matter of priority. **Properties in town centres, and close to employment or training opportunities may be particularly relevant in this regard.**

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<sup>17</sup> Not to mention reinforced pressures on housing systems as a result of COVID and interest rate related drop offs in construction and renovation, and the recent arrival of refugees from Ukraine.

## 2. Grants, subsidies and other support mechanisms

### 2.1 Introducing the supportive approach

**Table 4: Tools to help owners to bring homes back into use**

Policy	Summary	Pros	Cons
<b>Tax and regulatory reliefs</b>	Programmes that aim to reduce the tax or regulatory burden on investors to incentivise them to rehabilitate vacant dwellings	<ul style="list-style-type: none"> <li><input type="checkbox"/> Doesn't require direct use of public funds</li> <li><input type="checkbox"/> Doesn't require direct public management of projects</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May lead to gentrification</li> <li><input type="checkbox"/> May benefit owners, rather than encourage the use of vacant units</li> <li><input type="checkbox"/> Can push costs onto individual renters</li> </ul>
<b>Public grants</b>	Direct cash payments from public institutions to property owners in return for the completion of a certain activity	<ul style="list-style-type: none"> <li><input type="checkbox"/> Easy to manage (e.g., no repayments)</li> <li><input type="checkbox"/> Typically linked to successful performance of some desired action or outcome</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Requires direct use of public funds</li> <li><input type="checkbox"/> May not benefit those in most need</li> </ul>
<b>Public loans</b>	Special loans given for the completion of certain activities, like the renovation of a dwelling	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can reduce overall costs for taxpayers (<i>via repayments</i>)</li> <li><input type="checkbox"/> Can help to promote circular/closed-loop model of financing</li> <li><input type="checkbox"/> Typically linked to some desired action or outcome</li> <li><input type="checkbox"/> Can be offered through existing credit institutions</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Requires direct use of public funds</li> <li><input type="checkbox"/> May not benefit those in most need of support</li> <li><input type="checkbox"/> Requires on-going public management</li> <li><input type="checkbox"/> May not be accessible for very low-income or over-indebted households</li> </ul>
<b>Loan guarantees</b>	Assurances given to providers of private finance to act as a guarantor of an owner who accesses such finance	<ul style="list-style-type: none"> <li><input type="checkbox"/> Low actual cost for the public purse</li> <li><input type="checkbox"/> Can be offered through existing credit institutions</li> <li><input type="checkbox"/> Can lower interest rates for those who would otherwise struggle to borrow</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Requires on-going management (e.g., administration)</li> <li><input type="checkbox"/> May not be accessible for very low-income or over-indebted households</li> </ul>
<b>Dealing with compassionate vacancy</b>	Policies aimed at working with those who are obliged to leave their home in order to help release it back into the housing system	<ul style="list-style-type: none"> <li><input type="checkbox"/> Offers a win-win structure for owners and those in need of housing</li> <li><input type="checkbox"/> Can help to free up homes in a socially acceptable manner</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May be costly (e.g., foregone tax revenues)</li> <li><input type="checkbox"/> Could result in a dead-weight loss for the state</li> </ul>
<b>One-stop-shops</b>	Programmes to bring together the various strands of renovation and regeneration under one roof and with tailored supports for applicants	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can help to demystify renovation process for those in need of support</li> <li><input type="checkbox"/> Can help to unlock vacant housing in a more timely manner</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May require significant up-front development costs</li> <li><input type="checkbox"/> May require constant tweaking and changing</li> <li><input type="checkbox"/> Could be hard to get 'buy-in' from all necessary stakeholders (e.g., construction sector, supply chain, finance, public administration)</li> </ul>
<b>Residential properties at very low prices</b>	Schemes designed to repopulate declining areas via the tool of very cheap housing and integration programmes	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can help repopulate historic town centres</li> <li><input type="checkbox"/> Can create new employment and investment</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May not deliver significant long-term benefits</li> <li><input type="checkbox"/> Could require constant funding and monitoring to maintain</li> </ul>
<b>Mutually beneficial temporary rental agreements</b>	Schemes where owners can be incentivised to plug gaps in the rental market for a defined period of time	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can work for owners who are reluctant to enter long-term arrangements</li> <li><input type="checkbox"/> Provides a good balance of benefits between owners and society</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can require significant public resources to facilitate/manage</li> <li><input type="checkbox"/> May not provide a long-term solution</li> </ul>
<b>Specialist public agencies</b>	Resourced and mission focused agencies that can drive forward government policy on housing	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can provide independent advice to policymakers to improve policy</li> <li><input type="checkbox"/> Can provide stability and a pool of experienced experts over the long term, not just between elections</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May lack the ability to convince policymakers of necessary reforms</li> <li><input type="checkbox"/> Requires a clear mandate and political support to be successful, which may be lacking</li> </ul>



As outlined in Section 1, the issue of vacancy is complex, with many (typically locally specific) reasons that some homes can remain vacant. **It is, therefore, important that policy responses fit with the local housing context.** The issue of whether a home is ‘voluntarily’ or ‘involuntarily’ vacant is important in this regard, as it may dictate whether the correct course of action is the punitive “stick” of fines and penalties, or the incentivising “carrot” of grants, subsidies and other public financial assistance and supports. This section will look at the latter of these two options.

## 2.2 Tax and regulatory reliefs to attract investors

In many parts of Europe, governments offer tax reliefs to property owners in order to help them to renovate residential property. A common option is that money spent on certain kinds of renovation activities would be deductible against a property owner’s annual tax liability, or that they would pay a reduced VAT rate. However, **in most cases, such tax breaks are aimed at owner-occupiers to incentivise them to renovate their own home, rather than as a way to help bring vacant homes back into use for those who need them.**

One vacancy-specific approach is to incentivise investors to purchase housing in need of renovation or in designated regeneration areas. However, **policymakers must ensure that such schemes are well designed and that they do not lead to negative unintended consequences.**

For example, a so-called ‘Golden Visa’ scheme in Portugal has offered tax and residency benefits to overseas investors who purchase and refurbish properties that are more than 30 years old or which are located in regeneration areas. While this may seem like a way to encourage regeneration of vacant or derelict properties, the lack of sufficient accompanying conditions has in reality driven the gentrification of some areas and weakened the cohesion of local communities. One analysis of the Portuguese scheme noted that: “Urban regeneration is neither bringing more residents nor delivering more comfort to the existing ones. In fact, the opposite is happening: it’s forcing them to leave...we lose population because people can’t afford a house here anymore...inhabitants are disappearing from the historic centre [of our towns]”<sup>xxviii</sup>.

One clear way of avoiding the Portuguese experience is by making sure that there is sufficient conditionality attached to schemes that seek to encourage investors to renovate homes. As shown in *Case Study 1*, this is possible, with the tax breaks only provided on the condition that renovation works must benefit low-income households who are struggling to meet their housing needs on the private market. **This means that public money (through tax reliefs) helps to deliver a valuable public good, affordable housing, and not simply luxury homes out of reach for all but the most well-off.**

### **Case Study 1: Renovation of existing homes for the shared benefit of purchasers and low-income renters, in France**

A French scheme, known colloquially as the *Loi Denormandie*<sup>xxix</sup>, has provided **tax incentives in order to help investors to purchase and renovate housing** in over 220 designated urban centres in France. The tax benefits are granted in return for agreeing to rent the newly renovated dwelling to a reserved group of eligible low-income households. This provides shared benefits for the purchaser of the home in need of renovation and the low-income tenant, who will be able to rent a higher-quality and less-costly home at an affordable price.

From the investor’s side, housing costs of up to a maximum of either €300,000 or €5,500 per m<sup>2</sup> are eligible for the scheme and the renovation costs must represent at least 25% of the overall total investment. For example, if the cost of acquisition and renovations was €450,000, only the first €300,000 are taken into consideration for the purposes of calculating the tax relief. At the same time, if an investor renovates more than one property, the €300,000 ‘cap’ applies to the

'portfolio' as a whole. This means the scheme is really aimed at small scale investors, and not those with large property portfolios.

There are also clearly defined renovation targets. For example, the renovation works must improve the energy performance of the dwelling by at least 20% for apartments and 30% for houses, attaining a minimum energy certificate of E<sup>xxx</sup>, though this standard will rise progressively in the future. In addition, only homes located in defined high-demand and targeted "regeneration areas" are eligible<sup>xxxii</sup>. Renovations must be completed no later than the end of the second year after the original purchase of the property.

The tax reduction received by the owner is based on the length of time that they allow the property to be rented to the low-income tenant. A minimum lease is six years, giving a tax reduction equivalent to 12% of the allowable cost, while the longest possible lease is 12 years, providing a 21% tax benefit. Thus, a purchase and renovation cost of €300,000 could provide a tax benefit of up to €63,000. With regard to the rent that the owner can charge, this varies depending on a number of factors, such as the location and size of the dwelling<sup>xxxiii</sup>, but in any case is below the equivalent average market rent. The rent is revised on an annual basis, based on changes in core inflation (though in cases of very high inflation, the government can introduce caps on price increases).

While the investors have the option to rent the property to an eligible household themselves, in reality most availing of the *Denormandie* system prefer to use what is known as a 'Social Rental Agency' (SRA) as an intermediary. This is a not-for-profit organisation that manages leases on behalf of the owners. SRAs have much in common with traditional providers of social housing, other than the fact that they do not own the dwellings they provide.

From the tenant's perspective, they benefit from a stable rent, which is better adapted to their means than the private rental market. Eligibility for the scheme is based primarily on the income of the applicant household. This can vary quite a lot, depending on the location of the dwelling and the number and age of the members of the household. A single person living in a high-priced rental area could have an income of around €38,000, for instance.

While not exclusively reserved for dealing with long-term vacant properties, the *Denormandie* system has been used to bring vacant homes in need of renovation back to the market in France. At the same time, if another country or region wanted to implement a similar system, then they could of course set out certain additional conditions, such as the property having been vacant for a given period of time. The French system is also currently reserved for those who purchase property and then renovate it. However, it could arguably be more effective if it was extended to the current owners of homes in need of renovation, provided the same primary condition (i.e., offered at below market rent to an eligible low-income household) was maintained.

Related to the idea of providing tax reliefs for investors who purchase and renovate homes, is providing reliefs (i.e., opt-outs) from certain housing sector regulations. **For example, in cases in which rents are strictly regulated, those who own property might agree to renovate them and bring them back into use in exchange for certain reliefs from aspects of these price controls.** However, there is a risk that such schemes simply transfer the cost of vacant home activation from the state, as a whole, to future renters, as individuals, and that, as with the Portuguese scheme mentioned earlier, they can therefore lead to negative consequences for some households.

A good illustration of this comes from the recent experience of Denmark. Under Danish law, rents charged to tenants are strictly regulated, with legislation specifying that the rent charged may not exceed an amount that covers "necessary operating expenses" and a "return on the value of the

property”<sup>xxxiii</sup>. The latter is defined as a strict percentage of the property value related to the year in which the property was built. This is known in Denmark as a cost-determined rent (*omkostningsbestemt leje*).

However, until recent reforms were adopted, the legislation also specified two important exemptions to this rent setting model. The rules did not apply to newer buildings or older buildings which had undergone “extensive improvements”<sup>18</sup>. Some investors used the renovation loophole to increase rents to levels that were unsustainable for local communities. As a result, new legislation came into effect in July 2020,<sup>19</sup> which drastically curtailed the possibility to use renovations as a mechanism to increase rents.

**The Danish experience shows how well-meaning legislative measures, such as those aimed at encouraging the improvement of existing buildings, can be used in a way that was not intended, and with the effect of worsening affordability and security for tenants.** However, it also shows how such loopholes, once identified, can be closed off or adapted to steer the housing outcomes back towards the objective of providing additional homes at affordable prices.

Of course, the counter-argument is that the reliefs from the rent price controls were necessary to pay for the renovations of the older dwellings, and that the works would not have gone ahead without these reliefs; thus some vacant dwellings would not have been brought back into use. However, as stated earlier, **there is a risk that some schemes, even when well-intentioned, “simply transfer the cost from the state, as a whole, to future renters, as individuals”**. The question then becomes “Which of these two groups is best equipped to bear this cost”? In the absence of measures to ensure that the rehabilitation of a home does not lead to rent increases that are unsustainable for many households<sup>20</sup> (e.g., where savings from lower utility bills are smaller than rent increases), such **regulatory reliefs may not be advisable from the point of view of avoiding gentrification or exclusion of existing households from their local housing market**.

### 2.3 Public grants

Grants are similar to tax reliefs, in as much as they see some of the cost of a project effectively met by the state or a public agency. **Grants are also not repayable, meaning that they represent a simple ‘cash for outcome’ model of public intervention.** As a result, the likely cost of administering a public grant programme will be lower than in the case of loans.

However, as with tax reliefs, many grant schemes are targeted at owner-occupiers, and while important for renovation and other home improvements, they do not clearly help to solve the issue of vacant housing. **They also do not avoid the possibility of the state incurring a dead-weight loss<sup>21</sup>, meaning questions about value for public money can be raised.** Likewise, such grants,

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<sup>18</sup> “Extensive” was defined in value terms, which were revised each year. For example, in 2019 improvements of 2,255 DKK (around €300) per square metre or 257,894 DKK (close to €35,000) in total were required to qualify as “extensive”. However, these expenses were tax deductible for investors. There were also conditions related to the energy efficiency of a rented home.

<sup>19</sup> See (in Danish) : <https://www.boligportal.dk/blog/lejeloven/ny-lejelov-2020/>

<sup>20</sup> In addition, perhaps not all renovation costs should be considered. For example, if the renovations used very high-end or bespoke materials that were not necessary to bring the dwelling up to a decent standard, perhaps their full value should not be considered. One way this could be achieved is through a renovation cost cap, or a ceiling above which costs cannot be included for setting a new rent; perhaps defined on a maximum eligible renovation cost per m<sup>2</sup>.

<sup>21</sup> A ‘dead-weight loss’ in this instance refers to a policy which provides public funding to incentivise someone to do something that they already had the means to do, or that they would have done anyway. Thus, the public grant is not necessary to achieve the desired policy objective and therefore any money allocated represents a ‘loss’ for the public purse.

if not linked to the income of a property owner or their need for such supports, may end up being disproportionately taken up by higher-income households. Therefore, when it comes to tackling vacancy, it should be verified that the public grant is needed in order for the property owner to bring the home back into use. If the owner already has sufficient means, but chooses not to act by themselves, then this is clearly a case of voluntary vacancy, for which public financial supports seem difficult to justify.

However, even where schemes do consider the means of households, in an effort to minimise the dead-weight loss, there are still several important policy design issues that need to be considered. For example, **many schemes only provide public financial supports after the completion of renovation works. This means that low-income households may be required to initially pay for the works themselves, before being repaid or compensated at a later date. This may simply not be possible**, as they may not have sufficient savings or access to affordable short-term credit to do this. Thus, immediate financing (i.e., up-front supports) should be considered, if possible. As noted by the OECD, this was an important consideration of the recent *MaPrimeRénov*<sup>22</sup> (My Renovation Bonus) scheme in France, “which offers higher grants for retrofitting projects performed by lower-income households and an advance payment to undertake the renovations for the lowest-income households”<sup>xxxiv</sup>. However, the OECD also notes that “the success of targeting retrofitting measures at lower-income households will depend on homeownership levels at the bottom of the income distribution, which vary widely across countries”.

In the case of secondary residences, which by definition are the only type of property that can be vacant, data show that on average across the OECD group of advanced economies, low-wealth households (the bottom 40 percent of households) own just 4 percent of all of the secondary property wealth, while the top 20 percent of households own a staggering 74 percent<sup>xxxv</sup>. **Thus, when it comes to designing financial schemes to aid owners of vacant property to bring them back into use, avoiding dead-weight losses may be tricky for policymakers.** Schemes to deal with involuntary vacancy will be outlined in [Section 3](#).

### **Case Study 2: Support for energy efficiency in apartment buildings, in Sweden**

In Sweden, as part of the post-COVID national recovery plan, the government introduced the ‘Support for energy efficiency in apartment buildings’ scheme (*Stöd till energieffektivisering i flerbostadshus*)<sup>xxxvi</sup>, which was run through the National Housing Authority (*Boverket*).

While many public grants for renovation and energy efficiency measures are targeted at owner-occupiers, the Swedish scheme is available to a wide variety of providers, including public housing companies, housing cooperatives (c.24% of the housing stock), private housing companies, and foundations. The grants are also available for mixed use buildings (i.e., mix of commercial and residential), though the residential must be the predominant focus of the building.

To receive support, the building must have had an energy performance prior to renovations that, expressed as primary energy consumption, exceeds 100 kWh/m<sup>2</sup> a year. For a measure to count as an energy efficiency measure, it is required that it leads to an improvement in the building’s energy performance. Support is only given if the energy efficiency measure or several energy efficiency measures taken together are estimated to lead to an improvement in the primary energy consumption by at least 20 percent.

In terms of the level of the grants, this depends on the size of the company or collective entity that is applying. Small businesses can receive a maximum of 50 percent of the eligible costs.

<sup>22</sup> See : <https://www.economie.gouv.fr/particuliers/prime-renovation-energetique>



For medium-sized companies, the support may amount to a maximum of 40 percent, and for large companies to a maximum of 30 percent.

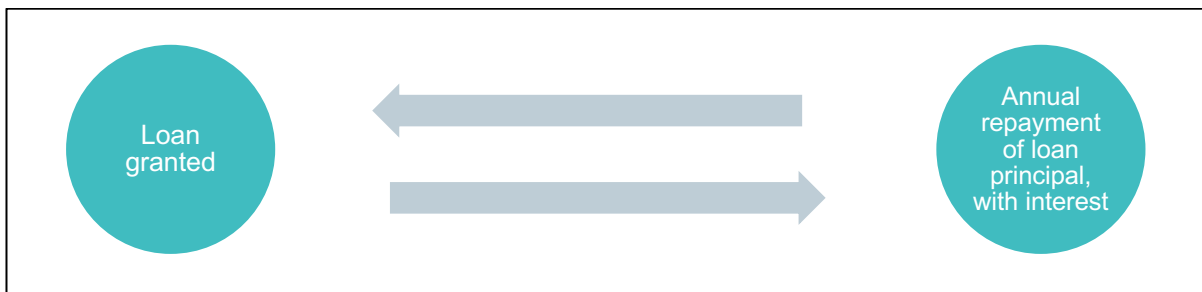
One very important part of the Swedish scheme is that while all works must be completed by certified experts, the government is also using it as an opportunity to train the next generation of renovation specialists, by linking it to recognised apprenticeship programmes and unemployment bureaus. Use of such apprenticeships is mandatory for projects to be eligible for the grant. With European countries setting themselves ambitious targets in terms of building renovations for the coming years, making use of public assistance schemes like the 'energy efficiency in apartment buildings' programme to boost the numbers of trained professionals is clearly a win-win strategy for policymakers.

## 2.4 Public loans

**Public loans are a more complex proposition than either tax reliefs or grants. This is because they require not only 'payment', but also 'repayment'.** Therefore, the public cost and potential complexity of administering such programmes may be greater. For example, even if we imagine a scheme where new loans are only given during a narrow window, the scheme itself will live on so long as there is any of the original loan financing that remains to be repaid.

Additionally, as with grants, public loans can also result in dead-weight losses, meaning that they may be open to accusations of the poor use of public funds. However, **it is also the case that loans, even at very favourable terms, may not be an option for some households, as they are already over-indebted, or would not be able to keep up with the repayments.** Thus, while grants can be interesting for any type of household, loans may not be the best option in terms of providing supports to those most in need of support.

*Figure 3: Circular financing model from public loans*



**However, loans do present a special opportunity that is not the case for either tax reliefs or public grants. Namely, the opportunity to develop a circular and largely self-supporting model of public financial support.** What this means is that the money raised from existing loans in the form of repayment and interest can help to generate the capital required for future projects. As such, while the money being lent out by public loan programmes might be large, the need for additional public financing may be relatively modest in comparison over the long-term.

A good example of this circular (or 'closed loop') model of public loans comes from Austria. For many decades the various Austrian regions (länder) have granted low-interest loans to providers of social housing. As the loans are repaid, the money is re-lent for future construction of affordable homes<sup>23</sup>. This means that from one year to the next, the actual requirement for additional capital from the länder is lower than the headline lending figure would suggest.

<sup>23</sup> For a more detailed overview of the financing model used in the Austrian social housing sector, please see : Housing Europe (2021). [Cost-based social rental housing in Europe](#). Brussels: Housing Europe.

### Case Study 3: Federal Loans for Building Regeneration, in Germany

As part of a broader effort to reduce carbon emissions, the German 'Climate Protection Programme 2030' (*Klimaschutzprogrammes 2030*) includes a number of financing tools aimed at renovating and increasing the efficiency of the housing stock. The most prominent of which is the 'Federal Funding for Efficient Buildings' (*Bundesförderung für effiziente Gebäude (BEG)*) scheme. The BEG is interesting, as the lending and repayment conditions are dependent on the degree of energy efficiency achieved; with more energy efficient outcomes benefitting from more favourable lending terms.

For example, as set out in the table below, a so-called "redemption allowance" is given based on the cost of the renovation of a building and the energy efficiency achieved. An additional bonus is also given if a new heating system is installed in the dwelling that is based on renewable sources (includes district heating) and meets at least 55% of the overall energy needs. The redemption allowance is effectively a grant that reduces the outstanding loan amount. For example, if you were to borrow €150,000, but achieved the highest energy rating and switched to renewable heating, €37,500 would be effectively wiped-off your debt, meaning you would in fact only have to repay a principal of €112,500. Overall, up to €150,000 can be borrowed in the form of a low-interest loan, per residential unit<sup>xxxvii</sup>.

Efficiency Rating	Redemption allowance in % per residential unit	Amount per housing unit
<b>Efficiency 40</b>	20% of maximum loan amount of €120,000	Up to €24,000
<b>Efficiency 40 (Renewable)</b>	25% of maximum loan amount of €150,000	Up to €37,500
<b>Efficiency 55</b>	15% of maximum loan amount of €120,000	Up to €18,000
<b>Efficiency 55 (Renewable)</b>	20% of maximum loan amount of €150,000	Up to €30,000
<b>Efficiency 70</b>	10% of maximum loan amount of €120,000	Up to €12,000
<b>Efficiency 70 (Renewable)</b>	15% of maximum loan amount of €150,000	Up to €22,500
<b>Efficiency 85</b>	5% of maximum loan amount of €120,000	Up to €6,000
<b>Efficiency 85 (Renewable)</b>	10% of maximum loan amount of €150,000	Up to €15,000
<b>Efficient Monument</b>	5% of maximum loan amount of €120,000	Up to €6,000
<b>Efficient Monument (Renew)</b>	10% of maximum loan amount of €150,000	Up to €15,000

Source: [Kfw](#)

The BEG low-interest loans are available to a very broad range of actors, including private owners, companies, municipal companies and other public agencies, and housing co-operatives. There is also a special emphasis in the scheme on the restoration of buildings of importance from a heritage point of view, e.g., listed buildings.

In terms of how the loans are structured, there are two options.

1. **Annuity Loan** – With an annuity loan, only the interest is required to be repaid at first. This interest only period can be from 1 to 5 years, depending on the overall duration of the loan. The interest rate (fixed for 10 years) is from 0.55% - 1.65%, again depending on the repayment period

2. **Bullet Loan** – With this loan type, you only pay back the interest during the lifetime of the loan, with the full outstanding loan principal repaid right at the end of the loan period. Such loans are available for a period of 4-10 years, at 1.75% interest.

The BEG scheme is interesting, as it provides low-interest loans to a broad range of actors, not just current owner-occupiers. The emphasis on energy efficiency is also important, as there is an active incentive to reach for higher efficiency. In the case of a vacant home that is renovated and then rented out, the future tenants will therefore benefit from lower utility bills. The special attention paid to maintaining heritage buildings is also important.

The loans are managed by Kfw, the German national promotional bank. This means that there is an element of circularity within the loan structure, as repayments from one home renovation can then help to finance a future renovation. This highlights one of the main potential advantages of loans over grants.

## 2.5 Loan guarantees

A loan guarantee, or ‘public guarantee’, is an interesting, though not often used, instrument for making viable certain lending by providers of credit. **In its simplest form, a loan guarantee means that the institution that is providing loan financing (e.g., a commercial bank) receives a certain assurance from a guarantor (e.g., a public bank or institution) that in the event that the person taking a loan is unable to repay their debt at some point in the future, the guarantor will step in to compensate the loan provider, either wholly or partially.** As a result, the perceived ‘risk’ associated with a given loan will decline, which should in turn lead to cheaper credit for those seeking to access financing.

**In terms of vacant housing, the presence of a loan guarantee can be essential to unlocking the funds required to rehabilitate a dwelling.** This is because banks typically will not provide credit to households that is larger than the assets being used as collateral. In other words, the bank will lend based on the value of the pre-renovated dwelling, not taking into account the value after works have been completed. This leads to a ‘gap’ in financing that means that bringing vacant homes back into use can only be realised if owners also have their own savings or other resources to invest in the project.

### *Case Study 4: KredEx loan guarantee, in Estonia*

Estonia has been engaged in a well-run and concerted effort to modernise and improve its building stock during recent times. This stems from the fact that the country was left with a large stock of poorly insulated multi-family dwellings in the immediate post-Communist period of the early 90s. The success of Estonian efforts are evident, with Eurostat figures showing that while 40% of low-income households lived in sub-standard housing in 2004, by 2020 this had fallen to just 14%; well below the EU average of 23%<sup>24</sup>.

One of the keys to the success of the Estonian renovation efforts has been the establishment of KredEx, a foundation established by the Ministry of Economic Affairs in 2001 to, amongst other things, provide finance for home purchase and renovation. This can be direct financing in the form of loans and grants, but also indirect financing in the form of a loan guarantee<sup>xxxviii</sup>.

Kredex has a systematic approach to the appraisal of applications, protecting itself against the potential for many guarantees to be called upon by borrowers in default. It has also guarded against the “deadweight” of guarantees being provided where they are not really necessary<sup>xxxix</sup>. For example, eligibility for the loan guarantees are largely limited to certain target groups, such

<sup>24</sup> Based on SILC [ilc\_mdho01]

as young people, and people with large families. However, those who want to renovate homes in certain designated “regeneration areas” are also eligible, even if they already own the home that they want to renovate. Thus, the guarantee can incentivise the purchase of vacant property, as purchasers know that they will have to option to also secure credit to pay for renovations.

The amount of a loan guarantee is up to 24% of the collateral value, but not more than €50,000. For those renovating a home in targeted rural areas, where vacant properties tend to be concentrated, the amount of collateral is up to 80% of the outstanding principal amount of credit, but not more than €80,000. In 2021, Estonian banks issued €1.78bn in mortgage loans, of which the volume of loans with a KredEx guarantee was €504m, or 28%.

One of the main recipients of KredEx loan guarantees, however, is the cooperative housing sector. As the majority of Estonians live in multi-family dwellings, residents are obliged by law to form themselves into housing cooperatives. This ensures that there are clear structures for decision making, including in terms of the renovation and maintenance of the common areas of buildings. KredEx provides loan guarantees to these housing cooperatives as a single legal entity, which allows their individual members to pool repayments and potential risk with their neighbours in order to deliver better quality and more attractive housing.

Overall, the KredEx loan guarantee system provides a low-cost, high-reward model for countries or regions who are seeking alternative ways to incentivise or promote the use of vacant housing. In a more general sense, Estonia teaches us about the value of collective action to deliver regeneration of the built environment, be it in a single housing block, or in a given district. By pooling resources, and dividing the risk, communities can deliver more ambitious actions than what might be possible for an individual property owner.

The potential benefits of using this model of public support are clear. It allows those who need to borrow, for example to complete renovation works, to do so more cheaply. At the same time, as the state is only required to act in the rare cases where loans cannot be repaid, the overall public financial commitment required is likely to be low. There is also the additional benefit that being able to access credit at lower interest rates in turn can help to reduce the risk of not being able to repay a loan. Therefore, **we could argue that loan guarantees are self-reinforcing, where the promise of the guarantee actually decreases the probability that it will ever be needed.**

## 2.6 Dealing with compassionate vacancy

As discussed in Section 1, homes may become vacant due to unexpected changes in personal circumstances. The most typical case of this might be where a person is admitted to a long-term care facility, such as a nursing home. **Such cases require very careful consideration on the part of policymakers, as adding additional stress to the lives of people (and their families) who may be dealing with difficult personal circumstances is clearly not desirable.**

However, in the event that a household’s new circumstances are not going to be temporary, i.e., that they will not be returning to their home, then measures are needed to make sure that, where appropriate, their former home can be used by another household in need of it.

### *Case Study 5: Revised Fair Deal scheme, in Ireland*

The provisional results of the Irish 2022 Census show that there were over 11,000 homes that were vacant because the owner was in a nursing home or another type of healthcare facility. While in some cases the owners may be able to return to their homes in the future, in many cases they will not; meaning the home could remain vacant for an extended period of time.



As already discussed, a compassionate view of such situations is required, which balances the welfare of the owner of the property with the social good of an adequate supply of housing. One scheme which may point the way in this regard is the 'Fair deal' (or 'Nursing Home Support Scheme') in Ireland.

Irish nursing home residents are expected to make a contribution to the cost of their continued care. This is based on their individual means, taking into account both their income and their assets. While this means that costs are meant to remain affordable, it also means that increases in income or the value of assets will lead to higher fees. In terms of vacant housing, this has historically acted as a disincentive to putting a home on the rental market or selling it. For example, if a vacant home was placed on the rental market, 80% of the rental income earned would go towards the cost of care. At the same time, in the event of the house being sold, this would increase the assets of the person in care, which would then be eroded over time via fees for care.

However, in 2022 the Government moved to reform the Fair Deal, specifically in order to make it more attractive to bring vacant homes back into use. Firstly, any money earned from the sale of one's home is only taken into account for the calculation of assets for a period of three years. Secondly, only 40% of rental income earned is now taken into account. Together it is estimated that these measures will help to unlock the majority of the 11,000 vacant homes, to the benefit of potential renters and owner-occupiers. Of course, adding an option to provide such homes for use as affordable housing, perhaps with additional incentives for owners and via Social Rental Agencies, could be one way of improving the scheme going forward.

**When dealing with compassionate cases, one of the primary considerations for policymakers should be whether the proposed tools create an 'obligation' for the property owner, or if they simply provide an 'option'.** In other words, is the owner being obliged to bring their home back into use, or is the tool being applied simply providing them with an option to do so. The revised Fair Deal scheme in Ireland seems to meet that criteria. It is based on working to incentivise owners of vacant property by creating a more favourable balance of benefits for them.

## 2.7 The potential of one-stop-shops

The so-called "one-stop-shop" (OSS) concept has increased in popularity in Europe in recent years. Indeed, the use of OSSs was even outlined by the EU in the 'Energy Performance in Buildings Directive (2018/844)<sup>25</sup>, as part of its strategy to increase building renovations and decrease carbon emissions. The role of OSSs is likely to be strengthened once the ongoing redraft of the EPBD is agreed by all parties. This may even include an obligation to set up at least one OSS in each EU region<sup>xi</sup>.

**OSSs can be defined as "advisory tools that facilitate access to financial mechanisms, assist consumers in relation to technical and financial issues and guide them through a number of key stages in the renovation process"<sup>xii</sup>.**

In addition, "assistance through OSSs can help address a number of barriers, such as the difficulty in accessing financial incentives, fragmentations of energy efficiency interventions, high transaction costs due to small individual investments, insufficient understanding of complex energy efficiency interventions, lack of reliable and credible information about costs and benefits"<sup>xiii</sup>. **When it comes to issues of built heritage, well-run OSSs can also help to ensure that experienced**

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<sup>25</sup> For example, Article 20(2) requires Member States to provide information to owners and tenants through accessible and transparent advisory tools such as one-stop-shops.

**experts in the conservation and management of historical buildings are put in contact with building owners.**

In essence, the objective of OSSs is to remove the complexity and the effort that can often be associated with renovation or restoration activities. By bringing together the various strands that are required (e.g., financing, assessment, planning, labour, and conservation) under one roof renovations of vacant homes could happen in a more timely manner. In addition, necessary renovations that are currently stalled because of the psychological barrier that realising such works might present to some owners may be progressed. **It is certainly the case that some owners of vacant property simply feel overwhelmed by the perceived challenge of bringing it back into use.** The OSS model is designed to solve that problem by acting as a specialist intermediary between the owner and all of the service providers they need to engage.

***Case Study 6: RENOLUTION and IRISbox online one-stop-shop, in the Brussels-Capital Region (Belgium)***

In the Brussels-Capital Region of Belgium, leaving a residential property vacant for more than 12 months is an offence punishable by law. Indeed, the Region currently has local units dedicated to detecting and prosecuting the owners of vacant residential property. Fines for owners can be considerable, and are based on the size of the property and the length of time that it has been vacant<sup>xliii</sup>.

However, the process of pursuing the owner of a vacant property can be time consuming and costly for the Region. Therefore, alternative measures have been developed that seek to encourage owners of vacant property to bring them back into use. This includes handing the property over to a SRA to manage and, thus, provide a home for a low-income household in need.

Another option that is promoted is the use of a special home renovation grant, which is particularly useful if a vacant property does not currently meet a decent standard. However, over the years the number of available grants and public supports for renovation and building maintenance have increased, with around 45 different support schemes currently in existence. This made identifying available supports difficult, with many owners (including public housing providers) missing out on opportunities to avail of assistance.

As a result, two important actions were taken. The first was to bring the management of all of the different schemes under one roof, known as RENOLUTION<sup>xliiv</sup>. This meant that for the first time, all available schemes are accessible in one place, as a clear searchable catalogue, with accompanying administrative support services<sup>26</sup>. The second action was to link RENOLUTION to the IRISbox online one-stop-shop<sup>xliv</sup>, the Brussels Region's online platform for public assistance programmes. Through IRISbox, users can use digital tools to identify which schemes are available to them. They can then immediately transform this information into an application for support.

The result of this is that much of the complexity and administrative burden that can discourage people from accessing public supports for renovation and other building improvement activities is drastically reduced. For some owners of vacant dwellings, this kind of approach could make a real difference in terms of them being able to make the necessary improvements to bring a property back into use.

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<sup>26</sup> RENOLUTION is a joint initiative run by different public agencies – 'Bruxelles Environnement', the local ministry for environment and energy, 'Urban.brussels', which is in charge of urban planning and heritage in the built environment, and 'Constructiv', which represents the local construction sector.

## 2.7 Cheap housing for permanent residents

In some parts of Europe, de-population is a constant concern for local communities. This is a complex issue, with no one driver. **However, it is true that populations in most countries have become increasingly urbanised in recent decades, as the services sector, which tends to be concentrated in large urban hubs, has increased in importance, while sectors like agriculture have declined;** at least in a relative sense. Post-industrial decline, with factories and other heavy industries like mining closing, has also been a factor in declining populations in many parts of the continent.

The result of this is that once robust local housing markets can enter periods of decline. This could reflect, for example, an oversupply of homes, or the fact that available properties are not appropriate to meet demand, e.g., increase in single-person households versus existing stock of family-type housing<sup>27</sup>. **Falling or stagnating wages could also drive declines in local markets, as current residents are unable to afford to trade-up or renovate the existing stock of vacant dwellings,** or younger residents struggle to leave the family home. While this could see prices fall, meaning that some 'equilibrium point' could be found, frictions in the market may mean that this takes a significant time. For example, if owners of vacant homes hold on to them, as they incorrectly predict that prices may rise again in the future, and the cost of holding vacant property is low, e.g., given a lack of financial penalties for holding vacant property.

However, in some parts of Europe, the reality of population decline is undeniable. A large stock of vacant homes, which in many cases are effectively abandoned by their rightful owners, can be a clear sign of this. Without a change in local circumstances, such as new investment or employment opportunities, such declines seem impossible to reverse without targeted public interventions. **Recent schemes in Italy, where abandoned homes have been sold at very low prices, or special schemes to attract migrants to areas with population decline, are some of the more interesting ideas that have been implemented to try and reverse the trend.** While these particular schemes may not be appropriate in a wide variety of local contexts, they do show how out of the box thinking and a clear desire by policymakers to act can deliver tangible results, and help to tackle vacant homes in historical town centres.

### **Case Study 7: One Euro homes and migrant housing in depopulating areas, in Italy**

One of the most well-known schemes to tackle vacant housing in Europe in recent years has been the so-called "One Euro" homes (*Case a 1 euro*) in Italy. This consisted of several municipalities in areas that had seen population decline, leading to abandoned housing, offering these homes for sale for the nominal fee of one euro. The homes, in most cases, were owned by the municipalities themselves, as the previous owners had 'donated' them so as to avoid the associated property tax liability.

Under the scheme, households who win the right to purchase the one euro house do have to fulfil certain obligations, such as providing a renovation project within a certain period of time after the purchase; bearing the notary fees for registration and transfer, and respecting the maximum time limit for starting the work from the moment permits are obtained.

In the Sicilian town of Sambuca di Sicilia, the buildings, owned by the municipality, were sold through a public auction, but with a deposit of €5,000 to guarantee their renovation and a commitment to complete the work within three years. With this initiative, "the municipality has aimed to trigger benefits not only from a tourist point of view but also from an entrepreneurial one, through a virtuous mechanism that creates work and development and stops the process

<sup>27</sup> Large family homes, for example, may be expensive to heat and maintain, which would pose a financial burden to many single-person households. It would also be inefficient from an environmental perspective.

of progressive depopulation undergoing in the centres and small villages in the inner areas of Italy<sup>xlvi</sup>. 14 homes were sold in the pilot phase of the scheme, with a second round of homes offered in 2021.

Also in Sicily, the town of Gangi launched its own homes at one euro scheme in 2009<sup>xlvii</sup>. It has also had two follow-up schemes in 2013 and 2019. The obligations are largely the same as in the case of Sambuca di Sicilia, e.g., pay legal fees, prepare the renovation works within one year of the purchase, pay a €5,000 guarantee in case of non-fulfilment of the contract. In its 2019 call for expressions of interest, the local administration also included the intention that some homes be used to create a network of tourist accommodation facilities, in order to add new jobs, as well as households, to the town. The guarantee period has also been increased to five years, reflecting some issues with the previous three year deadline. Interestingly, one impact of the scheme is that other vacant homes, which were not offered through the scheme, have been sold to households who initially came to Gangi to visit one of the one euro homes, but who ultimately decided that the renovation works were not for them. The homes sold on the open market remain quite affordable, at around €5,000-€20,000, reflecting the distressed state of the local housing market<sup>xlviii</sup>.

In both of the towns discussed above, the schemes have been oversubscribed, meaning that the local authorities were able to select the most interesting and complete 'bids' from potential purchasers. This helped to ensure that, in most cases, those seeking to purchase were serious and had concrete renovation plans for the homes. While some of the homes will be used as holiday homes, this is still seen as a better outcome for the towns than having a stock of abandoned residences.

A similar initiative to the *Case a 1 euro* model is the emergence of schemes that marry the joint policy objectives of reinvigorating towns and villages in decline with the need to find sufficient homes for arriving migrants and refugees. The first, and most famous, example of this initiative is the one implemented by the town of Riace, in Calabria<sup>xlix</sup>.

In 1988, 200 Kurds were welcomed and offered old houses that had remained vacant due to emigration. Before their arrival, Riace had only 800 inhabitants, down from over 3,000. In 2016, the village reached 1,800 inhabitants, of which 400 were not born in Italy, representing 20 different countries. As a result, the local economy saw some gradual recovery, and abandoned houses were renovated. So-called 'solidarity tourism' also emerged, increasing the number of tourists who find accommodation in the village's renovated houses<sup>l</sup>.

However, it must be noted that a change of political direction in Calabria in recent years meant that funding for the Riace scheme has all but stopped, meaning that many families have had to leave the town. This shows that on-going management and public support for these types of repopulation programmes may be required, especially if, as in the case of Riace, much of the funding is targeted at training programmes and job creation initiatives.

## 2.8 Mutually beneficial temporary rental agreements

As discussed in Section 1, some owners of vacant property may be discouraged from bringing them back into use if they perceive that this might lead to problems for them in the future, such as not being able to sell the home at a moment of their choosing. These sorts of concerns can be a real determinant of involuntary vacancy in some areas.

However, there are situations in which bringing vacant homes back into use for rent may be mutually beneficial for owners and tenants. One recent example of this came during the COVID lockdowns seen across Europe. With people unable to travel, many dwellings that are part of the tourist economy, especially short-term lets in cities, remained vacant. At the same time, many



families were living in overcrowded housing or even experiencing homelessness. **Thus, some cities like Lisbon<sup>li</sup> and Barcelona<sup>lii liii</sup> came to agreements with owners to turn vacant holiday lettings and other vacant properties into social housing, through use of multi-year leasing agreements.** For owners, they received a guaranteed income during. For the municipalities, they managed to increase their available stock of public housing.

#### **Case Study 8: The new masoveria system, in Catalonia (Spain)**

In the Spanish region of Catalonia, the so-called ‘*masoveria*’ system (which roughly translates as ‘sharecropping’) traces its roots back to the days of the feudal system. It is an agreement between a property owner and a tenant to use a property for a defined period of time in return for the performance of certain services, such as maintenance and upkeep. This was an important part of a largely agriculture-based economy. The masoveria system understandably fell out of fashion in modern times. However, in recent years it has made a comeback, as a tool to tackle vacant housing.

In 2007, the regional parliament adopted a law which set out a new masoveria<sup>liv</sup>. It is designed to meet the dual ambitions of avoiding permanent vacancy of dwellings, and to promote their rehabilitation. The masoveria works in a similar way to a traditional rental contract, but with the difference that the owner, in exchange for handing over the property, will not receive a monetary rent, but will rather see the property refurbished at the end of the contract. A subsequent law in 2013 provided clarity on the system and also outlined the so-called “rehabilitation for rent” scheme, a housing rental agreement in which the tenant undertakes to carry out rehabilitation or refurbishment work, so that he or she will not pay rent in cash, or will pay less. While the renovation works are the responsibility of the tenant, the general maintenance remains the responsibility of the owner. At the same time, while the tenant will work on the house, a minimum base level of habitability is required, meaning that the scheme does not apply to derelict housing unfit for habitation.

The new legal framework has been important in building trust in the system. It establishes many important principles of the masoveria, such as the rental contract, what happens in cases where the tenant is not performing the required works, and setting out the nature and value of works to be completed. The system also helps tenants to access financing and grant schemes for home renovation to assist with the works.

The scheme is seen as being particularly suitable for rural towns and villages, which have seen population declines in recent decades, and where there is an available stock of vacant dwellings in need of repair. Thus, the masoveria could be a useful tool in the preservation of the heritage of these towns.

While the scheme can work to bring individual homes back into use, it can also be interesting on the scale of a multi-family building. One of the most famous uses of the masoveria, known as ‘Sis Claus’, saw primarily low-income families join together to establish a new housing cooperative. The cooperative then agreed a 75-year masoveria lease with Barcelona City Council resulting in a long-term vacant public building being brought back into use as affordable housing<sup>lv</sup>.

Thus, while the masoveria agreement may be between an owner and a tenant, the possibility to make the agreement between an owner and an intermediary, such as a housing cooperative or a charity, is also possible. Indeed, this may be preferable for some owners, as the housing cooperative has experience in managing buildings and renovation works, thus it can help to assuage any concerns on the part of building owners. An intermediary may also be essential if, as in the Sis Claus case mentioned above, multiple homes are part of the agreement. In addition,

signing an agreement with one intermediary is obviously less onerous than having to deal with multiple households.

While COVID-related agreements were based on an exceptional set of circumstances, the principles of the schemes in Lisbon and Barcelona are permanent features of policy in some jurisdictions. **Indeed, in some parts of Europe, policymakers have chosen to offer a clear choice between punitive measures and incentives for dealing with vacant housing.** For example, in the Basque Country in Spain, when dealing with vacant homes, the regional authorities offer property owners either the choice of fines, or entering into a temporary leasing arrangement (typically six years) with the local public housing company, under what is known as the ‘Vizigune Vacant Housing Program’<sup>lvi</sup>. The clear aim of the regional authority is to use the threat of punitive action to better ‘nudge’ the owners of vacant residential property towards engaging with them, and in doing so to help the authorities to increase the local stock of public housing.

**An issue that is sometimes raised by the owners of vacant homes is that they do not want to offer their property for rent, as they are worried about issues like the possibility of unpaid rent or damage to the property, as well as the potential cost and administrative effort involved.** Again, we can look to the Basque Country for a potential policy solution for dealing with such cases. It’s ‘Safe Rent, Reasonable Price’ (*Alokairu Segurua, Arrazoizko Prezioa – ASAP*) scheme sees the state offer various guarantees to owners in terms of covering unpaid rent, damages, or legal costs. In return, the Basque government has the right to set the rental price that can be charged for the property, which in all cases will be more affordable than the “free market” rent that might otherwise be charged<sup>lvii</sup>.

**What the above examples show is that understanding the thinking and motivations of those who leave potential homes vacant can help policymakers to formulate strategies that work to create mutual benefits, and eliminate perceived barriers to bringing homes back into use.** However, this does not mean that the ‘barriers’ are always reasonable or that, as already discussed in this section, policymakers should be willing to incur significant dead-weight losses in the pursuit of tackling vacant housing. Rather, where there is a clear mutual and balanced benefit for owners and society that can be found, then it should be pursued as an option for tackling vacancy.

## 2.9 Specialist public agencies

As was noted in the recent work of Housing Europe and the United Nations, #Housing2030,

**“Good governance shapes the effective functioning of housing systems. Without it, the availability of other factors such as land, capital and expertise might be squandered, or at least not be used to their full potential...The success of housing policies is achieved by responsible stewardship, guiding institutional administration and development, and ensuring an optimal role for all stakeholders”<sup>lviii</sup>.**

Indeed, while this briefing contains many commendable policy tools and initiatives, their relative success depends on having in place the right systems of public support and oversight to ensure that they can achieve their objectives. **This also requires the sincere commitment of policymakers and other stakeholders to achieve better housing outcomes,** as opposed to a slew of policy announcements and ‘initiatives’ that are then deprived of resources or otherwise neglected; with the end result that little discernible improvement is made.

Right across Europe, specialist public agencies work to make real the ambitions of policymakers, as well as to advise these same actors and help to formulate better housing policy. Thus, **the**

agencies and the policymakers form mutually supportive relationships to the benefit of households, and especially those in the most need of support on the housing front.

### *Case Study 9: The National Housing Agency (Anah), in France*

In France, the National Housing Agency (*L'Agence nationale de l'habitat – Anah*) is a public institution under the supervision of a number of the Ministries, including Territorial Cohesion and Relations with Local Authorities. Since its creation nearly 50 years ago, it has been charged with improving the state of the existing private housing stock in order to fight against social and territorial divides and promote national cohesion.

Anah encourages the renovation and rehabilitation of housing by granting financial aid to low-income owner-occupiers and to co-ownership/condominium associations in difficulty. It also works with private owners to renovate homes, with a view to providing them for rent at affordable prices to low-income households (see [Section 2.2](#)).

It is estimated that there are 1.1 million long-term vacant (two-years or more) homes, of which 300,000 are in high-demand areas, and of which two-thirds could be brought back into use right away (i.e., no rehabilitation required). As a result, the French government has launched its 'National strategy to combat vacant housing'<sup>ix</sup>, with Anah playing the major coordinating and support role<sup>ix</sup>, by, for example, working closely to support the efforts of local municipalities.

Anah's strategy consists of four main pillars:

- 1. To equip local authorities to identify, characterise and monitor vacant housing in their territory;*
- 2. Promote and disseminate approaches to combating housing vacancy;<sup>28</sup>*
- 3. Mobilise vacant housing, by linking actions with local housing and development policies;*
- 4. Accelerate the deployment of the Strategy in a sample of territories and with reinforced support; helping these areas to act as lighthouse projects for others to follow*

There is also a strong focus on empowering local actors to make better and more informed decisions, but also to implement tailored approaches that can work best in the context of the local housing system. Anah has developed two tools for use by local actors:

- 1. The LOVAC database<sup>xi</sup> – is a digital tool that combines records from a number of different public actors, such as local municipalities and tax authorities, to identify vacant property. This data is then made available to local public authorities in order to help them to begin the process of engaging with owners in an effort to bring homes back into use;*
- 2. A behavioural analysis tool – using learnings from behavioural analysts, the tool will suggest to local authorities potential techniques and strategies that are most likely to be successful when dealing with a given owner in terms of convincing them to bring their home back into use.*

Interestingly, Anah is partly funded via the vacant property tax that has existed in France since 1999, and which is discussed in greater detail in [Section 3.3](#). Thus, the combat against vacant housing is at the very core of the Agency's existence.

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<sup>28</sup> For example, a collaborative exchange platform has been set up. It already brings together nearly 400 actors in the field who share their experiences and good practices.

### 3. Fines, penalties and other dissuasive measures

#### 3.1 Introducing dissuasive measures

As discussed in Section 1, measures to deal with vacant residential property need to be designed to illicit the desired response from the current owners. While the measures outlined in Section 2 may be appropriate in some instances, **in many cases holding vacant property is a choice that a given owner is making. Thus, public transfers to these owners may be difficult to justify.** Indeed, it could be argued that they create a “perverse incentive”, where owners are effectively incentivised to leave property vacant in order to benefit from public financial assistance.

Therefore, **in cases where we can conclude that a given vacancy is voluntary, or perhaps that the tools discussed in Section 2 are not a prudent use of public money or resources, then taking measures to deter owners from leaving property vacant may be the best course of action.** These measures tend to take the form of various types of fines, increased tax liabilities, or even legal recourse to seize property.

*Table 5: Tools to deter owners from leaving homes vacant*

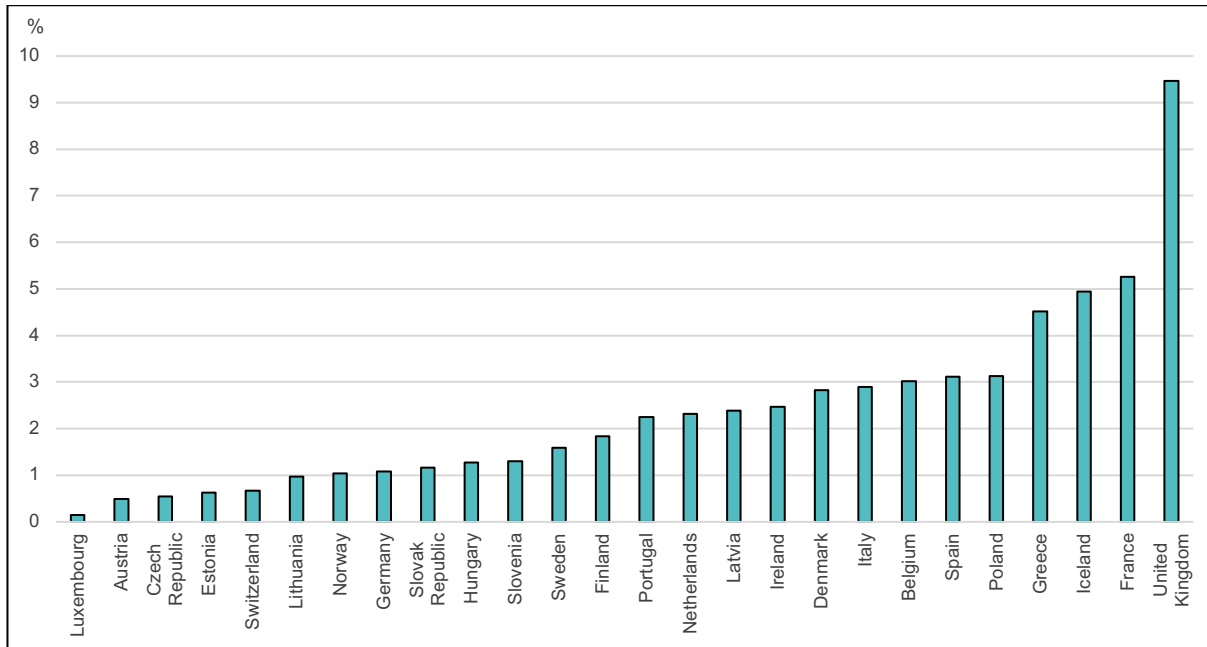
Policy	Summary	Pros	Cons
<b>Increased tax liabilities</b>	Policies to put pressure on owners of vacant property by increasing taxes related to their property	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can be simple to administer, if linked to existing tax collection infrastructure (e.g., property tax)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May not be sufficiently dissuasive</li> <li><input type="checkbox"/> May be expensive to monitor</li> <li><input type="checkbox"/> Owners may not declare vacant homes</li> </ul>
<b>Fining owners of vacant dwellings</b>	Policies to put pressure on owners of vacant dwellings by levelling fines, which may or may not be related to the value of the property	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can offer more customisation than property tax-based penalties</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May not be sufficiently dissuasive</li> <li><input type="checkbox"/> May be expensive to monitor</li> <li><input type="checkbox"/> Owners may not declare vacant homes</li> </ul>
<b>Requisition of vacant dwellings</b>	Measures to bring vacant dwellings under temporary public management	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can provide a sufficient threat such that it is not actually required to be used</li> <li><input type="checkbox"/> Can help to expand the available public housing stock</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Could involve drawn out legal processes</li> <li><input type="checkbox"/> Could require significant resources to administer</li> </ul>
<b>Dealing with secondary residences</b>	Measures to discourage the underutilisation of dwellings in areas of high demand for primary residences	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can help to support permanent residents, who might otherwise struggle to remain in the community</li> <li><input type="checkbox"/> Can help to make sure dwellings are better utilised</li> <li><input type="checkbox"/> Can tackle hidden or unreported vacancy</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> May be difficult to decide when and where to use such policy tools</li> <li><input type="checkbox"/> Could impact on the tourism sector</li> </ul>

#### 3.2 Increased tax liabilities

Taxes on residential property are common in Europe, regardless of whether the property is occupied or vacant. **So-called ‘property taxes’ are generally related not to the means of a given household to pay, but to the value or the size of a property.** Thus, they can be considered to be a form of wealth tax. This is normal, as housing is the most significant asset that most households have, and rising prices in recent years across many regions in the EU have served as the main driver of rising wealth inequalities; i.e., between the haves (property owners)

and the have nots (renters and others)<sup>lxii</sup>. Thus, **taxation of property can play an important redistributive role in tackling such inequalities in our societies**. Having said that, as shown in Figure 4, recurrent property taxes currently represent a relatively small percentage of overall tax revenues in most European countries.

**Figure 4: Recurrent taxes on immovable property  
(as a % of overall national tax revenue, 2019)**



Source: OECD Revenue Statistics; includes recurrent taxes on both residential and non-residential real estate.

From the point of view of using property taxes as a measure to tackle vacant housing, one important issue is that in most countries **the strong growth in house prices in recent decades has not been accompanied by a similar rise in property tax revenues**. This reflects a number of factors, such as using outdated or underestimated property values<sup>29</sup>, caps on annual increases in tax liabilities, and actual reductions in property tax rates over time<sup>lxiii</sup>. This means that if taxes are increased on vacant properties, the most common way in which property taxes are used to combat vacancy, the increase might be off an already low base.

Therefore, **serious consideration needs to be given to whether or not the rate that the increased tax is levied at is truly enough to dissuade owners from holding vacant property**. As discussed in Section 1, **the increased tax liability may need to be equal to or greater than the ‘benefit’ of holding vacant property in order for it to be dissuasive**.

For example, if we imagine a hypothetical scenario where a home is valued at €250,000, and where the normal property tax is set at 0.4%. The annual tax would be €1,000. If, in the same scenario, the property tax doubled from 0.4% to 0.8% in the case that a home was vacant, then the tax would be €2,000 per year; or an additional tax contribution of €1,000. However, if the vacant home is located in a buoyant housing market, where prices are increasing, the €1,000 additional tax contribution might only represent a very small fraction of the annual increase in the nominal value of the vacant property.

<sup>29</sup> A recent OECD report notes that: “a number of countries rely on significantly outdated property values. For instance, property values used for tax purposes date from 1973 in Austria, 1975 in Belgium, 1970 in France, 1964 in the former West Germany and 1935 in the former East Germany, 1941 in Luxembourg, and 1991 in the United Kingdom” – Source: OECD (2022)



Therefore, **if the owner's means were sufficient to simply absorb the higher tax, it may represent a small price to pay in order to keep the property vacant with a view to selling it at a higher price in the future.** In other words, it is likely that the tax would not be sufficient to bring vacant housing back into use; at least if set at such low levels, or if not accompanied by other complementary policy measures to deal with vacant housing.

**Case Study 10: Increased property tax liability for vacant homes, in England (United Kingdom)**

In England, the majority of residential property owners have to pay an annual property tax, which is commonly referred to as "council tax". Each property is placed in a valuation "band", and local councils then decide on the tax rate that will apply to each band. A very similar system is also used in the other nations of the United Kingdom, while other countries like Ireland also base their property tax model on this valuation band method.

In 2022, there were 676,00 vacant dwellings in England, of which 248,000 were long-term vacant<sup>lxiv</sup>. Long-term vacant dwellings are those classified as having been empty for six months or more, and which are not furnished. However, the official statistics have been criticised, with some suggestions that the actual number of long-term vacant properties is actually higher than what is being officially reported<sup>lxv</sup>.

In any case, in an effort to deal with long-term vacant property, new powers have been offered to local councils in recent years. This includes the option to impose an increased council tax on owners of vacant property. This is known as the 'Empty Homes Council Tax Premium'. The premium is effectively an increase in local council tax liability, based on the amount of time that a property has been empty.

- 0-24 months empty: 100% premium
- 2 year – 5 year empty: 200% premium
- 5 year – 10 year empty: 300% premium
- Over 10 years empty: 400% premium

For example, if you are the owner of a vacant property, which before being declared vacant had an annual council tax of £1,900 (€2,220), after two years your council tax would double to £3,800 (€4,400). After five years it would increase to three times the base council tax rate, or £5,700 (€6,660). After 10 years it would increase to four times the base tax, or £7,600 (€8,880).

While the Empty Homes Premium does offer a potentially useful tool to tackle vacant property, and one that could certainly be easily adapted to other countries or regions that have existing systems of residential property taxation, **it also suffers somewhat from some administrative issues that are common to most attempts to penalise the owners of vacant property.**

Firstly, there is the issue of defining vacant property, or rather who should be eligible for increased property taxes aimed at tackling vacancy. In the English case, many owners of vacant property can gain an exemption from the Premium. These include cases of temporary vacancy (e.g., major renovation works being completed), or compassionate vacancy (e.g., owner has been moved to a nursing home). However, secondary homes, even those that are in reality permanently unoccupied, are also excluded. This has raised questions about the potential effectiveness of the measure<sup>lxvi</sup>.

**The other major issue is enforcement.** The system is largely dependent on local councils being able to use council tax declarations to identify vacant dwellings; though some better resourced councils also have teams dedicated to dealing with vacant homes. As one report noted: "the threat

of Council Tax premium charges on long term empty property, while generally supported, may also effectively incentivise owners to conceal empty property status<sup>lxvii</sup>. In other words, **policies like increased property taxes on vacant property may require significant monitoring and human resources to enforce**, as there is an incentive for owners of vacant property to try and cheat the system. For some local or municipal authorities, the potential level of enforcement required may simply be beyond their current means.

**One potential way to overcome the need for significant time to be invested in enforcement, however, is to make use of digital tools to detect vacant properties.** For example, in 2022 the City of Barcelona has introduced a new 50% “surcharge” on property tax liabilities for vacant homes<sup>lxviii</sup>. In order to minimise the effort required to make the scheme operational, the City will make use of energy and water consumption data to help identify vacant homes. The current status of dwellings identified in this way will then be verified with visits and through administrative records. Of course, this system is brand new and it will need to be refined and improved over time<sup>30</sup>. However, **it still demonstrates that there are ways to increase the potential efficacy of using property taxation as an avenue to discourage owners from leaving properties vacant.**

### 3.3 Fining owners of vacant property

Fining the owners of vacant property is similar in concept to using property taxes, as outlined in the previous section. **However, many countries and regions prefer fines, as they offer greater possibilities for customisation and flexibility than simply using the existing property tax system.** For example, a city may want to fine the owner of a vacant property not on the assessed present value of their property, as is the case for property tax based systems of penalising owners, but rather on the basis of its potential value.

This reflects the fact that the current assessed market value of a vacant or derelict home may not reflect its true value, or utility, to society if it were in use. Thus, **fines can be a way of making sure that the true social cost of leaving residential property vacant is more accurately borne by the owner.** Indeed, many such fines are based on the size of the vacant property<sup>31</sup>. In other cases fines are based on the potential rent that a property would command if it were of a decent standard and offered to tenants on the private market.

#### **Case Study 11: Vacant Homes Tax, in France**

Since 1999, France has had a statutory Vacant Homes Tax (*Taxe sur les Logements Vacants - TLV*). The TLV has been modified over the years, and currently can take one of two forms, depending on where in the country the vacant home is located. The TLV relates to municipalities with at least 50,000 residents and where there are observed pressures on the local property market<sup>32</sup>. In all other municipalities, local authorities can apply the ‘Vacant Home Occupancy Tax’ (*Taxe d’habitation sur les logements vacants – THLV*).

<sup>30</sup> For example, some more savvy owners of vacant property may simply seek to avoid detection by letting water run or leaving lights on just enough to give the impression that the home is occupied, even if only for part of the year. Thus, a future improvement to the system in Barcelona, and others like it, might be to look at high frequency consumption data to see if the consumption is ‘uniform’, which might indicate an attempt to avoid detection, or if it is more ‘sporadic’, which might suggest that there is a real human user who is turning off and on appliances and water taps and so on.

<sup>31</sup> This may also be preferable to using property values, as the size is likely known to public authorities and is largely fixed over time. However, values change constantly, and, as already discussed, most countries’ property tax systems are based on outdated property value estimates.

<sup>32</sup> The list of such municipal areas is revised frequently, and published online : <https://www.service-public.fr/simulateur/calcul/zones-tendues>

The TLV is imposed on owners of residential properties that have been vacant for at least one year. It applies to homes that are of a decent standard, but which are unfurnished. Dwellings that are inhabited for more than 90 consecutive days in the year, undergoing involuntary vacancy (the owner is looking for a tenant or a buyer), require major works in order to be habitable (more than 25% of the value of the dwelling) and furnished secondary residences that are paying regular occupancy taxes are not subject to the TLV. Interestingly, the value of the TLV is not related to the market value of the property, but rather the potential annual rent that the property could command if placed on the rental market. The TLV also increases over time if no action is taken by the owner:

- 12.5% in the first year
- 25% in subsequent years
- A “management fee” (fee to cover cost of administering the tax) of 9% of the amount of the tax must then be added

To put the TLV into numbers, a potential home that would command €15,000 a year in gross rent, were it placed on the market, would pay €1,875 in year one (plus €168.75 management fee = €2,043.75). In subsequent years, assuming no change in assessed rental potential, the sum would increase to €3,750 (plus €337.50 management fee = €4,087.50).

The THLV is applied to owners outside of the TLV zones, which have a property that has been vacant for at least two years. Similarly to the TLV, the THLV applies to homes that are of a decent standard, but which are unfurnished. Dwellings that are inhabited for more than 90 consecutive days in the year, undergoing involuntary vacancy (the owner is looking for a tenant or a buyer), require major works in order to be habitable (more than 25% of the value of the dwelling) and furnished secondary residences that are paying regular occupancy taxes are not subject to the THLV. The THLV is an optional tax, which local administrations can use to tackle vacancy, if desired. It is levied at the same rate as the local Occupancy Tax (see below), meaning the tax liability would in effect double in areas where the THLV applies.

In terms of detecting vacant homes, France benefits from a split property tax system. Owners of residential property are required to pay an annual ‘Owners Tax’ (*Taxe foncière*), while the occupants of the same dwelling (which in most cases is also the owner) are required to pay an ‘Occupancy Tax’ (*Taxe d’habitation*). As France’s system of public social benefits (healthcare, education, etc.) requires a registered address, most households living permanently in France are registered to live somewhere (though issues for undocumented migrants do arise). As a result, it is theoretically easy to see from local tax records if a property has no registered occupant (i.e., no *Taxe d’habitation* paid on the property). At present, social housing in France is exempt from the TLV and THLV.

The TLV has changed quite significantly over recent decades, most notably in terms of the rates at which it is levied as well as its geographic scope. Despite this, relatively little critical analysis of the policy has been carried out. However, one study, which looked at the TLV during its first few years of operation, and when the scope and rates were lower, found that it directly led to a 13% decrease in vacancy in areas where it was applied<sup>lxix</sup>. The effect is 50% higher in municipalities with an initial high level of vacancy. The tool was especially efficient in combatting long-term vacancy. Although, there are some anecdotal reports that owners of vacant properties can avoid the TLV by placing an advertisement on a rental website, without actually really offering it for rent<sup>lxx</sup>. Thus, perhaps further steps could be taken to boost its impact, such as setting a time limit that a property can be vacant for whilst still claiming an exemption.

**The potential downside for policymakers in using fines is that while property tax increases are based on existing administrative infrastructure, fines may require significant work to develop, administer, and monitor.** Thus, while they may offer the possibility for greater ‘customisation’, they may also present challenges for some local or municipal authorities that lack staff and other resources.

**However, this argument has perhaps become less convincing in recent years, as more and more public authorities have begun to use data and other tools to lower the administrative burden.** As we mentioned in [Section 3.2](#), the City of Barcelona is now using data from utility companies to boost its efforts to detect vacancy.

**Another similar example we can look to comes from the Belgian region of Wallonia, which since the 1<sup>st</sup> of September 2022 has adopted statutory measures to fine owners of vacant property, with data on household water and energy consumption being a key part of its strategy<sup>33</sup> to implement the scheme in a way that does not place unreasonable demands on municipal authorities.** The fines, which are at the discretion of the municipal government, will range from €500 to €12,500, and will be based on the size of the vacant property (width of the façade, and number of stories)<sup>lxxi</sup>. As with the new system in Barcelona, the new Walloon system may take time to be refined and achieve its maximum potential.

The current focus on housing affordability challenges in many parts of Europe, as well as renewed efforts to renovate and rehabilitate historic town centres is being reflected in a recent raft of measures to tackle vacant property with fines. In addition to Wallonia, the Basque region of Spain, and the Dutch City of Amsterdam have also adopted new measures in recent months to fine owners of vacant dwellings<sup>lxxii</sup>.

In the Basque Country, a home is considered to be vacant if unoccupied for two years or more; though exemptions can be granted, for example if deep renovation works are ongoing, meaning the home is currently not habitable. As in other territories discussed in this briefing, utility bills are being used to detect vacant homes, which are cross referenced with administrative data.

In terms of the fines that can be incurred, this is set at €10 per square metre of the property (e.g., the fine for a 100sqm property would be €1,000). The fine will increase by 10 percent for each year that the dwelling is left vacant, though there is a ceiling of three times the initial fine<sup>lxxiii</sup>, i.e., €30 per square metre.

Aware that fines may not be sufficient by themselves to tackle vacancy issues, the Basque government is taking a multipronged approach. Additional measures recently adopted also include the right to “appoint” a tenant to live in a vacant property. This is necessary “to guarantee that...[the home’s]...social function is fulfilled”<sup>lxxiv</sup>. The requisition of the property (see [Section 3.4](#)) is for an initial period of five years, with the option to extend it to 10 years. Any renovation, maintenance, or management costs associated with requisition will be borne by the owner of the property. **From a heritage perspective, in cases where public authorities can show that the owner, through vacancy and neglect, is damaging local heritage the local authority is required to appropriate the dwelling**, i.e., legally acquire it outright via a compulsory purchase order.

Meantime, in the case of the Dutch City of Amsterdam, new measures have been adopted in 2022 to deal with vacant housing in the city. However, the approach puts the focus on owners to come forward and register their property as being vacant<sup>lxxv</sup>.

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<sup>33</sup> Consumption of less than 15m<sup>3</sup> of water, and/or 100 kW of electricity in a 12-month period will raise a presumption of vacancy.

After a property has been unoccupied for six-months, owners must report this to the municipality. Failing to report a vacancy is a criminal offence, and attracts a fine of anywhere from €4,500 to €9,000 per vacant unit<sup>lxxvi</sup>. However, seeking to be proactive, the City has also established that once a property is reported as vacant, a housing officer will be appointed to engage with the owner in an effort to try to find a way to get them to bring their property back into use. Failing that, the owner will face further sanction. Like in the Basque case, **this can include the municipality nominating a tenant to live in the property, for which it can determine the maximum rent.**

Overall, fines seem to be more common than property tax-based measures at the present time as a tool to deal with vacant housing. **This seems to reflect a desire to deviate from simply adding a surcharge on top of property taxes, and instead look at alternative ways of making a link between the penalty to be paid by the owner of a vacant property and the cost to society of that same property being vacant.** However, as discussed, fines may require significant time and resources to develop a functioning infrastructure for, though new approaches, such as using utility bills to detect possible vacant properties, can help to alleviate some of this administrative burden.

### 3.4 Taking homes into public management (requisition)

**One of the ways that a dissuasive measure to combat vacancy can be effective is by acting as an active threat to the interests of property owners.** This means that sometimes the ‘threat’ for public officials to take a certain course of action, which property owners may not like, is enough to provoke the desired reaction, e.g., bringing a vacant dwelling back into use.

**One common way in which public authorities in Europe can provoke owners of vacant property to act is with the threat of ‘requisition’ of their property.** This would mean that unless certain action is taken (i.e., bringing the home back into use), the public authority will take over the management of the property, usually for a fixed period of time.

**Requisition must not be confused with ‘expropriation’.** The former sees public authorities ‘make use’ of private property under certain limited circumstances; though there is no legal transfer of ownership. In the case of expropriation, the state will legally take permanent ownership of private property, even if this is not the desire of the owner. This is most often done for the completion of major infrastructure projects, using tools such as ‘Compulsory Purchase Orders’<sup>lxxvii</sup> (CPOs), though it could also be used to deal with vacant housing.

Requisition can perhaps be seen as a more favourable option when dealing with vacancy, as the costs for the state are low, or even negligible, as they are not required to purchase the property from the owner, which under expropriation is typically done at current market values. **Therefore, where public budgets are constrained, requisition may allow for a greater number of vacant units to be dealt with.** It is also the case that requisition might also be more effective from the point of view of motivating some owners to take action, as they might be happier to take the expropriation route and pass off the responsibility for their vacant property to the state, in return for ‘fair’ compensation, rather than simply be temporarily deprived of the use of their property.

Given that vacant housing is becoming more of an issue in Europe, so too is the push for requisition of vacant homes. For example, **in Amsterdam the government recently adopted powers to nominate a tenant to occupy homes which have been vacant for more than 12 months**<sup>lxxviii</sup>. Likewise, **in France vacant homes can be requisitioned for up to 12 years**<sup>lxxix</sup>, while in the Basque Country requisitions are for an initial period of five years, with the option of a five-year extension<sup>lxxx</sup>. Revisions to the French law on requisitions of vacant housing in 2018 put a special emphasis on its use as a tool to provide housing for those in urgent need, such as refugees or those experiencing homelessness.



### **Case Study 12: Taking homes into temporary public management, in the Brussels-Capital Region (Belgium)**

Since 2003, the law in the Brussels-Capital Region of Belgium provides for 'The Right of Public Administration' (*Le droit de gestion publique*) for vacant dwellings. This means that municipal authorities are allowed to temporarily take over the management of unoccupied or derelict housing in order to renovate it, if required, and then rent it out at a reduced below-market rent for a period of nine years. All of the costs associated with this are reimbursed via the rent collected. The public management right can be exercised voluntarily, with the agreement of the owner of the property, or forcibly, when the owner refuses to take steps to bring the home back into use.

In 2022, the Regional Parliament decided to reform the Right of Public Administration system<sup>lxxxix</sup>. This was to help reinvigorate the programme, clarify certain aspects, and strengthen others. The changes include that the owner of the property can only take it back from the municipality, or the SRA currently managing it, after they fully reimburse any outstanding costs that have been incurred in bringing the property back into use and its subsequent management. The owner also has to guarantee that the rent charged will remain in line with the sub-market rent being charged by the municipality, with the home available for eligible low-income households only. In all cases, the below-market rent is fixed for nine years after the Right of Public Administration comes into force, regardless of who is managing the dwelling.

However, the reality is that the Right has, at least up until recently, been rarely used by public authorities in the Region. This partly reflects the fact that the requisition process can be long, and owners have typically brought the property back into use before getting to the stage where the municipality would really take control of it. Thus, it could be concluded that the perceived credible threat of action is sufficient to achieve the desired outcome of reducing the quantity of vacant homes.

The scheme from the Brussels-Capital Region is a good example of how a legitimate threat to use a certain policy tool can be sufficient by itself to achieve the desired outcome. **The reality is that the Right of Public Administration has rarely been used, as owners of vacant property typically have time to bring their home back into use before all of the administrative processes required to actually use it are completed.** Thus, once an owner has been informed that the public authorities intend to use the Right to deal with their vacant property, the situation typically resolves itself. **Of course, the policy is win-win from the Region's perspective, as either the owner acts, or the Region increases the available stock of public housing.**

### **3.5 Dealing with secondary residences**

**Secondary residences can broadly be defined as any dwelling that someone owns that is not their primary dwelling.** A common example would be a holiday home, though there are many reasons that someone might own second or even multiple residences. As already mentioned in this briefing, secondary residences could be speculative investments that property prices will increase in the future, for example. They could also be related to inheritances.

As was stated in [Section 1.3](#): "in areas where the demand for primary residences objectively outstrips supply, it could be decided that allowing people to hold a secondary residence is simply another privilege that society as a whole can ill afford". **While the issue of secondary residences is contentious when it comes to issues like calculating local vacancy rates, it is even more contentious in terms of whether or not it represents an issue that policymakers should try to tackle.**

As discussed in [Section 1.3](#), many experts are critical of the categorisation of some residences as being “secondary residences”, as this can provide openings for owners to leave properties vacant in all but name, while avoiding potential fines or other penalties. In addition, as noted in [Section 2.3](#), secondary residences are almost exclusively the reserve of the wealthiest sections of society, with the top 20 percent of wealthiest households in the OECD region holding 74 percent of all wealth held in the form of second or subsequent dwellings.

Therefore, at a time of such inequality in relation to access to decent and affordable housing, policymakers must ask themselves if second homes need to be considered in the same way as other vacant homes. This question is particularly pertinent in areas where available developable land is limited, but also in regard to the aforementioned move to limit unnecessary new construction and CO<sub>2</sub> emissions. **However, this will need to be assessed on an area by area basis**, with the key question being whether or not there is a clear excess demand for primary residences that is not able to be met wholly or partly as a result of the prevalence of secondary residences.

One nation in which policymakers have recently decided that the ‘pros’ of secondary home ownership do not seem to outweigh the ‘cons’ of underutilising a part of the housing stock, at least in some communities, is Wales. The Government announced a package of measures in October 2022 to curb secondary home ownership in areas in which the demand for such properties is posing significant difficulties for permanent residents to find housing. The new measures include increased property taxes on second residences, higher stamp duties, and a tightening of commonly exploited loopholes. **Another innovative measure will see homes zoned as being either primary or secondary residences, with the local government holding the right to block any change in classification**<sup>lxxxii</sup>. In practice, this would mean that a home that is currently zoned as being a primary residence could not be sold to someone who would use it as a secondary residence, unless the local council gave its approval.

#### **Case Study 13: Taxing second residences, in Paris (France)**

Paris has a well-documented problem with second residences, many of which are actually vacant in all but name. Indeed, estimates are that there are 134,200 second residences in Paris, or 9.6% of the total housing stock of the city<sup>lxxxiii</sup>. Many of these homes are in reality vacant, and when added to the 128,000 homes that are officially declared as being vacant mean that an incredible 19% of the housing stock in Paris is vacant or underutilised, despite strong demand for homes in the city.

The main difference between a vacant property and a second residence is that the owner of the latter registers to pay the home occupancy tax, even whilst declaring that it is not their primary residence. Thus, an owner can simply pay the occupancy tax in order to avoid the possibility that their property is declared as vacant (which would incur the vacant homes tax described in [Section 3.3](#)).

According to the website of the City of Paris, “the municipality cannot be content to see primary residences transformed into secondary residences to the detriment of those who live and work in Paris”<sup>lxxxiv</sup>. That is why the local government voted in 2016 to increase the occupancy tax (*taxe d’habitation*) liability to 60%. This equates to 60% of the rent that the property would command if placed on the private market. For example, if a second residence would command a rent of €20,000 in a year, the new occupancy tax would be €12,000.

The possibility to increase the occupancy tax to 60% also exists in other large urban areas in France, though Paris is the first city to avail of this option, as the added pressure placed on its housing system by secondary residences is particularly acute, in a way that is not judged by local politicians to be the case in other cities at the present time.

**One of the problems with second residences in general is that the protection that they tend to enjoy from the dissuasive measures discussed in Section 3 is typically based on trust in the self-declaration of their owner.** As noted by the OECD, where vacant home taxes “rely on self-declarations, particularly where taxpayers are not required to provide supporting evidence such as rental income receipts, the tax administration may receive inaccurate information. Failing to capture a sufficient share of vacancies through these measures will significantly limit their impact on the stock of housing, in addition to reducing the tax base. While ensuring that homeowners adhere to their reporting obligations will increase administrative costs, high rates of compliance from owners of vacant dwellings are essential for...[anti-vacancy] policies to be effective”<sup>lxxxv</sup>.

That is why policies that seek to discourage the ownership of secondary residences have the potential to be effective is reducing vacancy. Even if certain ‘weaknesses’ in current administrative structures may be used by owners of vacant homes to erroneously or disingenuously declare the property as a second residence, rather than vacant, **measures like those in Wales or Paris will mean that such owners will now not be able to take advantage of such oversights, or at least not to the same extent.** In other words, the policy objective should be to arrive at a situation in which whether the home is declared as vacant or a secondary residence in effective makes little difference, as in both cases a fine or penalty must be paid. This would increase the opportunity cost of holding vacant property to a level that could force owners to sell or rent the dwellings.

## 4. The growing potential of *district renovation* in Europe

### 4.1 What is district renovation?

While dealing with individual vacant housing units, the aforementioned ‘bad teeth’, can play an important role in helping to add much needed dwellings to the ‘active’ housing stock, and thus alleviate some of the pressure on European housing systems, action at a larger scale may sometimes be necessary or preferable. This “district renovation” approach is ideal for areas where there may be many vacant homes clustered together, as well as vacant commercial premises, and which may also be manifesting concerning social outcomes, such as in relation to employment rates, educational and health outcomes, or population dynamics. **Therefore, we can think of district renovation, at least as it relates to vacant housing, as being about not only tackling vacancy, but also seeking to address some of the drivers and negative outcomes related to it.** As will be shown in the case studies of this section, ‘complementary actions’ are required to deal with these drivers and outcomes.

The possibility of district renovation, sometimes referred to as district regeneration, has become more prominent in many parts of Europe in recent decades, such as through policies aimed at tackling vacant brownfield sites, and increasing the environmental sustainability of the built environment. **This is particularly the case in urban areas, where developable land can be scarce and reusing brownfield sites is seen as an opportunity to add additional housing to the local stock of dwellings.**

**At the EU-level, the current policy agenda includes the promotion of the district renovation approach.** For example, the EU ‘Affordable Housing Initiative’ (AHI) aims to “support SMEs, including social enterprises, to collaborate with public authorities and (social) housing providers, in order to implement renovation projects targeting social and affordable housing, to upskill and reskill and integrate the latest digital, environmental and social innovative solutions targeting social and affordable housing and district renovation, and identify technology needs and developments”<sup>xxxvi</sup>.

In other words, the EU will develop a framework that can help to accelerate and upscale such district renovation projects; the current objective is to develop 100 such ‘lighthouse’ projects right across the EU, which will further enlighten and inspire additional district renovation projects. Of course, as we will show in this section, district renovation is not a new concept, though perhaps it has been underutilised in some regions.

By making the AHI part of the broader EU Renovation Wave<sup>34</sup>, the ambition is to make sure that member states are able to develop projects at scale, which can help in achieving complementary ambitions (e.g., the transition to renewable energy), rather than working to renovate and upgrade individual dwellings only. As will be discussed in Section 4.2, **a one-home-at-a-time approach is less efficient, and is unlikely to allow member states to decarbonise their building stock quickly enough to reach climate targets.** At the same time, cognisant that the Renovation Wave has the potential to leave behind lower-income households, who are less able to afford renovations or may not own their residence, the AHI also seeks to promote district renovation in tandem with the delivery of high quality and affordable housing.

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<sup>34</sup> The [EU Renovation Wave](#) is a strategy that aims to double annual energy renovation rates in the next 10 years. It includes three priorities, which are to tackle energy poverty and the worst performing buildings, concentrate on public buildings, and decarbonise our heating and cooling systems. In order to achieve this, the EU will provide funding to innovation projects, such as the AHI, that aim to increase the capacity of member states to achieve the ambitions of the Renovation Wave.

## 4.2 What are the benefits of taking a district approach?

**The main benefit of taking a district approach to renovations is that it can provide significant economies of scale relative to what could be achieved by renovation or bringing back into use individual dwellings<sup>lxxxvii</sup>. It can also deliver “higher levels of efficiency regarding resource use and waste minimization”<sup>lxxxviii</sup>.**

In terms of the energy transition, **taking a district approach can provide the opportunity to move a number of homes to a common and more sustainable energy system; for example switching buildings from fossil fuels to a sustainable district heating system<sup>35</sup>, or by establishing a renewable energy community<sup>lxxxix</sup>.** Indeed, this is one of the main pillars of the AHI, which seeks to provide a model of sustainable district renovation for others to build upon.

Another important aspect of district renovation comes in relation to the aforementioned complementary actions, which are aimed at addressing some of the drivers and negative social outcomes of local area decline. These complementary actions (e.g., accompanying new public infrastructure, employment and educational supports, local renewable energy production, etc.) **are only feasible on a district scale, as they require significant amounts of human capital, both from external partners and local residents. The possibility to carry out these actions on an *ad hoc* single household basis<sup>36</sup> is therefore simply not realistic.** In areas where vacant housing is symptomatic of wider social and economic issues, an *ad hoc* approach is also pointless if truly impactful results are to be achieved.

**The district renovation approach is important, as it allows for collective action.** This is noteworthy for a number of reasons. Firstly, even where public financial supports are available, the costs that might have to be borne by individual property owners to modernise and improve the quality of their homes can be significant. By pooling resources, local communities can better meet these challenges together. This is illustrated in practice by experiences like those of the Estonian cooperatives discussed in [Section 2.5](#); which also allow for the pooling of liabilities, and more favourable financing conditions.

Secondly, **collective action can also help to justify, or make viable, certain investments.** For example, while more and more property owners are using solar PV to power their homes, investment in batteries and complementary infrastructure to improve their effectiveness could be difficult to justify on an investment cost versus potential reward basis for an individual household. However, approaching energy production from a collective standpoint, such as through the establishment of a renewable energy community, may render such investments viable on a per household basis.

Finally, **as in any collective action, there is a degree of social solidarity at play.** For example, in ideal circumstances any improvement in the quality of homes, local services and amenities from district renovation would be available to all in equal measure, regardless of their financial situation. However, in reality some residents may have been able (and happy) to provide equivalent benefits to themselves from their own resources, meaning that their neighbours without such financial

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<sup>35</sup> District heating networks offer great potential for efficient, cost-effective and flexible large-scale integration of low-carbon energy sources into the heating energy mix. District heating can take excess heat and energy from industrial processes or even newer building types like data centres, and supply it to households. Renewable sources like geothermal can also be used, as connecting many homes to one network can make feasible what could not be achieved in an individual home. In Copenhagen, 98% of buildings are supplied via a district heating network.

<sup>36</sup> “*ad hoc* single household basis” – in other words it would not be a sensible use of time and resources to try to tackle issues like high unemployment, crime, and other forms of disadvantage by treating each household concerned in isolation. Rather, creating effective local frameworks and networks of empowered actors can be cheaper and more effective.



means could be left behind. **Therefore, where universal benefits are provided as a result of district renovation, it may be a case where a rising tide does indeed lift all boats.**

In addition, if residents are required to cover some of the costs of works themselves, well-targeted public financing schemes can help to ensure that it does not create an unsupportable financial burden on those with lower incomes, who in many cases will also have the most to gain from improvements to their homes (e.g., lower energy bills, greater comfort) and the wider community (e.g., improved services, better employment opportunities, greater availability of housing).

The European Commission has stated with regard to its ambitions for the overall environmental transition in the EU over the coming years: “Our ambition should help, not hurt the most vulnerable in society. **This transition will be just, or there will be no transition**”<sup>37c</sup>.

#### 4.3 District renovation – The case of ‘Operation Town Centre’ (ACV)



*Pre- and post-regeneration as part of ACV*

In France, many small- and medium-sized cities and towns have struggled economically in recent decades, partly reflecting a more services driven economy concentrated in large cities, and compounded by the loss of traditional manufacturing jobs. This has brought with it problems in relation to population decline or aging, as well as increases in the number of vacant or derelict buildings – both commercial and residential<sup>37ci</sup>.

Launched in 2018, ‘Operation Town Centre’ (*Action Cœur de Ville* - ACV) brings together a number of public agencies, policymakers, and social partners to tackle issues like vacancy and regeneration in these smaller cities and towns. **A present, 234 towns and smaller cities are part of the ACV programme**<sup>37</sup>.

<sup>37</sup> The full map of urban areas participating in the programme can be viewed at : <https://agence-cohesion-territoires.gouv.fr/action-coeur-de-ville-42#scrollNav-2>

The main objectives of ACV are:

1. *Reinvigorate town centres;*
2. *Enhance the urban, architectural and landscape heritage in the town centres;*
3. *Develop a new and attractive supply of rental housing;*
4. *Contribute to the development of local economic activity (or local businesses).*

**In order to achieve its objectives, the French government has provided €5 billion in funding over five years.** However, in reality most of the money is not coming from central government, but from some of France's many public investment and development agencies. This includes the national investment bank (Caisse des dépôts), which is also the largest source of financing for the French social housing sector<sup>xcii</sup>, the national workers' housing fund (Action Logement), and the national housing agency (Anah – discussed in [Section 2.9](#)). This highlights the importance of having well-resourced and specialised public institutions that can drive forward policy initiatives.

Another crucial partner in ACV is l'Union sociale pour l'habitat (USH), the national federation of social housing providers. USH represents over 400 housing providers in France, who collectively own 4.8 million homes right across the country in towns and cities of all sizes. Thus, **USH is one of the few organisations in France to has a detailed network of actors with experience in the regeneration and management of buildings in town centres; bringing together financing agencies, building managers, the construction sector, supply chain, architects, heritage experts, engineers, and other specialists.**

Social housing providers also have a strict legal commitment to be non-profit, and to serve public functions. Therefore, they can be considered to be 'honest brokers' in accepting and using the capital funding required to meet objective 3 of ACV - 'to develop a new and attractive supply of rental housing'<sup>xciii</sup>. Indeed, **the members of USH are responsible for two thirds of the housing developed as part of ACV**, i.e. more than 10,000 housing units produced or under construction out of the 15,300 financed at the end of 2021.

However, this does not represent 10,000 new build homes. Far from it. According to USH's outline of its role in ACV: **"The deterioration of an emblematic local heritage always constitutes a loss of identity for the local area in question. In close partnership with local authorities, social housing associations acquire and renovate properties of special character, thus giving a second life to a heritage that is sometimes abandoned"**<sup>xciv</sup>. This has seen social housing providers purchase or take ownership of many vacant heritage buildings in town centres, and bring them back into use as social and affordable housing. USH members have also been able to reach their objective for the provision of additional affordable homes by converting non-residential buildings into residential units. This includes buildings such as convents or other former religious sites, offices, post-offices and workshops.

However, many of the actions described above largely relate to dealing with the aforementioned 'bad teeth' of vacant buildings in town centres. **ACV is also about creating new areas within towns, in order to bring together a critical mass of residential, commercial, public, and recreational buildings.** By making sure that town centres serve useful functions throughout the day (e.g., that they cater to both households and workers), it can help to better support surrounding local businesses, such as shops and restaurants, which in turn can attract greater investment in future projects and local development.

**The success of ACV is based on the fact that it is structured to involve every tier of government and relevant public agencies**<sup>xcv</sup>; from France's network of directly elected mayors, of which there are approximately 35,000, right up to the national ministries responsible for finance, environment, and development. Thus, strong multi-level governance (MLG) has been an essential

feature of ACV. This aligns well with the recommendations of the #Housing2030 initiative from Housing Europe and the United Nations on developing credible strategies for delivering affordable housing<sup>xcvi</sup>.

#### 4.4 District renovation – The ‘Aalborg Model’ of participative regeneration



*Regeneration of Aalborg Øst neighbourhood*

It can be all too easy to consider district renovation in a way that excludes the most important element; the people that make up our communities. Indeed, many policymakers have been guilty, at least from time to time, of taking a top-down approach to policy formation, which leaves out the views and needs of those who will actually be most impacted. When it comes to ensuring strong, cohesive, and vibrant communities, such a hierarchical approach simply will not suffice.

Aalborg East (*Aalborg Øst*) is a socially vulnerable district in Denmark’s fourth largest city, with a high concentration of social housing tenants. Many social indicators such as the unemployment and crime rates were historically high in relative terms. The broader economic issues meant that local shops and businesses were closing down. As a result, **it was challenging to attract new residents to the area, which resulted in the area isolating itself and becoming increasingly marginalised.** Housing vacancy was also, therefore, an issue.

In order to improve outcomes for local residents, the decision was taken by local stakeholders, led by the non-profit housing provider Himmerland Boligforening, to try a new approach to district renovation that went above and beyond simple repairs to homes or other cosmetic measures. The planning started in 2008 and the first step was taken by tearing down three residential blocks to create a new medical centre and community centre. **The plan was endorsed by the community in a vote, gaining the support of the vast majority of residents.** The medical centre was an important step to make the city district accessible to all people and to show the residents that investments were going into their area<sup>xcvii</sup>.

**Concurrently, an overall spatial plan for the district was made, and three building committees were created with residents being on an equal level with the local non-profit housing organisation, investors, architects, policymakers, and other advisors.** Strategic



partnerships with research institutes helped to ensure that the latest building techniques were used in the renovation of buildings, and other changes to the local urban environment. The overall district renovation project was split into three phases, and works were completed between 2014 and 2021.

In terms of the impacts of what was tested in Aalborg, the numbers speak for themselves. The number of residents in employment rose by 37% between 2015 and 2019. Average household incomes are up by over 20%. Educational attainment is also up, aided by linkages made with local companies to provide internships and other opportunities for residents. Crime rates have dropped significantly, with criminal charges for local residents down by 44%<sup>xcviii</sup>. Finally, **the collaborative framework developed between the residents and other stakeholders during the project has been maintained, and participation in local decision making remains strong**<sup>xcix</sup>.

The Aalborg East experience shows the importance of getting the buy-in of local residents in regeneration projects, especially in areas where the economic and social context is leading to issues like high vacancy rates, and the marginalisation and isolation of remaining residents. **The decision to put local services and facilities at the heart of the plan was also important, as it helped to inspire new confidence in the future of the area and attract additional footfall to the centre of the district.** Finally, the decision to provide 'wrap-around' services for residents, such as additional educational and training opportunities, has been linked to a change in the economic fortunes of the area, which can in turn help to support the local economy and make the area more attractive for new residents. In this regard, the leading role played by the local non-profit housing association was essential.

#### 4.5 District renovation – Gårdsten: transforming a community in decline



*New residential buildings and Gårdstensbostäder's new headquarters in the centre of Gårdsten*

Gårdsten is a district in north-eastern Gothenburg, Sweden. Its roughly 2,200 original housing units were built to house workers from the city. However, over time economic problems gave way to social problems. Crime rates were high, as was unemployment. As a result, residents started to leave Gårdsten.

However, in 1997 a new municipal housing company was founded; Gårdstensbostäder<sup>c</sup>. Its role was to take over the management of Gårdsten, **though at this time, 800 of the original 2,200 dwellings were vacant, and attracting new residents was simply not possible.**

**Gårdstensbostäder's main function, therefore, was to reverse the decline of the district, tackle vacancy, and bring in new investment and residents.** Its 'terms of reference' for its work "included adopting a long-term approach to sustainability in three dimensions: social, ecological and financial, with an emphasis on social sustainability for the entire district"<sup>ci</sup>. In addition, a key aspect of how Gårdstensbostäder would function was that its offices were located directly in Gårdsten, in order "to facilitate real influence from and engagement with tenants, increase safety, and design measures to create jobs".

**In terms of its ecological objectives, a number of investments were taken to increase the environmental sustainability of the area, and change public perceptions.** This included shifting away from fossil fuels, including by installing 780 MWh of solar PV. At the same time, an emblematic wind turbine was installed on a local hill, in cooperation with a local energy company. Other measures included moving home appliances, such as washing machines, to district heating, and partial renovation of homes, e.g., replacing old windows. Overall, residents saw their energy bills decline, and their disposable incomes rise.

In terms of the social dimension, **one of the first actions taken was to establish bus routes that linked Gårdsten to Gothenburg, a service that was previously lacking.** In addition, there was an emphasis on using renovation projects as an opportunity to train local residents, and provide them with new employment opportunities. Between 1998 and 2006, more than 870 new locally based jobs were created, and new training courses were developed<sup>cii</sup>. In addition, **a majority of Gårdstensbostäder board members are tenants. This reinforces the participation of local residents in the regeneration of their district.**

Indeed, working with local residents was fundamental to the transformation of the area. When the district renovation was being developed, tenants were involved in all stages of planning. **This included organising walking tours with external partners, and showing them what worked and what did not.** Frequent public forums and other meetings also took place.

Importantly, the general quality of dwellings was deemed to be good, thus renovations took place instead of demolitions. However, in a more recent phase of the project, some old eight-story buildings were replaced with lower rise buildings, which were more in keeping with the rest of the area<sup>ciii</sup>. **New recreational facilities for residents have also been added. In addition, a new commercial square was added, by modifying existing buildings. New shops have opened, including a large supermarket.** However, initially no new shops wanted to open in Gårdsten, so Gårdstensbostäder took the decision to set up its own independent shop, which provided a proof of viability, and which then inspired others to invest in the area.

These new businesses have helped to continue the improvement in the labour market, with local residents gaining new employment opportunities. **Gårdstensbostäder has also taken the unusual step of establishing its own employment agency, to help tenants to better find employment**<sup>civ</sup>.

In terms of the all-important question of vacant housing. **Not only has Gårdstensbostäder gone from an initial position of about one-third of its stock being vacant to being able to fill those units, but new homes have had to be built in order to cater for new residents who have been attracted to the area.** This includes new public housing units, but also cooperative housing, and private condominiums<sup>cv</sup>. Between now and 2025, 1,500 new homes will be built<sup>cvi</sup>.



The model developed in Gårdsten has been a success. Analysis shows that the public investment in the area has actually been 'profitable' from a combined economic and social impact perspective<sup>cvii</sup>. This reflects increases in wealth, lower crime rates, higher levels of employment, decreased use of public resources, and dispersion effects. **Indeed, in 2020 Gothenburg municipality announced an investment of 11 billion SEK (around €950m) for strategies and acts enabling the same type of district renovation in six similar areas in decline in and around Gothenburg.**<sup>cviii</sup>

What Gårdsten shows us is the importance of truly understanding what is driving local housing vacancy, and related social and economic problems. Once identified, a clear and credible framework can be developed, both by external experts and the community themselves, in order to tackle each cause and symptom in turn. This supports our discussion in Section 1 on the importance of identifying which policy tools are well adapted to deal with vacant property at the local level. Gårdsten is a case where this was done successfully. **Thus, even in areas with differences to Gårdsten (e.g., building typology, demographics, location), the overall processes used can still be highly relevant and provide a basis for replication.**

## 5. Conclusions & Recommendations

**Housing vacancy is a complex issue, which requires careful examination.** Indeed, why homes become vacant can depend on a number of factors, many of which have been outlined in this briefing. Although, many other locally specific drivers of vacancy also exist.

Therefore, when formulating policies to deal with vacant homes, in an attempt to bring them back into use, policymakers must be careful to use measures that are well suited to the particular local context. They must also take steps to ensure that systems to analyse local housing sectors exist, and that there is also a commitment to transform timely and credible analysis into equally timely and credible policy action. **Such a step-by-step process of analysis, policy development, and implementation is essential to achieve better housing outcomes, as there is no universal blueprint when it comes to good housing policy.**

Many of the policy tools for tackling vacancy that have been discussed in this briefing rely heavily on the availability of reliable information on the current uses of the housing stock. If owners of vacant property can evade detection, in one way or another, then these tools will struggle to have the desired effect of bringing homes back into use. **Therefore, strong and well-resourced systems of monitoring, evidence gathering, and enforcement are equally as important as any other policy initiatives outlined in this briefing.** There is no point in having a tool at your disposal if you are unable to use it effectively.

**At the same time, policymakers must understand well the motives and thinking of owners who leave dwellings vacant.** As discussed in Section 1, measures to deal with vacant residential property need to be designed to illicit the desired response from the current owners. While the support mechanisms outlined in Section 2 may be appropriate in some instances, in many cases holding vacant property is a choice that a given owner is making. Therefore, in cases where we can conclude that a given vacancy is voluntary, or perhaps that the tools discussed in Section 2 are not a prudent use of public money in the local context, then taking measures to deter owners from leaving property vacant may be the best course of action.

Scale is also an important factor to be considered with regard to vacant homes. While dealing with individual vacant housing units, the 'bad teeth', can play an important role in helping to add much needed dwellings to the active housing stock, and thus alleviate some of the pressure on European housing systems, action at a larger scale may sometimes be necessary or preferable. **The district renovation approach is ideal for areas where there may be many vacant homes clustered together, as well as vacant commercial premises, and which may also be manifesting concerning social outcomes;** such as employment rates, educational and health outcomes, or population dynamics.

As discussed, vacant housing is associated with many undesirable outcomes; from increased crime rates, health and well-being impacts, and environmental sustainability. With regard to the latter issue, policymakers must consider the environmental impact of meeting housing production targets solely through new builds. As evidence shows, **in most cases the renovation and reuse of vacant housing is the more sustainable way of adding to the active housing stock.**

At the same time, such an approach provides additional benefits, such as **"maintaining the cultural heritage offered by the built environment and the personal attachment people feel for their homes and local communities"**<sup>cix</sup>.

**Overall, while this briefing contains many commendable policy tools and initiatives, their relative success depends on having in place the right systems of public support and oversight to ensure that they can achieve their objectives.** This also requires the sincere commitment of policymakers and other relevant stakeholders to achieve better housing outcomes,

as opposed to a slew of policy announcements and ‘initiatives’ that are then deprived of resources or otherwise neglected; with the end result that little discernible improvement is made.

With all of that being said, what are the main policy recommendations that can be taken away from this briefing? Some of the main points are outlined below:

1. **Policymakers need to properly understand why housing is remaining vacant** – this requires putting in place well-resourced and credible systems to analyse local housing markets. Credibility can be endowed via broad political support for such analysis, as well as through the provision of adequate resources in terms of financing, staffing, and infrastructure (e.g., digital databases and analysis tools).
2. **Policymakers should ensure that current definitions of vacant housing are fit for purpose** – in many countries, unclear definitions, a reliance on self-declaration by owners and a subsequent lack of verification by public authorities, as well as frequent use of loopholes by owners can lead to difficulties in accurately detecting and measuring vacant housing. Policymakers therefore need to review if the current system and definitions are fit for purpose.
3. **Policymakers must make sure that the policy tools used to deal with vacant housing are well-adapted to the local context** – credible systems of analysis should naturally lead to the development of well-targeted policy initiatives to tackle vacancy
4. **Policymakers should try to avoid incurring dead-weight losses** – as much as possible, support schemes aimed at bringing homes back into use must try to find an equal balance of benefits for owners and society as a whole. Providing funding, for example, where it is not needed raises questions about value for public money. Schemes that provide supports to owners to turn vacant homes into rental properties for low-income households, for example, can help to bring the benefits for owners and society more into balance.
5. **Policymakers need to ensure that their policies are inclusive** – the ownership of secondary residences (i.e. those that may be vacant), is highly concentrated amongst the wealthiest sections of society. The risk of dead-weight loss related to providing supports for such households is therefore high. At the other end of the spectrum, low-wealth households who may own vacant property may be unable to avail of much needed support schemes; for example if supports are only provided after the completion of works, i.e., no pre-financing. Policymakers therefore need to find ways to ensure their support policies are inclusive, and that those who can benefit most are not excluded
6. **Policymakers should take a multi-pronged approach to dealing with vacancy** – individual policy measures to deal with vacancy may struggle to have the desired outcome. Therefore, a multi-pronged approach should be taken, where several policy measures are used in combination. This may make it harder for owners to avoid bringing their dwelling back into use.
7. **Policymakers may need to engage many actors to deal with vacancy** – as highlighted by some of the case studies in this briefing, dealing with vacancy can often require a coalition of different actors to come together. This reflects the fact that vacancy, and related social and economic issues, is complex and it is likely that no one agency or public body will be expert in all areas of relevance. However, in order to be successful, the roles of partners in such coalitions need to be well-defined as part of an overall local master plan for tackling vacancy.
8. **Policymakers need to ensure that measures do not create extra issues for those experiencing difficult personal circumstances** – the concept of “compassionate vacancy” developed in this briefing needs to be considered, where policies aimed at bringing vacant

property back into use do not add to stress or pressure on households dealing with unexpected personal circumstances.

9. **Policymakers must consider the preservation of local heritage** – many vacant homes in Europe are older units located outside the main urban hubs. These properties can play an important role in defining the character of their surroundings. When such homes are left to vacancy, and potentially dereliction, it undermines local heritage and creates negative impacts for residents. Once well measured, appropriate measures need to be applied in order to make sure that such homes are preserved and brought back into active use.
10. **Policymakers should consider making the link between vacant housing and other policy objectives** – when dealing with vacant housing there are many important linkages that can be made with other pressing public policy objectives; for example, tackling homelessness, or finding accommodation for refugees. As discussed, regenerating vacant housing can also offer a more environmentally sustainable alternative to new construction, especially as European countries look to curb carbon emissions.

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# HOUSING EUROPE OBSERVATORY



**BE CITY** **BE CITY**

**PERMIS DE CONSTRUIRE**

Projet N° : 009 378 20 0 0063  
 Décret de : 0 9 C 4 2 0 2 1

Statut : 852 - 160 rue de Brée - 59000 Courmoulin  
 Adresse : 130 - rue Courmoulin - 59000 Courmoulin

Service des permis : Construction d'un immeuble de 12 logements et d'une maison individuelle

Surface au sol : 1 487 m<sup>2</sup>  
 Surface de planchers au-dessus : 890 m<sup>2</sup>  
 Hauteur de la construction au-dessus de ses soubassements : 9,55 m  
 Surface autorisée à bâtir : 172 m<sup>2</sup>  
 Date d'expiration de validité : 12/04/2021

Prévoir sur les plans et sur les plans de coupe et de coupe

Mairie de Marquain - 103 av. du Maréchal Foch

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**BE CITY**  
**PERMIS DE CONSTRUIRE**  
 Projet N° :  
 Décret de :  
 Statut :  
 Adresse :  
 Service des permis :  
 Surface au sol :  
 Surface de planchers au-dessus :  
 Hauteur de la construction au-dessus de ses soubassements :  
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